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Series : **EUROPEAN POLICY**

File Title : **EUROPEAN COUNCILS**

Part : **9**

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 March 2003

Dear Jonathan,

EUROPEAN COUNCIL, 20-21 MARCH:
PRIME MINISTER'S BILATERALS

The Prime Minister had a number of informal bilateral contacts in the margins of the 20-21 March Brussels European Council, in addition to the meeting with Italian Prime Minister Berlusconi (recorded separately). The following are the highlights:

(a) The Prime Minister had three contacts with Chirac. During the first session on 20 March, he and Chirac shook hands. On the morning of 21 March, Chirac gave the Prime Minister a hand-written note of sympathy over the death of the British servicemen in the helicopter accident in Kuwait. Shortly before departure on 21 March, Chirac approached the Prime Minister for what became a fifteen minute tete-a-tete. During this conversation, according to the Prime Minister's read-out, Chirac had complained that the UK had been aggressive towards France recently. He had urged us to calm this down. The Prime Minister had replied that France had been aggressive towards the UK. Chirac had made clear that he wanted to have close relations with the US, as partners not rivals. The conversation had been genial.

(b) **Schröder** was notably friendly towards the Prime Minister in several contacts throughout the Council.

(c) On Iraq, the Prime Minister briefed in general terms those colleagues who are supportive on the first stages of the military campaign, including **Balkenende**, **Fogh Rasmussen**, **Durao Barroso** and **Aznar**.

(d) The Prime Minister had a short meeting with **Prodi**, during which Prodi sounded pained about Iraq. The Prime Minister explained that he would have liked to have seen Prodi when he was visiting London for Roy Jenkins' memorial service on 27 March, but he would probably be away.

(e) The Prime Minister met Hungarian Prime Minister **Medgyessy**, at Hungarian request. The Prime Minister updated him on the Iraq campaign, thanked him for Hungarian support, and reassured him that there must be no delay to EU enlargement, despite Franco-German threats. Medgyessy said that if he could help over Iraq in any way the Prime Minister should let him know.

(f) The Prime Minister was unable to stay for the lunch with the accession and candidate countries, but he spent time with them before it. He updated the **Polish** Prime Minister on the Iraq campaign. He thanked in particular the Polish, **Bulgarian**, **Czech** and three **Baltic** Prime Ministers for their support on Iraq. He also congratulated the **Maltese** Prime Minister on his referendum victory. Finally, he reinforced the Foreign Secretary's messages to **Turkish** Foreign Minister Gul. The Prime Minister asked Denis MacShane to represent him at the lunch, and he will no doubt provide a read-out.

I am copying this letter to Peter Watkins (MOD), John Scarlett and Desmond Bowen (Cabinet Office), PS/C, Sir Nigel Sheinwald (UKRep Brussels), Sir John Holmes (Paris), Sir Paul Lever (Berlin), Nigel Thorpe (Budapest), Michael Pakenham (Warsaw), Vincent Fean (Valletta) and Peter Westmacott (Ankara).

Yours,

Matthew Rycroft

MATTHEW RYCROFT

Jonathan Sinclair
FCO

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EUROPEAN COUNCIL, BRUSSELS, 20-21 MARCH

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Steering Brief

- Simitis invitation letter
- Prodi letter

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	2:	Middle East Peace Process
	3:	Western Balkans
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	5:	EU tax package and milk quotas
	6:	Fostering enterprise and entrepreneurship
	7:	Completing + extending the internal market: sectoral issues
	8:	Completing + extending the internal market: horizontal issues
	9:	Building the knowledge-based economy
	10:	Reforms for more and better jobs /solidarity+ social cohesion
	11:	Sustainable development
	12:	Maritime safety

13: Better management of the global asylum process

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15: Sites of Agencies (contingency)

16: North Korea

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18: Foreign Secretary/ Vitorino pull aside

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EUROPEAN COUNCIL, BRUSSELS, 20-21 MARCH 2003

LIST OF SUPPORTING DOCUMENTS

Steering Brief

A. Simitis invitation letter
B. Prodi letter

Brief No.

1: Iraq

A. Summary of views of EU partners and accession/candidate countries
B. Draft Declaration in the event of war having started
C. GAERC Reporting Telegram (UKRep Telno 331)
D. Netherlands COREU (CFSP/Hag/0200/03)
E. Iraq Phase IV paper
F. Attorney General's legal basis for use of force
G. UNSCR 678
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J. Iraqi non compliance with UNSCR 1441
K. Azores Summit statement: transatlantic solidarity
L. Azores Summit statement: Iraq and the Iraqi people
M. Prime Minister's opening speech to the House

3: Western Balkans

A. 18/19 March GAERC Western Balkans conclusions

4: Economic context and policy tools

A. Executive summary of ECOFIN key issues paper
B. ECOFIN key issues paper
C. ECOFIN report on strengthening co-ordination of budgetary policies (SGP)

11: Sustainable development

A. Prime Minister's joint letter with Persson

12: Maritime safety

A. 6 December Transport Council conclusions

13: Better management of the global asylum process

A. Prime Minister's letter to EU Partners

14: **European Central Bank voting modalities (contingency)**

A. Draft minutes statement on adoption of Decision
B. Draft Council Decision
C. Commission Decision
D. EP Resolution

17: **Cyprus**

A. Extract from Copenhagen conclusions

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EUROPEAN COUNCIL, BRUSSELS, 20-21 MARCH

PROGRAMME

Thursday 20 March

1805	Arrival of the Prime Minister, the Foreign Secretary and accompanying officials at Brussels National Airport
1830-1925	Bilateral Meetings at the Justus Lipsius Building (Prime Minister with Prodi, Solana and Berlusconi)
1930	The Prime Minister and Foreign Secretary received by the President of the European Council and the Greek Minister for Foreign Affairs.
1930- 2000	Meeting with the President of the European Parliament
2000- 2100	First Working Session (Prime Minister and Foreign Secretary) (Iraq)
2100- 2245	Dinner Heads of State and Government, the President of the Commission and the Secretary General/High Representative and the Foreign Ministers (Iraq, MEPP and Western Balkans)
2100-2245	Dinner Ministers for Economy and Finance
2230	Presidency Press Briefing

Friday 21 March

0900	Arrival of the Chancellor of the Exchequer and accompanying officials at Brussels National Airport

0900-0920 Members of the European Council arrive at Justus Lipsius. (No Protocol Order)

0925-1230 Second Working Session. Heads of State and Government + 2 Ministers (Economic reform)

1230-1250 Arrival of the Heads of State and Government and the Ministers of Foreign Affairs of the Accession 10 and the three Candidate countries. Received by the President of the European Council and Greek Foreign Minister.

1300- 1430 Separate Working Lunches:

- Heads of State and Government (Member States, Acceding and Candidate countries) (Iraq, MEPP, Western Balkans, Economic reform)
- Foreign Ministers (Member States, Acceding and Candidate countries) (MEPP, North Korea, Cyprus)
- Finance Ministers (Member States, Acceding and Candidate countries) (Economic Reform)

Friday 21 March

1440-1455 Family Photograph

Concluding Press Conferences

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

STEERING BRIEF

1. You, the Foreign Secretary, the Chancellor of the Exchequer and the Minister for Europe will attend the Spring European Council in Brussels on 20 and 21 March. This is the fourth in the sequence of economic reform "Spring Councils". But Iraq will dominate: the Presidency hope to get a declaration on this. And you will want to launch our ideas on managing the flow of asylum seekers to Europe. Simitis's letter of invitation is attached.

2. Members of the European Council will arrive at the venue – the Justus Lipsius building – from 1900 onwards. The **first working session** (1930 – 2100) will begin with the customary exchange of views with Pat Cox, the President of the European Parliament. The remainder of the session (from 2000) will be devoted to Iraq (brief no 1). Our objective is to draw a line under recent divisions and focus discussion and any declaration on the EU's role in post-conflict Iraq, an issue on which EU unity should be more achievable. Finance Ministers, meanwhile, will discuss international economic developments.

3. At 2100 Heads of State and Government and Foreign Ministers will have a joint **dinner**. Discussion on Iraq will continue, followed by consideration of the MEPP (brief no 2). Western Balkans (brief no 3) will also be discussed. There will be a separate dinner for Finance Ministers. The Presidency hope to get agreement to Declarations on the MEPP (as a companion piece to any Iraq text) and on the Western Balkans. On the MEPP we should welcome President Bush's intention to publish the Roadmap and Arafat's to appoint Abu Mazen as Prime Minister. We should also send a

strong message on settlements. On Western Balkans, our aim is for the EU to send signals of support to the reformers in Serbia and Montenegro following the assassination of the Prime Minister, whilst not undermining our policy of conditionality.

4. The European Council resumes at 0925 on Friday. The **second working session** (0925-1230) for Heads, Foreign Ministers and Ministers of Finance will be devoted to economic reform. This has been well prepared with a formal annotated agenda, which will serve as the basis for the Council's conclusions. Our four priorities (more jobs, less red tape, the single market, R&D and innovation) are well reflected. It is worth highlighting three issues:

- Establishing the employment task force: **our key objective for the Council**. It should be a small, high level, and independent group. It should report to the Commission, but also publish its findings. Sutherland and Kok are the front-runners for Chairman;
- Services of General Economic Interest (SGEI, ie public services): The annotated agenda includes a positive reference to a framework directive on SGEI. This will please Chirac and gives France an opening to weaken and limit EU state aids policy on public utilities. It goes well beyond the language of your joint letter with Chirac and Schroeder. We should strongly resist; and
- Defence R and D: a Presidency enthusiasm: we cannot accept the idea of a Commission initiative on defence R and D (outside their competence), but could accept an inter-governmental Defence Capabilities and Acquisition Agency.

5. We also need to keep an eye on four other non-reform issues, the first two of which are currently in the annotated agenda:

- Maritime safety: we can support much of the EU agenda on this – including most of the issues dear to Aznar and Chirac. But we should resist talk of renegotiating the UN Convention on the Law of the Sea (UNCLOS); oppose ideas for a new Community-funded fleet of oil clean up

vessels; and get an agreed ceiling for the proposed compensation fund (up to euro 1 billion).

- European Space Policy: the present text would extend Commission competence unacceptably – but we can accept development of an EU "Space Strategy".
- Italian milk quotas: where Berlusconi wants to grant tax reliefs to cover fines paid by Italian farmers caught breaking their quotas. UK farmers, having paid their fines in the past, would be furious. The issue should be sent to the Agriculture Council; and
- Cyprus: Our latest read-out suggests that the Presidency may not now seek conclusions. But if they do, the key is to avoid language which prejudice sTurkey's EU candidature, for example by making a Cyprus settlement a pre-condition for Turkey starting accession negotiations.

6. The Council will break at 1230. **Lunch** will be at 1300 with the Accession 10 and the three candidates (with Iraq, MEPP and Lisbon for Heads, and MEPP, North Korea and Cyprus for Foreign Ministers; Finance Ministers will discuss Lisbon). The lunches with the Associates and Candidates may be fraught as they remain troubled by Chirac's outburst on enlargement at February's Special European Council because of their support for the UK/US line on Iraq. At 1440 there will be a family photo with the accession 10 and candidates. The Council will not resume after lunch.

(18.03)

Athens, 18 March 2003

I have great pleasure in inviting you to the spring European Council which is to be held in Brussels on 20 and 21 March.

The developments concerning Iraq lead us to change our initial plan for the Summit, as discussed in Coreper. The issue of Iraq is dominating the world agenda and we must therefore focus our attention on it before anything else. At 19.00 on Thursday 20 March, I shall welcome you to the Justus Lipsius building. At 19.30, we will begin our proceedings with an exchange of views with the President of the European Parliament Mr Pat Cox. At 20.00, we shall discuss the issue of Iraq, continuing our discussions during the dinner at 21.00, where we will be joined by the Foreign Ministers. In the course of the dinner, we will also discuss developments in the Middle East and the Balkans.

The Ministers for Finance will hold a special dinner, where they will be discussing the international economic situation.

Earlier in the day, at 10.30, a meeting of the Social Affairs Troika will have taken place, followed by a press conference at 12.00.

On Friday 21 March, our first working session begins at 9.30 and will also be attended by the Foreign and Finance Ministers. It will cover issues falling within the framework of the Lisbon strategy.

Three years after Lisbon, we are faced with an exceptionally difficult and changing international economic and political environment. In this context, it is imperative that we confirm and strengthen our policies for economic and social reform and for a Europe of sustainable development, which creates wealth, prosperity and jobs.

With the fourth year of the ambitious ten-year programme of reform, agreed upon in 2000, now under way, I would like us, during our meeting, to look back over our three years of experience, noting our difficulties, but also our successes: the opening-up and the integration of european markets, the boosting of entrepreneurship and innovation, the promotion of employment and the strengthening of social cohesion and our policies on the environment and sustainable development.

We shall be basing our work on two important texts: the spring report from the European Commission and the "key issues paper" approved by the Economic and Financial Affairs Council.

On the basis of the new Seville procedure, the General Affairs Council will have prepared our meeting by drawing up the annotated agenda so that there is a consensus on the conclusions, concerning most of the various issues covered by the Lisbon strategy. I hope that we will thus be able to conclude the meeting by 13.00.

During our meeting, we shall convene as the Council at the level of Heads of State or Government in order to adopt the amendment to Article 10(2) of the Statute of the European System of Central Banks and of the European Central Bank, concerning the voting procedure at the ECB.

At 13.00 we shall attend a working lunch together with the acceding and candidate countries. There will be an exchange of views on the issues, which we shall have discussed up to that point at the Summit, namely Iraq, the Middle East, the Balkans and the Lisbon strategy.

The Ministers for Foreign Affairs, together with their counterparts from the acceding and candidate countries, will attend a separate working lunch where they will discuss the latest developments in the Middle East, North Korea and on the Cyprus question.

At the same time, the Ministers for Finance will hold a separate lunch with their counterparts from the acceding and candidate countries in order to discuss structural changes and better integration of the Lisbon objectives in the policies of the acceding and candidate countries.

At 14.40, we will assemble, together with the acceding and candidate countries, for the traditional family photograph.

Press conferences will follow immediately afterwards.

It will be a great honour and pleasure for me to welcome you to Brussels this coming Thursday. I am convinced that our meeting will bear fruit and prove to be profitable for all of us.

Yours sincerely,

Costas Simitis

ROMANO PRODI
PRESIDENT OF THE EUROPEAN COMMISSION

Brussels, 19 March 2003

Today the world is divided and the divide also runs through the Union. The situation is grim and we need to study the root causes if we are to bridge the divide and turn this crisis into a springboard for the Union.

We are divided but on the means, not the ends and not even on the EU's strategic alliances. At all events, the Union must reforge its unity quickly so it can look to the future. Military operations in Iraq will not spell the end of the fight against international terrorism. Meanwhile, the dramatic spectacle of poverty and exclusion across the world is still before our eyes and the mix is growing more explosive by the day, while the Middle East deserves the right to peaceful coexistence with one state for Israel and one for the Palestinians.

Our unity is basically what Europe's citizens are demanding in these tense days. And I deliberately use the term "Europe's citizens" because the views they are expressing give clearer proof of a European identity than complicated political and institutional blueprints. They are showing a united front and we must show we are united too.

The Spring European Council is meant to be the high point in EU political life for measures to boost growth and create jobs. Clearly all this will now be more difficult. But we must not give up on a process we have taken such pains to develop. The message must be clear: we must press ahead resolutely with the economic reform process set in motion at Lisbon.

./..

H. E. Mr Costas Simitis
Prime Minister of Greece
President of the European Council
Maximos Mansion
Heredou Attikou 19
GR-10021 Athens

We must also show we are capable of taking the steps required to foster confidence that is vital to growth.

In the Commission's Report presented in January, I stressed the importance of knowledge and innovation and of accelerating the pace of reform in jobs and product markets. These are the areas where we can build confidence. We must invest more in people and their skills, and create the right environment in which innovative businesses create jobs and are willing to grow.

We can acknowledge policy successes already achieved - such as the recent breakthrough on the Community Patent or the improvements in financial markets, energy and transport, the launch of action plans simplifying the regulatory environment and the roadmaps for key future technologies such as bio-technology.

But we have yet not done enough at a national level to deliver the reforms to see them through. We must now more than ever use the Summit to make an active choice to grow.

We must therefore:

- Focus on jobs.
- Agree on Union's actions to strengthen innovation, entrepreneurship and knowledge in order to place competitiveness centre stage.
- Agree on a timetable to reach final agreement ahead of the 2004 Spring European Council on key remaining Lisbon reforms (railways, energy markets, a Single European Sky, financial markets, procurement markets, the information society, temporary agency workers, cross-border social security rules, bio-fuels, energy taxation, liability for environmental damage and climate change).
- Express our support to recently agreed measures to strengthen budgetary policy coordination and undertake to further activate coordination if the economic situation necessitates it.

In addition, we should assess the situation in the light of the events in Iraq in order to start considering whether urgent measures may prove necessary.

I look forward to discuss all this with you and with acceding and candidate countries.

Romano Prodi
(signed)

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

BRIEF NO 1: IRAQ

The Presidency, Solana and most partners are looking for ways for the EU to come together again on Iraq and to be seen to be doing so. The Presidency hope to agree a declaration. Solana, prompted in part by us, has suggested it should focus on post-conflict (Phase IV) issues e.g. on humanitarian assistance and post-conflict reconstruction, possibly with an initial focus on dealing with refugees in Northern Iraq. The aim would be to task the Commission to get on with contingency planning. (Patten has made clear the need for political cover to give legitimacy and urgency to this exercise). Partners also want the Council to give a clear message on Iraq's territorial integrity and to send a firm signal against Turkish intervention. We need to ensure that the latter is phrased in terms acceptable to the Turks.

There is of course a risk that Chirac and Schroeder may want to major on their view that military action is illegitimate in the absence of a new UNSCR. Chirac may be reluctant to engage in a discussion on reconstruction at this stage, and may be looking for a row. The Quai issued a statement on 19 March saying the French authorities were 'shocked and saddened' at UK government statements in the Commons, which "were not worthy of a country which is both a friend and a European partner."

The Dutch have surfaced some helpful ideas in advance of the Council. Their position is close to ours on what sort of Iraq we want to emerge; the greatest possible post-conflict role for the international community including UN and EU institutions; and on the need for the UN Security Council (a) to administer Oil for Food in the absence of a Government of Iraq and (b) to give UN cover for Phase IV arrangements. They and the Belgians are also floating the idea of an EU Special Representative. We do not see any problem in principle with having a post-conflict Special Representative but their clout will depend on the EU making a significant contribution to Phase IV activities.

You should intervene early to explain current coalition thinking, and support the Presidency/Solana wish to move the debate forward. You should stress that the focus for EU discussion must now be how the EU can contribute to both the immediate humanitarian needs of the people of Iraq and shaping an Iraq that is in accordance with our "Vision for Iraq and the Iraqi People". **You should also call for the EU to engage with the UN and US on humanitarian assistance and post-conflict reconstruction, under UN auspices.** You might make clear that the coalition is committed to stabilising Iraq and preserving its territorial integrity.

The Presidency have said that they expect most refugees to be protected in the region, rather than by invoking the Temporary Protection Directive. You might make clear that we support this approach and will commit resources to regional refugee camps (cf separate brief on Asylum).

Our assessment of partners' latest positions is attached. **You might take a moment in the margins to commend Rasmussen on his courageous decision to commit Danish military assets** - he was drenched in red paint by protestors yesterday. **You might also thank Simitis for the prompt action by Greek police to resolve a dramatic sit-in at the British Consulate in Thessaloniki yesterday.**

Our Objectives are to:

- **agree a statement** committing the EU to a humanitarian assistance and post-conflict reconstruction, under UN auspices, and tasking the Commission/Council Secretariat to press ahead with contingency work.

- focus minds on the need to start rebuilding the transatlantic relationship. An active EU approach to Phase IV offers a chance to do this while ensuring that the EU has a lever on the future of Iraq.

- (if necessary) refute accusations that the UK position on the use of force undermines the EU, UN or international law, drawing on the Attorney General's statement.

The key arguments are

- need to **find a common way forward** on the fundamental objectives on which we all agree: **progress towards a stable, peaceful and prosperous Middle East**; and **concerted international action to tackle the threat posed by the proliferation of WMD**, including its possible use by terrorists.

- it is **in all our interests that a post-conflict Iraq becomes a contributor to regional stability and development** rather than the constant threat it has been for the last twenty years.

- **we will be seeking new UNSC Resolutions to mobilise Oil for Food resources in support of the immediate humanitarian needs of the people of Iraq, and to provide UN cover for transitional arrangements and post-conflict reconstruction,** enabling the widest possible use of the international community's resources and expertise**, including those of the EU, the UN and the IFIs.**

- the EU has a lot to contribute on the reconstruction of Iraq; the evidence of our expertise and efforts is plain to see in the Balkans and Afghanistan.

- **need to ensure that the US continues to view the EU as a constructive partner on the global stage**, and in particular in the Middle East (only sustained engagement has persuaded the US to publish the Road-Map).

[Defensive arguments: if raised]

- **[undermining UN]** no-one worked harder than the UK to try to bridge the gap in the UNSC or to ensure that Iraq was tackled multilaterally through the UN.

- **[breach of EU position]** our national position has been entirely coherent with that agreed by the European Council on 17 February

- **[inspections were working]** UNSCR 1441 was clear: it demanded full, active, and immediate co-operation from Iraq. This was never forthcoming, although Iraq had 12 years to disarm. UNMOVIC's "clusters" document details 12 years of Iraqi intransigence and deceit.

EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

Elements for an Intervention on Iraq

- Must first express my regret that the Security Council did not reach agreement on a new resolution setting out benchmarks for Iraqi compliance. UK did its utmost to facilitate consensus. The time has come for action to disarm him of his weapons of mass destruction - within the terms set out in Resolution 1441.

- Essential now for the EU to set our differences behind us and consider how we can best work together to provide effective humanitarian relief for the people of Iraq, and support for the reconstruction of that nation. In all our interests to ensure that a post-conflict Iraq becomes a contributor to regional stability, rather that the constant threat it has been for the last 20 years. I should stress that we remain committed to ensuring the territorial integrity of Iraq.

- Welcome this opportunity to set out the current thinking of the coalition on the way forward. We have been talking to Kofi Annan about the best way to ensure an effective UN role.

- We are already working on two new draft UNSC resolutions. One is to ensure the continued effective operation of the Oil for Food programme in the absence of a functioning Iraqi Government. The other one is to provide an overall UN mandate for transitional arrangements in the post-conflict reconstruction phase.

- Immediately after any conflict, coalition military authorities will have the responsibility for administering Iraq and maintaining law and order. Their first task will be to stabilise the country and, working with the UN inspectors, to find and secure Iraq's weapons of mass destruction.

- We then envisage a switch to a civilian-led administration as soon as conditions permit, with a significant UN role. We expect the bulk of the work of securing basic humanitarian requirements such as clean water and sanitation to fall to UN agencies and NGOs. The coalition's task will be to provide a secure environment in which relief can be delivered.

- We will then look to establish an interim Iraqi authority, initially in a consultative role. In due course we envisage a conference to transfer responsibility to a new Iraqi authority along the lines of the very successful Bonn Conference on Afghanistan.

- The emergence of a representative Iraqi government committed to long term political and economic reform would allow the international community to withdraw much of its presence in Iraq. But the International Community will have to remain engaged in Iraq's future through the IFIs, regional and multilateral aid programmes and other political and practical support.

- Vital that the EU should now engage with the UN and US on humanitarian relief and post-conflict reconstruction. We have a lot of expertise to offer, gained from our experiences in Afghanistan and the Balkans. And full EU engagement will play an important role in helping to rebuild the transatlantic alliance. Hope therefore that we can agree today to task the Commission and Council Secretariat to push forward with urgent contingency plans.

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EUROPEAN COUNCIL, BRUSSELS, 21 March 2003

BRIEF NO 2: MEPP

You should welcome President Bush's commitment to publish the Roadmap and Arafat's appointment of Abu Mazen as Prime Minister. You should also continue to call for an end to Israeli settlement activity. You have stressed in recent public statements the **need for progress on the MEPP and the need to apply SCRs** on Israel/Palestine. The most important factor remains achieving **US engagement**.

Early progress on the MEPP remains unlikely. The situation in the Occupied Territories is grave and Israel continues to create 'facts on the ground' – settlement infrastructure, the fence, corridors to holy sites. Suicide bombings continue sporadically and Israelis still feel vulnerable.

On 14 March President Bush restated his commitment to the **Roadmap** and said the US would give it to the parties when the appointment of the Prime Minister was confirmed. The US interpret this as Abu Mazen and his government being confirmed by the PLC (likely to take a few weeks). This is not the view of other Quartet members who see it as the US moving the goalposts. However, we judge the US unlikely to move on this; Iraq will in any case push Palestine aside over the coming days. But the UK needs to maintain private pressure on the US to publish the Roadmap as soon as possible.

Arafat formally appointed Abu Mazen as **Prime Minister** on 19 March. Whilst his powers are not as extensive as we might like (not covering external relations and "national security", although they do cover counter terrorism), we judge they provide a base from which more extensive de facto powers can be exercised. The US and Israel have welcomed the appointment. But both have reservations over powers, which make the degree of cooperation they will offer uncertain.

In Brussels, partners are likely to focus on Roadmap implementation. We want to avoid airing differences publicly over the timing of publication. Whilst the EU at the 18 March GAERC welcomed Bush's announcement, the provision for the Parties to make "contributions" was less welcome as it could result in Israeli attempts to weaken the text. (State and NSC disagree over whether the text can be reopened.) Pressure is needed to ensure the text remains the same. The Presidency intends to issue conclusions. We want them to welcome Abu Mazen's appointment and be positive on the roadmap, emphasising that we want to see it published as soon as possible without getting into specifics. Conclusions should also make clear the negative consequences for peace of continuing **settlement activity** and the continuing cycle of violence.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 March 2002

BRIEF NO:3: WESTERN BALKANS

SERBIA AND MONTENEGRO

Western Balkans issues will be discussed at dinner on 20 March. Discussion will be dominated by the 12 March assassination of former Serbian Prime Minister Zoran Djindjic. **Our aim is for the EU to send signals of support to the reformers whilst not undermining our policy of conditionality.**

Djindjic's murder, we suspect by organised criminals, is a serious blow to Serbian reform efforts and the international community's Balkans policy. So far, the Belgrade reformers appear to have maintained the upper hand. A new Serbian Prime Minister and Foreign and Defence Ministers of Serbia and Montenegro (SaM) have been appointed. Sweeping arrests have been made in an effort to locate the assassins.

The UK and EU's response has been to look for high level political gestures of support, while maintaining clear conditions on the need for co-operation with the ICTY. The 18 March GAERC supported SaM accession to the Council of Europe but only on the basis that SaM meets the CoE's post-accession criteria. The SaM CARDS (Community Assistance for Reconstruction, Development and Stabilisation) programme will be put to the CARDS management committee next week. We will seek to ensure that the CARDS programme is suspended if SAM reform comes to a halt.

In discussion France and Germany may argue that the EU should review our conditionality policy and make further gestures e.g. early commissioning of a feasibility study (the next step in SaM's EU accession). We would not support this, without further steps by SaM to undertake economic reforms. These reforms are particularly important in tying Montenegro into the Union with Serbia. The Commission should support our line. To drop our current conditionality policy would be an odd memorial for a brave man and his efforts to combat extremism and organised crime. It would also undermine our

message about international obligations to the wider region e.g. Croatia and would encourage the extremists in Kosovo and Bosnia. So any public messages should be couched in terms of helping the reformers do the right thing on ICTY.

EUROPEAN SECURITY AND DEFENCE POLICY

We would also like Conclusions language welcoming the EU's decision at the GAERC on 18 March to launch the first EU-led military operation under the European Security and Defence Policy. The EU declared its readiness to carry out this operation at the Copenhagen European Council on 12 and 13 December 2002. Now all the necessary arrangements with NATO are in place, the EU will take over from NATO's Allied Harmony in the former Yugoslav Republic of Macedonia on 31 March.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

BRIEF NO 4: ECONOMIC CONTEXT AND POLICIES

Heads will be asked to endorse ECOFIN's Key Issues Paper. This will form the basis for the **Broad Economic Policy Guidelines** which recommend policies to enhance growth and flexibility in the EU economy. **You should welcome the Key Issues Paper and support conclusions which focus on economic reform priorities** (in particular labour markets, the single market and drive to increase innovation). There is broad agreement amongst Member States on the content of the report.

The Barcelona European Council asked the Commission for proposals on **strengthening the co-ordination of budgetary policies** (code for reforming the Stability and Growth Pact). Finance Ministers have agreed a report for Heads. **We want the ECOFIN report to be endorsed word for word.** It strengthens the Pact in line with our "prudent" interpretation, including taking into account the economic cycle, fiscal sustainability, and role of quality public investment.

When Finance Ministers debated SGP reforms on 7 March, France, Germany and UK were in favour of allowing deviations from its 'close to balance or in surplus' requirement. Spain, Austria, Italy and Netherlands opposed in principle. Compromise language was painstakingly agreed taking into account "country-specific circumstances". This issue may be reopened by Spain (SGP purists) or France (currently in breach of SGP limits). If so, **it is important that you preserve the exact ECOFIN language** which, in practice, allows the UK to run small deficits to finance our public investment programme. **We should reject any Commission attempt to strengthen their role in enforcing the Pact**, at the expense of Member States. We can argue that the tough budgetary decisions demanded by the SGP are best taken by democratically-accountable national governments.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

BRIEF NO 5: EU TAX PACKAGE AND MILK QUOTAS

Italy is threatening conclusion of the EU Tax Package by linking its agreement to it to an unrelated deal on Milk Quotas. If a solution is not reached before the Council **Berlusconi may raise at Heads**. Germany, Denmark, Sweden and the Commission reject any link and will seek agreement on the Tax Package. **British dairy farmers will be furious if Berlusconi gets his way.**

The EU Tax Package is a UK priority and has been painstakingly negotiated over the last two years. Finance Ministers have reached unanimous political agreement on the substance of the deal (leaving only technical issues to be resolved), but Italy is now unwilling to sign up to the package. **The Tax Package represents a major UK success** in getting unanimous EU agreement to tackle cross-border tax evasion through the exchange of banking information rather than imposing withholding taxes (which would have damaged City competitiveness). Finance Ministers made a political commitment to adopt the Tax Package by the Spring Council 2003. If this deadline is not met, there is a risk that the agreement could unravel.

On milk quotas, the Italians accept that their farmers should pay €648 million in fines for overproduction since 1995/96 but want them to be compensated through a tax break worth 75% of the fines. This is an illegal state aid but it could be approved as an exceptional case if the Council agrees unanimously. We share the Italian dislike of the milk quota regime and we want to see its early abolition. However, **UK dairy farmers have been fined £118 million for overshooting their quotas since 1995, despite remaining within them in the last 2 years, and have received no compensation from HMG.** They

would be furious about any deal for Italian farmers that effectively compensated them for breaking the rules.

You should therefore oppose conclusions on milk quotas. But, if Berlusconi insists, you could agree to language that remits the issue back to Agriculture Council in non-prejudicial terms.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

BRIEF NO.6: FOSTERING ENTERPRISE AND ENTREPRENEURSHIP

There is little of contention. So you should aim to defend the excellent language on better regulation (a UK priority) and the role of the Competitiveness Council in particular.

Role of the Competitiveness Council: **you should support the current language** which reflects the call in your trilateral letter with Chirac and Schröder for this body to be given a role complementary to ECOFIN in preparing Spring European Councils. The Commission, Ireland, Netherlands, Denmark and Sweden also support. But, for internal administrative reasons, Italy and Spain are not keen. If necessary, you should defend the text by arguing that no other Council formation has the same cross-cutting remit; furthermore, by tackling the deadlock on the Community Patent, the new formation has already shown its worth.

Entrepreneurship Green Paper The Commission published its Green Paper in January and is currently consulting on it. There is broad agreement that the Green Paper should result in an Action Plan from the Commission before the end of the year. **We strongly support this**. But the Commission may try to use work in this area to extend their competence over tax issues. So, you need to ensure that there are no references to tax in the conclusions on the Action Plan. Nor should the conclusions be overly prescriptive about the Action Plan's priorities, which should be allowed to emerge from the consultation process.

Better regulation. **We fully support** the current language, reflecting all our individual concerns. Some Member States (perhaps France) do not attach the same importance as we do to the inter-institutional agreement and may try to water down the commitment to reach agreement during the Greek Presidency. Securing agreement – which is already later than required by the Seville European Council – before the end of the Greek Presidency is important and **you should resist** this if possible, arguing that delay will hold up significant advances on improving the quality of EU legislation. Poor legislation hampers EU competitiveness.

Corporate governance **We support** the current text, in particular adoption of an Action Plan by April 2004. **You should resist** any attempt – perhaps by Chirac - to introduce a reference to a Directive on corporate governance. You should argue instead for a light touch approach i.e. sharing best practice.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

BRIEF NO.7: COMPLETING AND EXTENDING THE INTERNAL MARKET: SECTORAL ISSUES

The key objective here is to avoid being bounced into wrong decisions on EU/US aviation and increased EU budget funding for TENs.

Energy liberalisation: **you should strongly support the Presidency language** on adopting and implementing the electricity and gas Directives and the Regulation on cross-border electricity exchanges agreed in November 2002. With the Commission and Berlusconi we also support the development of a Regulation for cross-border gas exchanges. On security of supply, we can support the current language for gas stocks. All Member States oppose the current proposal on oil stocks on the basis that it is unnecessary: oil is a global market and disruption requires a global response; existing International Energy Authority arrangements work well and we should avoid establishing a rival EU focus. Nevertheless, the Commission may try to push this.

Transport: **you can support the Presidency language** on the second railway package and the proposed regulation on public service requirements. **On EU/US aviation we can accept a realistic timetable** (e.g. June, but not March) for giving the Commission a mandate to negotiate an agreement with the US. The Commission have proposed a draft mandate which is broadly acceptable to us but we (and most other Member States) want issues about the legal status of our existing bilateral agreements clarified before handing over negotiating rights to the Commission. The Commission will press for an early deadline for agreement.

Galileo: **you can accept the current language**. Partners may urge Germany and Italy to resolve their differences over primacy in European Space Agency (ESA) subscriptions and contracts, to prevent further delay in the development phase. The Commission wants to get the Galileo management apparatus (the so-called "Joint Undertaking") up and running. We and others (particularly Germany) have said that it should not proceed without ESA, which will pay for half the project.

Trans European Networks (TENs) – cross-border motorways etc: **you should oppose** attempts by Berlusconi and the Commission to introduce language calling for financial rules which would increase the maximum EU intervention for some TEN projects. You should argue that such an increase is unnecessary and that the role of the TENs budget is to act as a catalyst to get projects off the ground, with the bulk of TENs funding coming from the public and private sectors of individual. This is a view shared by Schröder,

Persson, Balkenende and Barroso (a blocking minority in the Transport Council).

Financial Services Action Plan: **you should support Presidency language** that aims to complete the single market in financial services by 2005 and reduce barriers to creating an EU Risk Capital market. You should support the emphasis on effective implementation and enforcement of existing Directives. **You should resist** any attempts by Chirac or Berlusconi to introduce consumer protection language in the conclusions (which is code for national protectionism). Our argument is that the priority is creating a single market in financial services to give firms access to cheaper capital and consumers a wider choice of competitive and innovative services. These arguments will win backing from Ireland, the Netherlands, Sweden, Denmark, and Finland.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

BRIEF NO.8 : COMPLETING AND EXTENDING THE INTERNAL MARKET: HORIZONTAL ISSUES

There is one big danger here: Services of General Economic Interest (SGEI – i.e. public services) where we cannot accept the current text.

Strengthening the single market and competition, with further action to open and integrate markets, is a UK priority. But the detail can be tricky: there is some suspicion of UK motives, a French fixation with SGEI and a gulf between what Member States say at the Council and what they do back home.

Single Market Scoreboard The full scoreboard, providing information on transposition by Member States of internal market legislation, is not made available until May. The UK is currently at or around the 98.5% transposition rate agreed as a target at previous Spring Councils. **You should support the Presidency idea** of inviting sectoral Councils to report on progress for the next Spring Council (i.e. individual scoreboards for each Council) because this would be an extra tool to ensure delivery against Lisbon commitments. The Commission should support - but it may need a 'political' push.

State aid reform **You should strongly encourage** the Commission to publish a Communication on modernisation and simplification before the end of the year, arguing that only a modern state aid regime can provide flexibility to pursue national and regional objectives for enhanced economic growth. Other Member States are in broad agreement. But you might have to lean on the Commission who may resist being tied down to precise timings.

Internal market strategy for services Liberalisation of services in the EU could bring major benefits to consumers and business (especially SMEs), boost GDP and reduce the EU-US productivity gap. **You should support the Presidency language**. If others argue for a reference to a Framework Directive, you should oppose, countering that a Directive in this area would be insufficient on its own. Instead, you should argue in favour of a range of measures to overcome existing barriers to the single market in services

Services of General Economic Interest (SGEI): French (and Treaty) code for public services. The current Presidency text goes beyond what we would like to see (i.e. use of the language you agreed with Chirac and Schröder in your joint letter) and even beyond what was agreed on the same subject in Barcelona last year. So **you should oppose the current text**. But Chirac, supported by Verhofstadt, will push the case for a Framework Directive on

SGEIs very hard. The most we can accept is the re-use of the Barcelona language - a call for a report from the Commission to the Council on the possibility of a Framework Directive. A Green Paper on SGEI is in fact already in the pipeline. In calling for new language, you can set out our view: while there is a need to safeguard financing for SGEIs, we must avoid distortions to the market in tradable services. We believe that a Framework Directive that removes SGEI from the scope of EU competition and state aid rules would undermine the single market. You might also argue that a Framework Directive is unnecessary since sectoral legislation in areas such as telecoms and energy already covers universal service provision. These arguments should have support from Germany and most other Member States. The Commission is hard to read: Prodi is known to be interested in a Framework Directive, but the Services support keeping SGEI firmly within competition rules.

Proactive competition policy: the UK strongly supports the work and role of DG Competition, emphasising the need for good economic analysis and a focus on tackling internal market barriers. **You should strongly support the reform of the mergers regime**. Under this heading, we can also support agreement on a Takeovers Directive. With the exception of Takeovers, where Sweden and Denmark in particular have problems with the current proposal, none of this is likely to be contentious. Finally, on public procurement you can support the current text, with a target date of July 2003 for adoption of the legislative package: we must avoid the EP unpicking the Council's common position.

Consumer policy: from the UK perspective, consumer policy is about making the internal market work for consumers. The current text fully reflects this position and **you should support it**. You will need to watch out that Germany does not use this text as an opportunity to argue for a consumer protection approach that places the producer at the heart of a regulatory framework. Our view is that the way forward is empowering consumers through greater choice.

Tackling unfair tax competition We can support the current text, but must **avoid references to tax harmonisation** that featured in previous iterations of the conclusions language. If necessary you should argue that tax decisions remain a matter for national governments. While fair tax competition is beneficial for the EU as a whole, harmonisation would threaten EU competitiveness and go against basic Lisbon principles.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

BRIEF NO. 9 : BUILDING THE KNOWLEDGE-BASED ECONOMY

There is one major bone of contention here: extension of Commission competence in defence related R&D. But you will also need to keep an eye on French moves on telecoms, particularly 3G.

R&D Action Plan **You should strongly support** the Presidency language which has the support of the Commission. Others will also agree.

Defence-related R&D **You should oppose** the current language and its references to any Commission initiatives on defence related R&D, arguing that defence research should be taken forward under the proposed Capabilities Agency. We support this Agency, but is must be inter-governmental in structure. Therefore, the most we can accept is language stating that extra spending on defence R&D should be agreed through this Agency. Chirac, Schröder and Persson should support you (between us we account for 85% of EU defence research). The Commission and Presidency will try to hold on to the current text.

Space Green Paper **You can support** close co-operation between the European Space Agency and the Commission (including agreement on a Framework Agreement) but we do not want discussion to prejudice outcome of the consultation on the Green Paper (which concludes in May). We can support an EU space "strategy" but not the extension of EU competence through an EU space "policy".

Biotechnology **You should strongly support** the Presidency language. The Commission, Lipponen and Balkenende share our view.

Intellectual Property Rights (IPRs) **You should strongly support** the current language which is correctly restricted to counterfeiting and piracy and protection of IT patents.

Information society **You can accept** the current language. In contrast, Chirac and Lipponen both want new EU-level measures to deal with sectoral weaknesses. **You should resist:** measures would send the wrong message to business (i.e. that Governments will intervene where the market should lead) and could discourage new investment and long-term competition. The Commission may try to propose a specific target for broadband rollout. Again, **you should resist** arguing that it is more important to allow the market to deliver than setting arbitrary targets (especially without a strong evidence base).

Education **You should support** the draft language. But you should **resist any proposed amendments** which might lead to European level action affecting curriculum content or signing up to national level targets for education investment or attainment and argue as necessary that such matters are for national governments.

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EUROPEAN COUNCIL, BRUSSELS, 20-21 MARCH

BRIEF NO 10: REFORMS FOR MORE AND BETTER JOBS

Two big issues here: the Employment Task Force – our key economic reform objective for the Council – and the European Employment Strategy. On the latter, we want Council conclusions which emphasise that the Employment Guidelines should focus on the Lisbon objectives – particularly employment rate targets. There is broad agreement amongst Member States on the content of the Guidelines. **You should guard against attempts to separate out aspects of the Guidelines or to impose additional targets.**

The Council should also agree to establish an **Employment Task Force.** The conclusions should set out:

(a) the mandate of the Task Force (to review European labour markets and identify areas for reform to encourage the creation of more jobs),

(b) (b) its method of operation (independent group of no more than 6 reporting to Prodi by the end of 2003 feeding into preparations for Spring Council 2004), and

(c)name its Chair (preferably Peter Sutherland, but Wim Kok would be acceptable).These issues should not be left open.

The Task Force has broad support from France, Netherlands, Portugal, Spain, Sweden and Germany. But Belgium, Austria, Luxembourg and the Commission are concerned that the Task Force would duplicate existing processes – and promote a neo-liberal agenda. You should give reassurance that the Task Force – which would be independent – would complement the revised European Employment Strategy and the Employment Committee. Its role is to reinvigorate these existing mechanisms, not to duplicate or threaten them.

We can support the formal establishment of a **Tripartite Social Summit**, involving Employment Ministers, the Commission and the social partners. There have been similar informal meetings for the last 2 years anyway. The

Summit would allow business and unions a role in agenda-setting, while maintaining the Council lead.

You should support Council conclusions which call for rapid agreement on the Directive on the mutual recognition of professional qualifications. The Directive supports the **Skills and Mobility Action Plan**.

Draft conclusions call for adoption of the Agency Work Directive by December 2003. This is unrealistic. But we can support conclusions calling on an early **agreement acceptable to all parties**. Denmark, Ireland and Germany will support us.

SOLIDARITY AND SOCIAL COHESION

You should welcome the Commission/Council report on adequate and sustainable pensions which strikes the balance between these two conflicting objectives. We want conclusions on **reform of social protection systems** which renew the Barcelona call for accelerated reform of pensions systems. But we should be careful about a further review or report on pensions pre-2006 (Denmark and Germany support this position but Greece may oppose) or setting specific targets in this area. We can argue, if pressed, that the real economic challenge right now is pension sustainability; this, not pension adequacy, should be the focus of any new review.

We welcome the Economic Policy and Social Protection Committees' Report on **Health Care and Care for the Elderly**, which aims is to share best practice on tackling the challenges of ageing populations.

Conclusions on **social inclusion** should look forward to the second round of Social Inclusion National Actions Plans and the Joint Inclusion Report (to be considered by the 2004 Council), and call on the Commission and Member States to continue to share best practice in the field of social inclusion.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

BRIEF NO 11 SUSTAINABLE DEVELOPMENT

Heads agreed at Seville that this Spring Council would cover progress on follow-up to Johannesburg. We will want to use this discussion to **give a clear message on how the EU intends to deliver on its WSSD commitments**. One way of achieving this is to focus on areas which link sustainable development and delivery of the Lisbon Agenda, such as environment technology.

In the discussion, you should endorse language on an implementation road map that prioritises existing targets, not new initiatives and one which balances economic, environmental and social action points. You could also emphasise the role of the GAERC in co-ordinating sustainable development work within the EU in line with the Seville Council conclusions.

You may wish to recall your **recent joint letter with Persson**, which pressed for a **strong commitment to the development of environmental technologies** as a means of delivering sustainable development and part of the Lisbon Agenda. (Copy of letter attached for officials only). The EU should press ahead with this, drawing on its research and innovation strengths.

The Presidency should be supportive. They have used our advice on handling the sustainable development agenda and have taken many of our amendments. Key allies will be Greece, Sweden, Denmark, Germany and Finland. Austria and Belgium are also pressing for further additional environmental legislation and EU-wide targets. The Greek Presidency has tried to please all Member States, so we should be careful that our key objectives for the conclusions text, in particular on environmental technologies, are not diluted.

The Greeks may try to secure language on the need to complete negotiations on Environmental Liability Directive at the June Environment Council. You should resist language that sets an absolute deadline since the proposed

Directive is unacceptable in its current form: It would impose compulsory insurance and would cost UK business up to £1.8 billion per annum. The Greeks are likely to be isolated in their enthusiasm for the Directive.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

BRIEF NO. 12 : MARITIME SAFETY

We have engaged constructively on the range of maritime safety measures under discussion and can support the language that is most important to Aznar/Chirac. But in several areas we are faced with the Commission trying to bounce through measures on which they have not secured agreement in the Transport Council.

Implementation of measures adopted after ERIKA **We fully support this.**

Implementation of other measures in Commission's Communication: **you should seek to amend the current text** arguing that we can only support measures in the Communication that have already been agreed by the Transport Council.

Heavy fuel/single-hulled tankers: **you can agree** that the 27 March Transport Council should accelerate the timetable for the phase-out of heavy-fuel in single hulled tankers. We're looking for a short (3 month) phase-in of the ban and a derogation for smaller single hulled vessels. So long as the conclusions language leaves all this to play for, we can accept it.

Criminal sanctions: **you can support the text**. The proposal for a Directive on criminal sanctions has just issued. It is a substantial measure, and although broadly consistent with UK legislation and enforcement practice, we are concerned that it may cover matters under the Third Pillar which are not Community (i.e. First Pillar) competence (along with the Germans and the Dutch).

EMSA clean-up vessels This is a proposal for a flotilla of Community clean-up vessels. It's a Commission bounce which **you should oppose.** You can argue that counter-pollution is the responsibility of Member States, acting with others as necessary. Co-operative mechanisms already exist (such as the Bonn Agreement and HELCOM): the text here amounts to unnecessary duplication. You can also argue the need for investment in a new flotilla is not proven and that past practice and experience demonstrate we can already respond rapidly to emergencies

Compensation for victims of pollution **You should support the principle** but seek to change the language to reflect that agreed at Copenhagen – i.e. 'up to 1 billion euros'. The text should also make it clear that the compensation fund should be financed by the commercial sector - not the EU budget.

Revision of UNCLOS **You should oppose** (others will support you).
Negotiating and adopting UNCLOS was a huge achievement and there is nothing to be gained by disrupting the balance of the agreement. You can argue that negotiating and then transposing UNCLOS would take years. It will be far better to leave it to the International Maritime Organisation (IMO) to broker prohibition on heavy fuels being transported in unsafe vessels to protect coastal states.

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EUROPEAN COUNCIL, BRUSSELS: 21 MARCH 2003

BRIEF NO 13: BETTER MANAGEMENT OF GLOBAL ASYLUM PROCESS

We expect the Presidency will invite you to speak about the **UK's initiative** on asylum: better management of the **asylum process** globally through improved **regional** management and **transit** processing centres. The Commission is likely to respond in support. The Dutch may also support.

The objective is for the European Council to **task the Commission to work with UNHCR** and IOM **to develop more detailed proposals** for the Thessaloniki European Council in June.

We do not expect Heads of Government to get into technical discussion. The JHA Informal Council next week will be a key opportunity for Interior Ministers to discuss the details of these proposals. We have discussed our ideas with the Commission, Member States, UNHCR and IOM. Ruud Lubbers (UNHCR) has been invited to the JHA Council and has already been supportive of developing work on our ideas.

Your letter to European colleagues last week enclosed the UK's concept paper which described our ideas. It has received positive support from the Presidency, Commission and several Member States (e.g. the Dutch, Danes, Austrians, Irish and Swedes).

The key arguments in support of the UK's ideas are:

- Europe needs **bold action** to deal with continuing large numbers of asylum applications, and to tackle illegal immigration.

- Want to move towards a system where vast majority of migrants who come to Europe do so through **legal channels**, rather than arriving illegally, often having paid criminal organisations many thousands of dollars. Want to offer those in need of protection (a small minority of those arriving in Europe) **better protection** in their region of origin, reducing their need to flee further west.

- Our ideas build on Ruud Lubbers' Convention-Plus idea: agreements between source and destination countries on returns and managed migration. This is an ambitious, long-term agenda. We are considering two potential new elements in a new international system:

- STRENGTHENING REGIONAL MANAGEMENT. Several elements including: working with UNHCR to strengthen **regional protection** for those that need it; more managed resettlement routes in Europe; and greater acceptance of state responsibility to accept returns of failed asylum seekers. Work in hand on many of these measures but likely to take some time to produce results. Need also therefore to consider quicker acting measures.

- TRANSIT PROCESSING ZONES - Areas on transit routes to the EU which would be safe and offer **fast and fair processing** for migrants and asylum-seekers. Successful applicants (those found to have a well-founded claim for protection) would be given access to a managed resettlement programme to the EU. Failed claimants would be expected to return home. (These could be on transit points close to the EU and in the longer term possibly replicated nearer source regions).

- These are **ambitious and radical** ideas. We do not underestimate the challenges of implementing them.

- **Europe-wide commitment** to the ideas increases the chance we will be successful, complementing the minimum standards we have agreed within Europe but shifting the future focus to responses nearer the source of the problems.

- These concepts have the double benefit of tackling abuse of the asylum system and getting a fairer, better-balanced system.

Iraq [if pressed]

- Protecting refugees fleeing from conflict in Iraq is a priority. The Presidency have said that they expect most refugees to be protected in the region, rather than invoking the Temporary Protection Directive. We are committing resources to regional refugee camps.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MARCH 2003

BRIEF NO 14: EUROPEAN CENTRAL BANK VOTING MODALITIES

Heads may be asked to adopt, by unanimity, a Decision amending the voting modalities in the ECB Governing Council in view of EU enlargement. If it goes to a formal vote, **you should vote in favour of the recommended amendments, since they offer the UK a good voting deal in the ECB should we join the Euro**. In any case, no alternative arrangement looks like mustering sufficient support.

The amendments would establish a voting system in which votes would be divided between three groups of large, medium and small countries. Voting rights rotate within each group. Were we to join EMU, **the UK would get a vote 80 per cent of the time, as much as or more than any other country.**

The Treaty of Nice provided an "enabling clause" to adjust ECB governance arrangements. This clause required the formal decision on adjustments be made by the Council meeting at the level of Heads **(including euro 'Outs')**.

This is essentially an issue for the euro area. Political agreement has been reached by all Finance Ministers. Finance Ministers decided that a Dutch-inspired declaration, noting that the proposal should not set a precedent for any other Community Institutions after enlargement, be entered into the Council Minutes. The Finns are likely to request a commitment that the amendments be revisited in the context of the IGC. The European Parliament has rejected the proposed amendments and the Commission have suggested enhancements but neither opinion is binding.

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EUROPEAN COUNCIL, BRUSSELS, 20-21 MARCH

BRIEF NO.15: SITES OF AGENCIES (If raised)

The Finns tells us Berlusconi and Lipponen have struck a deal on the location of the European Food Safety Authority (EFSA) and that they will seek the Council's blessing. Simitis would prefer to leave this issue to Thessalonika. However, if no one else objects, we can accept the deal. If others press for a package deal on the sites of all 10 outstanding agencies, rather than just the EFSA, you should remind colleagues of our bid for the European Police College at Bramshill.

The premises at Bramshill are ready. The other bidders for the European Police College are Germany (Munster), France (Lyon), Italy (Rome), Austria, Netherlands and Spain (Madrid). The Secretariat is temporarily located in Denmark. We have also bid for the European Maritime Safety Agency (Glasgow) but there are many other strong candidates including Portugal.

Under the reported Italo-Finnish deal, the new EU food agency would be located in Helsinki and another new agency which will administer and register geographical indicators, would be located in Parma. As this is Lipponen's last Spring Council, he may use this opportunity to secure a deal on the EFSA and steal some of the glory from his successor.

The last discussion on the sites of Agencies was at Laeken in 2001. The discussion collapsed after a Italo-Finnish row over the EFSA. The other candidates besides Helsinki for the site of the EFSA are Italy (Parma), Spain (Barcelona) and France (Lille). The EFSA is temporarily based in Brussels (which suits the Commission).

Finland want the EFSA. They've lobbied hard. There are no EU institutions in Finland. The only other EU member without an EU institution is Sweden. The Finns point to the Gothenburg conclusions which state that the 1992 Edinburgh decision, by which priority must be given to those Member States with no Community institutions, still applies when the location of EU agencies is decided.

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EUROPEAN COUNCIL, BRUSSELS: 20-21 MAR 2002

BRIEF NO 16: NORTH KOREA

North Korea is on the agenda for the Foreign Ministers' lunch with the 13 on Friday and may come up in the context of Heads' discussion of Iraq. This is an issue on which we and the French see very much eye to eye.

The key objective is to move North Korea towards multilateral talks. Berlusconi may make the running. Bilateral US/North Korea contacts could be envisaged within a multilateral framework. But the US will not agree to bilateral negotiations, which they see as giving in to DPRK blackmail. The onus is on North Korea to take the opportunity presented by multilateral proposals already made to them. In practice it is the Chinese (especially) and the Russians who are likely to have most leverage with the DPRK.

Further escalatory DPRK actions (ballistic missile test, reprocessing nuclear fuel to weapons-grade) are quite likely; a conventional escalation could also be dangerous. DPRK actions over the last few months have been timed to coincide with key dates on Iraq, as they seek to put pressure on the US.

Any European Council conclusions urging the DPRK to join multilateral talks should be very clear about the need for the DPRK both to return immediately to compliance with its international commitments (e.g. the IAEA and NPT) and stay away from further escalation in the meantime.

A high-level EU visit is on hold because two GAERC-agreed conditions have not been met: that Kim Jong Il should agree to see Solana (he is not likely to); that any High Level Visit should be closely co-ordinated with the US (who are nervous of third-party involvement that could look like mediation). **The Presidency is keen on a visit** for visibility reasons. **We are cautious**. A mission, in which the EU appeared to be running after North Korea who have done nothing to improve their behaviour would do the EU more harm than good. We also see no benefit in a lower-level visit.

Once the P5 agree a way forward, like France and the US, we support Security Council discussion. It might start with a Presidential Statement critical of the DPRK's continued violation of its IAEA obligations; but would not address sanctions at this stage (the Chinese and Russians would certainly not accept this yet).

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EUROPEAN COUNCIL, BRUSSELS: 20 – 21 MARCH

BRIEF NO 17: CYPRUS

Cyprus will be discussed at the Foreign Ministers' lunch with the 13 Accession and Candidate countries (i.e. in the presence of both Turkey and Cyprus).

The Presidency have indicated that they want conclusions on Cyprus. The Presidency may seek language which exonerates the Greek Cypriots for the failure of the UN process (difficult to argue against given that Annan blamed Denktash), and make clear that Cyprus accession can go ahead unimpeded, as set out at Copenhagen.

Our key objective is to avoid any conclusions language which prejudices Turkey's EU candidature. We think these conclusions should express **disappointment** at the breakdown of the Cyprus process in terms similar to those used by the UNSG (i.e. blaming Denktash but not Ankara); but should otherwise mirror the **Copenhagen conclusions** (attached). We should also argue for a reference to the **UNSG's proposals of 26 February** remaining a basis for a future solution of the Cyprus Problem. The Presidency may not like this (the Greek Cypriots dislike some of the core elements) but they will find it difficult to argue both that Denktash should be blamed for failing to agree to the Annan proposals and that the proposals should now be ditched.

Those Member States hostile to Turkish accession (in particular France and Germany) might try to use the settlement talks breakdown as a **further obstacle to Turkey's EU hopes eg by making a settlement a pre-condition for opening accession negotiations with Turkey**. It is vital that you resist any attempt to **demonise the Turks**. The new Turkish government takes an instinctively different approach to the Cyprus problem from Denktash, but lacked the power to take him. **Our interests lie in splitting Turkey from Denktash**, not lumping them together.

Spain and Italy take a **pro-Turkish line**. Most other Member States prefer to keep their heads down.

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EUROPEAN COUNCIL, BRUSSELS, 20-21 MARCH

BRIEF NO.18: FOREIGN SECRETARY'S PULL ASIDE WITH VITORINO

We want to get Vitorino back on side, especially over the Charter and the legal aspects of CFSP, where he has started to tilt in a Franco-German direction.

Vitorino plays a prominent role in the Convention and in particular in the the Praesidium. He has been helpful to us, especially in the Charter Working Group. But his most recent interventions have been less helpful. He tried, unsuccessfully, to put ECJ jurisdiction in CFSP on the WG agenda, He also looks to be changing his approach on the Charter. This may be trimming to the Franco-German wind. There are Franco-German attempts to go back on the good agreement in the Charter working group). But whatever the reasons, this is all unhelpful and potentially damaging, given Vitorino's effectiveness and influence.

The Foreign Secretary could remind Vitorino that all Governments have red lines – issues too politically sensitive to sacrifice. He could press him to agree that its in all Convention members' interests to see this reflected in the outcome: otherwise the text will simply be unravelled in the ensuing IGC.

On **the Charter** the Foreign Secretary might thank Vitorino for his help in securing a good outcome so far. He will wish to reaffirm that our aim remains to find a positive solution, **and express concern at the paper submitted by France and Germany**, which seems to row back from the working group's conclusions. He could also ask how work on the legal status of the commentary is proceeding.

On **CFSP** the Foreign Secretary might ask Vitorino what he thinks the Convention – and the Commission - is looking for. He could note that we are looking ways of keeping CFSP distinct within a single institutional structure. **We could not accept ECJ jurisdiction**.

–Should Vitorino ask about ECJ jurisdiction over compensation for people who suffer harm/damage to property as a result of an ESDP operation, we can say we are considering this in the light of the Charter provisions.

On **JHA** the Foreign Secretary should welcome most of the Praesidium draft Articles: the special roles for European Council/National Parliaments, QMV for Asylum/Immigration, Mutual Recognition. But he should make clear our **strong opposition to a European Public prosecutor and QMV for harmonisation of procedural criminal law**. He should argue that both both these proposals are about creating a single European legal system whereas the future is mutual recognition between existing legal systems.

[redacted]STRICTED
EU: SPRING COUNCIL: WHAT SCHROEDER WILL BE LOOKING FOR
From: BERLIN

TO IMMEDIATE FCO
TELNO 101
OF 201021Z MARCH 03
INFO IMMEDIATE CABINET OFFICE, HM TREASURY, UKREP BRUSSELS, WHIRL
INFO PRIORITY ACTOR, DEFRA, DFES, DTI, DUSSELDORF, DWP
INFO PRIORITY EU ENLARGEMENT POSTS, EU POSTS, FRANKFURT, HAMBURG
INFO PRIORITY MODUK, MUNICH, STUTTGART, WASHINGTON

Cabinet Office please pass to No10
No10 for Wall, Heywood, Rycroft, Liddle
Cabinet Office for Green, Heardman
HMT for Connolly, Guthrie, Ramsden, Bilsborough, H Brown
DWP for Wells, Tucker, Richardson
DTI for Savill, G Williams

BERLIN TELNOS 84, 93 and 94

SUMMARY

1. Schroeder holding so far to reform plans set out in 14 March speech, despite widespread criticism. But he is already at - if not beyond - the limit of what his political market will bear. Will be looking to Spring Council to help by reaffirming his reform course and providing a discussion of SGP which would offer the Germans more room for manoeuvre.

2. On Iraq, Chancellery saying Schroeder should want to help, rather than criticise. Signs also that he's starting to engage on broad outline of day-after arrangements. However, will all depend partly on Chirac.

DETAIL

3. The unions have reacted with horror to Schroeder's 14 March speech (TURs), calling the proposed cuts in unemployment benefit "immoral" and threatening legal action, claiming they contravene the Constitution. The SPD left wing has also declared itself bitterly opposed to these cuts and to changes to employment protection legislation. Business leaders and economists are disappointed: most feel the reforms go in the right direction but are too timid and show lack of an overall structure. The opposition is split: CDU leader Merkel is preparing her party for cooperation with the SPD (though with reservations about reductions in unemployment benefit for older citizens). CSU leader Stoiber has been criticised for not clearing within the Union more radical proposals in his speech in the Bundestag debate. Schroeder is taking the line that he must have got the mix right if it is being equally criticised from left and right. He is planning a series of regional party conferences to make clear that he intends to force through his agenda with "no ifs and buts". The SPD presidium has expressed its unanimous support for his reforms.

4. What are his chances? The political background remains as set out in 1st TUR. Schroeder faces the same vested interests which have always stymied reform attempts in Germany. Only 30% of the 55-65 year age group is in work: so the other 70% of this politically active group will be directly affected by the reduced duration of unemployment benefit from 32 to 18 months. The BDI (CBI equivalent) claims that more than half Germany's voters are dependent on some form of social security payment. These two facts represent both Germany's problem and the political obstacle to resolving it. The Kanzleramt (Silberberg) doubt the Government is through the worst, since the costs of reforms will inevitably

[redacted]e to bear on the public before they see the savings. It is generally accepted that the reform package went to the limits of what Schroeder's own party can yet tolerate.

5. We should not count on significant second steps: given his narrow Bundestag majority, Schroeder's challenge will be merely to hold to this package. Polls shows two thirds think he will fail. But a poll just before Schroeder's speech also showed that 47% (compared to 21% in 1998) thought the influence of the unions was too high. The question is whether Schroeder will, this time, be prepared to take on these and other vested interests.

5. How will Schroeder be looking to the European Council and Lisbon Agenda to help him? Four ways:

(a) by referring in his speech to an "Agenda 2010", he made a direct link to the Lisbon Agenda timeframe. The SPD increasingly agree that a strong social welfare state can only survive if it reforms. They see the Lisbon framework as helping them to deliver that. The Lisbon emphasis on training and employability, for example, might help to avert a mismatch by the end of this decade between the kind of employment available in Germany and the level of qualification of those seeking it;

(b) the Finance Ministry have told us that pressure from Europe makes it easier for the Government to pursue reform of the labour market and social security systems. They will be seeking clear endorsement from the European Council conclusions for Schroeder's reform programme;

(c) we know the importance to Schroeder of reforming EU industrial policy - this issue was underlined at the beginning of his speech, with warm references to the Blair/Schroeder/Chirac initiative. It was also restated in similar terms - including the need for a "competitiveness litmus test" for new Commission proposals - in the more recent Schroeder/Berlusconi declaration;

(d) most importantly, the Germans will be looking for a helpful outcome on the Stability and Growth Pact (SGP). In his speech Schroeder referred to the Spring Council as an opportunity to consult on a suitable reaction to the downturn in the world economy and risks arising elsewhere (Iraq). While confirming adherence to the budget consolidation goal and the SGP, he said that the SGP could not be interpreted statically and phases of economic weakness should not result in pro-cyclical policy: "this is an opinion shared by others". The Kanzleramt (Silberberg) have told us that they seriously considered bringing forward the next stage of the government tax reform (due on 1 January 2004, to reduce the tax burden by EUR 7bn), even if this meant incurring a higher budget deficit. They decided against because they wanted to have a discussion of the SGP with EU partners first: if this discussion went the right way on 20 March, it was likely that Schroeder would bring these tax cuts forward.

Iraq

6. German rhetoric on war with Iraq remains tough. Schroeder made a statement on 18 March firmly opposing military action and repeated that position in the Bundestag yesterday. His language has been colourful (on 18 March he said that thousands of innocent men, women and children would die) and his support for the French unyielding (he yesterday criticised the critics of Chirac).

7. Yet despite such rhetoric the Germans are showing no sign that they want a fight in Brussels. Contacts in the Chancellery have

[redacted]us the Summit is a "good chance to get things moving" again in Europe. Schroeder's deputy foreign policy adviser Blomeyer-Bartenstein added yesterday that he thought Schroeder would be prepared to go with the flow (including on whether or not to issue a statement).

8. It's hard to say to what extent such conciliatory signs will stretch to detailed discussion of day-after issues. Schroeder did make his first sortie on Phase IV last weekend, saying in response to a TV journalist's question that "the UN could always rely on Germany". And today, the government has issued a statement on the start of military action which includes inter alia that:

- everything must now be done to avoid a humanitarian catastrophe for the civilian Iraqi population, and to this end the German government will offer assistance to the UN;
- the UN should play the central role in 're-establishing peace' in Iraq;
- the integrity of Iraq should be maintained;
- the Iraqi people should be helped as quickly as possible to make their country a prosperous member of the family of nations;
- Germany will make an 'appropriate' contribution to these goals, under the aegis of the UN.

9. So Schroeder should be able to agree these elements at least. The UN umbrella in particular will end up being critical for the Germans, whatever is agreed in Brussels, though there's no way of judging yet exactly what degree of UN involvement the Germans will need in order to guarantee their support. All we're hearing is that only with UN "backing" will the government feel confident of getting the Bundestag to vote through aid and reconstruction funds. The more UN, the less US, the better.

10. However, this all depends partly on the French. In particular Chirac's position on reconstruction language is likely to give Schroeder his cue; and if Chirac were to pick a fight, Schroeder (even against his better judgement) might feel he had to back him up, though he won't want to cut across the Prime Minister either. We've picked up no signs, however, that the two of them are planning any such moves.

11. Contact: pamela.major@fco.gov.uk, tel 0049 30 204 57 301, paul.williams@fco.gov.uk, tel 0049 30 204 57 221.

LEVER

Sent by BERLIN on 20-03-2003 10:21
Received by No10 on 20-03-2003 11:09

Matthew Rycroft

From:	Angie.Marshall@fco.gsi.gov.uk
Sent:	20 March 2003 15:03
To:	swall@no10.x.gsi.gov.uk
Cc:	mrycroft@no10.x.gsi.gov.uk; IraqPolicy@fco.gov.uk; UKREPHeadsofSection-RestrictedUsers@fco.gov.uk
Subject:	European Council
Importance:	High

Dear Stephen

Here are the latest snippets from conversations today with the Presidency, Commission and Council Secretariat.

Iraq

The Presidency text will reflect Papandreou's summing up on Monday and his conversation with Jack Straw yesterday. But the French and Germans are said not to want a Conclusions text, just press lines; and to be insisting that discussion of Iraq be finished before dinner, leaving dinner for MEPP and Balkans. This sounds like procedural strop. I think we should support the Presidency desire to have Conclusions, but not make too big a deal of it in case the French and Germans dig in.

The key French points are:

- stability of Iraq and region; no interference from neighbours.
- coping with humanitarian consequences: EU to play full part.
- central role of UN.

As per Simitis' letter, Greeks and others sympathetic to our pitch on asylum, but the Prime MInister will need to raise this this evening in order to get a mention in the Conclusions.

Meanwhile Commission have announced Euro 21 million humanitarian assistance now, and around a further Euro 100 million to be drawn from Emergency Aid Reserve quickly.

Lisbon

The Conclusions will reflect the outcome of yesterday's Council. Two parts to discussion tomorrow morning: general discussion based on part 1 of Conclusions, followed by going through the text to deal with the remaining half dozen difficult points, eg maritime safety, defence R&D, SGEI.

No solution in sight on milk quotas, but EcoFin will try again this evening. Presidency will hold firm on simple reference to EcoFin conclusions on SGP, rather than selective interpretation.

Yours Nigel

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File

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tel: 0870 0012345 dfes.ministers@dfes.gsi.gov.uk
Rt Hon Charles Clarke MP

Denis MacShane
Minister for Europe
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London SW1A 2AH

20 March 2003

Dear Denis,

SPRING EUROPEAN COUNCIL: UK IDEAS PAPER

Thank you for copying me in to your minute of 13 March to the Prime Minister covering your paper on economic reform.

I do feel that there needs to be a far wider understanding of the role that education, skills and lifelong learning play in the achievement of the Lisbon goals and in strengthening the economic reform agenda. There are, indeed, two references to education in your paper but these are limited to its role in promoting entrepreneurship and in university business links. Important though these are, I believe we should be promoting education as both an economic and a social lever which will help deliver more and better jobs and greater social cohesion. After all, if our young people do not leave school with the right basic skills, they will not be able to progress to further and higher education, to vocational training or to enter and prosper in today's complex and demanding labour market. And individuals will not be able to contribute to both national prosperity and the support of themselves and their families if lifelong learning does not help them to adapt to frequent change. Education and lifelong learning are crucial to the development of the skilled and flexible workforce without which Europe will be unable to achieve its ambitions to become the world's leading knowledge based economy.

I was not quite clear from the paper what the relationship would be between the Employment Taskforce and the independent study that you mention. However, I believe that education and skills have an enormous potential to contribute in discussions of these issues and I hope that my Department will be fully involved in any work following on from your paper.

I am copying this letter to the Prime Minister, Patricia Hewitt, Andrew Smith, Alastair Darling and Ruth Kelly, as well as to Sir Andrew Turnball, Sir Stephen Wall and to Sir Nigel Sheinwald.

Kim Sibley
pp **Charles Clarke**
(agreed by the SoS and signed in his absence)

department for
education and skills
creating opportunity, releasing potential, achieving excellence

INVESTOR IN PEOPLE

8

From: Stephen Wall
Date: 20 March 2003

PRIME MINISTER

cc: Jonathan Powell
Alastair Campbell
Sally Morgan
Jeremy Heywood
David Manning
Roger Liddle
Matthew Rycroft
Danny Pruce
Steve Morris
Sir Andrew Turnbull
Sir Nigel Sheinwald

FAXED

BRUSSELS EUROPEAN COUNCIL

We arrive at 18.30 for a 19.30 start (half an hour with Pat Cox, followed by a discussion among heads for an hour on Iraq, followed by dinner (also on Iraq) with Foreign Ministers present. Before the start, we are setting up bilaterals between you, Berlusconi (18.30), Prodi (19.00) and Solana (19.15 – Jack Straw will sit in on this one). As you gathered from Simitis, the conclusions on Iraq will be lowest common denominator stuff. Most people will want to rally round something to which all can agree.

With Berlusconi, the main point is to make him feel part of the gang since he was left out at the Azores.

His Foreign Ministry are also starting to react at what they see as Berlusconi throwing away 40 years of Italian European policy. Berlusconi (as one of the original six founder countries) may, therefore, feel the pressure from the French more than most.

Berlusconi may try and sign you up for two things:

(i) A deal he has done with Lipponen whereby Helsinki gets the Food Safety Agency and Parma gets an agency which looks into origin markings and food quality etc. OK by us.

(ii) That Italy should be able to use state aids to let all its farmers off 75% of the levy they have to pay for exceeding their milk quota (amounting to some 500m euros). The Italians are holding up the agreement to the savings tax package to try and get their way. On this you must be negative and tough. Our farmers have to stick to their quota or pay the levy, and do so (very unwillingly). If they thought you had connived in letting the Italians off the hook, they would be (rightly) hopping mad. The Germans, Dutch and others are with us on this.

With Prodi and Solana, the main focus should be:

(i) To impress on them what you have done to get Bush signed up for the Middle East roadmap.

(ii) The fact that you delivered Bush for a UN-led operation in Iraq after the war. This is an area where the European Union can play a prominent role. Prodi is probably more up for this than Patten, who has gone increasingly grumpy and uncooperative on us. (A blow for you as an Oxford graduate since it probably means that, as your Chancellor, he will not raise a single cent in the United States.)

You should also thank Prodi for his continuing focus on the economic reform agenda. The preparations for this European Council have been good and Prodi has, with some hiccups, been supportive of our big idea of the Employment Taskforce, which should be the main point of agreement on Friday.

When you see Lipponen, do not commisserate with him for losing the election. In a very Finnish way, he came second but his Social Democratic party increased its share of the vote and he got the biggest personal vote of any candidate. But Mrs Jaatteenmaki's Centre Party did even better and Lipponen's Conservative coalition partners lost votes. Likely outcome: a Centre Party/Social Democrat coalition but without Lipponen in it. She will not serve under him nor he under her.

You should find an opportunity to congratulate Fogh Rasmussen on his courageous decision to make a military contribution. He will seek parliamentary approval on Friday, then provide a submarine, corvette and a few troops. This has caused him much domestic grief, including a drenching in red paint.

On the minus side, Persson has gone public in asserting that military action is illegal. And Balkenende has decided to offer political but not military support.

No corner of the EU has been left unturned in our efforts to launch your initiative on asylum: zones of protection (about which you wrote to Simitis and other EU heads on 10 March). You have asked to intervene on this subject during the course of the Thursday evening discussion (I will establish, when we get there,

what the best time for you to do this is). You need to do it to keep our initiative alive.

Simitis does not, understandably, want a big discussion of immigration issues. But you should remind partners of your letter, which put forward ideas building on those of the UNHCR for better management of the asylum process globally (through improved regional management and transit processing centres). We have been in discussion with UNHCR, the International Organisation for Migration and, above all, the Commission and hope that our idea could be taken forward by the Presidency and the Commission with a view to possible action being agreed at the June European Council.

Prodi and the Dutch should speak in support. The Germans are neutral, the French iffy. But they are unlikely to object.

Simitis, in a reply to you, has said that the Presidency will set up a small group to look at the ideas. This may be a recipe for losing them in the long grass, but it is hard to object and, provided there is some follow up, we can then try and steer it back more productively.

The Friday morning discussion will be on the economic reform agenda. It will be based on a Presidency conclusions document which (under the Seville reforms) has been negotiated in advance. Our four priorities (more jobs, less red tape, removing barriers to the single market, more R&D/innovation, particularly in environmental technologies) are all reflected. There are four issues to watch our for:

(i) The Employment Taskforce. This is a British idea and, if agreed, will be the only eye-catching point on economic reform to come out of this summit. We, therefore, have a real interest in not allowing it to die. The idea is a small group of independent people who would report on what is necessary in member states to create new employment. We want the group to report to the Commission who should incorporate its recommendations into their report for the Spring 2004 European Council. The most likely head is Wim Kok (who would be fine). Peter Sutherland would have been better but Simitis was determined to have a socialist.

(ii) Services of general economic interest ie public services. There has been a long-standing debate as to the extent to which public services should be protected from competition and state aid rules. Our view is that their distinct quality (eg the BBC) should be recognised but that they should not have a right to absolute protection. At Barcelona, the Commission was asked to consolidate and specify "the principles on services of general economic interest ... in a proposal for a framework directive while respecting the specificities of the different sectors involved and taking into account the provisions of Article 86 [competition rules] of the Treaty". We have not yet had the Commission green paper on SGEI. But the French want a commitment to a directive now. We should stick on the Barcelona language. Denmark, Ireland, and probably the Commission will support.

(iii) Defence R&D. We should ride the Commission off their enthusiasm for a Commission initiative on defence R&D (outside Community competence). Instead, we favour an inter-governmental defence capabilities and

acquisition agency as the French and we agreed at Le Touquet. Further spending decisions on defence R&D should be agreed through the Agency. The Scandinavians share our concerns. We can accept an Austrian compromise inviting the Council to analyse defence procurement in the context of the EU's overall R&D activities.

(iv) Maritime safety. We can endorse agreement at the 27 March Transport Council of the Chirac and Aznar sponsored post-Prestige safety measures, so long as we secure a short (3 month) phase-in of the ban and a derogation for smaller single hulled vessels. But the conclusions language leaves all this to play for, so we can relax. Instead, we should join Germany, France and Spain in resisting Commission attempts to bounce through their pet projects which have little support in the Transport Council, e.g. extending the role of the Maritime Safety Agency to give it a flotilla of pollution-busting vessels, and reopening the 1982 UN Convention on the law of the sea (which is unnecessary and risks upsetting the delicate balance between maritime interests that the Convention achieves). We should also try to ensure that any new EU compensation fund is funded by oil importers (as in the IMO scheme) rather than through the EU budget.

/ I attach some notes on which you may wish to draw for your intervention on economic reform.

Other Issues

(i) Sites of agencies. We could live with the Berlusconi/Lipponen deal as a one-off. Other member states are likely to insist on a package on all agencies. If that discussion develops we should remind others of our claim for the Police Training Academy to be in the UK (Bramshill). The Portuguese want the European Maritime Safety Agency to be based in Lisbon. The Greeks have offered them a deal whereby there is an agency in Lisbon looking after the Atlantic and one in Greece looking after the Mediterranean! The French have proposed Nantes for the Maritime Safety Agency. We have proposed Glasgow, but it does not have a serious claim.

(ii) The Stability and Growth Pact. ECOFIN has agreed a report on the Stability and Growth Pact, whose main points are:

- There is no need to change the Pact itself.
- The monitoring of nominal deficits remains essential, especially countries close to the 3% GDP limit ...
- ... But in general compliance with the SGP's medium term objectives of close to balance or in surplus should be assessed in cyclically adjusted terms.
- Greater attention must be paid to the long-term sustainability of public finances including the challenges of ageing populations.
- An emphasis on debt levels playing an important role in budgetary surveillance, especially in highly indebted countries.

This is a good result for us as far as it goes. But we, the French and the Germans wanted explicit acknowledgement that limited, underlying deficits (ie like the UK's planned 1.5% GDP underlying deficit) were not necessarily inconsistent with the Pact. That was resisted by the Dutch, Danes, Spanish and Austrians.

ECOFIN also fudged the issue of what happens when a country's headline deficit exceeds the 3% limit when its underlying deficit is acceptable.

These are not academic issues since Germany, France and maybe Italy will all have deficits in excess of 3% in 2003. We could find ourselves in the same position too if war led to a sharp downturn in the economy. But the Germans will not want to open all this up just now. If the French do so, they will get a sharp reaction from countries like Spain, Sweden and Netherlands; our objective in that case should be to ensure that ECOFIN's 7 March language is retained word for word. There may also be a move to allow Iraq to be treated as a shock to the system which requires flexible interpretation of the rules ie a fig leaf for the French. We can keep our heads down.

(iii) European Central Bank. The ECB has proposed amending the voting rules in the ECB governing council in view of enlargement. The amendments would establish a voting system in which the votes would be divided between three groups of large, medium and small countries. Voting rights would rotate within each group. Were we to join EMU, the UK would get a vote 80% of the time, as much as any other country. It is unlikely that this will come to a head at the European Council but, if so, heads would

decide by unanimity. The Finns and Dutch, in particular, are unhappy, seeing this as part of the large/small divide which is also causing them so much grief in the Convention. While we have substantive interests in the proposal going through, there is tactical sense in not rubbing up the Finns and Dutch the wrong way. So, if they object to a decision at this point, we should not resist. There is a possibility of a declaration (details in the briefing pack) which would mitigate Dutch and Finnish unhappiness.

STEPHEN WALL

SPEAKING NOTE FOR FRIDAY MORNING SESSION:
ECONOMIC REFORM

Three years on from Lisbon, we have made considerable progress towards our objective of making Europe the most competitive and dynamic knowledge-based economy in the world.

In the past year alone we have:

- reached an historic agreement to **open up energy markets**, which will deliver genuine competition and lower prices for businesses and consumers;

- agreed a "**Single European Sky**" which will allow more effective management of European airspace, reducing air traffic delays; and

- most recently, we have agreed on a business-friendly **Community Patent** which will substantially reduce costs of securing a patent and deliver a centralised EU jurisdictional arrangement.

These achievements show that we are building our kind of Europe, focussed on delivering practical benefits and improving people's lives.

There is, however, much more that we can and must do if we are to really going to deliver the dynamic, job creating Europe that we have promised.

This summit needs, therefore, to pick out the right priority areas for us to focus on over the coming year. I believe there are four key areas:

- **Boosting jobs**: If it's about nothing else, the Lisbon process is about creating jobs and removing the misery of unemployment. The Lisbon target of full employment within 10 years is our main goal. But, after a good start, our job-creation efforts have faltered.

- That is why we are keen to add value to the European Employment Strategy by establishing an **Employment Taskforce.** This would identify a small number of key measures that Member States can put into effect rapidly and that will start to have a positive impact on unemployment and employment levels within 12 months.

- **Cutting red tape**. We know the EU can make a huge difference in reducing bureaucracy – for example, 60 million customs forms per annum are no longer needed thanks to the Single Market. But we must do more. We should make sure that the EU does not create new burdens to replace those it tears up.

- That is why we are keen to see a commitment to implement fully the **Better Regulation Action Plan** including the production of extended impact assessments by the Commission. This will mean better policy with greater consideration of impact on businesses. We are also pushing for rapid implementation of plans to simplify EU legislation and are pushing for 35,000 pages of Community legislation to be removed by 2005.

- **Removing barriers to a single market**: 10 years on from single market programme, the deficit in implementing EU rules has been brought below 2%. But the single market is still not complete. We

should make a renewed effort to put real competition at the heart of the EU. We must have a greater focus on integrating European markets; securing improved networks; delivering a genuine financial services market with effective enforcement of agreed measures; and a single market for services. Only once these markets are complete will we be truly able to benefit from what the single market can offer us.

- Finally, **encouraging R&D and entrepreneurship** must be made a priority. We must work towards generating the right conditions for small firms to establish themselves and grow. And, we need to make greater efforts to move towards our 3% R&D target, improved business and university links, and an appropriate intellectual property regime. Europe should be taking more of a lead on issues such as environmental technology, which can contribute so much to our future prosperity. We must not be afraid of taking action in all these areas if we really want a genuine knowledge-based economy.

These are some of our ideas for making Europe a more dynamic and successful economy. I congratulate the Presidency and the Commission for their leadership and commitment. We need, all of us, to send a message that, as governments, we share that commitment.

BRUSSELS: CORE SCRIPT

At Lisbon in 2000 we Europeans set ourselves a **new goal**: to be the most dynamic economy in world by 2010, with full employment and sustainable growth. 20 million new jobs were required to hit the target.

Progress has been made, but we must step up our efforts. Year 3 in 10 year programme. Prize is great. UK citizens would be £5000 richer if EU matched US productivity.

European Commission is proving a force for change, promoting liberalisation and modernisation Europe-wide. Strong Commission an essential part of the process.

Every country – including UK – has work to do. Each has strengths and weaknesses. Aim is to bring all up to standard of best in each area – whether on labour markets, productivity, R&D investment etc.

Reform shows we are building our kind of Europe focussed on delivering practical benefits. **About improving people's daily lives. Delivering real benefits for real people**. In past year alone:

- 500,000 **new jobs** in the EU;

- agreement on **energy liberalisation** to open domestic and industrial markets across Europe by 2007 - 4% EU GDP. Gives UK companies access to EU markets;

- agreement on measures to open up EU **financial services market** - easier access to capital for firms, cheaper borrowing for firms, higher returns for savers. Huge opportunities for the city;

- agreement on a business friendly **Community Patent** – will substantially reduce costs of obtaining a patent, and give businesses confidence due to new centralised jurisdictional regime;

- agreement on the **Single European Sky** which will improve air traffic management efficiency, thereby reducing delays;

- virtually all schools in the UK connected to the **Internet**; and

- agreement on the **EU Emission Trading Scheme Directive**.

What UK wants from Spring Council

A lot done, a lot still to do. This year EU should concentrate on those areas where progress hasn't been fast enough. **UK looking for action in four key areas**:

- **Boosting jobs**: Labour markets are key to EU growth. Not enough progress made so far. UK proposing an **Employment Taskforce** to review Europe's labour markets, identify reasons for the slow-down in job creation and make recommendations for action to reduce levels of structural unemployment. Aim is to identify a small number of key measures that Member States can put into effect rapidly and start to have a positive impact on unemployment and employment levels within 12 months.

- **Cutting red tape**: EU can make a huge difference in reducing bureaucracy – eg. 60 million customs forms per annum no longer needed thanks to the Single Market. But can do more – and must ensure EU doesn't create new burdens to replacing those it tears up. We want a commitment to implement fully the **Better Regulation Action Plan** including the production of extended impact

assessments by the Commission. **Means better policy and greater consideration of impact on businesses**. UK pushing for rapid implementation of plans to simplify EU legislation – want to see 35,000 pages of Community legislation removed by 2005.

- **Removing barriers to a single market**: 10 years on from single market programme, the deficit in implementing EU rules has been brought below 2%. But single market still not complete. **Need renewed efforts to put real competition at the heart of the EU**. Greater focus needed on integrating European markets; securing improved networks; completion of the financial services market; and a single market for services.

- **Encouraging entrepreneurship**: UK supports an Action Plan to generate the right conditions for SMEs to establish themselves and grow, including access to risk capital. Need EU efforts to move towards 3% R&D target, improved business and university links, a European R&D scoreboard, more effective state aid rules for R&D and an appropriate intellectual property regime to bring about a genuine European research and innovation area.

- No accident that President Bush used Detroit Motor show to announce commitment to hydrogen fuel technology. Potential for big commercial advantage if we focus EU efforts on:

  - development of new vehicle fuels and technologies;
  - contributing fully to development of international standards for new vehicle fuels and technologies;
  - ensuring that R&D programmes are organised to bring innovative ideas swiftly to market.

RESTRICTED
FRANCE: SPRING EUROPEAN COUNCIL: SCENE-SETTER
From: PARIS

TO IMMEDIATE FCO
TELNO 136
OF 191104Z MARCH 03
AND TO IMMEDIATE CABINET OFFICE, DEFRA, DTI, DWP, HM TREASURY
AND TO IMMEDIATE MODUK
INFO IMMEDIATE EU ENLARGEMENT POSTS, EU POSTS, WASHINGTON
INFO PRIORITY BORDEAUX, LILLE, LYONS, MARSEILLES

NO.10 FOR WALL, MANNING, LIDDLE, SCOTT, RYCROFT
HMT FOR PS/CHXR, CUNLIFFE, DAWES, OWEN, LAWRENCE

SUMMARY

1. Because of the attention focused on Iraq, Chirac is riding high domestically, with his popularity at record levels. Raffarin has been left to handle an increasingly difficult economic and social situation and is beginning to suffer accordingly. For the Council itself, the French have become more positive on the economic reform agenda. Their particular concerns will be good outcomes on maritime safety, telecoms, SGEI, and employment task force. Stability Pact a potential wild card. On Iraq, subject to intervening events, the French should in principle want to help, rather than criticise, and to engage in the day after debate. But, with Chirac resentful at our singling out of France for blame, fireworks cannot be excluded.

DETAIL

2. Chirac arrives in Brussels riding a wave of domestic popularity. There is no organised domestic challenge to his Iraq policy, though some of his centre-Right UMP majority are edgy about the potential damage to transatlantic relations, and there is more concern in private that he has gone too far than ever appears in public. His approval ratings have risen 7pp to 69% - the highest since Pompidou - over the last month. The Socialist opposition is preoccupied with internal manoeuvring before its May Party Congress, and on Iraq is anyway more chiraquien than Chirac. (A recent cartoon showed Hollande, Socialist leader, saying to his psychiatrist "Doctor, please help me: I can't stop myself supporting Chirac".)

3. This Chiraq effect is masking the extent to which the domestic agenda is becoming more difficult for the Government. The economy is continuing to slow. The Government is now predicting only 1.3% growth for 2003, and admits that the budget deficit will be 3.4% in 2003 after 3.1% in 2002, making an excessive deficit procedure virtually certain. This cannot easily be reconciled with Chirac's electoral promises to cut taxes. On the social side, a wave of redundancies, rising unemployment, the lumbering negotiations on pensions reform, and rumbling unrest in the public sector all contribute to a sense of bloom and unease. The business community's mood is bleak, reflecting recognition that Iraq-related uncertainty is not the only problem (Euro strength, persistent German weakness, and fears of unemployment impacting on consumption all weigh strongly); and concern that reform is not yet being tackled hard enough.

4. Raffarin (who will not of course be at the Council) has been arguing that the difficult economic situation makes reform more necessary, and that the Government will not be deflected. But he is dogged rather than inspired, and is beginning to suffer in the polls: his own popularity is down by 4pp to 55%.

[redacted]ONOMIC REFORM

5. The good news is that these domestic problems have not inhibited the French from pursuing a much more positive approach to this Spring Council than in the past. They are basically happy with the evolving draft conclusions. They will be looking for something prominent on telecoms, on maritime safety, and public services (SGEI), but none seem likely to be particularly problematic. They have reconciled themselves to the Employment Task Force, provided it is compatible with the EU's wider employment strategy, and provided there is a French member (no names have emerged).

6. The Stability Pact and the French excessive deficit procedure is one possible wild card. Particularly if Spain were to reopen the ECOFIN text, a counter-reaction from Chirac is conceivable, given his continued attachment to excluding certain categories of spending from the Pact's constraints, and his frustration at Commission criticism of French policy.

IRAQ

7. Events between now and the time of the Council will obviously dictate the agenda. As of now, the French have reacted fairly calmly to the latest developments, regretting rather than openly condemning the move to war, while letting it be understood between the lines that they have real doubts about its legitimacy. Chirac may not come to the Council deliberately aiming to grandstand or to inflame discussions. Nevertheless he will be firm privately and publicly about his belief that war on this timescale is neither necessary nor justified and that France has moral right on its side. He may find it hard to maintain the general French public position so far of not responding to our criticisms of French intransigence.

8. Nevertheless focus on the post-war humanitarian and reconstruction aspects will allow Chirac to contribute constructively if he wishes. In principle the French want to be involved in the post-war arrangements. But Chirac will make clear that proper UN involvement will be a prerequisite, and a French military presence in Iraq might anyway be too difficult. Also on his and Villepin's minds will be the consequences of the last few months for European construction, EU solidarity, EU/US relations and the future of CFSP, all of which will have reinforced their predilection for reinforced cooperation or some sort of inner EU core. There is no evidence yet the French have any sort of concrete initiative up their sleeve on this, but Chirac may try to make flesh creep in a way that could be awkward for us. He may also do a numero on the need for the EU to stand up to US bullying.

COMMENT

9. For obvious reasons this is an unusually difficult European Council to read. Chirac and Villepin should recognise the need to deliver a firm message on economic reform, in order to maximise post-war economic confidence; and the collective pressure to cooperate in concocting a minimalist fagade of European unity on Iraq will presumably be strong. Chirac ought to recognise that his Iraq stand has at best limited support in the EU and look to build a few bridges. But I suspect his private resentment will be strong at the way in which we have singled out France for blame for the failure of the Security Council negotiations. His usual impulsiveness and tendency to harangue and bully, combined with a

[redacted]sire to play to the domestic audience, mean that he cannot be [redacted]ed upon to handle things sensibly. Another explosion, perhaps directed at us, cannot be excluded.

HOLMES

Sent by PARIS on 19-03-2003 11:04
Received by No10 on 19-03-2003 11:33

THE PRIME MINISTER

1. Nekos
2. mtk
3. Mac

Athens, March 18, 2003

Dear Tony,

Thank you for your letter of March 10th, 2003.

As you may be aware, we have made migration a major priority of our Presidency and we, therefore, welcome all ideas that will help Europe develop a comprehensive approach to the management of migration-legal and illegal.

Since the Tampere Summit we have begun to chart a course for Europe and I believe strongly that we must both intensify and accelerate the process. We all share the view that Europe must address the issue from a variety of perspectives. In light of our demographic trends, migration can contribute significantly to our economic competitiveness; as such, we have proposed to examine it also under the Lisbon Process. We must assert more effective control of our frontiers and eliminate the criminal networks that promote illegal immigration. We must see whether our development policies are addressing migration at the source. And, we must find a better way to manage the flow of asylum-seekers and reduce costs to the Member-States.

Therefore, I could foresee a very brief intervention from you on your proposal at the Brussels European Council and suggest that the Presidency convenes a small group in the framework of the Council to formulate a comprehensive approach on migration and asylum and elaborate further on your ideas. This may offer an appropriate vehicle to translate the various important proposals into a coordinated European initiative to be articulated at the Thessaloniki European Council.

I am copying this letter to our colleagues in the European Council.

Sincerely yours
C. Simitis

Costas Simitis

H.E.
Mr. Tony Blair
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland

Not ideal – takes it out of the hands of the (sympathetic) Commission and allows the Presidency to bury it, but hard to object to it.

file

3681499

1. Nekos
2. mrx
3. Mac

THE PRIME MINISTER

SUBJECT MASTER Filed:

Athens, March 18, 2003

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I am copying this letter to our colleagues in the European Council.

Sincerely yours,
C. Si-i L-

Costas Simitis

H.E.
Mr. Tony Blair
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland

EMBASSY OF GREECE
1A HOLLAND PARK,
LONDON W11 3TP

16

London, 22 April 2003
No.F.1014/AS 706

Dear Matthew,

Please find enclosed, for your records, original of a letter addressed to your Prime Minister, The Rt. Hon. Tony Blair MP, by the Prime Minister of the Hellenic Republic, Mr. Costas Simitis, which I received today.

A copy of the enclosed was sent to you prior to the spring European Council, held on 20 and 21 March 2003.

With best regards

Constantinos Bitsios
Minister Counsellor

Mr. Matthew Rycroft
Privatev Secretary to the Prime Minister on Foreign Affairs
10 Downing Street
London SW1A 2AA

eu2003.gr

SUBJECT
MASTER
Filed:

Athens, 18 March 2003

H.E.

Mr. Tony Blair

Prime Minister of the United Kingdom

of Great Britain and Nothern Ireland

I have great pleasure in inviting you to the spring European Council which is to be held in Brussels on 20 and 21 March.

The developments concerning Iraq lead us to change our initial plan for the Summit, as discussed in Coreper. The issue of Iraq is dominating the world agenda and we must therefore focus our attention on it before anything else. At 19.00 on Thursday 20 March, I shall welcome you to the Justus Lipsius building. At 19.30, we will begin our proceedings with an exchange of views with the President of the European Parliament Mr Pat Cox. At 20.00, we shall discuss the issue of Iraq, continuing our discussions during the dinner at 21.00, where we will be joined by the Foreign Ministers. In the course of the dinner, we will also discuss developments in the Middle East and the Balkans.

The Ministers for Finance will hold a special dinner, where they will be discussing the international economic situation.

Earlier in the day, at 10.30, a meeting of the Social Affairs Troika will have taken place, followed by a press conference at 12.00.

On Friday 21 March, our first working session begins at 9.30 and will also be attended by the Foreign and Finance Ministers. It will cover issues falling within the framework of the Lisbon strategy.

Three years after Lisbon, we are faced with an exceptionally difficult and changing international economic and political environment. In this context, it is imperative that we confirm and strengthen our policies for economic and social reform and for a Europe of sustainable development, which creates wealth, prosperity and jobs.

With the fourth year of the ambitious ten-year programme of reform, agreed upon in 2000, now under way, I would like us, during our meeting, to look back over our three years of experience, noting our difficulties, but also our successes: the opening-up and the integration of european markets, the boosting of entrepreneurship and innovation, the promotion of employment and the strengthening of social cohesion and our policies on the environment and sustainable development.

We shall be basing our work on two important texts: the spring report from the European Commission and the "key issues paper" approved by the Economic and Financial Affairs Council.

eu2003.gr

On the basis of the new Seville procedure, the General Affairs Council will have prepared our meeting by drawing up the annotated agenda so that there is a consensus on the conclusions, concerning most of the various issues covered by the Lisbon strategy. I hope that we will thus be able to conclude the meeting by 13.00.

During our meeting, we shall convene as the Council at the level of Heads of State or Government in order to adopt the amendment to Article 10(2) of the Statute of the European System of Central Banks and of the European Central Bank, concerning the voting procedure at the ECB.

At 13.00 we shall attend a working lunch together with the acceding and candidate countries. There will be an exchange of views on the issues, which we shall have discussed up to that point at the Summit, namely Iraq, the Middle East, the Balkans and the Lisbon strategy.

The Ministers for Foreign Affairs, together with their counterparts from the acceding and candidate countries, will attend a separate working lunch where they will discuss the latest developments in the Middle East, North Korea and on the Cyprus question.

At the same time, the Ministers for Finance will hold a separate lunch with their counterparts from the acceding and candidate countries in order to discuss structural changes and better integration of the Lisbon objectives in the policies of the acceding and candidate countries.

At 14.40, we will assemble, together with the acceding and candidate countries, for the traditional family photograph.

Press conferences will follow immediately afterwards.

It will be a great honour and pleasure for me to welcome you to Brussels this coming Thursday. I am convinced that our meeting will bear fruit and prove to be profitable for all of us.

Yours sincerely,

Costas Simitis
President of the European Council

Ο ΠΡΩΘΥΠΟΥΡΓΟΣ

Αθήνα, 18 Μαρτίου 2003

Αγαπητέ Tony,

Στις 20 και 21 Μαρτίου θα πραγματοποιηθεί στις Βρυξέλλες το εαρινό Ευρωπαϊκό Συμβούλιο, στο οποίο έχω την τιμή να σας προσκαλέσω.

Οι εξελίξεις στο θέμα του Ιράκ μας επιβάλλουν να αλλάξουμε τον αρχικό σχεδιασμό μας για τη Σύνοδο Κορυφής, όπως είχε συζητηθεί στο COREPER. Το θέμα του Ιράκ είναι κυρίαρχο στη παγκόσμια σκηνή. Σε αυτό λοιπόν θα πρέπει πρώτα απ' όλα να επικεντρωθεί η προσοχή μας. Στις 19:00, την Πέμπτη 20 του μηνός, θα σας υποδεχθώ στο Justus Lipsius. Στις 19:30 θα αρχίσουμε την εργασία μας με μία ανταλλαγή απόψεων με τον Πρόεδρο του Ευρωπαϊκού Κοινοβουλίου κ. Pat Cox. Στις 20:00 θα συζητήσουμε για το θέμα του Ιράκ. Θα συνεχίσουμε τη συζήτηση αυτή στις 21:00 κατά τη διάρκεια του δείπνου, μαζί με τους Υπουργούς Εξωτερικών. Στο δείπνο θα συζητήσουμε επίσης τις εξελίξεις στη Μέση Ανατολή και στα Βαλκάνια.

Οι Υπουργοί Οικονομικών θα έχουν ένα ιδιαίτερο δείπνο, όπου θα συζητήσουν τη διεθνή οικονομική συγκυρία.

Θα έχει προηγηθεί, την ίδια ημέρα, στις 10:30 συνάντηση της Κοινωνικής Τρόϊκας, που θα ολοκληρωθεί με συνέντευξη Τύπου στις 12:00.

Την Παρασκευή 21 Μαρτίου, η πρώτη μας συνάντηση εργασίας αρχίζει στις 9:30, με τη συμμετοχή των δύο Υπουργών Εξωτερικών και Οικονομικών. Θα περιλαμβάνει τα ζητήματα, που εντάσσονται στο πλαίσιο της στρατηγικής της Λισσαβώνας.

Τρία χρόνια μετά τη Λισσαβώνα, βρισκόμαστε σε ένα εξαιρετικά δύσκολο και ρευστό διεθνές οικονομικό και πολιτικό περιβάλλον. Στο πλαίσιο αυτό, είναι επιβεβλημένο να επιβεβαιώσουμε και να εντείνουμε τις πολιτικές μας για οικονομική και κοινωνική μεταρρύθμιση, για την Ευρώπη της βιώσιμης ανάπτυξης, που δημιουργεί πλούτο, ευημερία και θέσεις εργασίας.

Ξεκινώντας τον τέταρτο χρόνο του δεκαετούς φιλόδοξου προγράμματος μεταρρυθμίσεων, στο οποίο δεσμευθήκαμε το 2000, θέλω στη συνάντηση μας να δώσουμε το στίγμα της τριετούς εμπειρίας μας. Να επισημάνουμε τις δυσκολίες αλλά και τις επιτυχίες μας: το άνοιγμα και την ενοποίηση των Ευρωπαϊκών αγορών, την ενίσχυση της επιχειρηματικότητας και της καινοτομίας, την πρόωθηση της απασχόλησης και την εμβάθυνση της κοινωνικής συνοχής, τις πολιτικές μας για το περιβάλλον και τη βιώσιμη ανάπτυξη.

Κατά τις εργασίες μας θα βασιστούμε σε δύο σημαντικά κείμενα: την εαρινή έκθεση της Ευρ.Επιτροπής και το «Εγγραφο βασικών θεμάτων», που έχει εγκριθεί από το Συμβούλιο Οικονομικών και Δημοσιονομικών Υποθέσεων.

Με βάση τη νέα διαδικασία της Σεβίλλης, το Συμβούλιο Γενικών Υποθέσεων θα έχει προετοιμάσει τη συνάντησή μας, με τη διατύπωση της σχολιασμένης ημερήσιας διάταξης, έτσι ώστε να υπάρχει συναίνεση για τα συμπεράσματα στα περισσότερα από τα επιμέρους θέματα της στρατηγικής της Λισσαβώνας. Ελπίζω να μπορέσουμε έτσι να κλείσουμε τη συνεδρίαση μέχρι τις 13.00.

Κατά τη διάρκεια της συνεδρίασής μας αυτής θα συνέλθουμε ως Συμβούλιο σε επίπεδο Αρχηγών κρατών ή Κυβερνήσεων, για να υιοθετήσουμε την τροποποίηση του άρθρου 10.2 του Καταστατικού του Ευρωπαϊκού Συστήματος Τραπεζών και της Ευρωπαϊκής Κεντρικής Τράπεζας, που αφορά στη διαδικασία ψηφοφορίας στην Ε.Κ.Τ.

Στις 13:00 θα παρακαθήσουμε σε γεύμα εργασίας μαζί με τις υπό ένταξη και τις υποψήφιες χώρες. Θα γίνει ανταλλαγή απόψεων για τα θέματα, με τα οποία θα έχουμε ασχοληθεί μέχρι τότε στη Σύνοδο Κορυφής, δηλαδή το Ιράκ, το Μεσανατολικό, τα Βαλκάνια καθώς και τη στρατηγική της Λισσαβώνας.

Οι Υπουργοί Εξωτερικών, μαζί με τους ομολόγους τους από τις υπό ένταξη και υποψήφιες χώρες, θα παρακαθήσουν σε χωριστό γεύμα εργασίας, όπου θα συζητήσουν τις τελευταίες εξελίξεις στη Μέση Ανατολή, στη Βόρεια Κορέα και στο Κυπριακό.

Ταυτοχρόνως, θα παρακαθήσουν σε χωριστό γεύμα οι Υπουργοί Οικονομικών με τους ομολόγους τους από τις υπό ένταξη και υποψήφιες χώρες και με αντικείμενο συζήτησης τις διαρθρωτικές μεταρρυθμίσεις και την καλύτερη ενσωμάτωση των στόχων της Λισσαβώνας στις πολιτικές των υπό ένταξη και υποψηφίων χωρών.

Στις 14:40, μαζί με τις υπό ένταξη και υποψήφιες χώρες θα συγκεντρωθούμε για την παραδοσιακή οικογενειακή φωτογραφία.

Αμέσως μετά θα δοθούν οι συνεντεύξεις τύπου.

Θα είναι μεγάλη μου τιμή και ευχαρίστηση, να σας καλωσορίσω στις Βρυξέλλες, την ερχόμενη Πέμπτη, με την πεποίθηση ότι, η σύνοδος μας θα αποδώσει καρπούς και θα αποδειχθεί επωφελής για όλους.

Με φιλικούς χαιρετισμούς,

Κώστας Σημίτης

Α.Ε.
κ. Tony Blair
Πρωθυπουργό Μεγάλης Βρετανίας

DCO

SUBJECT MASTER Filed:

The Ambassador

Embassy of Greece
London

PRIME MINISTERS
DIRECT COMMUNICATIONS UNIT
28 MAR 2003
RECEIVED

London, 17th March 2003

Ref.No. 1014/AS.486

1. Nexus → dcu have logged.
2. Matrix
3. → MR

FAXED -25-28/3

1-cc Jonathan Sinclair DCO
2.
7. R.L.

28/3

RETURNS FOR MOREARD BE FILED SOBS/SOLDARY

Dear Prime Minster,

I have the honour to enclose an original letter from his Excellency the Prime Minister of Greece, Mr.Constantinos Simitis.

Yours sincerely,

Alexandros Sandis

The Rt. Hon.Tony Blair
Prime Minister of the United Kingdom
and Leader of the Labour Party
10 Downing Street
London SW1

THE PRIME MINISTER

Athens, 6 March 2003

Dear Tony,

I wish to thank you very much for your contribution dated February 5th, and I am certain that in the forthcoming Spring European Council 2003, we shall thoroughly discuss your views.

Also, in connection with your letter please find attached a copy of my response, dated March 5th, addressed to the President of the European Commission, Mr. Prodi.

Yours sincerely
C. Simitis

Costas Simitis
Prime Minister of the Hellenic Republic

H.E.
Mr. Tony Blair
Prime Minister
of the United Kingdom

HELLENIC REPUBLIC
THE PRIME MINISTER

Mr. Romano Prodi
President of the European Commission

Athens, 5 March 2003

Dear Romano,

I refer to the recent letter which I received from President Chirac, Chancellor Schröder and Prime Minister Blair, in which they propose that we establish a Committee of Experts in order to conduct a high level review of labour markets in Europe.

Such a Committee would, indeed, constitute an important political advance for the Spring Summit and would give a strong message about our efforts to deliver concrete results on the labour market and other structural reforms. It would thus be useful if the Committee were asked to review the recent performance of European labour markets and to identify problems and solutions, while giving a particular emphasis on the synergies between flexibility and security in employment, which are at the heart of the Lisbon strategy. The Committee would thus complement the work already under way for the revision of the European Employment Strategy.

In order for us to be able to gain most from the work of the experts, the Committee should start its work as soon as possible. We should aim at a report around November 2003, in time for the preparation of the 2004 Spring European Council. The Experts' Committee would have to be kept small (6-7 people) to ensure an efficient and rapid outcome. We should explore suitable candidacies for a person to head it and ensure that the members chosen take a balanced, yet effective, approach to labour market reform. I would, therefore, ask the European Commission to respond to the joint letter of President Chirac, Chancellor Schröder and Prime Minister Blair by making its thoughts and recommendations concrete to the Presidency some time prior to the Spring European Council, so that we may prepare the conclusions.

Mr. President, I look forward to yours as well as Ms Diamantopoulou's further efforts of drafting the Committee's mandate and making it operational.

Yours sincerely

C. Simitis

C. Simitis

c.c.: - President Jacques Chirac
- Chancellor Gerhard Schröder
- Prime Minister Tony Blair

RESTRICTED
FINNISH ELECTIONS: DOES THE EXCITEMENT START NOW?
From: HELSINKI

TO IMMEDIATE FCO
TELNO 44
OF 170840Z MARCH 03
INFO PRIORITY CABINET OFFICE, EU POSTS, MOSCOW, OSLO, REYKJAVIK
INFO PRIORITY RIGA, TALLINN, VILNIUS

HELSINKI TELNOS 33, 38 AND 43

SUMMARY

1. Photo-Finnish election leaves opposition leader Anneli Jaatteenmaki front-runner to be next Prime Minister. But there's a good deal of negotiation before she gets there, and a small chance that she won't. Too soon to congratulate her, or commiserate with Paavo Lipponen. Lipponen will lead Finnish Delegation to Spring European Council, but President Halonen may play a stronger role on eg. Iraq at least for now. No substantial policy changes likely, but probably a change of style.

DETAIL

2. It must have been hard for a Finn to know how to vote - there was so little to choose between the parties (except that the centre right seemed keener on social spending than the centre left). Some bottled out of a serious choice - one of the highest personal votes went to Tony "The Viking" Halme, a former all-in wrestler standing for the quixotic True Finns party.

3. But overall turnout was slightly higher than last time (just short of 70%), and the final result puts Anneli Jaatteenmaki's Centre Party (55 seats in the 200 seat Eduskunta) just ahead of Paavo Lipponen's SDP (53). Both parties improved their overall share, at the expense of the Conservative "third party", which lost 6 seats to end up with 40. The results in many ways reflect the campaign - Jaatteenmaki was widely seen to have run the most effective campaign. Lipponen's was like the man - solid, steady and statesmanlike. The Conservatives, led by the charismatically-challenged Ville Itala, epitomised the overall dullness of the campaign.

4. Under the complex electoral rules (now being tested for the first time), Jaatteenmaki gets first crack at forming a coalition. She has two main choices: broad-based with the SDP and perhaps a smaller party eg the Greens; or centre right, with Conservatives, Swedish Speakers (8 seats), and Christian Democrats (7). Either way, Lipponen would leave the government - he and Jaatteenmaki cordially detest each other. It would be possible for the existing main coalition partners (SDP and Conservative) to conspire to frustrate Jaatteenmaki, but fair-minded Finns would see that as a denial of democracy. In this strongly egalitarian country, Jaatteenmaki will also be seen as having earned her right to be the first female Prime Minister.

5. It remains however possible that the inexperienced Jaatteenmaki will be unable to do the necessary coalition deals with either Conservatives or SDP. There is therefore a slim chance of the existing coalition under Lipponen surviving. The existing Government remains in office anyway at least until Parliament reconvenes on 26 March, and will provide the delegation for the Spring European Council at the end of the week. During the coalition negotiations, we may well see President Halonen taking more of a role on current foreign policy issues, such as

6. Implications for us: lots of new faces at the Council table; some unpredictability as Jaatteenmaki feels her way into an office dominated by Lipponen for 8 years; a less steady government; but no major policy shift. The likely departure of Lipponen (some gossip tips him as a strong candidate to succeed Finland's colourful answer to Betty Boothroyd, Riitta Uosukainen, as Speaker), and certain departure of Finance Minister Sauli Niinisto will deprive Finland of two politicians of real stature. They have presided over eight years of unprecedented economic success marred only by relatively high unemployment - perhaps the most telling factor in their eventual electoral defeat. But Lipponen has the consolation of a huge personal vote, reflecting his personal standing as Prime Minister.

KIRK

Sent by HELSINKI on 17-03-2003 08:40
Received by No10 on 17-03-2003 09:06

THE NATIONAL ARCHIVES

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FAXED TO UKRep BRUSSELS 7/3-25

From: Stephen Wall
Date: 7 March 2003

PRIME MINISTER

cc: Jonathan Powell
Jeremy Heywood
David Manning
Matthew Rycroft
Justin Russell
Emily Miles
Sir Nigel Sheinwald
Michael Barber

ZONES OF PROTECTION: UPDATE AND HANDLING AT THE SPRING COUNCIL

You plan to raise UK ideas on zones of protection and transit processing at the Spring Council.

We have warmed up the key players. The Commission are on board. We have had positive discussions with the Dutch, the Swedes, the Danes, the Germans, and the French. The Presidency are not keen for us to do distract the Council from its main business, but would be happy for you to make a short intervention, with a view to tasking the Commission and UNHCR with developing more concrete proposals for the June European Council, which is to be devoted to JHA issues.

I recommend that you write to Simitis, copied to the European Council and the new Member States. I attach a draft, enclosing the attached 'concept paper' as a basis for discussion. This has been agreed with Home Office and FCO Ministers, plus Clare Short.

Assuming we get a green light at the Spring Council, the next step will be for the Home Secretary to present our ideas in more detail at the JHA Informal on 27-28 March. We hope that Lubbers will also attend.

STEPHEN WALL

10 DOWNING STREET
LONDON SW1A 2AA
020 7930 4433

THE PRIME MINISTER

I am writing to ask for a very short discussion at the Brussels European Council, perhaps under the international issues item, of an idea we have been developing to help deal with the problems of refugees and migration. Our idea is designed to achieve better management of the asylum process globally through improved regional management and transit processing centres. We have raised the idea with Commissioner Vitorino, Ruud Lubbers and the International Organisation for Migration, and have had preliminary discussions about it with a number of colleagues.

I am enclosing for you, and our other colleagues, a paper which describes the idea. What I have in mind is a brief discussion in Brussels as a result of which, if everyone agrees, we might invite the Commission to do some further work on these ideas, in consultation with the UNHCR, with a view to making proposals for our June meeting in Thessaloniki.

I am copying this letter to our colleagues in the European Council, as well as to colleagues in the new Member States.

His Excellency Mr Costas Simitis

NEW INTERNATIONAL APPROACHES TO ASYLUM PROCESSING AND PROTECTION

Background and Aim

We start from the premise that the current global system is failing because:

- support for refugees is **badly distributed**, with asylum seekers who make it to Europe frequently receiving support and legal costs exceeding $10,000 a year, whereas the UNHCR spends an average of only $50 a year on each refugee or other 'person of concern' around the world;

- the current asylum seeking system usually requires those fleeing persecution to **enter the West illegally**, often paying criminal organisations many thousands of dollars;

- between half and three quarters of those claiming asylum in Europe **do not meet the criteria of full refugees**, whereas according to the UNHCR there are 12 million genuine refugees in the world, most of whom stay in their own regions;

- individual countries experience **rapidly fluctuating and unmanaged intakes** of asylum seekers and refugees, often resulting in poorly resourced responses which cause problems for genuine refugees, and public concern about the numbers of unfounded claims.

- And because of these failures, public support for asylum is falling across the developed world.

The aim of the proposals in this paper is **better management of the asylum process globally**, reducing unfounded applications and providing more equitable protection for genuine refugees.

This new approach would complement the EU-wide approach to asylum called for at Tampere, and the work set in train **at Seville to tackle illegal immigration** by strengthening the EU's external frontiers, and tackling the causes of migration in source countries. We want to develop a system in which the vast majority of migrants who come to Europe do so through legal channels, including refugee resettlement routes, rather than arriving illegally, frequently with the involvement of criminal gangs, and then claiming asylum, irrelevant of whether they are genuinely in need of protection.

Concepts

We are developing proposals for better international management of refugees and asylum seekers through two complementary elements:

1) Measures to improve regional management of migration flows; and

2) Processing centres, on transit routes to Europe.

This new approach draws on the UNHCR's plans for modernisation of the international protection system ("Convention Plus"), through new partnerships between destination, transit and origin countries.

1) Improving regional management

In the long-term, our aim should be to deal more successfully with irregular migrants within their regions of origin, through: approaches to address the causes of mass population flows; greater protection to displaced people close to their home countries, and; development of legal routes by which genuine refugees can, if the situation requires, come to Europe. Such improvements would help those in genuine need of protection and enable European countries to manage flows of refugees more successfully. It would build on work already underway in the UNHCR (Convention Plus) and by the EU to pursue action in source regions, following the Seville European Council.

Regional intervention could have four elements:

(i) Working to **prevent the conditions which cause population movements**. This includes: an increased focus on poverty reduction through effective use of development assistance targeted on the poorest countries; better conflict prevention in areas of instability; and enhancing the ability of the UNHCR and others to respond rapidly to emerging crises. The UK strongly advocates a smarter allocation of global development assistance towards the poorest countries, and the international community most recently made a Commitment to this at the Monterrey 'Financing for Development' Summit.

(ii) Working to ensure **better protection in source regions**: we should not be content for traffickers and facilitators to dictate who reaches our shores, and who benefits from our protection. The vast majority of displaced people (including refugees) remain in the regions close to their country of origin, often supported by the UNHCR. Yet the level of protection in some areas is relatively poor. Improving such protection would not simply benefit those who currently remain in the region: it should also reduce the incentive for the minority who do move on to Europe to do so (although it should be remembered that even higher levels of general protection will not adequately protect some individuals; those who consider themselves to be still in danger may flee protected areas). In particular, we consider that it would be important to work with the UNHCR to improve their capacity to respond rapidly to increased and sudden population flows.

(iii) Developing more **managed resettlement routes** from source regions to Europe, on a quota basis, as some European countries already have in place. Protection in the region will not be appropriate for all, particularly in the long term. It is important that at least an appropriate proportion of genuine refugees can reach Europe without the need to use criminal facilitators to arrive illegally. Significantly greater processing of asylum applications in regions, attached to resettlement programmes, would need to be developed in a way which avoided creating a 'pull

factor' or attracting people to camps as an easy way to get to Europe, and which avoided agencies being inundated with applications.

(iv) Raising awareness and acceptance of **state responsibility to accept returns**, perhaps through new readmission agreements, or a new international instrument. This would require further work with the Commission, the UNHCR, the IOM and the Office of the Secretary General.

This is a long-term agenda. One of the key uncertainties is **whether protection in the regions should and could reach a level in which people could be moved from Europe to protected areas for processing** (in the same way as transit centres), for temporary protection or on a return route.

Such a level of protection would need to satisfy Member States' domestic courts that the rights of persons moved from Europe were being met in their region of origin. Generally, the further from Europe, the greater the challenge of providing such protection and moving people back to regions of origin. Moreover, if conditions in regional protection areas reached a very high standard they could act as a pull-factor for local people. The appropriateness of this solution will clearly vary from region to region.

In principle, however, better regional protection should allow more equitable management of flows of irregular migrants who want to come to Europe. It might also be possible to return to regional protection areas failed asylum seekers who have reached Europe but have been found not to have a well-founded claim to refugee status, but who can not be immediately returned to their country of origin. The aim would be to provide temporary support until conditions allowed for voluntary returns.

We are currently exploring these options further with the Commission and UNHCR.

2) Transit Processing Centres

In addition to better protection in regions of origin, it is worth considering medium term action to **deter those who enter the EU illegally and make unfounded asylum applications**. One possibility might be to establish protected zones in third countries, to which those arriving in EU Member States, and claiming asylum could be transferred to have their claims processed. These 'transit processing centres' might be on transit routes into the EU. Those given refugee status could then be resettled in participating Member States. Others would be returned to their country of origin. This approach could act as a deterrent to abuse of the asylum system, whilst preserving the right to protection for those who are genuinely entitled to it.

Such a system might operate as follows:

- Asylum seekers arriving in the UK (and other EU member states), could be transferred to a transit processing centre (TPC), where their claims would be assessed. This process would allow participating countries to uphold their obligations under the 1951 Convention and ECHR;

- The centre would be located outside the EU. It could be managed by the IOM, with a screening system approved by the UNHCR. It could be financed by participating member states – but we would also wish to closely involve the European Commission;

- Those granted refugee status would be resettled within the EU, on a burden-sharing basis. Failed claimants could not remain in the TPC. The majority of those not granted refugee status would be returned to their countries of origin. If necessary, new or strengthened re-admission agreements could be developed to facilitate this;

- Those who could not be returned to their country of origin – because that country was not safe – might be given temporary status in the EU, until the situation

improved in their country of origin. We could also draw on IOM's considerable experience with voluntary repatriation schemes.

- It is for consideration whether the centre would also receive illegal migrants intercepted en route to the EU before they had lodged an asylum claim but where they had a clear intention of doing so.

The IOM and UNHCR have expressed an interest in working up these ideas with Member States and the Commission. A key question will be to consider whether such a process should apply to all, or only certain categories of unfounded asylum applicants. But we envisage that there will always be certain categories of people, such as disabled persons or minors, who would never be sent to a transit centre.

Legal Framework

The 1951 Refugee Convention obliges states to provide protection, and not to return those with a well-founded fear of persecution. There is no obligation under the 1951 Refugee Convention to process claims for asylum in the country of application.

There is an additional obligation on 1951 Convention signatory countries, derived from the ECHR, to ensure that decisions under the asylum process do not expose applicants to inhuman or degrading treatment. Both the processing centres and the decisions taken in them would clearly have to conform to this requirement as a matter of policy and to avoid a successful challenge in the courts.

Next Steps

The UK is committed to taking forward new approaches to asylum and immigration with EU partners, the UNHCR, and the IOM.

The UK would like these issues to be raised for discussion at the March European Council. We hope that the European Council could ask the Commission, with the UNHCR and the IOM, to develop more detailed proposals with a view to endorsement at the Thessaloniki European Council in June. The UNHCR Standing Committee meeting on 7 March will also be a key opportunity to develop thinking and exchange ideas, as will the Informal JHA Council at the end of March.

From: Stephen Wall
Date: 7 March 2003

PRIME MINISTER

cc: Jonathan Powell
Alastair Campbell
Sally Morgan
Jeremy Heywood
David Manning
Roger Liddle
Matthew Rycroft
Steven Morris
Danny Pruce
Sir Andrew Turnbull
Sir Nigel Sheinwald

PROSPECTS FOR THE SPRING EUROPEAN COUNCIL: ECONOMIC REFORM

Two weeks to the Spring Council. UK preparations progressing well, and policy successes being notched up.

The Presidency is gripping preparations for the Council. A relief, given that our time for discussion will be constrained and unlike last year much of the **conclusions language** will be pre-cooked. Four sectoral Councils this week will contribute text to the 18 March GAERC, which will pass worked-up text to Heads. The Presidency's latest annotated draft agenda draws heavily on UK contributions.

A key question will be to finalise the form in which the UK proposal for an **Employment Taskforce** goes ahead, and who will be its Chair. We are reaching consensus on this: a small group of around 5 reporting to the Commission by the end of the year with their recommendations appearing in next year's Spring

Report. We are lobbying the Commission for **Peter Sutherland** (former Irish Commissioner and Chair of Goldman-Sachs) to chair the taskforce.

The Council will also need to give a strong direction to the Commission on the parameters for reform of the **Employment Guidelines**, by which Member States co-ordinate their employment policies. We need to make sure this process is simplified and refocused on key actions, such as tax and benefit reform, that will help us meet our Lisbon employment targets. Of our six **bilateral initiatives**, all of which have issued, five majored on labour market reform issues and endorsed the taskforce. The other, with the Swedes, was on **environmental technology**, which we hope will also be reflected in the conclusions.

We have also had an unexpected 'Lisbon win' this week with agreement on the **Community Patent** after 30 years gestation, prompting positive media coverage. Added to successes on energy liberalisation, financial services and the Single European Sky, we are in the position, unlike last year, where we actually have some real successes to highlight.

Finally, we are still waiting on the **joint HMT-DTI paper** you commissioned from Ruth Kelly and Denis MacShane. Whether or not they get their act together it would be worth bringing ministers together again before the Summit, if you have time.

I spoke at a business dinner last night on economic reform. There was a lot of support for the Lisbon process, praise for what the government has done both domestically and in Europe but real scepticism about whether the enterprise

culture has taken root on the Continent. Schröder's speech on 14 March will have quite a lot of totemic importance in this regard.

STEPHEN WALL

From: Stephen Wall
Date: 4 March 2003

PRIME MINISTER

cc: Jonathan Powell
Jeremy Heywood
Roger Liddle
Tim Figures

JOINT STATEMENT WITH THE FINNS

We have been undertaking some joint work on economic reform with the Finns in the run up to the Spring Council. A team from the Women and Equality Unit in DTI visited Helsinki on 23/24 February to exchange experience of measures to increase the participation of women in the labour market. And we are looking into the possibility of arranging several short secondments between the two administrations.

The Finns have also suggested issuing a joint letter from you and Lipponen, underlining our co-operation and pointing to the importance of labour market reform and productivity improvements in meeting our Lisbon targets. I think this is a good idea.

A draft is attached, which the Finns would like to issue on Thursday. Are you content to do this?

STEPHEN WALL

Tony Blair
Prime Minister
of the United Kingdom

Paavo Lipponen
Prime Minister
of Finland

London and Helsinki, 6 March 2003

Dear Prime Minister,

Towards full employment and greater productivity in the European Union

In 2000, European leaders agreed an ambitious programme of economic reform, which aimed to transform the EU into the leading knowledge-based economy in the world. Three years on, we have made good progress in implementing the Lisbon strategy. But we must not let the momentum slip. The Spring Council 2003 must provide renewed impetus for implementation of the Lisbon strategy. According to the new streamlined coordination processes, the period of policy targeting covers three years. In 2006 we will be able to take stock of the economic reform process and make a mid-term evaluation of its implementation. In this sense the strategic orientations defined by this Spring Council will be crucial.

Economic performance in Europe has recently been modest. The global economic situation and unfavourable macroeconomic trends are not only to blame. Significant structural problems remain within the European economies and must be tackled to strengthen confidence of economic actors and to reinforce the dynamism of the economy.

Highest priority should be given to strengthening the overall growth potential of the EU economies. We will not be able to ensure sustainability of our public finances and welfare systems if economic growth remains subdued. There are two major avenues

in this respect: improving the rate of employment and speeding up productivity growth.

Enhancing the rate of employment

We should make use of the results already achieved in the context of the Lisbon strategy. Much work remains, though. In terms of employment a delivery gap is emerging which cannot be explained by cyclical developments and growth performance. Furthermore, there is a risk that long term unemployment will become increasingly structural. Because of gradually declining supply of labour, the growth potential of the European economies is in danger of further diminishing.

The Barcelona European Council gave clear guidance how to focus the employment strategy. We should follow these orientations and highlight the following priority issues:

- First, **tax and benefits systems** and **employment regulations** should be reformed to ensure those who can work are given better incentives to do so. While the European Employment Strategy has helped to co-ordinate national actions so far, it needs to be streamlined. A balance between flexibility and security can be delivered by existing national practices and traditions and by including this aspect also in EU employment regulation.

- Second, enhancing the **participation and employment rates of women** is gaining importance. At the European level this is the most important single strategy to increase labour supply. Strengthening the role of women in working life and in employment not only has important social and equality aspects but is also becoming a major economic challenge. However, in the UK and Finland, where the employment rate of women already meets the EU target, there is still an issue of where and how women work. We must therefore be concerned not only about women's access to the labour market overall, but also about promoting opportunities across all areas of the labour market. This will be vital for meeting skill shortages, and making sure that we harness all the potential of all the workforce. The needs of special groups like immigrants and older workers in labour markets must also be taken into account. The

UK and Finnish Governments have underpinned their commitment to joint work in this through an ongoing exchange of experts.

- The third priority in the employment strategy should be **life-long learning**. Constant upgrading of skill levels is needed in working life. In particular, this concerns information and other forms of new technology. It is important for those currently unemployed or outside the labour force to have an opportunity to develop their skills so as to improve their competitiveness in the labour market. This relates to the quality aspect of the employment strategy: better training and education creates better jobs.

- The fourth priority should be **availability of labour**. In an increasingly difficult environment of ageing populations and the competitive global economy, we must be able to provide the needed work force.

The Employment Strategy and Employment Guidelines provide an important framework within which we can co-ordinate our medium term efforts to reach our Lisbon employment goals. An effective, simplified and reformed Employment Strategy will be an important outcome of the Brussels Spring Council 2003. But this will not be enough. Member states need to take urgent and immediate action to tackle Europe's low employment levels and to ensure the progress made since Lisbon is not reversed.

That is why we propose that the Brussels Spring Council 2003 invites a prominent European to lead a high level, independent **European Employment Taskforce**. He or she would be advised by a small group with a mandate to examine the reasons for low employment growth in Europe. This taskforce will examine the reasons for low employment growth in Europe and suggest practical measures which will enable Member States, according to their particular circumstances, to create more jobs and get more unemployed and economically inactive people into work. The aim will be to identify a small number of key measures which Member States can put into effect rapidly and start to have a positive impact on unemployment and employment levels within 12 months.

Strengthening productivity growth

In the longer run the relative impact of the labour input is bound to diminish. Growth potential will depend increasingly on **productivity**. This could be the contribution of the Cardiff process to the implementation of the Lisbon strategy. Implementing the reform of product and capital markets is the key to strengthening productivity and competitiveness in the EU area. We should speed up and deepen integration of our markets. The competitive environment needs to be strengthened both at the EU and national levels.

We need to make full benefit of the **single market** and the potential efficiency gains related to deepening market integration. Segmentation of key markets should be diminished. The Union should actively promote the creation of European-wide markets.

At the same time, Member States should continue to foster **a knowledge-based economy** by ensuring adequate R&D financing and promoting access to and use of ICT in line with the recommendations of the Broad Economic Policy Guidelines. Implementation of the biotechnology strategy along the lines of the agreed roadmap would offer a clear potential for improved competitiveness.

Working methods

The upcoming Spring European Council is our chance to make significant progress in key areas. Emphasising implementation of already agreed reforms and EU legislation is of utmost importance. Political guidance by the European Council should be given in response to the implementation package. Similarly, information provided by structural indicators should be used to identify main challenges and to focus on key areas for speeding up reforms.

Policy coordination of the economic reform process should be guided by two principles: **transparency** and **accountability**. Both are needed to enforce the implementation of the Lisbon strategy.

The onus is on the Member States of the European Union to make the Lisbon strategy work. We are ready to play our part in pushing through the changes needed to

contribute to greater growth, productivity, employment and prosperity in Europe. We call upon our European partners to join us wholeheartedly in making the Lisbon vision into a reality for all of our citizens.

We are copying this letter to European Council colleagues, the Heads of Government in the ten new Member States, and the President of the European Commission.

Yours sincerely,

Tony Blair

TONY BLAIR **PAAVO LIPPONEN**

His Excellency
Dr Konstantinos Simitis
Prime Minister of the Hellenic Republic
Athens

DCs (file)

From: Roger Liddle
Date: 3 March 2003

JEREMY HEYWOOD

Stephen Wall
Geoffrey Norris
Christina Scott, CO

ERT PAPER FOR THE SPRING COUNCIL

You will have seen today's FT report of the European Roundtable's paper for the Spring Council? It is a very interesting contribution from Europe's biggest businesses. It focuses neither on employment and labour market reform, nor on the Single Market agenda: they are mentioned en passant. Rather its thrust is almost completely concerned with **R&D, enterprise and innovation.**

The paper develops the argument they made last autumn that the 3% R&D target is unlikely to be attained. Yes, ERT companies are increasing their spending on R&D, but unfortunately outside the European Union. The papers calls inter alia, for urgent action to:

- Invest in centres of excellence, raise the status and supply of scientists
- Increase public spending to encourage more private R&D spending;
- Legislate for improved protection of intellectual property and cut the red tape holding back new products and technologies

I attach their two pages of conclusions.

The issue is whether the Spring Council is going to give any new impetus to achievement of these goals.

As I understand it, the Commission is in the process of implementing its reformed (quite sensible, most people think) Framework Six research programme which accounts for about 5% public spending on R&D. In addition the Commission is producing one of its Action Plans to promote an open coordination process between national research programmes.

I am a bit sceptical about whether this amounts to an adequate response, either presentationally or in substance given the seriousness of the issues - and there are the typical problems that obstruct effective action at European level.

- Every Member State wants to protect their own national programme against outside interference;
- The Framework Six programme is relatively small in scale and there are a lot of vested interest pressures determining how it is spent;
- Within the Commission itself, effectiveness in this field of policy is hampered by a lack of joined up working between the Research, Enterprise and Single market directorates (Busquin, Liikanen and Bolkestein).

I think David Sainsbury has tried to take a bit of a lead on these issues, but the horizons of the Research Council are a bit limited and his main priority has been the UK's own expanding research programme. My instinct is that the Prime Minister would like to give the ERT ideas a push but at present we don't know quite how.

Do you think there is any scope for us floating with the Commisison and the Greeks, even at this late stage, a set of bold ideas that are radical if somewhat half-baked? The sort of thing I have in mind:

- The creation of a Single Vice President within the Commission responsible for Knowledge Europe reporting to the Competitiveness Council so that this Council develops some real function;
- Raising more quasi- public money for investment in R&D, outside the constraints of the Stability Pact, by encouraging the EIB to borrow on a large scale for this purpose;
- The establishment of "focus on excellence" Task Force led by a combination of distinguished academics and business people in each frontier technology to see where centres of excellence can be created and strengthened across Europe.
- An EU framework law for enterprise spin-offs for universities (common treatment of intellectual property issues)
- Ambitious targets for improving researcher mobility, with more generous EU grants to assist it;
- Something to ensure that R&D tax incentives do not fall foul of Commission State Aid or unfair tax rules;
- A working party to look at how the new European Defence Procurement Agency, (which will come out of the Convention) can promote more effective R&D spending across Europe.

I am due to see O'Sullivan and Co in Brussels on March 12th. Could we have a discussion about this before I go?

ROGER LIDDLE

Taking up the new "European Challenge"

> *"The European challenge is technological, social, economic, political. These are linked. One will not succeed without the other."*
>
> Daniel Janssen,
> Chairman of the Board, Solvay

Europe faces a common challenge: one of growth, job creation, developing centres of excellence, and improving skills and education. The challenge is the same for SMEs as for big industry. Both need urgent implementation of the Lisbon targets that were revisited at Barcelona last year but have yet to make significant headway. For Europe to rise to its new "European Challenge", ERT urges EU governments to address as a matter of priority the following specific issues to boost European research and innovation and halt, or preferably reverse, the increasing European brain, skills and investment drain.

A. Invest in centres of excellence, raise the status and supply of scientists

1. ***Develop strong R&D centres of excellence*** in key industrial fields such as ICT, advanced new materials and healthcare. In addition to higher public funding, a more focused common EU strategy requires a reallocation of resources towards industrial sectors that have the highest impact on productivity and economic growth.

2. ***Improve the supply of skilled labour for R&D*** by reforming educational priorities and policies. Immigration restrictions should also be removed for people with relevant skills.

3. ***Strengthen the positive perception of technology*** by tackling the cultural bias against it. Improve rewards and recognition of its economic and social importance in all relevant sectors, including engineering.

4. ***Improve the salaries and career prospects of top research staff and the equipping of university laboratories.***

5. ***Encourage and reward public/private partnerships and collaboration between public research institutions*** and ***improve mobility of researchers between public and private R&D.***

> *"Competence centres with 'excellence' potential in Europe are too scattered over the various countries to achieve the required economies of scale and develop into true centres of excellence."*
>
> **Gerard Kleisterlee,**
> President & CEO, Royal Philips Electronics

> *"Innovation is the real new value generator in companies. Maintaining a strong public scientific infrastructure is of great importance to stimulate innovation"*
>
> **Peter Kwant,**
> Group Research Adviser, Royal Dutch Shell

> *"The safest way to grow a business is organically. That means that companies must invest in Research & Development. But that becomes close to impossible if our education system cannot cultivate - or at least retain - the excitement and interest young children have in science. If we do not take corrective action we will be faced with serious shortages."*
>
> **Cees van Lede,**
> Chairman Board of Management, Akzo Nobel

B. Increase public spending to encourage more private R&D spending

6. Encourage ***higher government financing of business R&D*** and ***a range of tax incentives*** to stimulate more private investment in R&D. A predictable and stable system should apply equally to large and small companies irrespective of whether they are profitable.

7. ***Stimulate the creation of cross-border collaborative R&D networks*** with large and small companies and academic participation. The emergence and development of networks will be strongly helped if public funding is available in the pre-competitive research stage.

8. ***Create better markets for venture capital*** through appropriate incentives and harmonised market conditions in the EU.

"Make R&D financially attractive: subsidies and tax incentives can be very effective towards encouraging increased longer term R&D effort".

Bertrand Collomb,
Président-Directeur Général, Lafarge

"It is essential that the financial conditions of European research remain attractive"

Jean-Louis Beffa,
Chairman & CEO, Compagnie de Saint-Gobain

C. Legislate for improved protection of Intellectual Property and cut the red tape holding back new products and technologies

9. ***Improve protection of Intellectual Property*** in Europe to encourage R&D in new areas including genetically modified organisms (GMOs) and software.

10. Urgently ***agree a quality, cost-efficient Community patent*** so as to strengthen protection and reduce bureaucracy, costs and litigation. Costs will only be kept down if the language requirement is kept simple (preferably filing in English only).

11. ***Radically reduce unjustified regulatory constraints*** (environmental, administrative, etc.) which hold back the development, production and introduction to market of new products and technologies.

"Doubts about European support for IP protection are not conducive to making Europe an attractive place for investments in R&D."

Franz Humer,
Chairman & CEO, F. Hoffmann-La Roche

"The speedy adoption of the Community Patent is an absolute priority for European companies."

Marco Tronchetti Provera,
Chairman & CEO, Pirelli

"Over-regulation strangles the transformation of innovative ideas into marketable products."

Dietmar Theis,
Department Head Strategic Marketing, Siemens

*Following its study on the stimulating effect of public funding on R&D, the OECD recommends that public financing should equal 12% of business R&D, whereas the current level of spending in the EU is approximately 8.5%. (OECD Science, Technology and Industry Outlook 2000)

Fde

DRAFT

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

At the heart of the Lisbon process lies the goal of making the European Union the most competitive and dynamic knowledge-based economy in the world. Since the Swedish Presidency in 2001, work to help deliver sustainable development – taking account of economic, social and environmental priorities - has been part of the goal of the Lisbon process.

The global community has made considerable progress over the last year in defining how a path towards sustainable development can be followed, and how specific policies can contribute to it. The EU took a leading role in this work through our contributions at the Johannesburg World Summit on Sustainable Development, our commitments from Doha and Monterrey and our continuing commitment to the Kyoto process to tackle climate change.

At this Spring Council, we must build on our Johannesburg commitments and use the Lisbon process to help deliver a competitive and sustainable economic model for the EU. We welcome the Greek Presidency's strong commitment to the development of environmental technology, as a way of delivering this. Technological innovation plays to Europe's strengths: as a high-skill, high-investment, innovative economy. Innovation can also provide the solution to many of the economic, social and environmental challenges that the EU faces today; finding new, cleaner and more socially inclusive ways to meet the needs and aspirations of our citizens.

Faster development and greater use of new technologies has the potential massively to modernise the way our economy works. It can modernise our production and consumption patterns, our infrastructures and our technologies. Clean and more resource efficient technologies can contribute to a rich and healthy environment, and be a driving force for innovation, development of new businesses, job creation and growth.

New technologies and processes can contribute to the goal of decoupling economic growth from environmental degradation. However, to a large extent the technologies and systems of the past still dominate in important areas such as transport, energy, industry and agriculture. In each of these sectors new and better technologies are available or emerging. To speed up the replacement of old technologies there is a need to set clear targets, develop stronger market based incentives and make more use of the instrument of public procurement. We will need to consider carefully the most appropriate ways of pursuing this at national or at EU level.

We need to invest in an economy which is both more competitive and capable of supporting sustainable development. The enlargement of the EU and the investment needed to comply with the environmental acquis provide a great opportunity for the EU and its new member states to increase our uptake of environmental technologies and contribute to sustainable development.

Technological innovation on this scale will also put significant environmental improvements within our grasp. It is clear from the work of the Inter-Governmental Panel on Climate Change that the scale of the challenge facing us in this area is substantial. Projections suggest that global emissions could double as early as 2025. Independent analysis clearly shows that significant cuts in greenhouse gas emissions are technologically and economically feasible over the next 50 years. However, this will not happen under 'business as usual' and will

require a step-change in science and technology to complement international action to control emissions.

We believe that the time is ripe to look at what climate friendly technologies are under development, and how we can spur innovation in them. Such technologies will be essential to tackle climate change in a cost-effective manner with a new focus on increased energy efficiency and low carbon technology. A strong political signal of our intent is essential. The EU should take the lead amongst developed countries in signalling our intention to become a truly low-carbon economy by 2050 through a significant reduction in carbon emissions in the order of 60%. We should aim to deliver this through the accelerated and cost-effective development and uptake of low-carbon energy sources and innovative technologies, through our ongoing process of economic reform.

As a first step, it is highly important that the Commission presents a proposal for an action plan for the introduction of the new environmental technologies, in accordance with the Barcelona conclusions. The plan should include proposals which promote development, commercialisation and export of clean technologies. It could also contain actions to improve the technology cooperation with developing countries.

Building on this, we believe that the Union should now commit to:

- Make concrete the commitments made in Johannesburg by setting an EU-wide target for renewable energy of 12 percent of total energy production by 2010, as set out in the White paper on renewable energy. In order to ensure such a development Member States could establish national targets for increasing the share of renewable energy with at least 2 percentage points of total primary energy supply by 2010 relative to 2000.

- Continue EU-wide work towards the long term annual increase in energy efficiency, in line with the decision taken in Barcelona on the need for the Union to show substantial progress in this area by 2010. This would actively contribute to fulfilling the EU´s Kyoto commitments and reaching the Union's targets on energy savings.

- Actively exchange information and best practice between the member states on building design and energy consumption. A creative and innovative approach to this work should help improve the take-up of new technologies and approaches in the construction, maintenance and management of buildings across the EU.

- Emphasize the need to decouple traffic growth from GDP and from emissions of greenhouse gases by establishing indicative targets for bio-fuels. The Council has agreed that by 2010 bio-fuels should make up a higher proportion of all petrol and diesel placed on the market for transport purposes, and where practicable as high as 5.75%. A strategy for establishing an EU-wide infrastructure for alternative fuels, including fuel for fuel cells, is needed. Introduction of alternative fuels should be done in a cost efficient way, taking into account all aspects of sustainable development. Any tax subsidies should reflect overall benefits to society.

- Conclude that a European wide system for environmental classification for cars and trucks should be developed before 2005 and that there should be a substantial increase in the share of environmentally friendly cars by 2010. We should explore voluntary agreements and incentive schemes with EU car manufacturers to speed up the development of technology in this area.

- Set targets to create environmentally sound urban transport systems within the EU. In this context, we should evaluate good practice on

traffic management and other measures to tackle emissions of particulate matter, VOCs and nitrogen oxides.

- Promote best practice to incubate environmental technology at both national and EU level, including better ways to strengthen the links and cooperation between Europe's world-beating universities and research institutions and our industries and financing institutions. We should create new opportunities to nurture innovative ideas and enable environmental technologies to be brought speedily to market.

- Renewed efforts are also needed in order to phase out subsidies with a considerable negative environmental effect, especially subsidies for fossil fuels. An effective EU-wide framework for energy taxation through the Energy Products Directive is also important in this context.

- Reform EU funding structures to promote development and adoption of environmental technologies. EU research frameworks and the LIFE programme should be linked and geared to developing and testing technology which will deliver sustainable development. The EU has to make full use of the 6th Framework Programme on research to enhance the development and diffusion of environmental technologies.

- As part of the better regulation agenda, the Commission should be encouraged to produce fewer, better, environmental regulations with clearer goals to promote sustainable development. Future EU policy on resource efficiency, including energy efficiency, will need some support from regulatory instruments. But these will need to be well prepared and result-oriented. Independently verified environmental management systems, thorough environmental audit and review of procurement policies can all contribute a great deal to this.

- Emphasize the need to speed up the introduction of new legislation on the authorisation of chemicals. This is important in order to promote new substances, technologies and processes that will minimise significant adverse effects on human health and the environment.

Europe needs to start delivering concrete outputs in these areas, both to show the rest of the world exactly what we mean by sustainable development and to deliver the overall objective of making Europe the most innovative, competitive and dynamic knowledge-based economy in the world.

Tony Blair

February 2003

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From: Roger Liddle
Date: 20 February 2003

STEPHEN WALL

DOUBLE MAJORITIES

Thank you for copying the FCO work on Nice re-weighting versus a double majority system. My instincts are a bit different.

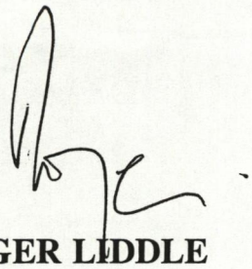
A lot of the analysis supporting the FCO conclusion is in terms of what we can block, not what reforms we can secure. If we could release ourselves from this defensive mindset, would we reach a different conclusion?

The 'European interest' case for looking at double majorities is that:

- they pass the 'intelligent sixth former test', which the Nice compromise certainly does not;
- they permit easily understandable changes in formulae for different types of decision – simple double majority for simple things; two thirds double majority for more difficult things; and 90% majorities for very difficult things. Such graduations avoid the insistence on retention of unanimity which allows an enlarged EU to be help up to ransom by the likes of Latvia. I find this a compelling argument.

I don't think allowing the Germans more power than us is a major political problem – we conceded that point at Nice anyway, admittedly in a roundabout way.

This is an issue where we could be on the side of the federalists without too much cost. It would give us a bargaining chip on other issues with the French and the Spanish.



ROGER LIDDLE

RESTRICTED

FAXED to UKREP 20/2

10 DOWNING STREET
LONDON SW1A 2AA
020 7930 4433

20 February 2003

Dear Peter,

CONVENTION/DEFENCE: DRAFTING UPDATE

I have seen a copy of Jennifer Anderson's letter to Sophia Willitts-King.

I hope John Kerr is right that Giscard's wish for a common defence opt in does not survive the Praesidium. The Treaty says '... which might lead to a common defence should the European Council so decide'. It hasn't and the new Treaty cannot be the vehicle by which it does.

As for the inner group launching operations without unanimous approval, as you know I do not see a way of turning this to our advantage without greater disadvantage ie the inability to constrain people from using such a provision to develop heretical defence arrangements. The argument that the inability to act without unanimity is a recipe for potential paralysis is only cogent if you believe that coalitions of the willing are only validated by having the European seal of approval on them.

I am copying this letter to Kim Darroch, Paul Johnston, Sophia Willitts-King, Catherine Royle, Tom Drew, Jill Parkinson, Victoria Billing and Shelagh Brooks (FCO), James Babbage (NEPG, MOD), Joe Griffin and John Bourne (Cabinet Office), Nigel Sheinwald and Jennifer Anderson (UKRep Brussels).

Yours ever,

Stephen

J S WALL

Peter Ricketts CMG
FCO

RESTRICTED

DCO

Baron W.O. Bentinck van Schoonheten
Ambassador of the Netherlands

rec'd already

London, 13 February 2003

Dear Prime Minister,

I have the honour to forward a copy of the letter of 10 February 2003 Dr Jan Peter Balkenende, Prime Minister of the Netherlands, has sent to Mr Costas Simitis, Chairman of the European Council, as well as a copy of the position paper of the Netherlands prepared for the European Council of 21 March next.

In his letter Dr Balkenende has expressed the opinion that the Lisbon Strategy is at a crucial stage and that it should now focus in particular on implementation both at the national and the European level. He has identified the following three priorities:

- restoration of confidence
- employment
- enterprise, knowledge and innovation

Dr Balkenende is looking forward to constructive co-operation with the all the members of the European Council.

Yours sincerely,

The Rt Hon Tony Blair MP
The Prime Minister
10 Downing Street
London SW1A 2AA

His Excellency
Mr. Kostas Simitis
Prime Minister of the
Hellenic Republic of Greece

Reference: 03M449525

The Hague, 10 February 2003

Dear Prime Minister,

On 21 March 2003 the European Council will discuss the Lisbon Strategy. In the current economic climate our talks have assumed even more importance than usual. A return to sustainable economic growth must now be the priority. The European Council can and must contribute to achieving this.

The Netherlands believes that three subjects deserve special attention at the European Council:
- restoring confidence;
- employment;
- enterprise, knowledge and innovation.

The attached Dutch position paper for the 2003 spring European Council discusses these subjects.

The European Council must ensure action is taken at both European and national level. In its spring report, the Commission identified what policy should be adopted nationally as a means to achieving the Lisbon goals. We should take this on board and encourage each other to improve our national policies. Open and honest discussion in the European Council is the ideal opportunity.

The conceptual phase of the Lisbon Strategy is now over. The important issue now is implementation. In view of the commitment shown by the Greek Presidency, I expect us to make significant progress in Brussels towards achieving the Lisbon goals.
I am sending a copy of this letter to the other members and the candidate members of the European Council.

Yours sincerely,

Dr. Jan Peter Balkenende
Prime Minister of the
Kingdom of the Netherlands

AVT03/BZ69672

Dutch position paper for the Spring European Council in 2003

The Hague

February 7, 2003

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1 Introduction[1]

The Netherlands attaches great weight to the Lisbon Strategy. The prosperity and welfare of all citizens will improve if the EU achieves its objective to become by 2010: "… 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."

The importance of the Lisbon Strategy reaches further. It is the Community's vision of socioeconomic policy as a whole. Member states' economies are closely intertwined through EMU and the internal market. The policy of any member state has a direct effect on its neighbours. At the same time, the member states themselves are best able to organise their own economies. The Lisbon Strategy resolves this problem by leaving member states free to pursue their own economic policies while encouraging them to adopt policies that are as sound as possible.

Given the current economic climate, the Netherlands places emphasis on the economic dimension. The outlook is not encouraging. Restoring sustainable economic growth must now be paramount. The key is to raise labour productivity. That is why this position paper focuses on the following three themes:
- confidence;
- work;
- entrepreneurship, knowledge and innovation.

Research (the development of knowledge), education (the transfer of knowledge) and innovation (the application of knowledge) run as leitmotifs through these themes. In our modern economy, knowledge is the key to improving labour productivity.

The emphasis on restoring economic growth must not lead to the neglect of social policy, the environment and sustainability. The Netherlands remains convinced that the Lisbon objective can only be achieved by moving forwards on all fronts.

The Spring European Council must orchestrate action. At European level, it must eliminate any remaining problems. Even more important, it must encourage member states to improve their national policies. If the member states maintain their efforts at the present level, the Lisbon objective will not be achieved. We must raise the tempo.

[1] This position paper focuses on the discussion of the Lisbon Strategy at the Spring European Council. It draws on the CEC advisory report on achieving the Lisbon Strategy for the 2003 Spring Summit. The advisory report forms an integral part of this position paper.

The Netherlands, too, must step up its efforts. If it is to continue playing a leading role it must realise its ambition to become a frontrunner. At national level, too, the necessary action must be taken. In the coming period the Netherlands will look at ways of improving its policies, giving special attention to areas where its performance is poor.

The conceptual phase of the Lisbon Strategy is over. It is now time to implement the measures, with the social partners playing their own role. Implementation is therefore the guiding principle of this Dutch position paper. Time is short.

2 Confidence

The Lisbon Strategy's modern approach creates an environment that promotes economic growth. However, growth is only possible if individuals, businesses and the stock markets are confident that member states will comply with European and national agreements. Economic recovery can only be based on confidence, including confidence in the government.

2.1 Compliance with agreements (both European and national)

As shown in the annexe, European implementation of the Lisbon Strategy is largely on schedule. The EU has achieved significant results in the liberalisation of energy markets, the single sky, modernisation of competition policy and eEurope. There are, however, problems. An example is the slow pace of decision-making on the Second Rail Package. But it is above all the failure of member states to find a solution to the Community patent that raises critical questions.

It is even more important for the member states to keep the promises made in the European Council at national level. Benchmarking is an effective instrument for encouraging them to do so. The Netherlands sets great store by the Spring Report, in which the Commission names countries that have performed well or poorly. The excellent performance of the Scandinavian member states is striking. There is a link between their high scores and the extent to which they have implemented the Lisbon recommendations. It is hard to conceive of a better way of encouraging the other member states to assess their policies in the light of the Lisbon Strategy. We are therefore in favour of actively continuing with benchmarking. High-quality indicators are needed for this purpose.

Rapid and full implementation of European directives is of course another vitally important dimension of compliance.

Healthy macroeconomic policies are the basis for economic recovery. There are no simple formulas. Last year, too many questions were raised about the Stability and Growth Pact. The Netherlands considers this inadvisable. The pact stands: there is no need for the spring European Council to reaffirm its commitment. There must be no doubts about the member states' commitment to pursuing a healthy budgetary policy. The Netherlands is in favour of strict implementation of the pact, even if it requires great efforts. It expects the Commission proposals clarifying the rules of the pact to prompt member states to take further steps towards sound finances. There is no room for a temporary deterioration in the government balance unless the budget is near balance or in surplus.

The EU will soon have ten new members. Most of these countries have undergone radical transformation. They often have a long way to go to achieve the Lisbon objectives. Nevertheless in some areas they set an example for the present member states. Their good performance on matters such as public investment in R&D is striking. It is therefore in everybody's interest for the new member states to participate in the Lisbon Strategy as equal partners as soon as possible.

At European level, the Netherlands' aims are:

- *finding a solution for the Community patent before the next spring European Council;*
- *turning benchmarking and best practices from the spring report into clear recommendations in the general guidelines and employment guidelines in order to increase their impact;*
- *equal involvement of the candidate countries in the Lisbon Strategy;*
- *a rapid decision on the Second Rail Package.*

At national level:

- *explicit assessment (and adjustment where necessary) by the member states of their socioeconomic and environmental policies in the light of the Lisbon Strategy in order to achieve the overall objective;*
- *rapid and full transposition of European directives into national legislation.*

2.2 Long-term perspective

Current economic and political developments must not prevent the Spring European Council from looking beyond the short term. Its decisions must be in keeping with the Lisbon Strategy's long-term objectives for its three dimensions: the economy, social policy and the environment.

It is therefore good that the most important socioeconomic development in Europe – demographic ageing – has been given a definite place in the Lisbon Strategy. The Netherlands believes that the Spring European Council must examine this subject. The member states must continue with the European pension strategy:

strengthening financial viability, expanding the support base, safeguarding social viability and modernising pension systems. Reduction of the government debt is therefore essential. More older people must remain in work longer, which could be achieved by reducing the scope for early retirement and making it more attractive to continue working after reaching pensionable age. The European debate on the impact of demographic ageing on health care systems has only just begun. The Netherlands regards this debate, too, as very important.

Economic growth at the expense of the environment is not sustainable. That is why environmental costs must be better reflected in the price of goods and services. Subsidies that promote unsustainable economic activity must be abolished. Sustainable production will be boosted if there is a market for its products (sustainable consumption). Taxes can be used to achieve environmental objectives where this is effective. Innovation can help to delink economic growth and environmental pollution while also stimulating economic development. Improving the environment also has economic advantages. There are new markets for environment-related products and services.

The Netherlands believes that the external dimension of the Lisbon Strategy also demands a long-term perspective. The EU must respect its international obligations, including those arising from Doha, Monterrey and Johannesburg. It therefore urges measures to be taken to promote socially responsible business practice, sustainable and fair trade and meeting the ODA target of 0.7% of GNI.

At European level the Netherlands' aims are:

- *ongoing attention in the Lisbon Strategy for demographic ageing;*
- *continued open coordination of pensions policy;*
- *enactment of the energy tax directive;*
- *adoption of the Action Plan on Environmental Technology;*
- *development of objectives for delinking growth and pollution;*
- *abolition of subsidies for unsustainable activities.*

At national level:

- *reduction of the government debt;*
- *increased labour participation of older people;*
- *conversion of early retirement schemes into pre-pensions and life-course savings schemes.*

3 Work

Growth in employment helps society to cope with the effects of demographic ageing. It helps keep social security systems going and fosters social cohesion.

3.1 Employment

The employment strategy is aimed at a modern labour market policy. Since it was launched, structural unemployment has fallen sharply in nearly all member states. This comprehensive approach is now generally accepted. However, more progress needs to be made. The member states must be fully persuaded of the need to step up their efforts to achieve the Lisbon employment targets.

The Spring European Council will set employment strategy priorities for the next three years. The Netherlands believes that emphasis should be placed on:

- increasing labour participation in general, and that of women and older people in particular;
- increasing labour productivity by modernising labour organisation and improving the training of employees; and
- an activating social policy to make work financially attractive.

The Netherlands would like special attention to be given to the structural reform of labour markets. Since structural unemployment is still too high in many member states, structural reform must become a key priority in the European employment strategy. Labour markets must be better geared to new forms of work. The basic principle is that new flexibility must be combined with new types of security. Investing in people will create such security.

The employment strategy needs to bear fruit. The Netherlands therefore believes that the harmonisation of employment and social policy must be strengthened. This can be achieved by focusing benchmarking on the main elements of the employment strategy and on policy implementation. Targets are a useful instrument in this regard. However the number of targets should be kept limited.

The Netherlands would like attention to be given to labour productivity in the public sector, as it accounts for about a third of overall labour productivity. Here, in particular, better working methods lead to innovative service delivery.

At European level the Netherlands' aims are:

- *setting medium-term goals for the employment strategy;*
- *strengthening benchmarking and peer pressure and greater focus on the recommendations made to member states;*
- *greater emphasis on the implementation of the guidelines and country-specific recommendations;*
- *intensifying the discussion on structural labour-market reform.*

At national level:
- *proper implementation of the employment strategy;*
- *increased labour participation of older people;*
- *reducing the poverty trap;*
- *reducing the number of people unfit for work;*
- *increasing labour productivity through modern labour organisation and better trained employees.*

3.2 Education and training

Education and training are essential elements of employment policy since higher productivity leads to economic growth. Training therefore deserves constant attention. It must not be allowed to suffer in difficult economic times. It was not for nothing that the Lisbon European Council called on member states to increase spending on human capital. The Netherlands believes that making existing public investments more effective should play an important role in this regard.

Investing in human capital must begin at primary school. However, all forms of education require attention. For instance, there is a serious shortage of highly trained knowledge workers with a science background. Education can yield better results. Too many people drop out of vocational education. The alignment between schools and businesses can be improved. Learning does not stop at the school gates. Participation in training and lifelong learning must be increased.

Cooperation between member states on education is now getting off the ground, following initial difficulties. In the recent past the Netherlands has played a leading role. It will continue to actively support open coordination of education.

At European level the Netherlands' aims are:
- *continued implementation of the action plan on the long-term objective for education systems;*
- *attention to the serious shortages of highly trained knowledge workers;*
- *recognition of qualifications acquired elsewhere.*

At national level:
- *halving of the number of early school leavers between 2000 and 2010;*
- *more graduates in exact sciences and technical subjects;*
- *better alignment between education (especially university education) and business;*
- *better quality vocational education and a lower drop-out rate.*

3.3 Social security

Work is the best method of social inclusion. European social security systems need to be modernised. They often do too little to encourage people who can work to actually find a job again. They do not take sufficient account of modern forms of work and are not equipped to deal with the rapid demographic ageing we now face. A balance needs to be struck between quality and financial viability in the modernisation process.

Social cohesion deserves attention, especially now that unemployment is rising. There is great demand for high-skilled people and little for the low-skilled. Those who are unable to work require adequate social security. This does not just mean income but also participation in education and society and better access to the labour market. Targeted measures are essential.

Member states compare their policies on four aspects of social security. A great deal has already been achieved through open coordination of pensions and social inclusion; open coordination of health care and making work financially attractive has not yet begun. The Netherlands attaches importance to the cohesion between these four subjects, without denying their special character. This can contribute to a more effective and less bureaucratic approach, less paperwork and a greater focus on results. The Netherlands sets great store by a balanced assessment of the financial and social viability of pension systems.

At European level the Netherlands' aims are:

- *continued open coordination to tackle poverty and social exclusion;*
- *developing open coordination of policy on the poverty trap;*
- *modernising social security systems so that they are better geared to modern forms of work.*

At national level:

- *stronger social cohesion through improved access to the labour market and participation in society.*

4 Entrepreneurship, knowledge and innovation

Economic growth in Europe can and must be improved. This calls for structural measures. Productivity must rise faster. Europe is not doing enough in the way of innovation. Knowledge is not being used to the full. Education is an important precondition for innovation. Entrepreneurs and knowledge institutions must work together on this.

4.1 Knowledge and innovation

There is a European paradox: although its research is of world-class quality, Europe still has only a limited ability to translate that research into innovative products and services. Europe will have to resolve this paradox before it can reap the fruits of a knowledge economy. In preparation for the Barcelona European Council (March 2002), the Netherlands and the United Kingdom called for a European Research and Innovation Area. In Barcelona it was decided to increase R&D expenditure to 3% of GDP, with two-thirds coming from business. However, this alone is not enough. Institutional changes are also required. Existing and new investments in R&D in Europe must focus on increasing the economic and social benefits of knowledge. A relevant factor is that knowledge and innovation contribute to sustainable development, by promoting the switch to sustainable production and consumption.

Member states must do more to gear their investments in knowledge to skill building, R&D and promoting ICT. Special attention should be given to making more effective use of public funds. Efforts to increase public expenditure on R&D must also focus on encouraging private R&D expenditure, public-private partnerships and promoting international cooperation. Naturally, this is chiefly a task for businesses themselves. In an innovative environment, they are the ones who need to take action.

Member states must drastically improve the climate for breakthrough technologies, e.g. by implementing the action plans for life sciences and environmental technology. This is not just a question of money and research. The member states must also facilitate cluster formation between the technical and scientific world, business, legislators and capital providers. A strategic agenda for breakthrough technologies is required. This must form the core of a new and innovative European entrepreneurial policy. The current impasse on the Community patent must now be broken.

ICT plays an important role in the knowledge economy. It makes a major contribution to growth and productivity and also has a positive impact on social cohesion. The Netherlands therefore calls for rapid implementation of the eEurope 2005 Action Plan.

The telecom sector is depressed. The Netherlands is opposed to it receiving improper support, both nationally and at European level. Member states must refrain from giving their national favourites special treatment: the basic principle of a level playing field must be applied to the telecom sector as elsewhere.

At European level the Netherlands' aims are:

- *open coordination of research and innovation (including a European Research and Innovation Area);*
- *achievement of the 3% target for R&D;*
- *more effective use of public funds (stimulation of private investment, public-private partnerships and international cooperation);*
- *immediate decision-making on the Community patent;*
- *implementation of the eEurope Action Plan.*

At national level:

- *extra public R&D expenditure to stimulate private R&D expenditure and public-private partnerships and promote international cooperation;*
- *stronger synergy between public knowledge institutions and business, e.g. by focusing on breakthrough technologies;*
- *an innovation agreement with the social partners;*
- *rapid implementation of the new communication legislation, a quality monitor for the telecom sector, broadband initiatives for the public optical fibre network, development of electronic services in the public sector, health care, schools and businesses;*
- *more effective government by reforming the grants system.*

4.2 Entrepreneurs and market

Entrepreneurs play an indispensable role in the Lisbon Strategy. They provide economic growth and employment. Without them innovation cannot get off the ground. The continuing major difference between the business climates in Europe and the United States is therefore cause for concern. In Europe both the hard business climate (regulations) and the soft business climate (social esteem for entrepreneurs) show shortcomings.

The internal market has improved the business climate in Europe. The EU recently celebrated the market's 10th anniversary. A great deal has been accomplished: the free movement of persons, goods and services is a fact. Nevertheless, there are still too many obstacles. This is partly due to delays in implementation and to legislative and implementation problems, as the transposition deficit shows (the Netherlands is also guilty in this regard). To some extent, it also concerns sectors where regulations are still being negotiated: network sectors and financial services. The Netherlands is in favour of rapid implementation of the Financial Services Action Plan and extension of the Lamfalussy procedure. Finally, there is still virgin territory: the internal market for services. The Netherlands believes that Europe must quickly take action in this area. New rules for services in the public interest must not be allowed to create unnecessary barriers to liberalisation.

Entrepreneurs are hindered by excessive rules, both national and European. At European level the Netherlands is in favour of rapid implementation of the action plan for legislative quality. This must lead to systematic assessment of new rules and to simplification of existing European legislation. However, the EU has only limited insight into the impact of European rules on business. In the Netherlands an independent advisory body (Actal) assesses all new legislation to ascertain the administrative burden it places on businesses. This could serve as an example for a European approach.

Improving the soft business climate is more difficult. Member states must above all examine what they can do themselves. For instance, students can be encouraged to give more attention to entrepreneurship during their studies. Public esteem for entrepreneurs is largely in the hands of companies themselves. Socially responsible business practice is therefore of crucial importance. The communication on the EU's industrial policy after enlargement is also useful in this regard.

SMEs are the backbone of entrepreneurship. Smaller businesses face even greater problems than large companies, such as excessively detailed rules, limited access to capital and a heavy administrative burden. Europe is trying to improve the business climate for small and medium-sized businesses, e.g. through the Green Paper on Entrepreneurship. The member states can make a contribution by implementing the Charter for Small Firms. The EU must support small businesses more effectively in order to make better use of the scope offered by the sixth framework programme, so the instruments and resources available can be exploited to the full.

Confidence in financial markets is of major importance. The European Union can contribute to this by taking measures to prevent a recurrence of last summer's accounting scandals. Prof. De Winter's report on enterprise management offers useful pointers.

At European level the Netherlands' aims are:

- *timely implementation of the Financial Services Action Plan;*
- *rapid extension of the Lamfalussy procedure to banks, insurers and financial conglomerates (before July 2003);*
- *adoption of the action plan for corporate governance by April 2003;*
- *rapid drafting of an interinstitutional agreement on better legislation.*

At national level:

- *implementation of the Charter for Small Firms.*

5

PRIME MINISTER

Chirac on Reuters

Reuters are quoting Chirac as saying on arrival that the international community is pursuing the aim of peaceful disarmament of Iraq through weapons inspections "we consider war is always, always the worst solution. That is our position, which leads us to conclude that it is not necessary today to have a Second Resolution, which France could only oppose".

Talking with Alastair we don't think there is an urgent need for you to do anything further for the time being. We are pointing people towards your line about sending a united message to Saddam and not showing weakness, as well as the fact that President Chirac uses the word 'today', so he doesn't close options, and nobody is intending to put down a Resolution today.

GODRIC SMITH
17 February 2003

From: Matthew Rycroft
Date: 17 February 2003

PRIME MINISTER

cc: Jonathan Powell
David Manning
Stephen Wall
Alastair Campbell
Sally Morgan
Godric Smith
Danny Pruce
Nick Cannon
David Hallam

IRAQ: EUROPEAN COUNCIL

Brief attached. You begin at 1800 with 15 minutes of Pat Cox, then an hour with Kofi Annan, then dinner. You and Jack will be together throughout. Foreign Ministers met this morning.

The Greeks have promised not to present a draft text, at least until they see how discussion among Heads is going. They think there are a spectrum of options, from formal European Council conclusions at one end to Simitis telling the press that there was a full and frank discussion at the other. They have assured us that they do not have a French text. But they are not to be trusted and are sure to have options up their sleeves.

The approximate line up of forces is as follows. In our camp we have, starting with the most robust: Spain, Italy, Portugal, Denmark, Netherlands. Next are a group of neutrals who, depending what exactly the question is, could be in our group: Finland, Sweden, Ireland, Luxembourg. Finally, there is a group led by France and Germany which includes with varying degrees of backbone: Belgium,

Austria and – above all – Greece as Presidency. So the EU is fairly evenly divided, but there should be more with us than against us.

Assuming a relatively harmonious atmosphere, the main arguments to make are:

- Iraq's obligations under 1441. Clear they are not being met. Process fine but not substance: UNSCOM's unanswered questions, missiles, interviews, bugs.

- Need for EU, and EU/US, unity. Consequences for UN and all of us if we inadvertently encourage the US to go it alone.

- Scale of humanitarian crisis in Iraq. Moral arguments.

- Will be more time for inspectors. But at some point, soon, we'll need a judgement on whether Saddam is giving the required full cooperation. Of course none of us want war, and war can still be avoided, but only if there is a genuine change of heart from Saddam, and there are no signs of that.

Best not to get into ultimatums and time-lines today, but see separate papers.

If the French or others start a fight, you will need to respond robustly. If you need debating points, you could draw on the following:

- Intelligence clearly shows Saddam has no intention of complying, is continuing to conceal WMD, and is delighted with international divisions, marches etc. Every country with intelligence needs (a) to take their heads out of the sand, and (b) to give their intelligence to Blix.

- Presidency should have invited the candidates to take part in this, not as add-ons tomorrow.

- Rubbish the Spiegel plan.

- F-G can't speak on behalf of Europe. [If you really need to, you could attack F-G-Belgium for outrageous irresponsibility in NATO, though the immediate problem there has been solved.]

- Support Spanish non-paper if Aznar tables it.

We could accept a text that reiterated 1441 and the EU's 27 January statement. If it were to go beyond those, any additions in the F-G direction would need to be balanced by additions in ours.

Finally, this is also supposed to be a summit about the MEPP and proliferation, not just Iraq, so at some point you should do a number on the importance of implementing the Roadmap to ensure agreement on a twin-state solution by summer 2005. You can refer to the London meeting on Palestinian reform last month.

MATTHEW RYCROFT

Aznar

(Non official translation)

H.E. Mr Constantinos Simitis
Prime Minister of the Hellenic Republic
Athens

Madrid, 15 February 2003

The Presidency's decision to convene an extraordinary informal European Council on the Iraq problem is, I believe, very timely. Following the Security Council meeting of yesterday (Friday), we in Europe now have some further elements to aid us in our assessment of the situation in Iraq. Europe can contribute a great deal to international peace and security and also to effective pressure on Iraq to comply with the United Nations resolutions.

I write to set out some ideas which I hope may prove useful for our intense work in Brussels on Monday:

In my opinion, the best principle for our meeting is to take as our starting point the common position arrived at by consensus in the General Affairs and External Relations Council of 27 January. Naturally, we have to take into account the two reports delivered by the UN chief inspectors. It is also important that we do not forget any commitments reached by the Atlantic Alliance.

On Monday 17 in Brussels we should keep to the agreement reached on 27 January. I believe our discussions should focus on the strict application, within a short time frame, of Resolution 1441. In drawing together the different interests, the European Council could become a particularly useful occasion for our Common Foreign and Security Policy.

Lastly, allow me to draw attention again to something we all consider to be highly justified: the great interest expressed by the 13 Enlargement countries in participating in the European Council or at least in the dinner afterwards. The opinions of the European Council will commit them in the near future and indeed already affect them as they do everyone else. The additional efforts made by the Presidency to welcome them at some stage during the day would be greatly appreciated.

Thank you as always for your dedication,

Best wishes

EUROPEAN COUNCIL, BRUSSELS, 17 FEBRUARY

LIST OF BRIEFS

Steering Brief

- Simitis invitation letter
- Provisional programme

Brief no 1: Iraq

2: Middle East Peace Process

3: Non Proliferation/DPRK

4. Cyprus

RESTRICTED

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14 February 2003

EUROPEAN COUNCIL, BRUSSELS

17 FEBRUARY 2003

STEERING BRIEF

1. The Prime Minister and Foreign Secretary, will attend the Special European Council in Brussels on 17 February.

2. The Greeks have called this European Council to be seen to be doing something on Iraq as the Presidency and to meet demands from some partners for EU visibility. The starting point for discussion will be the Security Council meeting of 14 February and the competing assessments of what the reports by Blix and El Baradei mean for the next steps. The Presidency are saying that no formal conclusions are envisaged. Instead, they will be looking to agree what line they should take with the press after the European Council. They claim, however, that if there is agreement on the substance and on process, formal conclusions could issue.

DETAIL

3. Foreign Ministers are currently scheduled to meet at 1100 followed by a working lunch at 1300 but this may change. Their agenda is **Iraq, Middle East Peace Process and non-proliferation** (probably primarily North Korea).

4. Heads will arrive from 1700 onwards. The first meeting is the usual **session with the President of the European Parliament**, Pat Cox (1800 – 1815). Discussion will pitch straight into **Iraq** but the MEPP might also come up here or later.

5. This will be followed by the **first working session** (1815-1930). The Presidency have invited **Annan** to brief in plenary before discussion among Heads over dinner.

6. **Simitis** will be looking for an outcome he can present as a united EU playing its role in the crisis. **Chirac and Schroeder** will attempt to exploit this and their momentum following the Security Council meeting on 14 February to secure an EU position based on the French plan of more time and more inspectors. They will get support from Belgium and a number of other partners. **You should intervene early** to ensure that support does not build behind the Franco-German position. Aznar, Berlusconi and probably Rasmussen should give support, as should Balkenende. Durao Barroso too should be on similar lines though constrained by cohabitation.

7. Discussion on the **Middle East Peace Process** is likely to focus on the linkage with Iraq, the lack of US engagement and the fate of the Quartet (EU/Russia/UN/ US) Roadmap. You have stressed in recent public statements the need for progress on the MEPP and the need to apply UN Security Council resolutions on Israel/Palestine just as much as those on Iraq. Partners have welcomed these comments and our efforts to keep the MEPP alive. The most important factor remains achieving US engagement. The EU should continue to press the US Administration for progress on the MEPP as an essential second track to tackling Iraq.

8. Simitis, prompted by Papandreou, has also put **non-proliferation** on the agenda. In practice discussion of this is likely to be confined to Foreign Ministers

and focus on **North Korea**. Solana has just returned from a visit to the region and is likely to brief on his impressions. The Presidency will refer to the 12 February International Atomic Energy Agency Board of Governors meeting which reported North Korea to the UN Security Council. You might say that we would not want discussion of possible sanctions at any initial UN Security Council meeting on North Korea: it is broadly agreed amongst key regional players (including the US) that it is too early for this. France and Germany should support. The Presidency may also refer to the proposed high level EU visit to Pyongyang. You should point out that this shouldn't coincide with the UN Security Council discussion. The visit should not go ahead unless the US and key regional players are in full agreement and the North Koreans guarantee that Solana will be received by Kim Jong Il.

9. We have lobbied the Presidency to use the European Council to send a signal that - notwithstanding Iraq - the EU continues to support the UN's efforts on **Cyprus**. Debate on the substance at the European Council is neither necessary nor desirable. But the presence of Kofi Annan in Brussels makes it natural that the Presidency should make a statement of support.

1. cc. Matthew Rycroft, No10 by fax.
15463/03
2. Hd, CFSPD
cc PS
PS/Mr Macshane
PS/Mr O'Brien
PS/PUS
Peter Ricketts
Kim Darroch
Edward Chaplin
Hds: MED, UND, NPD, Press

THE PRIME MINISTER

Athens, 13 February 2003

Dear Tony,

As you are aware, the Presidency has set top priority in trying to ensure a common stance of the "15" on Iraq. The GAERC conclusions of 27 January and the public demarche to Iraq of 4 February had everyone (including the Associates) agreeing on a considerable number of points and were welcomed by the other main players of the international community.

Legal Advs by Advs
J Smeli
14/2

Nevertheless, it is now clear that the current crisis will soon reach a new, possibly decisive, turning point. This is why I deem it important that we get together and discuss the latest developments, especially in the light of the report that the UN inspectors will submit to the UN Security Council on 14 February 2003.

I also feel that we should not forget the implications of the Iraqi problem on the Middle East Peace Process which, in my view, needs more than ever to be invigorated, as well as on the wider issue of non proliferation.

Consequently, taking into account the seriousness of the situation and further to consultations with all partners, I have decided to convene an extraordinary informal meeting of the European Council in Brussels on 17 February 2003. This will start at 6.00 p.m., followed by a working dinner at 7.30 p.m. and a press conference by the Presidency. The President of the European Parliament, Pat Cox, will briefly address us at the beginning of the meeting and the Secretary General of the United nations, Kofi Annan, will be with us, at the latest, till 7.30 p.m.

Our meeting will be preceded by a preparatory meeting of our Foreign Ministers, in the morning of the same day. This meeting will start at 11.00 a.m., followed by a working lunch.

The Associates will be briefed by the Presidency at the level of Head of State or Government on Tuesday 18 February 2003.

Sincerely yours
C. Simitis

Costas Simitis
President of the European Council

H.E.
Mr. Tony Blair
Prime Minister of England

3681499

EUROPEAN COUNCIL, BRUSSELS, 17 FEBRUARY

PROVISIONAL PROGRAMME

17 February

11:00	Foreign Ministers' preparatory meeting (plus two officials from 12:00)
13:00	Foreign Ministers' lunch
18:00-18:15	President of the European Parliament (Heads, Foreign Ministers plus notetaker)
18:15-19:30	First working session of the European Council with UN Secretary-General (Heads, Foreign Ministers plus notetaker)
19:30	Dinner (Heads plus Foreign Ministers)
Thereafter:	Presidency press conference

18 February

Troika (at Head of Government level) to brief the 13 (Associate and Candidate Countries)

The **key arguments** are:

- the terms of **UNSCR 1441**. Saddam's "final opportunity to comply with [Iraq's] disarmament obligations" (OP2). His "failure to comply fully in the implementation of [UNSCR 1441] shall constitute a further material breach of Iraq's obligations" (OP4). "Iraq…will face serious consequences as a result of its continued violations of its obligations" (OP13).

- the fact of **Saddam's failure to cooperate actively with the inspectors**. Nobody in the Security Council on Friday, not even Syria, argued that Saddam was co-operating actively and unconditionally. Mohammed El Baradei in the Security Council's private session was scathing on the failure to comply on interviews of Iraqi scientists. Iraq's missile programme has been shown to be in clear breach of UNSC resolutions. Saddam has still not accounted for thousands of tons of chemical weapons and the precursors for biological weapons.

- the **need for the Union to show resolve** in support of UNSCR 1441 and its public position. It is more than two months since the Copenhagen European Council called on Saddam to "seize this final opportunity" and for "full and immediate compliance with UNSCR 1441". The Union has been firm in its support for UNSCR 1441 and its objectives. But we must not ignore what 1441 means or send signals of disunity that will help only Saddam.

- the need to **increase the pressure on Saddam**. Experience shows that only concerted pressure has any effect. We understand why some partners are calling for more inspection effort and resources. But the key remains Saddam's active co-operation. Hans Blix on 10 January: "the principal problem is not the number of inspectors but rather the active cooperation of the Iraqi side, as we have said many times".

- **we must avoid the sense of an open-ended process**. Blix on 14 February: "Today, three months after the adoption of resolution 1441, the period of disarmament through inspection could still be short, if immediate, active and unconditional cooperation with UNMOVIC and IAEA were to be forthcoming."

- the importance of upholding the **authority of the Security Council**. We have an extraordinary opportunity to deal collectively with the menace of Iraqi WMD through the United Nations. But the Security Council must mean what it says. If Saddam is allowed to flout the UN's demands or partners rule out the use of force to uphold the UN's authority, that opportunity will be lost and the UN severely damaged. Irresolution on Iraq means more, not fewer, problems with other potential proliferators; and a less, not more, multilateral US and international order.

- the vital importance of preserving **transatlantic unity** and cohesion.

Prodi may also outline Commission contingency planning on humanitarian assistance, where plans appear relatively well advanced. Chirac and Schroeder are however likely to object to your call for contingency planning on reconstruction aid, which has so far been blocked by political concerns. We should argue for sensible contingency planning but this is not a fight we need to win on Monday.

IRAQ – MEMBER STATES, PRODI, SOLANA, COX AND ANNAN VIEWS

Spain: robust. Aznar said to be writing in support of PM's letter to Simitis. Does not rule out military action without a second UNSCR, but would prefer one for public opinion. Anxious to keep in step with the UK in the Security Council. Facing strong domestic criticism from the opposition and media. Public opinion 91% against war. Has not ruled out Spanish military participation. Ground forces and sea assets could be made available – discussions with US have taken place.

Italy: supportive. Berlusconi's office have spoken to Presidency in support of PM's letter. PM has told Berlusconi we will discuss draft of second UNSCR with Italians. Public opinion increasingly strongly opposed to war. Government holding firm, but in absence of a second resolution almost no prospect of Italian military contribution. Even with a resolution Italy may only get involved after the combat phase.

Denmark: supportive. Difference of view between Prime Minister and Foreign Minister (from a different political party) over need for a second UNSCR authorising the use of force. PM sees no legal requirement for a second resolution. But politically he regards it better to have one - not least in the interests of securing broad parliamentary and public support for Danish military participation. Proposing, subject to parliamentary approval, to contribute 50 special forces plus a submarine to any UN-sanctioned military action in Iraq. Latest polls show 87% of Danes against a war without a second UNSCR. 53% prepared to support UN-sanctioned action.

The Netherlands: Balkenende has written in supportive terms to Simitis. Squarely opposed to Franco-German proposals; would prefer a second UNSCR (though the Balkenende's letter does not call for one) and see "Day After" importance of a UN framework. Government not yet ready to declare Iraq in material breach of 1441 for domestic political reasons, but has told Parliament that Iraq "is at best complying very inadequately". Shied at the "Great Eight" fence - but have since toughened up considerably. On military side, are sending Patriots to Turkey and Cabinet on 14 Feb will consider a number of other possible steps (including stationing a submarine in the Gulf). But main emphasis will be on backfilling especially in Afghanistan.

Portugal: Durao Barroso, signatory of the Great Eight letter, and coalition partner Defence Minister Portas robust in support of US/UK position. President Sampaio, formally commander in chief of the armed forces, opposes action without UN cover. Public opinion: 53% oppose an attack on Iraq, 37% support, 65% view an attack as unjustified but 59% agree that EU should support US in the event of a further UN resolution. US are already using the Lajes military base in the Azores intensely.

Ireland: Foreign Minister Cowen has said that inspectors should continue as long as they prove useful, but prepared to see military enforcement action to end Iraq's defiance on the basis of an authorising UNSCR. US confident that, despite Cowen's meeting with Fischer on 13 February, the Irish will not support the Franco-German position and at most are likely to argue for one last delay to be built into a resolution. Otherwise supportive of the elements in the Prime Minister's letter. Public opposition to war with Iraq: 77% against without second UNSCR; Government defending its commitment to allow use of Shannon airport as a stopover for US troops and equipment.

Sweden: UNSC authorisation is a prerequisite for Swedish support for military action. Government has deliberately distanced itself from the German position: Persson will want to make the most of evidence presented to the Security Council of Iraq's failure to cooperate with UNSCR 1441, and should support efforts to secure a second

resolution so as to avoid outright opposition to the US. Will probably be able to sign up to the elements in the Prime Minister's letter, but will find it difficult not to support proposals for a "balancing" reference to the need for UNSC authorisation of military action.

Luxembourg: hankers for an EU approach and hopes that 17 February will result in one. Government clear that the onus is on Saddam to demonstrate that he has eliminated WMD. Do not rule out the use of force but want to give inspectors more time. Believes use of force would require further UNSCR. Public opinion strongly against military action.

Austria: Chancellor Schussel has emphasized necessity of disarming Iraq. Would prefer to give the UN inspectors more time to avoid war but have avoided endorsing French/German ideas. Want UN to remain in the lead and to restore EU unity. Say their neutrality would prevent their allowing overflights without a second UNSC resolution (and restricting present US/UK overflights); Schussel has said Austria would not send any troops to Iraq, including on humanitarian missions. Public opinion: 50% oppose war, 22% see it as justified, 30% undecided.

Finland: Prime Minister Lipponen leads on Finnish policy on Iraq. More pragmatic than Foreign Minister Tuomioja who is close to the German end of the spectrum, Lipponen wants a second UNSCR to preserve the authority of the UN; the trans-Atlantic relationship; and a unified EU position. But government and public think UN inspectors should have more time. Public is firmly against any action without UN backing (in the shape of a second resolution). The Finns have said that they will contribute under UN authority to the reconstruction of Iraq after any war.

Greece: instincts are not helpful. Constrained by the office of the Presidency, but may yet launch a last minute EU peace mission to the region. Would like to constrain EU MS on the Security Council. Opposed to action without a second UNSCR. Even if Iraq found in further material breach, not convinced that war would be the right consequence. But claims to accept the need for the EU to help build the pressure on Saddam.

France: Chirac strongly opposed to military action, unless/until all other options have been exhausted, or the inspectors say that they are unable to do their job. Confident of domestic and international support; and retains a degree of belief that international opinion will somehow restrain the Americans. The French argue that Iraq "is not in a state of non-cooperation", that there is no therefore no casus belli under OP4, and that war would be a totally disproportionate response. Popular belief that US motivated by oil and not thinking through the Day After. 80% of public oppose war regardless of a second SCR. Recent poll suggests 79% think France should use its veto in the UN if the US propose a resolution authorising military action.

Germany: Schroeder says a second UNSCR is not yet needed, because the inspection route is still to be exhausted. With France, Germany is supporting extended and reinforced inspections, backed up by a long-term framework for containment and monitoring. Unlikely that Germany could be brought to vote for anything other than a soft text about extending inspections (or possibly a note of Blix's comments about a lack of Iraqi co-operation "so far"). For anything else, a 'no' is on the cards, though abstention remains possible. But German crews available for defensive AWACS flights over Turkey; and Germany has agreed to send 46 Patriot missiles to Turkey via the Dutch. Public opinion remains strongly opposed to war. Latest polls show only 13% would support German participation.

Belgium: government of six coalition parties deeply divided ahead of May general elections. Position in NATO reflects this. Strong public antipathy to military action (89% opposed). Majority opposed to military action even with a second UN Resolution. Want more time for inspectors and for further diplomatic pressure on Saddam.

Prodi: favours more time, more inspectors and more containment to secure Iraqi disarmament. But careful not to rule out military action altogether. His approach on Monday will be to warn that unless the EU pulls together, its credibility will disappear. Will appeal to all sides to strive to find common ground and to speak with a common voice.

Solana: supportive, although he probably would prefer that Blix be given more time. But under no illusions that it will be possible to reach agreement on substance on Monday. His key objective will be to secure a public display of EU unity even if the substance remains unagreed. He will warn that continued disunity jeopardises not only EU credibility but also the UN's authority and EU/US relations and threatens to undercut efforts against proliferation in Iraq and elsewhere - such as North Korea.

Cox: President of the European Parliament, supports Monday's European Council, "the peoples of Europe expect a determined, coherent and consensual European effort" to avert war. Firmly against unilateral action by the US. Strong emphasis on multilateral resolution, and, in particular, UN control. Instincts closer to the Franco-German approach. But wants a common EU approach, and is concerned about the deterioration of the EU-US relationship. Will probably take his mandate for Monday's meeting from EP resolution on Iraq of 30 January: current Iraqi breaches of 1441 do not justify military action; no unilateral action; more time for the inspectors; pressure on Saddam Hussein to disarm.

Annan: primary concern to preserve authority and unity of Security Council: will want to see second resolution agreed before force used. But not opposed in principle to use of force and does not demur from view that Iraq already in material breach. Has not shown any enthusiasm for Franco-German proposals for reinforced inspections. Will also be concerned to safeguard UN role in any post-conflict administration and reconstruction.

15 February 2003

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

12 February 2003

Dear Costas

I welcome your decision to call an extraordinary European Council and look forward to our discussions on Monday, to which I hope you will also invite our ten new Accession Partners and the three candidate countries given the interests that they also have engaged in this debate.

The message that we send on Monday will be of crucial importance. I wanted therefore to propose elements that might form the basis for our debate and the conclusions that we draw. These will of course need to take full account of the report to the UN Security Council by Hans Blix and Mohammed El Baradei on 14 February and the report on 27 January that stated that Iraq's December declaration contains false statements and omissions that that Iraq is failing to cooperate fully.

Firstly, we should reaffirm our commitment to the common EU position agreed at the 27 January General and External Relations Council, particularly the full implementation of UNSCR 1441 to achieve the objective of Iraqi disarmament of all its WMD. Iraq must comply fully, actively, immediately and unconditionally with its international obligations.

EUROPEAN COUNCIL, BRUSSELS: 17 FEBRUARY 2003

BRIEF NO. 1: IRAQ

The Presidency have invited first Pat Cox and then **Annan** to brief in plenary before discussion among Heads over dinner. Annan should underline the shared objective of Iraqi disarmament and importance of unity in the Security Council. He should also call for reduction in public rhetoric, but will not want to get drawn on the substance.

Our assessment of partners' positions is attached, though the market will have moved against us as a result of the Security Council on 14 February. Simitis, who will have been at the Arab League meeting in Cairo over the weekend, is likely to look for elements that he can produce from the Council as an agreed EU position. **Chirac** and **Schroeder** will attempt to exploit this, aiming to build on momentum in the Security Council to achieve an EU position based on the French plan of more time and more inspectors with explicit support for a further Security Council stock-take on 14 March. Chirac may also inveigh against the great eight letter. Verhofstadt is likely to support.

You should intervene early to ensure that support does not build behind the Franco-German position. We expect Aznar, Berlusconi and possibly Rasmussen to give robust support, as should Balkenende, who has written in helpful terms to Simitis though he has so far fence-sat for domestic political reasons on whether Iraq is in further material breach. Durao Barroso too should be on similar lines though constrained by cohabitation.

Others will be instinctively supportive of the Franco-German call for more time for the inspection process to work.

Our objectives are to:

- come out with a signal of unity around areas of agreement: 1441, the urgency of disarming Iraq, the need for unconditional Iraqi compliance;
- avoid Chirac and Schroeder tying us in to their strategy of open-ended inspection;
- rally the like-minded in the margins

Secondly, we should be clear about the implications of UNSCR 1441. In the words of operative paragraph 2, UNSCR 1441 is Iraq's final opportunity to comply with its disarmament obligations. But Saddam has not taken that opportunity. His false statements and omissions in the December declaration and failure to cooperate fully with the inspectors are a material breach of the resolution in accordance with operative paragraph 4 of the resolution. So, as UNSCR 1441 makes explicit in operative paragraph 13, Saddam faces serious consequences.

Thirdly, while we all of course regard military action as a last resort, we must make clear that no member state rules it out if needed to uphold the authority of the Security Council. We should also be clear that in the absence of full and immediate cooperation, the UNSC should move quickly to a second resolution.

Fourthly, it is imperative that we maintain and increase the pressure on Saddam. Time is now running very short. There is still a last opportunity for Saddam to cooperate unconditionally with the international community's demands or to leave. But failing that, we should be clear that Saddam faces immediate and serious consequences.

Fifthly, we should ensure that the Union is ready to contribute on humanitarian and reconstruction issues if needed and ask the Commission to take forward contingency planning against these eventualities for discussion at the next General Affairs and External Relations Council.

Finally, we should also discuss the wider regional implications of the crisis in Iraq and the Union's engagement with our partners in the Middle East, underlining in particular the importance we attach to early progress towards a lasting settlement between Israelis and Palestinians on the basis of the roadmap.

I am copying this letter to EU Heads of State and Government, to Romano Prodi and Javier Solana and to our colleagues in the accession and candidate countries.

With best wishes,

Tony Blair

HE Mr Costas Simitis

BLIX / EL-BARADEI REPORTS TO SECURITY COUNCIL: KEY POINTS

- Blix (private session): "There is no breakthrough…I have no doubt that without military and other pressure there would be no inspections"

Iraqi co-operation

- **None of the questions outstanding when UNSCOM was forced to withdraw in 1998 have been answered**. Blix: "Iraq itself must squarely tackle this task and avoid belittling the questions."

- **Of the issues raised in the Security Council on 28 January, only one (U2 flights) appears to have been resolved** – and even now no flights have taken place.

- **The additional papers Iraq provided on 8-9 February have not resolved any outstanding issues**. Blix: "No new evidence was provided in the papers and no open issues were closed through them or the expert discussions." El Baradei: "Iraq has provided documents on the concerns outstanding since 1998, but no new information was contained."

Interviews

- **Iraq is still not meeting its obligations under 1441 to allow interviews on UNMOVIC and IAEA's terms**. To date, 27 requests for interviews have been refused on UNMOVIC's terms. Blix: "Three persons that had previously refused interviews on UNMOVIC's terms subsequently accepted such interviews just prior to our talks in Baghdad on 8-9 February…No further interviews have since been accepted on our terms. I hope this will change." El Baradei (private session) "We have to move our focus to interviews…we have to energise the process. There have to be free interviews and this should not be discretionary."

Chemical

- **Iraq has still failed to provide a full list of all personnel currently and formerly associated with prohibited programmes**. The Iraqi Declaration provided 400 names. Blix reported an Iraqi letter of 12 February with a further 83 names of personnel who are claimed to have destroyed chemical weapons in 1991. But UNSCOM had a list of 3500 names. Blix: "I hope that the Iraqi side will put together a similar list of names of persons who participated in the "unilateral destruction" of other proscribed items, notably in the biological field."

Biological

- **Iraq still refuses to provide any new or significant information about its BW programmes**. Blix: "There are persistent intelligence reports for instance about mobile biological weapons production units."

Missiles

- **Inspections have revealed that Iraq is developing missile systems prohibited under SCR 687**. Blix: "Earlier this week, UNMOVIC missile experts met for two days with experts from a number of Member States to discuss these items. The experts concluded that, based on the data provided by Iraq, the two declared variants of the Al Samoud 2 missile were capable of exceeding 150km in range. This missile system is therefore proscribed."

- **Inspectors have uncovered evidence that Iraq has illegally refurbished equipment previously disabled by UNSCOM, apparently restarting prohibited programmes**. Blix: UNSCOM ordered and supervised the destruction of casting chambers, which had been intended for use in the production of the prooscribed Badr-2000 missile system [comment: with a range planned of 700-1000kms]. Iraq has declared that it has reconstituted these chambers."

- **Iraq has illegally imported equipment for prohibited systems, in breach of UN sanctions**. Blix: "On the matter of the 380 SA-2 missile engines...UNMOVIC inspctors were informed by Iraq that these engines were intended for use in the Al Samoud 2 missile system, which has now been assessed to be proscribed. Any such engines configured for use in this missile system would also be proscribed."

Reinforcing inspections?

- **Blix (private session) "UNMOVIC has expanded as much as it can"**. He would not want to send out untrained inspectors. "If one expands too fast, one risks making mistakes."

DEFENSIVE POINTS

- **Blix: Iraq's presentation of papers at 8-9 February meeting "could be indicative of a more active attitude"**. *But the papers contained no new evidence. As Blix himself said, this is co-operation on process, not substance.*

- **Blix: Iraq suggested it might be possible to assess quantities of (CW) materials which Iraq claims was poured into the ground**. *UNMOVIC should pursue this. But Blix also said that his experts are doubtful that it will be useful without documentary evidence and testimony from interviews as well.*

- **Blix: Iraq's list of 83 names of personnel involved in past CW destruction "appeared to be a useful substantive action"**. *UNMOVIC should seek rapid, unmonitored interviews with those named. But where are the more than 3,000 others known to UNSCOM? Why have the Iraqis offered no names at all of biological experts? This is clearly the familiar*

Iraqi tactic of dribbling out minimum information under pressure, to play for time. In no way can it be described as "full co-operation".

- **Iraqis have agreed to U-2/Mirage/Antonov overflights.** *Only belatedly and under the threat of military action. And it remains unclear whether the agreement is genuinely unconditional. Three months after SCR1441, no flights have taken place.*

- **El Baradei: "IAEA has found no evidence of ongoing prohibited nuclear activities".** *But he also said they continue to pursue unanswered questions (aluminium tubes, uranium acquisition, consumption of HMX explosive). El Baradei said that full co-operation would speed up this process – making clear that such co-operation was still not forthcoming.*

Balkenende Cdk

His Excellency
Mr Kostas Simitis
Prime Minister of the
Hellenic Republic of Greece

Reference: 03M449923

The Hague, 14 February 2003

Dear Prime Minister,

I welcome your efforts to initiate a serious discussion between Heads of State and Government on the question of Iraq. I hope that our talks on Monday, to which I look forward, will allow us, members of the European Council, to contribute to a peaceful outcome of this issue.

The problem which confronts us today as European members of the international community is the very real threat posed by the possession by Iraq of weapons of mass destruction and its lack of active co-operation with the weapons inspectors.

What unites us as the EU is that we all support UNSC Resolution 1441, which imposed on Iraq nothing less than this active co-operation. The clear message sent to Iraq by the international community – through the UN Security Council – was to disarm and to grasp the opportunity offered to do so peacefully. When the weapons inspectors reported to the UN on 27 January, the EU welcomed their stated intention to intensify their work. Part of that message was that time was running out, a message that the Presidency also communicated to Iraq. Time is running out for Iraq to prove, through active co-operation with the weapons inspectors, that it no longer poses a threat. If it fails in this respect, Iraq is in further material breach of UNSC resolutions, in particular Resolution 1441, which states that failure to comply will have serious consequences. These serious consequences imply, in the very last resort, the use of military force.

While stating the importance that my country attaches to going the last mile on the peaceful road taken by the international community, I must stress that we cannot achieve this goal of peaceful disarmament without the active co-operation of Iraq. An important component in our discussions on Monday will be to take stock of Iraq's co-operation, based in particular on the two reports by the weapons inspectors and US Secretary of State Colin Powell's presentation

to the UN Security Council on 5 February. It is incumbent on Iraq to prove that it complies with all relevant Security Council resolutions, in particular Resolution 1441. The impression based on currently available information is that this clear message has not come through. Strengthening the inspections is therefore not an appropriate response to the lack of active co-operation on the part of Iraq, which is a serious impediment to achieving our goal of peaceful disarmament.

As we cannot in the end exclude the use of military force, the EU will need to show our concern for the humanitarian situation and for the need for international organisations and individual donors to prepare. Whatever happens, we as the EU should continue to underline the importance we attach to the future of Iraq as a sovereign, independent and unified state within its present borders and to peace and security in the region.

The conflict between Israel and the Palestinians also affects the peace and security of the region. Therefore we should devote particular attention to the conflict, proceeding from our common position on the road map and its vision of two states.

I am sending copies of this letter to EU Heads of State and Government, to Romano Prodi and to Javier Solana.

Yours sincerely,

Dr. Jan Peter Balkenende
Prime Minister of the
Kingdom of the Netherlands

EUROPEAN COUNCIL, BRUSSELS, 17 FEBRUARY 2003

BRIEF NO 2: MEPP

1. Partners are likely to focus on the linkage with Iraq, the lack of US engagement and the Roadmap's fate. We should welcome Arafat's announcement that he will appoint a Prime Minister and want to see this implemented as soon as possible. However, discussion is likely to conclude that early progress on the MEPP remains unlikely. Sharon has yet to form a government and violence on both sides continues. The situation in the Occupied Territories remains grave for normal Palestinians and Israel continues to create 'facts on the ground'. There has not been a 'successful' suicide bombing since 5 January but attempts continue and Israelis still feel vulnerable.

2. Our priority has been the publication of an agreed **Quartet (EU/Russia/UN/ US)** Roadmap and continued US engagement. The UK and EU Partners have pressed the US on this. However, Sharon has already voiced his opposition and commissioned an Israeli redraft. Based on the Prime Minister's meeting with President Bush on 31 January, publication of the Roadmap this side of an Iraq war and perhaps in its current form now looks unlikely. Informally we are encouraging partners to look for ways to preserve its substance; failure to publish the Roadmap undermines the Quartet's credibility.

3. We would also like the EU to press the US at the highest levels to make the $10-12bn of **US loan guarantees** to Israel currently under discussion in Washington conditional on better Israeli behaviour, and preferably on a settlement freeze.

4. **Quartet Envoys**, the **Task Force on Reform** and the **Ad Hoc Liaison Committee** (international donor coordination) will meet in London from 17–20 February. HMG is providing the venue (Lancaster House) and will probably take part in the Task Force and AHLC meetings as Guest of the Chair. The Foreign Secretary may meet Quartet envoys during the week. The usefulness of these meetings will be limited by the uncertainty of the political environment and the absence of a roadmap. Frustration at the impasse over the Roadmap may lead France and other partners to question the value of the Quartet. We support continued engagement. The Quartet is a valuable instrument that brings together the international involvement necessary for a final settlement. And the EU's

collective involvement is important both on the political level and for the practical support the EU is giving to Palestinian reform and will give to the implementation of any settlement.

5. The Copenhagen European Council agreed clear language on the negative consequences for peace of continuing **settlement activity**. We are content to rest on this, but it would bear repetition in any new declaration.

6. The Prime Minister has stressed in recent public statements the **need for progress on the MEPP and the need to apply SCRs** on Israel/Palestine just as much as those on Iraq. Partners have warmly welcomed these comments and the UK efforts through the London meeting on Palestinian reform to keep the MEPP moving. The most important factor remains achieving **US engagement**. The EU should continue to encourage the Administration to see progress on the MEPP as complementary to tackling Iraq.

EUROPEAN COUNCIL, BRUSSELS: 17 FEBRUARY 2003

BRIEF NO 3: NON PROLIFERATION/DPRK

1. Solana will probably report back on his recent visit to the region, including South Korea. The Presidency will refer to the International Atomic Energy Agency Board of Governors' meeting in Vienna on 12 February, which reported North Korea to the UN Security Council. **You might state that we would not encourage discussion of possible sanctions at any initial UNSC meeting on DPRK.** There is broad agreement among key regional players (including the US) that it is too early to raise the issue of sanctions. More time is needed to bring DPRK to the table. France should support, as the other EU P5 member, along with Germany (President of the Security Council in February) and others. At most, we could expect a UNSC Presidency Statement, although the Russians may be reluctant.

2. The Presidency will also refer to the proposed high level EU visit (which should be lead by Solana) to Pyongyang. Partners will press for an early visit. This should not clash with the UN Security Council discussion (for which a date has not yet been set): this would provide an excuse for prevarication by the Russians and others. The visit should not proceed unless the US and other key regional partners are in full agreement, and the North Koreans guarantee that Solana will be received by Kim Jong Il. Recent reporting from Pyongyang suggests that Kim Jong Il may not be prepared to see Solana: the visit should not proceed without a guaranteed meeting.

EUROPEAN COUNCIL, BRUSSELS: 17 FEBRUARY 2003

BRIEF NO 4: CYPRUS (for use by the Foreign Secretary)

1. We have lobbied the Presidency to the effect that this European Council is too good an opportunity to miss to re-state EU support for a settlement. The shape of the end-game is becoming clear (in public, we should not pre-empt Annan's announcement; but it will be an open secret amongst EU colleagues on Monday that he intends to visit Cyprus). Annan will table a second revision of his settlement proposals on 24 February, to coincide with his last ditch visit to the region: Ankara that day, Athens on 25 February and Nicosia on 26 February; where – with UK and US support – he will aim to extract the answer that his final amendments have bridged the gap, and that referendums on the package should be held in both communities. On the Turkish side, if Annan's revisions have carried the day in Ankara, the denouement may involve putting the text to the Turkish Cypriots without Denktash's signature. On the Greek Cypriot side, much will depend on whether Clerides or Papadopoulos have won the Presidential elections (first round 16 February; second round – probably needed to separate the two front runners – on 23 February). Public EU support for this strategy will be important.

2. Discussion on Cyprus is neither necessary nor desirable. What we need is a signal that – notwithstanding Iraq – the EU is keeping faith with the UN's efforts in Cyprus. The presence of Kofi Annan in Brussels (and of Clerides from the Monday evening) make it natural that the Presidency should make a statement of support (possibly during Simitis' end-of-Council press conference, or for release in the margins.)

3. It should be possible to recycle Copenhagen language and the Presidency's own statement about a donors conference (Peter Ricketts will have the key texts) to:

- Welcome the parties' continuing commitment to reaching agreement by 28 February on the basis of the UNSG's proposals.
- Urge the leaders to seize this unique opportunity.
- Recall EU willingness to accommodate the terms of a settlement in the Treaty of Accession.
- Recall EU (including Commission) support for the proposal of an international donors' conference to underpin a settlement.

9. The current enlargement provides the basis for a Union with strong prospects for sustainable growth and an important role to play in consolidating stability, peace and democracy in Europe and beyond. In accordance with their national ratification procedures, the current and the acceding States are invited to ratify the Treaty in due time for it to enter into force on 1 May 2004.

Cyprus

10. In accordance with the above paragraph 3, as the accession negotiations have been completed with Cyprus, Cyprus will be admitted as a new Member State to the European Union. Nevertheless the European Council confirms its strong preference for accession to the European Union by a united Cyprus. In this context it welcomes the commitment of the Greek Cypriots and the Turkish Cypriots to continue to negotiate with the objective of concluding a comprehensive settlement of the Cyprus problem by 28 February 2003 on the basis of the UNSG's proposals. The European Council believes that those proposals offer a unique opportunity to reach a settlement in the coming weeks and urges the leaders of the Greek Cypriot and Turkish Cypriot communities to seize this opportunity.

11. The Union recalls its willingness to accommodate the terms of a settlement in the Treaty of Accession in line with the principles on which the EU is founded. In case of a settlement, the Council, acting by unanimity on the basis of proposals by the Commission, shall decide upon adaptations of the terms concerning the accession of Cyprus to the EU with regard to the Turkish Cypriot community.

12. The European Council has decided that, in the absence of a settlement, the application of the acquis to the northern part of the island shall be suspended, until the Council decides unanimously otherwise, on the basis of a proposal by the Commission. Meanwhile, the Council invites the Commission, in consultation with the government of Cyprus, to consider ways of promoting economic development of the northern part of Cyprus and bringing it closer to the Union.

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ACRONYM COSEE
SUBJECT COSEE Declaration de la Presidence au nom de l'Union
TEXT

Objet: COSEE - Declaration de la Presidence au nom de l'Union
europeenne sur la tenue
d'une conference des donateurs pour Chypre
Version definitive en anglais et en francais d'une declaration de la Presidence publiee a Athenes et a Bruxelles le 13 fevrier 2003.

Declaration by the Presidency on behalf of the European Union

regarding a Donors's Conference for Cyprus

The European Union has noted that the issue of the substantial economic funds required for the implementation of the comprehensive settlement of the Cyprus problem, on the basis of the UN Secretary General's proposals and the deadlines for agreement making part of that plan, is of great significance to all Cypriots, thus deserving strong political and material support from the International Community. For this reason, the EU supports the UN proposal for an International Donors' Conference to be held soon after the signature of the political agreement and the reunification of Cyprus. The European Commission has already announced its readiness to organize the conference in question, after the signature of the Political Agreement.

The objective of this conference would be to examine ways for the International Community to support the costs linked to the political settlement and the reconciliation of the two communities in Cyprus.

The European Union has noted the wider support expressed for this proposal and calls on the international community and all international financial organizations to back this project and contribute to its goals, which will be to the benefit of all Cypriots and will help bring peace, security and stability to Cyprus and in the region as a whole.

The Acceding Countries Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia, the Associated Countries Bulgaria, Romania, and the EFTA countries, members of the European Economic Area align themselves with this declaration.

Declaration de la Presidence au nom de l'Union europeenne

sur la tenue d'une conference des donateurs pour Chypre

L'Union europeenne a constate que la question des ressources economiques considerables qui seront necessaires pour la mise en ouvre du reglement global de la question chypriote, sur la base des propositions du Secretaire general des Nations Unies, et compte tenu des delais pour la conclusion d'un accord que comporte ce plan, revet une grande importance pour tous les Chypriotes, justifiant de ce fait l'octroi d'un soutien politique et materiel considerable de la part de la communaute internationale. C'est pourquoi l'UE souscrit a la proposition des Nations Unies visant a reunir une conference internationale des donateurs peu apres la signature de l'accord politique et la reunification de Chypre. La Commission europeenne a deja annonce qu'elle etait disposee a organiser la conference en question, apres la signature de l'accord politique.

L'objectif de cette conference serait d'examiner les moyens par lesquels la communaute internationale pourrait prendre en charge les couts lies au reglement politique et a la reconciliation des deux communautes a Chypre.

L'Union europeenne a pris acte du large soutien qu'a recu cette proposition et invite la communaute internationale et toutes les institutions financieres internationales a appuyer ce projet et a contribuer a la realisation de ses objectifs, ce qui sera benefique pour tous les Chypriotes et contribuera a instaurer la paix, la securite et la stabilite a Chypre et dans l'ensemble de la region.

Chypre, la Republique tcheque, l'Estonie, la Hongrie, la Lettonie, la Lituanie, Malte, la Pologne, la Republique slovaque et la Slovenie, pays adherents, la Bulgarie et la Roumanie, pays associes, ainsi que les pays de l'AELE, membres de l'Espace economique europeen, se rallient a la presente declaration.

SEC COREU

END OF TEXT / FIN DE TEXTE

Dominic Cleydon

Sent: 14 February 2003 01:27
To: Sarah Riley; Nerys Jones; Gareth Bayley; Tim Barrow; Ben Lyster-Binns; Jill Parkinson Sarah Ebbutt; Kevin Madden; Victoria Billing; Greg Andrews; Anna Mccarthy; Chris Freestone; Jane Rowe
Subject: FW: INFO: OO NYMIS/FCOLN 249: NOSEC: CYPRUS: HANNAY'S CONTACTS IN NEW YORK

Classification: RESTRICTED
DTGM: 132354Z FEB
Message To: FCOLN
MessageFrom: NYMIS

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INFO IMMEDIATE CBFC, EU POSTS, HOME OFFICE, HQSBAA CYPRUS, MODUK
INFO IMMEDIATE NICOSIA, OSLO, PJHQUK, UKDEL NATO BRUSSELS
INFO IMMEDIATE UKDEL VIENNA, WASHINGTON, WHIRL

PART ONE OF TWO
FROM LORD DAVID HANNAY VISITING
FOR FOR EU PARTNERS
SIC: EAD, PJHQUK FOR J5 POL/OPS, MODUK FOR DIC SE3 MAJ RICHART, CABINET OFFICE FOR ROBERT WILSON

SUBJECT: NOSEC: CYPRUS: HANNAY'S CONTACTS IN NEW YORK

SUMMARY

1.Full day of UK/US/UN talks on Cyprus, including with the S-G. UN preparing to put forward Annan III on 24 February after second round of Cypriot Presidential election. Discussion of changes to be incorporated into revised plan.

DETAIL

2. Lord Hannay and Allen (SED) visited New York on 13 February for contacts on Cyprus. This telegram records the key points from three UK/US/UN meetings, including a session with the Secretary-General. Because so many of the points raised were covered at all three meetings, they are recorded thematically not chronologically.

TACTICS

3. Annan said that he had decided that he would not be willing to table any proposal until after the second round of the Greek Cypriot elections. That meant in effect that Annan III (the second and final revision of the UN proposals) would be tabled on the

morning of 24 February. He would be in Ankara on 24 February and would then move on to Greece, before arriving in Cyprus on the evening of 26 February. It was agreed that a formal announcement of his schedule, including the Cyprus leg, would be made after de Soto's meeting with Ziyal on 17 February. This would increase the pressure on the parties. Hannay said that it was crucial that it was made clear to the two sides that the Secretary-General would expect a yes or no answer by the time he left the island. If he left it open, Denktash would seize the opportunity to filibuster some more. Annan agreed: 28 February was the final deadline - there would be no Annan IV.

4. Annan said that he was concerned by the implications of a Papadopoulos victory. This man had spent all his life wanting to be President of Cyprus. Would he willingly give the prize up moments after finally securing it? What pressure could be brought to bear on him? Weston said that if he won, the US were ready to move rapidly at Presidential level to send a congratulatory message that would spell out what they expected of him. The best that could be hoped for was that Papadopoulos would adopt a neutral attitude. In that case, our efforts should be focused on AKEL. Hannay agreed. Papadopoulos might have intense personal ambitions, but that did not mean that the motley crew that supported him shared them. Having gained the spoils of office, AKEL might well be ready to revert to its traditional pro-settlement position. Also, the Greek Cypriots still did not feel certain that rejection of a settlement would not have negative consequences for their EU accession course. Hannay said that he would be recommending to the Prime Minister a similar message. And we hoped to get a brief statement out of the emergency European Council on 17 February.

STRUCTURE OF ANNAN III (INCLUDING REFERENDUMS)

5. De Soto briefed on current UN thinking on how Annan III would look. The whole structure of the settlement proposal would change, as Annan II had been designed to take account of the period between Copenhagen and 28 February, which had now been crunched. The UN had not yet made their minds up on the linked question of whether Annan III should be presented for signature by the two leaders followed by referendums on both sides, or whether it should cut straight to the referendums. The advantage of the latter was that it gave the Turks a mechanism to bypass Denktash's probably refusal to sign a settlement. But the problem with it (particularly on the Greek Cypriot side) was that it might look as though the settlement had been imposed by outsiders if the leaders did not put their signatures to it.

6. Hannay said that he thought that the UN should not move straight to a "no signature" mechanism when they tabled Annan III, but could move to it if/when Denktash made it clear that he would not sign. That would help on the Greek Cypriot side, by underlining that this was a mechanism to outmanoeuvre Denktash. However, this was something that would become clearer after de Soto's next conversation with Ziyal on 17 February. Weston said that the UN's primary consideration should be to help the Turks with Denktash.

TERRITORY/PROPERTY

7. De Soto moved on to territory/property. The UN had done some work on a new map, which put the Karpas in the Turkish Cypriot Component State. On property, they were considering of removing the fixed limit on annual returns and the final cap, and instead simply giving the Component States the right to set their own restrictions, on the grounds of security, public order and

bizonality. Individuals affected by these restrictions could then appeal to a court.

8. There was a later discussion of this point over a UK/US/UN lunch (de Soto could not attend and was represented by Dann). Dann explained that the right of appeal would be to the common state Supreme Court and ultimately to the ECHR. Hannay said that he was not convinced by the UN's proposals. The Greek Cypriots would be intensely suspicious of them, as they would not have any guaranteed returns. They would see it as a major concession to the Turkish Cypriots. It would all come down to a battle royal in the Supreme Court, in which no doubt the Greek and Turkish Cypriot judges would vote on partisan lines, leaving the three "neutral" judges to try to find some way out. And it was not in the Turkish "Basic Requirements" paper.

9. Dann explained that although not in the Basic Requirements paper, it had been raised by Ziyal, who had stated that "bizonality" was the key for the Turks. Weston leapt on this: the most important point was that the Turks should be satisfied. So if this mechanism suited them, he strongly advised that the UN should incorporate it into Annan III. The Greek Cypriots would just have to bite the bullet. Hannay disagreed: we had to consider the impact on Clerides. Leaving it to the courts meant leaving a key area of the proposals shrouded in uncertainty. He thought that the Turks could be less controversially satisfied with a slightly longer moratorium and a slightly lower final cap (which, as the UN had suggested, could disappear on Turkey's accession to the EU). In return for that, the rate of return could be made slightly higher. Dann noted that this was what the UN had done between Annan I and Annan II. Hannay said that it was precisely because that had not provoked outrage that he thought a similar formula could work again.

GREENSTOCK

Dominic Cleydon

From:	CFSPD
Sent:	14 February 2003 01:25
To:	Sarah Riley; Nerys Jones; Gareth Bayley; Tim Barrow; Ben Lyster-Binns; Jill Parkinson Sarah Ebbutt; Kevin Madden; Victoria Billing; Greg Andrews; Anna Mccarthy; Chris Freestone; Jane Rowe
Subject:	FW: INFO: OO NYMIS/FCOLN 249: NOSEC: CYPRUS: HANNAY'S CONTACTS IN NEW YORK
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PART TWO OF TWO
FROM LORD DAVID HANNAY VISITING
FOR FOR EU PARTNERS
SIC: EAD, PJHQUK FOR J5 POL/OPS, MODUK FOR DIC SE3
MAJ RICHART, CABINET OFFICE FOR ROBERT WILTON

SUBJECT: NOSEC: CYPRUS: HANNAY'S CONTACTS IN NEW YORK

SECURITY

10. De Soto said that the UN would, of course, incorporate any figure on troop numbers that the Greeks and Turks agreed on into Annan III. But if the two failed to agree, the UN had been considering setting a limit of 7,500 on troop numbers, which would decrease to 2,500 after five years, and would then be eliminated completely on Turkey's accession to the EU. Dann later made it clear that this was designed as a balancing concession to the Greek Cypriots. Both Hannay and Weston advised against stepping down to 2,500 unless the UN got a green light in advance from the Turks. Stepping down would give grist to the mill of those that claimed that the UN proposals weakened Turkey's guarantee. They suggested a slightly lower static figure (6,000 plus). Hannay and Weston agreed with the proposal to remove all troops on Turkey's accession to the EU: this was a concession to the Greek Cypriots, and should be portrayed in that way. De Soto also said that the motherlands' veto over Cypriot participation in international military operations would be reinstated (although only until Turkey's accession to the EU, Dann told us later).

11. Hannay and Weston emphasised the importance of UN involvement

in the Greece/Turkey security talks on 20-21 February. De Soto said that he had been told that the Turks only wanted the first meeting to exclude the UN. He hoped that meant in effect the first session of the two days of talks. Hannay said that he should insist at the least on a joint briefing at the end of the talks on what had been decided. That should also get him to the talks venue and possibly into them. The Secretary-General agreed that de Soto should do so, if necessary in his name.

SETTLERS

12. De Soto said that the UN were planning to abolish all the various categories of Turkish citizens eligible for Cypriot citizenship, and instead simply to announce that a figure in the 40,000s would be given citizenship. Dann later made clear that this was another concession to the Greek Cypriots, as it would bring the total number down. Hannay reiterated the importance of making it clear that repatriation of Turkish citizens in Cyprus was voluntary.

SENATE

13. De Soto said that the Senate problem would be fixed by removing the right of new Component State citizens to vote (i.e. by preventing Greek Cypriots who applied for Turkish Cypriot citizenship from voting). Dann said this would not please the Greek Cypriots who had hoped to move away from community-based mechanisms, in the interests of longer-term integration. Hannay suggested that in that case the restrictions should be on the ethnic origins of candidates (as in the US constitution) not voters. Dann undertook to consider.

NOMENCLATURE

14. De Soto confirmed that the UN would throw in an extra "bizonal" or two. They would probably also go for "constituent state" instead of "component state", but balanced by a reference to a "federal" common state government. Dann went through some ideas on sovereignty, including a reference to sovereignty "emanating from the Greek Cypriots and the Turkish Cypriots". Weston and Hannay strongly advised him not to do this - it would be a bridge too far for the Greek Cypriots. However Dann's other proposal - that neither side could claim sovereignty or jurisdiction over the other - was a good one.

OTHER POINTS

15. Dann ran through a number of other minor points. Students would be excluded from the limits on residence for Turkish and Greek nationals. It would be made clear that the full restitution of land on which religious sites stood would apply only to the sites themselves, not the many acres that surrounded them. The top ten Cypriot diplomatic missions would have to have a deputy from a different component state from the head of post. Annan III would provide for the establishment of a new common state court of first instance.

16. Dann said that the referendum question would probably now be simplified, and the EU accession endorsement part removed as it was now clear that the Turkish Cypriots would vote in favour of EU membership. Hannay said that he was concerned that the EU protocol in the proposals did not mean that the EU formally endorsed the settlement proposals - this might open up the possibility of a later legal challenge in the ECJ. Dann agreed that it would be better if the EU welcomed and endorsed the settlement as a whole and said that he would ask Pfirter to check with the Commission

(Leigh).

TIMETABLE

17. Key timetable points as follows. Regular Clerides/Denktash meetings are scheduled for 14, 17, 19 and 21 February. De Soto will fly to Ankara on 17 February for talks with Ziyal. On 20-21 February the Greeks and Turks will discuss security in Ankara, hopefully with de Soto there. Annan III will probably be tabled during the morning of 24 February, before the Secretary-General, accompanied by de Soto, arrives in Ankara on 24 February. Annan and de Soto will then visit Athens on 25 February before arriving on island on 26 February in the evening.

18. Hannay and Weston will also travel to Cyprus for the denouement. Weston will travel on 20 February and Hannay on 23 February. Hannay, Weston and de Soto will hold a conference call on 19 February at 1500z.

19. Contact: jonathan.allen@fco.gov.uk (visiting) or + 44 20 7008 2974

GREENSTOCK

RESTRICTED
IRAQ/GERMANY
From: BERLIN

German position

TO IMMEDIATE FCO
TELNO 53
OF 171303Z FEBRUARY 03
INFO IMMEDIATE SOSFA, UKREP BRUSSELS
INFO ROUTINE EU POSTS, MIDDLE EAST POSTS, NATO POSTS
INFO ROUTINE SECURITY COUNCIL POSTS

SUMMARY

1. Blix report and demonstrations seen as reinforcing Schroeder's position. Opposition warn against anti-Americanism. Media highlight Prime Minister's difficulties.

DETAIL

2. Schroeder and Fischer will attend today's Special European Council boosted by the weekend's demonstrations and the continuing strength of support for their position in Germany. Over half a million demonstrated for peace in Berlin on 15 February and the latest opinion polls show 69% support the government line on Iraq. Fischer's Green Party was notably well-represented at the Berlin demonstration - the party leadership and two Green Cabinet Ministers attended. For the SPD, the leftist Development Minister Wieczorek-Zeul and Speaker of the Bundestag Thierse also took part.

3. The opposition CDU/CSU has continued to stick firmly to its position that pressure on Saddam to bring about disarmament must be maintained. CDU Deputy PP Chair Schaueble argued that this was the best way of preserving the peace. Foreign Policy Spokesman Pflueger described Thierse's participation in the demonstration as a "scandal" and described the event as an "anti-American demonstration that the US will interpret as a slap in the face".

4. The media overwhelmingly reflects the government's view that the Blix report on Friday and the weekend's events have strengthened the Franco-German argument for seeking more time for the inspectors. In contrast, the turn-out for the demonstration in London and British public scepticism regarding a military intervention in Iraq are seen as underlining the Prime Minister's domestic and international difficulties.

COMMENT

5. None of the events of the last 72 hours will have undermined Schroeder's confidence in his position. He is likely to believe that the momentum of international and public opinion is working in his favour. But he will also be relieved that the damaging dispute in NATO has been settled. At the European Council, he will work for a semblance of unity and will want to down-play divisions, but not at the cost of compromising the Franco-German bottom lines.

LEVER

Sent by BERLIN on 17-02-2003 13:03
Received by No10 on 17-02-2003 14:01

RESTRICTED

NOSEC: NATO SUPPORT FOR TURKEY: WHAT HAVE THE BELGIANS
From: BRUSSELS

TO IMMEDIATE FCO
TELNO 34
OF 171217Z FEBRUARY 03
INFO IMMEDIATE ACTOR, CABINET OFFICE, EU ENLARGEMENT POSTS
INFO IMMEDIATE EU POSTS, MODUK, NATO POSTS
INFO IMMEDIATE SECURITY COUNCIL POSTS, WHIRL

CABINET OFFICE FOR MANNING AND WALL (NO. 10)
UKREP BRUSSELS PLEASE PASS TO SECRETARY OF STATE'S PARTY
BEEN PLAYING AT?

Belgians think they really are "Playing". May make trouble today

DJ/a

SUMMARY

1. Belgian behaviour reflects long-standing discomfort with NATO and a preference for a European defence solution, as much as short-term electoral considerations. Where Verhofstadt and Michel are coming from. Paris has been pulling strings, but there is genuine anger at the UK/US approach. The Belgians are not yet back in their box. Tonight's Special Council may see more trouble-making.

DETAIL

2. Belgian antics in the NAC and DPC need to be seen against the background of a national mindset long indifferent if not downright hostile to defence issues. This ambivalence is often expressed in crude anti-Americanism (especially in Francophone Belgium) and pacifism (especially among environmentalists and the Flemish Left). It is a depressingly familiar story: veterans of NATO's internal skirmishes in the run-up to the last Gulf War will recall the Martens Government's decision to camp on pacifist principle and deny the UK armed forces much needed ammunition in 1991. Such lily-white purist sentiment was to the fore again all last week in press coverage of the NAC's deliberations on tasking for Turkey. Belgian concerns are, more than anything, the angst of a "small". What to us may seem the self-indulgent posturings of a country that will never need to exercise the responsibility of real power are felt here as deep frustration that, come what may, the big boys will arrange things to suit themselves, leaving the lesser allies to pick up a residual role as cannon fodder.

3. On top of all this, it is impossible to underestimate the importance in the national geopolitical psyche of the Belgian fixation on a European defence solution - pushed by the Verhofstadt Government largely because they are unable to generate public support for NATO. This dynamic was evident for example in Verhofstadt's letter last July to the Prime Minister and Chirac, in which he argued for an EU Headquarters for all European multinational forces and a European Armaments Agency. The Belgians see what should be a strategic partnership between the EU and NATO more as zero-sum competition, in which advances for the Alliance must by definition be setbacks for the Union and the European project. Witness Verhofstadt's attacks on the NATO Response Force as an impediment to Belgian ambitions for the Eurocorps (of which they are proud founder members).

4. Yet none of this would have been enough to set the Belgians on the obstreperous course they followed last week without the imminent prospect of Federal elections on 18 May. The need to ensure political survivial now informs all government thinking. Verhofstadt's Flemish Liberals lead a motley coaliton of six parties desperate to prove that they can hold together and deliver

a full term of non-Christian Democrat rule for the first time in two generations. The Rainbow parties, elected in 1999 on a wave of popular revulsion against Dehaene's old order, are determined above everything to show they have delivered a viable alternative. Failure on this would confirm the traditionalist view that the Christian Democrats are indeed the natural party of government and that the rickety Belgian state cannot be held together without them. Thus re-electing the coalition appears to be an objective which now overrides even the need to demonstrate loyalty to a NATO ally.

5. Verhofstadt has maintained an astonishingly low public profile over the last week, even allowing for the fact that he was away in the US for much of it. He seems to have made an opportunistic calculation that giving the Left their head on Iraq was the lesser of two evils, protecting more votes than those which he might have hoped to gain on the Right by adopting a policy closer to the much more Atlanticist position staked out by the Christian Democrats. The consequences of this arm's length leadership will have come home to Verhofstadt over a weekend of inner Cabinet crisis meetings on Saturday and a Sunday which saw him personally pitted against the frustrations of the 17 in the DPC.

6. In Michel's case, such short term electoral opportunism is reinforced by an inherently populist political style. Michel's approach to the problem of Iraq has for some time been less one of deeply held principle than one of a more wordly concern for tactical positioning. He has sought to ensure that Belgium is tucked as neatly as possible behind the French vanguard in constructing a European counterpole to US dominance. With the French out of the frame in the DPC, it was difficult to disguise Paris's hand in pulling the Belgians' strings. That said, the last week has awoken real passion in Michel: this is clear not only from his oratorical outbursts over the airwaves but also from everything those close to him tell us about his state of mind, in particular his sense of personal outrage at being excluded from the letter of the Eight and anger at what he sees as overweaning Anglo-Saxon behaviour in the Security Council and a ruthless American determination to bounce the international community into military action, whatever Blix recommends. Michel is always at his most difficult when he believes he is tapping a popular vein, and polls showing 89% of Belgians opposed to war against Iraq will have done nothing to moderate his behaviour.

7. It is tempting to see the Belgian decision to acquiesce, however belatedly, in the DPC as a sign that Verhofstadt and Michel have finally bowed to reality. That is not how thing are seen here. The mood is one of pride ("plucky little Belgium") that, following the fall of Germany on Friday night, Belgium managed to stand alone in defence of the UN system during two days of unprecedented political pressure and to emerge with (for them) a much improved package. The Belgians are not yet back in their box. They are likely to make trouble again tonight at the Special Council.

Contact: Matthew Rous (DHM) on +32 2 287 6203

HEWITT

Sent by BRUSSELS on 17-02-2003 12:17
Received by No10 on 17-02-2003 12:45

FAX LEADER SHEET

UNCLASSIFIED

United Kingdom Delegation
Justus Lipsius Building
Rue de la Loi 175
1040 Brussels

Telephone: 00 32 2 287 8399

Facsimile: 00 32 2 285 7541
00 32 2 285 8428

From: MARTIN SHEARMAN

SW
C: JP
DM
MR

Number of pages including Fax Leader sheet: 2

Precedence: IMMEDIATE Deskby Time: 1430z

Addresses: SIR S. WALL
SIR D. MANNING
MATTHEW RYCROFT
} NO. 10

Message: REFERENCE: NIGEL SHEINWALD'S TELECON WITH STEPHEN WALL

PLEASE FIND ATTACHED POSSIBLE ELEMENTS FOR ANY STATEMENT ON IRAQ FROM THIS EVENING'S MEETING. OUR DRAFT, WHICH PETER RICKETTS IS SHARING INFORMALLY WITH THE LIKE-MINDED.

PAPANDREOU HAS CONFIRMED TO FMS THAT THE GREEKS WILL PROPOSE A TEXT THIS EVENING. IF YOU'RE CONTENT WE INTEND TO PUT THIS ~~SHARE~~ IN TO THE GREEKS ONCE WE HAVE LINED UP THE LIKE-MINDED.

The crisis with Iraq has reached a critical juncture. Iraq's failure to comply with UNSCR 1441 and its proliferation of weapons of mass destruction pose a threat to international peace and security. The international community must respond with unity and unwavering determination.

- The European Council reiterates its full support for UNSCR 1441 and the complete and verifiable elimination of Iraq's weapons of mass destruction.

- It expresses full confidence in the UN Inspectors and stands ready to give them any further practical assistance they may request. But the onus is on Iraq, not the Inspectors. Only Iraq's full compliance with UNSCR 1441 and its active, immediate and unconditional co-operation with UNMOVIC and the IAEA will enable this crisis to be resolved by peaceful means.

- Time is rapidly running out. As UNSCR 1441 makes clear, this is Iraq's final opportunity. Its failure to meet the requirements of the Security Council will lead to serious consequences.

- The role of the Security Council in maintaining international peace and security must be respected. Military action is a last resort, but it cannot be ruled out if Iraq continues to defy the authority of the Security Council.

- Europe has no quarrel with the Iraqi people: they are the prime victims of the brutality of the Iraqi regime. The EU stands ready to provide humanitarian assistance if required, and asks the Commission to ensure that the necessary preparations are in place.

- The crisis with Iraq will not deflect the EU from its commitment to a just and comprehensive settlement to the Arab/Israel dispute. It reaffirms its determination to see the Quartet's road map for a peaceful settlement between Israel and the Palestinians launched without delay.

CONFIDENTIAL R1912

Foreign & Commonwealth Office

London SW1A 2AH

17 February 2003

Dear Matthew,

cc DM JPO D+H

NATO: Support to Turkey

You may find it useful before today's European Council to have an update on progress in NATO towards providing defensive support to Turkey.

You will be well aware that the North Atlantic Council spent four weeks failing to reach agreement on planning to provide defensive support to Turkey, with consensus blocked by France, Germany and Belgium. Lord Robertson's letter to the Prime Minister of 12 February set out his deep concerns about the implications of this for the transatlantic defence relationship.

NATO Permanent Representatives met again on 16 February in Defence Planning Committee (DPC) format (which excludes France on account of its absence from the Integrated Military Structure) to consider a new set of proposals by Lord Robertson. Germany indicated early willingness to join consensus. Belgium made repeated efforts to insert amendments constraining NATO, including by linking its decisions to progress in New York and foreclosing any participation in operations in Iraq. Allies made clear that this was unacceptable.

After prolonged discussion, and repeated interventions by Lord Robertson with Verhofstadt, consensus was reached on a text. This included a final paragraph recalling Allied support at Prague for the implementation of UNSCR 1441, stressing that the DPC decision is consistent with efforts in New York, and that the planning relates solely to defensive measures.

As a result of the DPC decision, NATO Military Authorities have been tasked to plan for:

- Preventive deployment of NATO AWACs to Turkey;
- NATO support for possible deployment by Allies of theatre missile defences to Turkey;
- NATO support for possible deployment of Allied chemical and biological defence capabilities to Turkey.

CONFIDENTIAL

The NATO Military Authorities will also review contingency plans for reinforcing Turkey.

The DPC will decide on implementation during this week. As this morning's headlines reflect, DPC consensus solves the impasse on support for Turkey and averts the immediate crisis over NATO being seen to be divided on coming to the aid of an Ally in need. The wider implications for NATO of last week's public disagreements will take longer to emerge. Consensus in the DPC format at 18 should at least have served to remind the French that determined obstructionism on their part can be circumvented in the Alliance.

I am copying this letter to Peter Watkins (MOD) and Desmond Bowen (Cabinet Office).

Yours ever,

Jonathan

(Jonathan Sinclair)
Private Secretary

Matthew Rycroft Esq
10 Downing Street

RESTRICTED
NOSEC: NATO SUPPORT FOR TURKEY: WHAT HAVE THE BELGIANS
From: BRUSSELS

TO IMMEDIATE FCO
TELNO 34
OF 171217Z FEBRUARY 03
INFO IMMEDIATE ACTOR, CABINET OFFICE, EU ENLARGEMENT POSTS
INFO IMMEDIATE EU POSTS, MODUK, NATO POSTS
INFO IMMEDIATE SECURITY COUNCIL POSTS, WHIRL

CABINET OFFICE FOR MANNING AND WALL (NO. 10)
UKREP BRUSSELS PLEASE PASS TO SECRETARY OF STATE'S PARTY
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1. Belgian behaviour reflects long-standing discomfort with NATO and a preference for a European defence solution, as much as short-term electoral considerations. Where Verhofstadt and Michel are coming from. Paris has been pulling strings, but there is genuine anger at the UK/US approach. The Belgians are not yet back in their box. Tonight's Special Council may see more trouble-making.

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Contact: Matthew Rous (DHM) on +32 2 287 6203

HEWITT

Sent by BRUSSELS on 17-02-2003 12:17
Received by No10 on 17-02-2003 12:45

RESTRICTED
IRAQ: EU POLITICAL DIRECTORS, 16 FEBRUARY
From: UKREP BRUSSELS

TO DESKBY 170800Z FCO
TELNO 172
OF 162321Z FEBRUARY 03
INFO DESKBY 171500Z UKMIS NEW YORK
INFO IMMEDIATE ACTOR, CABINET OFFICE, DFID, EU ENLARGEMENT POSTS
INFO IMMEDIATE EU POSTS, MIDDLE EAST POSTS, MODUK, NATO POSTS
INFO IMMEDIATE SECURITY COUNCIL POSTS, WHIRL

NOT FOR EU PARTNERS

SUMMARY

1. Strong message from Italy, Spain, UK, Netherlands, Denmark and Portugal in line with the Prime Minister's letter to Simitis. Some support from Ireland and Luxembourg (importance of transatlantic relations) and Finland and Sweden (inspectors need more time - but that's weeks not months). In contrast, France, Belgium and Austria reject contingency planning, argue for more (unlimited) time for inspectors and push idea of EU/Arab League initiative. Germany appeals for unity, as does Solana who warns that CFSP credibility is in the balance. Presidency attempts a highly partial summing up but Italy/UK object firmly.

DETAIL

2. Political Directors met late on 16 February (France, Germany and UK were represented by PSC ambassadors) to discuss Iraq.

3. The Presidency said it wanted to reassert EU credibility and unity on Iraq. Of course there were differences between partners. But there was much that all agreed on, such as the 27 January GAERC Conclusions and the 4 February Presidency demarche. The Presidency did not intend to present a text, but simply to see the scope for reaching a common position. Solana said it was right not to table texts now - better to exchange views calmly.

4. Austria said the Council should aim to reassert the EU's unity and the UNSC's authority; to heal any rift with the US; to ensure Iraqi disarmament; and if possible, to prevent war. It would be difficult, but not impossible, to reconcile these aims in a Council statement. At the Foreign Minister's meeting, Ferrero Waldner would propose a joint EU-Arab League mission to Baghdad. Austria was aware of the risk. But if clearly made within the framework of UNSCR 1441, a joint European-Arab approach at the eleventh hour might just tip the balance. The mission might also highlight specific demands from the inspection reports for 'advance delivery' to prove Saddam had changed his attitude.

5. Italy said that in Rome Tariq Aziz had been 'extremely hard and totally unyielding'. On the Austrian proposal, Italy (like most subsequent speakers) questioned whether Arab governments would go along with a tough EU message. The idea of 'advance delivery' of specific UNMOVIC questions risked undermining UNSCR 1441's demand for complete compliance. We wanted full compliance, not gestures of goodwill. Where the Arab League could contribute was in sending a clear message to Saddam. The key messages the European Council should send were: the need for effective and complete Iraqi disarmament; that Baghdad was not complying with UNSCR 1441; that the UN Security Council's role was central; and that there should be no doubt that UNSCR 1441 would be enforced if Iraq failed to comply voluntarily. This last message was essential for the credibility of international pressure. We all wanted peace. But the way to preserve the very slim remaining chance for a peaceful solution was to maintain strong pressure on Saddam. The EU should also signal it would help meet reconstruction and humanitarian

needs in the event of conflict, and address regional issues, in particular the MEPP. But the key message was that time was nearly up for Saddam.

6. Denmark, Netherlands, Spain, UK and Portugal agreed. Denmark said it was absurd that the EU was holding a crisis meeting while in Baghdad they were congratulating themselves on being in the clear after the last UNSC discussion. Time was running out and Iraq was still playing games. The Netherlands said that, since the press would look for evidence of the EU merely papering over the cracks, any statement by the European Council had to substantive. We had to move on beyond the January GAERC conclusions; since then there had been three more weeks of Iraqi non-compliance. We couldn't just keep on saying that time was runing out or accept indefinite inspections. At some point, military force would become inevitable. Strengthened inspections weren't a substitute for Iraqi compliance. Moving towards containment wasn't feasible - for Iraq or in view of other potential proliferators.

7. Spain agreed that any statement should reflect a sense of urgency and refer to the possible use of force. This was Iraq's final opportunity. We could send as many inspectors as we liked, but they could not make Saddam comply if he did not want to. It was essential that any Council statement should refer to the importance of the Transatlantic relationship and progress on the MEPP. Portugal said we all wanted a peaceful solution; but military force might be needed. Iraq was wasting its final opportunity. There was no use in strengthening inspections. Portugal favoured a second resolution to help underline international determination to disarm Saddam. Iraq should not be allowed to damage the Transatlantic relationship.

8. Richmond said the UK's aims for the Council were set out in the Prime Minister's letter to Simitis. We needed to increase pressure on Saddam. If there were any statement from the Council, it should be resolute. Anything less would be counter-productive, encouraging Saddam to miscalculate and so increasing the risk of conflict. The UK supported the key messages outlined by Italy. The problem was Iraqi non-compliance, not the number of inspectors. Time was running out. There would be serious consequences unless Saddam complied. We should say collectively that force was not ruled out if required to uphold the authority of the Security Council. Any message from the European Council should make clear EU support for the Transatlantic alliance, and EU determination to see progress on the MEPP.

9. Ireland stressed that it was for the UN, not the EU, to uphold compliance with SCRs. That meant ensuring EU/US unity, not just EU unity. Iraq should not become some sort of loyalty test between the two blocs. Even neutral Ireland could see just how damaging to NATO Iraq was proving to be. EU HOSG should explore how much more time was needed for Iraq to comply with SCR 1441 - but accept that it wasn't for the EU to set a deadline. War was a last resort; the strength of EU public opinion demanded that we all made that clear. Finland agreed that the UNSC was the key focus. As the Prime Minister's letter had said, no member state could rule out military action if it were needed to ensure compliance. Inspections should be given more time and resources.

10. Sweden said that the time for war was not now. Inspectors still had work to do - they should be given time (but that was weeks, not months) and resources to do that. But at some stage "more time" had to end. So we had to keep up the pressure on Saddam and make it clear that, as 1441 said, there would be serious consequences. Saddam had to show what had happened to

missing VX, biological agents etc: the inspectors were thinking of specific proposals on this. Working with the Arab League was good so long as it didn't mean watering down the EU's message. Luxembourg said that it was essential EU discussions were not seen as directed against the US. As for the Arab League, we should agree at 15 before we talked about EU/AL initiatives.

11. Belgium stressed EU unity. The Italian elements, though welcome, were incomplete. Disarming Iraq was urgent; nevertheless the inspections route needed more time to be effective. Military force must only ever be a last resort. Belgium opposed references to humanitarian or contingency planning since this was the logic of war. Austrian ideas on EU/Arab League cooperation were attractive. France (PSC representative) agreed. Other elements that should be discussed were the importance of inspections; Iraqi territorial integrity; and the wider Middle East dimension. It was right to talk about urgency, but that did not mean issuing an ultimatum. Germany (PSC representative) said Schroeder's aim was to identify as much common ground as possible and encapsulate that in a statement, so as to avoid 15 different messages to the press. We could all agree on the verifiable and sustainable disarmament of Iraq, how that should be done, and the need for more time for inspections.

12. Solana said that the point was to build on (not camp on) the common ground of the January GAERC agreement. CFSP credibility was at stake - and at the time when the first ESDP operation was about to be launched. HOSG had to agree on a common message if the EU was to be a truly global player. It was all very well spending months in the Convention circulating papers on CFSP: this was the real test. As for an Arab initiative, if Saddam was ever going to concede it would be easier to do that to fellow Arabs. So we had to convince the Arab League to be active. Given the scale of European public opinion, it was essential that we worked to bring the political approach and public opinion closer together. Finally, Solana appealed for forbearance in the face of intense press speculation about EU unity.

13. The Presidency unwisely attempted to sum up, and (in addition to other elements) referred to the use of war as a last resort which would bring with it terrible suffering and regional destabilisation, and to inspections continuing for as long as they were useful. Italy and the UK objected firmly and the Presidency (with Solana's encouragement) retreated into generalities.

SHEINWALD

Sent by UKREP BRUSSELS on 17-02-2003 23:21
Received by No10 on 16-02-2003 23:44

RESTRICTED
IRAQ: ARAB LEAGUE COUNCIL OF MINISTERS
From: CAIRO

TO DESKBY 171130Z FCO
TELNO 55
OF 171106Z FEBRUARY 03
AND TO DESKBY 171130Z UKREP BRUSSELS
INFO IMMEDIATE ACTOR, CANBERRA, EU POSTS, MIDDLE EAST POSTS
INFO IMMEDIATE NEW DELHI, OTTAWA, PRETORIA/CAPE TOWN
INFO IMMEDIATE SECURITY COUNCIL POSTS, TOKYO, WHIRL

UKREP for Secretary of State's Party
Our telnos 53 and 54

SUMMARY

1. Difficult meeting, with the Arabs divided. Papandreou fishes for a joint EU-Arab initiative, but no discussion of a joint delegation going to Baghdad, and the Egyptians, for one, are opposed. Prince Saud backs off his idea of calling for Saddam to stand down. Agreement that there should be an emergency Arab Summit, with 28 February now favoured. Non-binding "statement" issued on Iraq, but it bears little relation to the discussion (or to reality).

DETAIL

2. Arab League Foreign Ministers met in Cairo on 16 February. I spoke to the Egyptian Foreign Minister today and the Greek Presidency gave a de-brief on the Papandreou/Patten role. We have also spoken to the Arab League Secretariat.

3. Asked simply to agree a date for an Arab Summit, the meeting soon ran into difficulties. The Gulf countries had argued strongly that only Iraq could stop a war and they did not want the League to be seen to be supporting Iraq's current position. Egypt had made similar points, but in milder terms. Another camp (Syria, Libya) wanted the meeting to issue a strong message to Washington to lay off Iraq, and had alleged that Mubarak's change of heart about an Arab Summit had been US inspired. The Secretariat described the proceedings as confused and complicated. Maher told me they all agreed on a summit in the end, but had to refer back to Heads of State before agreeing to the proposed date, now 28 February.

4. The tone of Papandreou and Patten's messages were rather different. Both demanded more co-operation from Saddam. But Papandreou talked up the pro-peace message from the demonstrations, and invited Arab ideas for joint action, which he said the Europeans would be happy to consider. Patten was more mainstream, warning that force could not be ruled out if we were serious about implementing UN Resolutions, that time was short, and the Iraqis shouldn't get the wrong message from the demos. He described EU preparations on the humanitarian aspects.

5. I asked Maher whether there had been any discussion of a joint EU/Arab delegation going to Baghdad. He told me there had been none, and anyway it was not a sensible idea.

6. On next steps, there was a predictable anti-war sentiment, and a general view that Iraq had begun to co-operate. Moussa tried to set the bar low, saying co-operation would be shown if Iraq agreed to the U2 flight, passed the necessary legislation, and allowed minder-free interviews of scientists. Maher told me that Rice's comments at the weekend had aggravated the atmosphere: preparations for a war at all costs, as he described it, were not helpful.

7. Other points:

- In a Papandreou/Saud bilateral, Saud talked about a new UNSCR, merging French/German ideas with a final demand to Saddam to co-operate. Saud had shown no enthusiasm for his earlier idea of calling on Saddam to stand down, saying there was no point as it wouldn't work;

- Moussa was invited to the EU Foreign Ministers meeting on 24 February;

8. The eventual statement from the Arab League meeting hailed Iraqi co-operation with the Inspectors; urged Iraq to cooperate fully and called for the Inspectors to be given enough time to complete their work; rejected the idea of military action against Iraq (and Kuwait); warned of the dangers war would pose to the region; and talked of a WMD-free Middle East, Israel included. A bizarre new element was introduced, calling on Arab countries not to allow the use of their territories to "help or facilitate any military operation which could threaten the security and peace of Iraq". Unsurprisingly Qatar and Kuwait entered reservations on this clause, and Moussa had to publicly announce that the statement was binding "only in the moral sense". Maher laughed off the paragraph: it would have been better to have had no statement at all at this juncture.

SAWERS

Sent by CAIRO on 17-02-2003 11:06
Received by No10 on 17-02-2003 11:45

SPECIAL EUROPEAN COUNCIL: PRESENTATION BY COX

Simitis (Greek Presidency) welcomed participants to the Special European Council and said that the focus of debate must be how to safeguard security against the difficult backdrop of the Iraq crisis. There were obvious differences among Member States. But we had achieved unity around the GAERC Statement of 27 January and we should try to establish common ground again at today's Council. He believed this was possible. We must avoid any further divisions in Europe. There were two indisputable facts that we could all agree upon: the first was that Iraq must disarm as prescribed by 1441. The second was that if Iraq did not take advantage of the opportunity of 1441, it would be responsible for the consequences. We needed an approach that brought full pressure to bear on Baghdad to comply, but that also avoided war. This would only be possible if Baghdad quickly guaranteed that Iraq would neither use nor make WMD. He added that although we were focused on Iraq, we must not lose sight of the wider repercussions of the crisis. It was essential to revive the MEPP. The road map must be implemented; and we must prevent the spread of WMD. He then invited Pat Cox, President of the European Parliament, to address the Council.

Cox said it was important that Heads identified what united Member States. He was sure this was greater than what divided them. The views of the European Parliament had been set out in a recent Resolution. This emphasised the need for Iraq to disarm and supported the inspection process. It voiced opposition to unilateral pre-emptive military action. Instead there must be multilateral action through the Security Council. The European Parliament was not convinced that military intervention was justified "at this moment"; but it was convinced that Baghdad must comply fully with UNSCR 1441; it must disarm; and it must prove that it had done so. The onus was on Saddam.

The Parliament understood that Iraq's co-operation would not be the result of "a benign conversion". Rather, it would result only from the credible threat of force. The use of force must be the last resort: the more united we were, the better the chance that Saddam would understand that he must comply and that force would not be needed. But this meant immediate and unconditional co-operation on Saddam's part. He would be responsible for failure.

Cox added that commitment to multilateralism could not be a la carte. Since 9/11 Europe had contributed fully to the fight against terror, and had helped identify a way forward for the MEPP. Member States must "get their act together" so that they could be effective on the multilateral stage. We should not whinge if we were divided and then ignored. European public opinion expected clear vision and leadership. He repeated that unity was crucial in sending a strong message to Saddam. If we were weak we would merely give succour to tyrants. If we wanted the UN to be effective, we must do nothing that undermined it. We wanted a UN that was pacific not pacifist, a world that imposed order through multilateral mechanisms rather than by resort to unilateral action.
Finally, the Parliament wanted to register its concern for the precarious humanitarian situation in Iraq. It would co-operate fully with the Commission and Member States in tackling humanitarian problems.

Cox concluded with an appeal to the Union to find the highest common factor in confronting the current crisis rather than the lowest common denominator. We must close the gap between our aspirations and our capacities for common action. Debates about constitutions and institutions would amount to little unless we found a common political vision and will. If we did, we could breathe new life into Europe's contribution to global leadership.

Comment

This was an eloquent, and well-judged intervention by Cox. His emphasis was on an appeal for unity. But he left no doubt that the Parliament expected Saddam to implement 1441 rapidly and in full; and the responsibility for the crisis rested with Saddam.

File pse RESTRICTED

(my record of Annan at Brussels Council on 17/2)

David M. 19/2

SPECIAL EUROPEAN COUNCIL: KOFI ANNAN

Simitis (Greek Presidency) thanked Kofi Annan for agreeing to address the Special European Council.

Annan said the Iraq crisis was a challenge for the EU, for the UN, and for the entire world. We must be united in tackling it. We could all agree that Iraq must disarm, and must co-operate fully with the inspectors. But there were differences in some of our assessments and some of our judgements about how long inspections should continue and the options we should adopt. The key to managing these was to keep the focus on Iraqi disarmament and avoid "turning on each other".

He appealed to Heads to avoid strident pronouncements. We should not question each other's motives: he had no doubt that everyone held their views sincerely and honestly. The task now was to strengthen our common framework for crisis management. The process launched by UNSCR 1441 was at an important juncture. Patience and persistence had secured unanimity behind the Resolution. This in turn had secured the return of the inspectors to Iraq after a gap of four years. Now the inspectors were expanding their operations and securing some co-operation. But they needed "more, much more" in some areas. The Security Council meeting on 14 February had reaffirmed its support for the inspectors and the need for disarmament. But it was notable that Blix had said that if there were immediate and unconditional co-operation from the Iraqis, disarmament could be achieved within a limited time. If we were to get this co-operation, we needed to maintain our persistence and sustain our pressure. This was the only way we could get Iraq to perform. UNSCR 1441 was the final opportunity. It warned that serious consequences would follow if Iraq continue to violate its obligations. Annan had urged Iraq to choose compliance over defiance. But if Iraq did not, the Security Council would have to face up to its responsibilities.

Annan expressed concern about the humanitarian consequences if there had to be military action. The Iraqi population was highly vulnerable. A million children under five were malnourished; 5 million Iraqis lacked clean water and sanitation. In the event of a conflict, most households had no more than 6 weeks reserves of food. The UN was doing its best to make contingency provision in case there was severe disruption of critical infrastructure, including shortages of food, fuel and power. But 10 million people might need food aid; 2 million might be displaced; and 1 million might become refugees. The UN had set aside $120 million so far for these contingencies. But if they became reality, much more would be needed.

Annan said that if the Security Council managed the current crisis successfully, it would emerge with its authority enhanced. But if it failed, and action was taken without its authority, the UN would be seriously weakened. The UN had demonstrated when Kuwait had been liberated that the international community could act under the authority of the Security Council. If Iraq were now allowed to defy the UN because the international community failed to impose itself, the foundations of collective security

would be gravely undermined. An effective international security system depended on the Council and on its determination to take action even in the most difficult cases.

Annan was worried about the strains that had appeared in the transatlantic relationship because of the Iraq crisis. We could not afford divisions within Europe or between Europe and North America. Cohesion was essential. He believed patient persuasive diplomacy, behind closed doors, could produce a common front. The Security Council must find a way of bridging these differences. If it did so, tensions in the EU and NATO would diminish. We had to remember that we were not dealing with Iraq in a vacuum. The crisis had global impact. The greater the degree of consensus in dealing with Iraq, the greater our chances of resolving other crises, particularly Israel/Palestine. He hoped that there would be quick progress with the road map. This would diminish the risk that the Arab world would see Iraq as some sort of Western crusade. He wanted to thank the Prime Minister for having organised a meeting on Palestinian reform in London last month. This had been a valuable and welcome initiative. Only if there were a two state solution would the Palestinians and the Israelis be able to live in peace. This required political will from both parties, which in turn required the engagement of the Quartet, of which the EU was a vital part.

Annan concluded by saying that we were at a defining moment for multilateral co-operation. The UN must prove an effective instrument for collective action. This needed cohesion among Member States to demonstrate that multilateral approaches were the effective means of ensuring security and peace.

Chirac thanked Annan for his contribution. But he had been struck by the fact that much of the debate over Iraq omitted reference to "life and death". This was the real issue. The risk was "tens of thousands of possible deaths" if there were military action. We must bear this very much in mind. He recalled that the EU had abolished the death penalty for moral reasons. We should make the connection. Annan said that war was always a human catastrophe. We must try everything else first, and only resort to war when it was absolutely clear that there was no alternative. Prodi said he hoped that war could be avoided. But the Commission was undertaking contingency planning to provide humanitarian assistance. This must be under the aegis of the UN.

Berlusconi congratulated Annan on his balanced presentation. Commenting on Chirac's intervention, he agreed that the issue was one of life and death. But it was not just about Iraq. Thousands had died on 9/11; hundreds had died in Bali and in other terrorist attacks. The fear was that WMD would fall into terrorist hands and would lead to the massacre of many innocent people. This must be at the heart of our concern. Ahern commended UNSCR 1441. It had achieved significant results. But Iraq must now implement it in full and without delay. We must preserve the primacy of the UN Security Council in maintaining peace and stability. The role of the UN was at stake. And we must remember that UNSCR 1441 warned of serious consequences if Iraq failed to comply. We must ensure that we sustained real pressure to secure compliance. Inspections could not last forever. In the last resort, we had to be ready to impose the will of the UN by force. Halonen agreed that the focus must be on disarming Iraq. But

this meant maintaining the pressure. Iraq must comply with UNSCR 1441. Finland, and she was confident the EU as a whole, would respond to Annan's request for humanitarian help.

Balkenende said that the issue was war and peace. Central to this was Iraq's willingness to implement 1441. The credibility of the UN turned on ensuring Iraqi compliance. The EU needed to send a very strong signal to Iraq. Division would be bad for the Union, and diminish the prospect that Saddam would accept the will of the international community. Juncker asked what message Annan would like the EU to send. Schussel echoed the question, stressing that the EU wanted to help Annan in any way it could.

Barroso agreed that we should concentrate on what united us. But this included insisting that Iraq must disarm totally, unconditionally and rapidly. Our common platform was UNSCR 1441. It must be implemented in full. This was Iraq's last chance. If Iraq failed to comply, the Security Council must assume its responsibilities. This must be our clear message. He had been struck by Annan's warning of the dangers of division between Europe and the United States. There were many other problems to confront besides Iraq. Annan was right that we would find these much more difficult to solve if the EU was divided internally, and if Europe was split from the US. It was vital that we stayed together.

Annan said that he had listened carefully to the debate. He would go away convinced that Heads were all agreed that the immediate disarmament of Iraq was paramount. He would also go away reiterating the need for unity. Only when the international community was united could it be effective. This meant we must be ready to accommodate each other. But we could surprise ourselves as we had done in securing unanimous Security Council backing for UNSCR 1441. Such unanimity had sent a very powerful message to Iraq. Finding unanimity meant difficult discussions and sometimes awkward compromises. But he was confident that the European Union, and the Security Council, could do it given the necessary time and will.

Comment

This was a strong and helpful performance by Annan, who was uncompromising in putting the onus on Saddam. He gave no comfort to the line adopted by the French and Germans in New York on 14 February: there was no plea for enhanced inspections and extra time. His appeal for transatlantic unity was particularly striking. Chirac tried to light the blue paper but his intervention failed to ignite. Schroeder said nothing. The balance of the other interventions was strongly behind Annan's insistence that Saddam must implement 1441; and implement it swiftly.

The Prime Minister and Aznar both left the debate to speak for itself. I would expect Chirac to have been disappointed. He certainly looked sour when Annan paid tribute to the Prime Minister's Palestinian initiative. This was as good an outcome of the discussion as we could have hoped for.

MATRIX -/AR

GC-councils

10 February 2003

Foreign &
Commonwealth
Office

London SW1A 2AH

Dear Stephen,

Host Presidency

Thank you for your letter of 6 February about the host presidency.

I have discussed this with the Foreign Secretary. He thinks that your advice sounds right and that his next Convention meeting would be a good opportunity to discuss this further.

I am copying this letter to David Dunn, Sarah Lyons (Wales Office) and Nigel Sheinwald (UKRep Brussels).

Yours ever,

Jonathan

(Jonathan Sinclair)
Private Secretary

Sir Stephen Wall KCMG LVO
10 Downing Street

FILE

FAXED o'seas 7/2.25

10 DOWNING STREET
LONDON SW1A 2AA
020 7930 4433

6 February 2003

Dear Jonathan,

LOCATION OF THE EUROPEAN COUNCIL

The Belgian Prime Minister's diplomatic adviser has written to me about the UK proposal on team presidencies, put forward at a meeting of government representatives in the Convention today. Peter Moors says that the Belgian government had noticed that, in that proposal, we suggested organised meetings of the European Council in the countries that hold team presidencies. He goes on to note that such a proposal is not in conformity with the decision taken in Nice on the organisation in Brussels of all European Councils. He has asked whether the proposal implies that the British government wants to change the decision taken at Nice and informs me that, for the Belgian government, that decision is an essential element of the compromise reached in Nice.

I should be grateful for advice and a draft reply that I can send to Mr Moors, bearing in mind that the reply I send will be deemed to engage the Prime Minister and the government.

I am copying this letter to Sarah Lyons (Wales Office), Nigel Sheinwald (UKRep Brussels) and Gavin Hewitt (Brussels).

Yours ever,

Stephen

J S WALL

Jonathan Sinclair
FCO

FAXED to UKREP 6/2 -ZS.

10 DOWNING STREET
LONDON SW1A 2AA
020 7930 4433

6 February 2003

Dear Jonathan,

HOST PRESIDENCY

Nigel Sheinwald has written about the host presidency.

There is a difference of view about how far this idea resonates with those who are otherwise suspicious of our motives. I think that we should not:

(i) recreate much of the paraphernalia of a six month Presidency when we want to get rid of it, so we should not be too prescriptive;

(ii) not circulate papers at this stage, but draw on the ideas in the paper as illustrations;

(iii) not do too much negotiating with our 'opponents' at this stage. We need to focus much more on selling them our basic concept of the European Council chair. We are in danger of playing all our cards now, when we shall need them in the IGC end game in about a year's time. So getting the job description of the European Council chair agreed with our allies on this subject is the main priority I think.

I am copying this letter to PS/Mr Hain (Wales Office), PS/Mr MacShane (FCO) and Nigel Sheinwald (UKRep Brussels).

Yours ever,

Stephen

J S WALL

Jonathan Sinclair
FCO

FILE

RESTRICTED

European Policy
European Council
Pt 9.

SUBJECT
MASTER
Filed:

10 DOWNING STREET
LONDON SW1A 2AA
020 7930 4433

17 January 2003

Dear Jonathan

BRUSSELS EUROPEAN COUNCIL

The Prime Minister met the Foreign Secretary, the Financial Secretary to the Treasury and the Minister for Europe on 16 January to prepare for the Brussels European Council. Jeremy Heywood, Roger Liddle, Matthew Rycroft, Martin Donnelly, Steve Morris, Christina Scott and I were also present.

The Prime Minister said that although some progress had been made on the Lisbon Agenda, there was a sense that the process had become stalled. There was a need to consider how the agenda might be seized and reinvigorated. There was a clear role for employers organisations in this work.

The Foreign Secretary said that employment and economic ministers should play a key role in taking the economic reform agenda forward. Discussion in the GAERC should be opened up accordingly.

Roger Liddle noted that in terms of EU legislation, much of the Lisbon Agenda had been completed. The obvious exceptions were the takeovers and patent proposals. It was now up to the Commission to ensure successful implementation of this legislation. The key areas of labour markets and employment, however, remained largely unreformed. Attention should be directed on reforms in these areas. I added that the Commission was intellectually committed, but that it seemed to lack the will to take the necessary steps.

The Prime Minister agreed. Emphasis was needed both on ensuring effective implementation of those proposals already agreed – which might include setting deadlines and penalties for failure to implement – and identifying the steps needed to secure labour market reform. We should be ambitious in setting this agenda, and be willing to force the issue with our European partners.

Denis MacShane said that the EU remained far behind the US in productivity terms. Science and technology was an example of where EU practices did not

AOB

keep up with the US. It might be a suitable candidate for highlighting at the Council. There might also be advantage in dropping the term 'Lisbon Agenda'.

Ruth Kelly said that services accounted for well over half of the EU economy, but that service sector trade had been limited. The Commission had produced a study outlining barriers to intra-EU trade in services. The obstacle to a true single market in services was protectionism. The European Council could call for an acceleration of work in this area on the basis of the useful Commission paper. Commissioners and senior Commission officials understood the issues, and would probably be helpful in progressing this agenda.

The Prime Minister said that we should set out clearly what the UK thought a proper economic reform agenda should like. The Foreign Secretary agreed. It was important to make the argument in the right way. We had always sold the Lisbon Agenda as a glass a third full, rather than one two thirds empty.

The Prime Minister said that the Lisbon Agenda should be set in the wider context of the EU taking the steps necessary to ensure a stronger voice on the world stage. Enhancing the EU's defence capability and a renewed drive on economic reform could be the two prongs to this agenda. The Prime Minister asked that Ruth Kelly and Denis MacShane work together on a paper that could set out in more detail these ideas in advance of a further ministerial discussion in a fortnight. The paper should also advise on lobbying key Member States, perhaps the Italians and Spanish in particular.

Denis MacShane suggested that it would also be necessary to get the Commissior on board. The Prime Minister agreed. Whilst the Council would set the agenda the Commission would have to carry it out. He was prepared to go to Brussels t engage the key Commissioners as appropriate.

The Foreign Secretary said that it was important that industry was on board for any new proposals. I said that we would need to consider our presentation carefully. We would need to get across the message that overall reform was the only way to address the economic problems currently being faced by a number EU Member States. The Prime Minister said that the agenda could be couched terms of a strong EU challenging US power.

Ruth Kelly said that CAP reform was an essential part of the overall reforms needed in the EU. The Prime Minister agreed. We needed to be clear whethe our objective was to deploy more sustainably the money already allocated to th

CAP, or whether we were aiming for a large reduction in the overall level of the CAP. Clarity was needed, since CAP reform remained a sensitive issue with certain other Member States.

Denis MacShane said that we would have few allies in pushing for a large reduction in the amount spent on the CAP. In certain countries, CAP receipts effectively accounted for international trade surpluses. Advocating severe overall reductions was akin to asking those countries to become poorer. A carefully though-through reduction in overall CAP levels might be a preferable way of proceeding.

The Foreign Secretary agreed. Supporters of CAP in its current form would find it hard to resist measured proposals that delivered the necessary reform, particularly when this was linked to the wider trade agenda. I said that if our aim was to secure support form other Member States, we would need to get ourselves in a position where the UK was not seen as CAP abolitionists. It would then be easier to build a respectable minority of Member States looking for a considered reform of the CAP.

The Prime Minister concluded the meeting by saying that key ministers would meet again in the next fortnight or so to consider a paper from Ruth Kelly and Denis MacShane on economic reform. At the same time, there would be a consideration of CAP reform and the opportunities for enhanced EU defence capabilities.

I am copying this letter to the Private Secretaries to Gordon Brown, Patricia Hewitt, Alistair Darling, Margaret Beckett, Charles Clarke, Andrew Smith, Ruth Kelly, and Denis MacShane, and to Sir Nigel Sheinwald (UKRep Brussels).

Yours ever

Stephen

J S WALL

Jonathan Sinclair
FCO

Andrew Dismore
Labour Member of Parliament for Hendon

DCs file.

HOUSE OF COMMONS
LONDON SW1A 0AA

Roger Liddle,
10, Downing Street,
London, SW1A 2AA.

2nd January 2003

Our Ref: I/09/02/0001
Please quote reference on all correspondence

Dear Roger,

I thought you would like to see a copy of the briefing I received from the Greek Embassy on The Priorities of the Greek Presidency in case you have not previously seen this.

Best wishes,

Yours sincerely,

Andrew Dismore

Andrew Dismore
Member of Parliament for Hendon

OUR EUROPE

Sharing the Future in a Community of Values

The Priorities of the Greek Presidency 2003

► Introduction

- The Greek Presidency's message
- The five major priorities
- The situation in Europe and worldwide

► Priorities

- Enlargement: the Accession Treaty and the day after
- The Lisbon Process: competitiveness, cohesion and sustainability
- Immigration/Asylum: joint responsibility, comprehensive immigration policy
- The Future of Europe; The Outcome of the Convention
- External relations: the new Europe as an international motor for peace and cooperation

► The main issues in the context of Community Policies

- Economy/Budget
- Employment, social policy, health and consumers
- Competitiveness (internal market, entrepreneurship, industry, research and tourism)
- Transport, communications, energy
- Agriculture, fisheries and food safety
- Environment
- Education, Youth and Culture
- Single area of justice, security, freedom
- External relations – ESDP
- General Affairs

► Epilogue

MINISTRY FOR FOREIGN AFFAIRS

December 2002

1. Introduction

1. The Presidency Message: "*Our Europe. Sharing the future in a Community of Values*".

Our message reflects our objective of promoting a community of values: which recognises the citizen's right to security, democracy and a better quality of life; which will create institutions able to guarantee participation and equality; and which will make the European citizen sense that his or her voice is heard, that he or she belongs to a new single family, to Our Europe.

Our Europe belongs to all European peoples without exceptions or exclusions. Everybody has a stake in such a *future.* Enlargement brings this vision much closer. *Our Europe* welcomes the new member states, confident of achieving a new synthesis and a new dynamism; the sort of dynamism that these states have shown during their rapid social, political and economic transition. It is up to us all to make enlargement a catalyst for accelerating European integration; a force which will ensure that Europe is able to face the challenges of a new era in world affairs.

2. The Five Major Priorities

The greatest enlargement in the history of the EU, an enlargement that will erase the artificial division of Europe and unify societies and economies that operated for decades under completely different systems, represents a challenge that will not disappear once negotiations have been completed and the decision on accession has been made. The Greek Presidency will do its utmost to keep to the timetable and facilitate the gradual integration of the new member states into the Community process.

The further implementation of the Lisbon Strategy and the Spring Summit in 2003 will take place within a new political and economic context, bringing major challenges as well as opportunities. The political and economic uncertainties, with regard to growth and stability in Europe and the world, will be offset by a European currency, which has proved to be one of the world's strongest, and by the prospect of the EU's enlargement. Within such a context, it should be clear that we remain determined to achieve the goal of making the European economy the most competitive and dynamic knowledge-based economy, capable of promoting sustainable growth with more and better jobs and stronger social cohesion. This will require, however, significant reforms to enable faster growth, employment, prosperity and improved quality of living.

The Union's policy on immigration, asylum and the management of external borders, is one of the most important priorities of the Greek Presidency. Community policies in this area have so far not matched the magnitude of the immigration phenomenon that we are facing. The operation of the single market, including the free movement of workers, means that we have common responsibilities. At Seville we adopted decisions that will have to be implemented before the European Council in Thessaloniki. Over and above questions related to illegal immigration, joint border

management and asylum, our approach should be more global, covering aspects of the economic and social integration of immigrants. The Presidency will take specific initiatives in order to arrive at common goals and a single set of uniform practices, thus ensuring a balanced and long-term management of the immigration phenomenon.

At the European Council in Thessaloniki, we plan to have the first in-depth debate about the Future of Europe, based on the proposals of the Convention. The questions that were raised in Laeken concern both the future of the institutions and the future of the enlarged Union's policies. On that basis, the discussion should reflect the degree of consensus achieved and the points on which the Intergovernmental Conference should focus when it is convened during the Italian Presidency.

In the field of external relations, the Presidency will concentrate its efforts on regions of immediate proximity, without of course disregarding the Union's commitments towards other areas of the world. The Balkans, the Mediterranean area and the Middle East, Russia and the countries of the Black Sea demand our constant attention in the interests of safeguarding peace and democracy. They offer, at the same time, major opportunities for mutual benefits in the economic sector. The handling of the Iraq crisis constitutes a particular challenge in terms of maintaining the cohesion of the CFSP and enhancing the role of the Union in the international arena. Cooperation with the United States, in the context of the transatlantic dialogue, will benefit both sides by focusing on major issues that require a common approach.

3. The situation in Europe and worldwide

2003 will be a milestone year in the history of the EU. Ten new member states will be joining forces with the present fifteen, in one of the most courageous steps towards realising the goals set by the Union's founders, namely peace and prosperity through extensive European integration. A new era is dawning, which finds Europe stronger and ready to meet new challenges. In this context, we shall be implementing a new Treaty for the first time, the Treaty of Nice, while the discussion on the future of Europe is reaching its climax and we are about to draft a fundamental text, of constitutional character, that will enshrine the principles on which we have relied and the new objectives we are setting for Europe.

At the same time, the Greek Presidency is expected to unfold in a particularly volatile and unpredictable global environment. The emergence of new factors in shaping the international balance, the existence of international terrorism, organized crime and, more generally, the development of forces that are not subject to any institutional control or discipline, create a climate of marked uncertainty on the world scene. The Presidency needs to remain extremely vigilant in order to handle crises that may arise and must also be ready to tackle major challenges such as:

- Fighting international terrorism and organised crime. Recent experience has shown that the fight against international terrorism is a complex process with many dimensions: military, economic, political and cultural. A global strategy should aim at combating both the symptoms and causes of this phenomenon.
- Given the current economic slowdown, improving the climate of confidence and investment, increasing productivity, levels of employment and fiscal stability, are all objectives of critical importance.
- The challenge of "sustainable development" on a global scale, that can contribute to eradicating poverty and destitution and bridge growing socio-

economic inequalities whilst, at the same time, protecting the environment and safeguarding ecosystems.

- Reaffirming the role of international law and international institutions and promoting a new, democratic governance model, in the light of globalisation.

This situation of uncertainty and the major challenges that we face make it imperative that we strengthen and restore the European citizen's feeling of security, as our primary and overarching objective. Whether this involves fighting terrorism and organised crime, controlling the flow of immigration, protecting workers' health and safety, ensuring the viability of pension schemes, or food safety and consumer protection, the European Union must re-establish a climate of security and confidence. This is precisely the aim that most of the action included in the Greek Presidency's programme will strive to achieve.

II. Priorities

1. Enlargement: The Accession Treaty and the day after.

The first priority of the Greek Presidency will be to secure the timetable for the accession of the 10 candidate countries according to the Copenhagen decisions. After the completion of accession negotiations with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia, the Union looks forward to welcoming these states as members from 1 May 2004.

The historic decision at Copenhagen foresees that the new Treaty will be signed in Athens in April 2003. Before that, the drafting of the new Treaty must be completed, the opinion of the Commission must be received and the assent of the European Parliament and the approval of the Council must also be given. Moreover, if the settlement of the political problem in Cyprus is achieved before completing the Accession Treaty, the Treaty will accommodate the agreed terms in line with the principles on which the EU is founded.

The 10 candidate countries will participate as active observers in Council proceedings from the signing of the Accession Treaty until full accession, i.e. after the new Treaty has been ratified by the 15 present and 10 new member states, in accordance with each country's constitutional requirements.

The present member states will continue to monitor the progress of applicant countries with respect to the adoption and implementation of the acquis, even after the completion of the negotiations and until accession. This monitoring process will, however, become more substantial during the second half of 2003 when, six months before the accession date, the Commission will be asked to present a report on the overall progress of candidate countries in this area.

The Greek Presidency will implement the new, enhanced pre-accession strategy for Bulgaria and Romania. The decisions of Brussels and Copenhagen include a specific timetable for closing the remaining chapters of the community acquis, provision for increased pre-accession aid and a target date of 2007 for the two countries' accession.

The pre-accession progress of Turkey will be enhanced by supporting her efforts to move towards the starting of accession negotiations according to the timetable set by Copenhagen. As stated in the Commission's annual report, there is a need for an analytical examination of the degree of implementation of the various legislative initiatives undertaken by Turkey to achieve the Copenhagen criteria. At the same time new methods will be sought for a better understanding of the Union's requirements and Accession Partnership priorities that must be fulfilled in the next two years. The preparation of a new Accession Partnership for Turkey is also expected during the Greek Presidency.

Finally, we consider enlargement as a leap towards European integration and under no circumstances should it be allowed to create new dividing lines. Our aim is that enlargement serves as a point of departure for building stronger relations in the wider European space from Russia to the Mediterranean, based on common values and economic interests.

2. The Lisbon Process: Competitiveness, Cohesion, Sustainability

The Lisbon Process has achieved its initial goal of mobilising and supporting Europe's efforts towards economic and social reform. Three years after its adoption, one third of the way to the 2010 target date, much has been achieved, but there is still an implementation deficit in a number of areas. To better promote the objectives agreed in 2000, the Greek Presidency intends to focus on the following issues:

2.1 Entrepreneurship and Small Businesses

Europe suffers from a lack of entrepreneurship, especially in knowledge-intensive sectors. Young entrepreneurs and small businesses do not contribute as much as they could to employment, growth and regional cohesion. To overcome this problem, it is therefore necessary to eliminate barriers to market access, simplify administrative procedures, facilitate access to capital, support the creation of networks, enhance skill levels and the qualitative aspects of employment in small enterprises and encourage entrepreneurship through the education system. The Greek Presidency will work to ensure the adoption by the European Council of the Green Paper on Entrepreneurship, to accelerate the implementation of the European Charter for Small Businesses, to simplify the regulatory framework and to encourage the dissemination of best practices in corporate governance, so as to enhance market confidence.

2.2 The European Knowledge Economy

Economic growth in Europe will depend, in the medium-term, on the use of new development resources. The Greek Presidency will attempt to achieve concrete results on the development of research in cutting edge technologies, including defence-related research. It will also aim at increasing investment in research and technology (in particular by the business sector), the adoption of the Community Patent and, more generally, at ensuring that the Information Society will be accessible to all, through the use of open standards and inter-operability at the level of networks and services. In parallel, decisions on the financing of the e-Europe programme will be prepared as well as an effective contribution by the Union to the UN Summit on the Information Society. As human resources are essential for a knowledge-based economy, special emphasis will be given to the reform of education and training systems (particularly in basic skills and learning of foreign languages) and improved workforce mobility.

2.3 Interconnecting Europe

The EU today is becoming increasingly connected and interdependent; every possible effort should therefore be made to eliminate any barriers to this integration, particularly in the energy, transport and financial services markets. In the energy sector, the Presidency will be aiming at an agreement for full and operational liberalisation and a more limited role for the state, taking into account public interest commitments, supply security and the protection of vulnerable areas and populations. The Presidency will also seek to: promote the development of financial tools, with a view to expanding Trans-European Energy and Transport Networks (also including the new member countries); create a single European sky; progress the Action Plans on Financial Services and Business Capital; lay down the principles governing services of general economic interest; modernise legislation on competition rules; and promote a single market for services.

2.4 More and Better Jobs

The second Lisbon pillar concerns the modernization of the social model and is just as important as the economic aspects. The European Councils of Lisbon and Stockholm set ambitious objectives for increasing employment rates. For their attainment, it will be necessary to redefine policy tools, improve market operation and also introduce changes at the level of social and cultural patterns, in particular with regard to the participation of women, older people and immigrants in the labour market. The spring European Council in 2003 must therefore give strong encouragement to reforms, in order to ensure the reduction of the quantitative and qualitative employment deficit in Europe. The Greek Presidency is expected to focus in particular on: a) the synchronising of the main economic and social policy measures to achieve improved coordination and global supervision, b) the revision of the European Employment Strategy on the basis of the Barcelona decisions, and c) the improvement of the qualitative aspects of work, based on the Commission's Communication on Health and Safety.

2.5 Strengthening Social Cohesion

Stronger social cohesion can be achieved by the updating of policies on social protection and inclusion, as well as by a rational and fair approach to demographic changes and the effects of the ageing population. Member states should take specific steps in the matter of pensions, maintaining the systems' capacity to attain their social objectives, whilst safeguarding the stability and viability of public finance. The Greek Presidency will promote policies for the integration of groups suffering from social exclusion, also in view of the fact that 2003 is the Year for People with Disabilities. It also intends to draw appropriate conclusions from the examination of the joint report on pensions, to update the Regulation on the coordination of pension schemes and to consider the effects of ageing on health and welfare systems for senior citizens.

2.6 Safeguarding Future Prosperity Through Sustainability

Since 2001, when the environmental component was integrated in the Lisbon strategy at Göteborg, special emphasis has been given to the compatibility of environmental and economic policies. The spring European Council of 2003 will make it possible to define clearly the main directions of this strategic approach for balanced sustainable development and to set specific objectives, which will act as an incentive for further progress. In promoting the objective of sustainable development, the Greek Presidency will work towards the review of the EU strategy on sustainable development, based on the Göteborg mandate and on the 6th Action Plan for the Environment, aiming at decoupling economic development from the use of natural resources and environmental degradation, as well as at implementing the Johannesburg commitments. Emphasis will be placed on the ten-year framework of programmes for sustainable production and consumption (clean technologies, savings on materials and energy), as well as on the Water and Energy Initiatives through specific action in areas such as: increased participation of renewable energy sources, integration of the environmental dimension in the EU's external policy, the removal of obstacles to the development of environmental technology, and a global strategy for chemicals. The Greek Presidency will also work towards the adoption of the Regulation on the taxation of energy products for a more efficient use of energy, and on the advancement of the Framework Regulation on the pricing of infrastructure.

3. Immigration – Asylum: Joint Responsibility, Comprehensive Immigration Policy

The values of "justice, freedom and security", as highlighted in the Amsterdam Treaty and the Tampere conclusions, reflect the steadfast wish of European citizens. As a result of globalisation, poverty and regional conflicts, immigration phenomena have assumed unprecedented proportions, creating new needs and obligations for the Union. At the same time, the enlargement of the European Union is linked to new challenges and opportunities in this sector, with regard to the shifting of the Union's external frontiers, as well as the implementation of its policies within the context of 25 or more states.

The relationship between immigration and development, the social and economic integration of legal immigrants, and control of illegal immigration, will be areas of action for the Greek Presidency.

The decisions of Seville on economic and technical support to third countries will help them to establish social and economic conditions that allow economic immigrants to remain in their countries of origin. Taking into account the vast possibilities for better coordination of member states' immigration policies, the Presidency will work towards a comprehensive immigration policy, worthy of the level of integration achieved in a Union without internal borders and proportionate to the scale of the challenges we are facing. Aware of the unquestionable benefits that planned legal immigration will have on the competitiveness of the European economy and the handling of demographic problems, such a policy will manage and utilise immigration flows and not simply provide for suppressive measures once the problem has occurred.

The Greek Presidency also wants to emphasise the fact that the control of illegal immigration is a collective problem for the Union and its resolution is a joint responsibility. The elimination of illegal trafficking of human beings requires close cooperation with the countries of origin and transit and the adoption of a cohesive framework for readmission and repatriation. With respect to joint frontier management and repatriation policies, the implementation of common actions, based on the Danish Presidency's road map and expected European Commission proposals on fair burden sharing, represent an important priority of the Greek Presidency. The Presidency's report to the European Council in Thessaloniki on the implementation of the guidelines of the Seville Conclusions is therefore critical.

In view of the above, for asylum issues, the promotion of measures for implementing effective procedures should be combined with corresponding progress in the area of common policies relating to legal immigration and the development of the joint frontier management system.

4. The Future of Europe: The Outcome of the Convention

The Future of the European Union, with the prospect of the forthcoming enlargement to 25 member states, is a question of fundamental interest for the Greek Presidency. Greece has always believed that the Union's enlargement should be linked to deepening European unification. The enlarged Union should evolve into an institutional system capable of making effective decisions with a democratic and social content.

For that reason, Greece as Presidency of the Council, attaches particular importance to the work of the Convention on the Future of Europe and welcomes the progress

achieved so far during its proceedings. The contribution of all parties to the Convention has been highly significant as regards the generation of ideas, proposals and plans for the future architecture of the European Union. It is especially noteworthy that the Convention is now working on a draft constitutional treaty, based on the proposals that have been submitted by many sides.

In accordance with the conclusions of the Copenhagen European Council, Greece expects that the Convention will have completed its work before the European Council of Thessaloniki. This will enable the European Council to take the necessary action, as agreed at the European Councils of Nice and Laeken, to enable the completion of the procedure with the convening of the Intergovernmental Conference and the adoption of a new Constitutional Treaty. To this end, Greece will be working closely with all the parties involved in the Convention process, the member states and the countries that will be joining the Union and, in particular, the European Parliament and the European Commission.

The aim of the Greek Presidency is to establish all the conditions that will pave the way for a new political phase in the process of European integration, as we prepare to welcome our ten new partners in the European Union. In particular, our aim is to ensure:

Firstly, that the enlarged European Union will operate as a democratically organised system, close to the European citizen and society, based on the principles of democracy, the rule of law, respect for civil and minority rights, equality of all member states, solidarity and subsidiarity.

Secondly, that the Union will be effective, capable of making decisions, equipped with all the policies and resources that will enable it to resolve the problems of society and citizens, to promote economic and social cohesion and real convergence, effective management and reform of the European economy and sustainable development.

Thirdly, that the Union will be a strong player in the wider regional and international system, as a factor for peace, stability and cooperation, an active contributor to the process of building a better world, based on international law and institutions, and a promoter of good governance, environmental protection and the eradication of conflicts, organized crime and terrorism.

5. External Relations: the New Europe as an International Factor of Peace and Stability

The Greek Presidency will take place at a time of critical change in Europe and new challenges in the field of Security and Defence Cooperation, an area where the Union is trying to forge a new identity. In a period when the EU will be carrying through the greatest enlargement in its history, the Union will be called upon to reconsider the context of its relations with its new neighbours and promote policies reflecting the new situation in Europe. In this light, the promotion of the EU's relations with the Balkan countries will be a main priority for the Greek Presidency. The effective development and deepening of relations with Russia will also constitute an important parameter in the EU's efforts to consolidate peace, stability and cooperation in Europe. Relations with the Ukraine, Belarus and Moldova, as well as the Caucasus region, acquire a special significance in this new European reality. At the same time, the strengthening of the EU's cooperation with Mediterranean countries will be a major task for the Greek Presidency.

The Greek Presidency will promote political dialogue with all groups of countries. It will give special emphasis to the respect of human rights and the rule of law. We will seek closer cooperation between the Union and the US in the fight against inequality, the proliferation of nuclear and chemical weapons, armaments control and conflict prevention. We will also aim at a more active participation of the EU in the international community's fight against terrorism, promoting the development of capabilities and policies and supporting multilateral cooperation with third countries and international organizations, with the aim of eradicating this scourge, which has developed into a major international problem following September 11, 2001. At the same time, we will strive for stronger policies for combating poverty, protecting the environment, preventing the proliferation of weapons of mass destruction, resolving regional conflicts and facing the problem of drug trafficking.

The Greek Presidency's immediate priorities include the strengthening of relations with the US and cooperation at all levels, so as to form a joint response to international challenges.

European citizens expect the Union to respond to its international responsibilities, by preventing international conflicts and managing crises when they occur. The Greek Presidency will endeavour to strengthen the EU's capacity for effective political intervention in conflict areas, by improving and further developing existing institutional instruments (common strategies and joint actions). At a time when the EU is trying to build new capabilities in the field of Security and Defence Cooperation, the Greek Presidency will pursue its efforts in order to reinforce the institutional framework of the CFSP, by creating the area of "Freedom, Security and Justice".

III. Main issues in the context of EU policies

ECONOMY, BUDGET (ECOFIN)

Macroeconomic policies and structural reforms: interconnection and complementarity

Interconnection and complementarity between macroeconomic policies and structural reforms is the key to the success of the Lisbon objectives. Macroeconomic stability is the essential prerequisite for structural changes to be implemented and achieve results. Likewise, structural reforms will have a positive impact on macroeconomic conditions. The observance of the Stability and Growth Pact is an essential condition for achieving macroeconomic stability as well as restoring a climate of trust. At the same time, more intensive efforts towards economic and social reforms and the increase of the European Union's production capacity will facilitate stricter compliance with the Pact.

More effective coordination of economic policies

In this context, it is a priority for the Greek Presidency to improve the coordination of fiscal policies and to achieve better synchronisation between economic and social policies by reinforcing the General Economic Policy Guidelines – for a three-year period from now – and aligning related processes (the Cardiff process for product and capital markets and the Luxemburg process for employment). During the Greek Presidency, the updated stability / convergence programmes of the 15 member states will be examined. For a better response to the need for policy synchronisation, more efforts should be made to align member states' obligations with regard to reports and statistics.

Improving statistics and analytical tools.

With the aim of developing a more cohesive and effective statistical system, capable of providing useful information for political decision making, as well as for the fuller analysis of the economic implications and progress of the Lisbon Strategy, an upgrading of statistics and analytical tools will be sought.

Tax package

Regarding direct taxation, the Greek Presidency will proceed on the basis of the agreed timetable and examine, if necessary, new ways for promoting taxation of savings. Regarding indirect taxation, the work will focus, on the basis of the European Commission's proposals, mainly on the Travel Agencies Directive and the Regulation on Administrative Cooperation, while improving cooperation between the member states on direct and indirect taxation. Energy tax is one of the issues that will be pushed forward, together with a comprehensive energy package, before the

spring Council.

Integration of the internal market for financial services

With the aim of further integration of financial markets, the Presidency will seek rapid progress on the Action Plan for Financial Services and the Action Plan on business capital, while in parallel promoting discussion on the Directive on Investment Services as well as on the legal framework and conditions for periodic information (on the basis of the new proposals of the Commission).

Strengthening economic cooperation with new members

Finally, the ECOFIN council will enhance economic cooperation between the EU and new members to ensure that Enlargement will be a smooth process, whilst improving prospects for development and prosperity for all.

EMPLOYMENT, SOCIAL POLICY, HEALTH AND CONSUMERS

More...

The European Employment strategy and the Lisbon strategy constitute the driving force for increasing employment and reducing unemployment, expanding the knowledge-based society and strengthening social cohesion. An essential prerequisite for attaining the objectives that have been set is to promote vigorously all major policies simultaneously, by means of an appropriate, coherent timetable. The Greek Presidency will prepare the interim review of the social policy agenda and promote the development of an enhanced employment strategy, by aligning the Luxemburg process with the wider Lisbon strategy. The synchronisation of economic and employment policies should be conducted in a way that improves the cohesion of guidelines (i.e. the General Economic Policy and Employment Guidelines) without affecting, however, the autonomy of each process. The main objectives will be to increase employment, ensure the social inclusion of weaker population groups, and promote participation, social dialogue and gender equality. Efforts will also be made to arrive at a political agreement on the directive that deals with the working conditions of temporary workers.

... and better jobs

A dynamic employment sector is directly related to job quality and security. The European Commission's review of the common strategy for health and safety at work will be useful in this context. As part of the modernization of social welfare, the whole question of the support given to national strategies for secure and viable pensions, as well as the health care and protection of senior citizens will be reviewed. In particular, with regard to pensions, the Greek Presidency will look for methods of applying a uniform

Presidency will look for methods of applying a uniform process in this sector.

Mobility and skills

In order to balance job supply and demand in a constantly changing environment, the Greek Presidency will promote the upgrading of workforce skills, in addition to the coordination of social insurance schemes, the possibility of issuing a European social security card and the development of a Web site with information on professional and educational opportunities in the Union.

People with disabilities

On the occasion of the Year for People with Disabilities, initiatives aimed at increasing public awareness and promoting the social inclusion of this population category will be encouraged.

Health

In the health sector, special attention will be given to establishing quality and safety standards for the tissue and cell issue and the revision of legislation on pharmaceuticals, as well as arriving at a common position on tobacco issues.

Improving consumer protection

The Greek Presidency will work towards the improvement of the common level of consumer protection throughout the Union, the effective implementation of related rules and the participation of consumer organisations in European policies.

COMPETITIVENESS (INTERNAL MARKET, ENTREPRENEURSHIP, INDUSTRY, RESEARCH, TOURISM)

An effective and functional internal market, for the benefit of undertakings...

To create an effective and functional internal market, the Greek Presidency will intensify efforts to eliminate the barriers that still prevent the full operation of the internal market, with the aim of achieving optimum results for the benefit of enterprises and consumers. To ensure equal participation of all the Union's regions in the single market, we look forward to the European Commission's communication on a comprehensive policy for the sustainable development of island regions.

The commitment to structural and economic reforms should be renewed by means of immediate and specific action. Reforms will involve the product and capital markets and especially the identification of key issues in relation to sustainable economic growth, i.e. competitiveness combined with increased employment, greater social cohesion and respect for the environment. In this same context, we will promote the simplification and improvement of legislation to the benefit of business ventures, particularly small

enterprises, as well as the elimination of barriers to free provision of services. Special weight will be given to the modernisation of competition rules, the promotion of corporate governance issues and the completion of legislation on public procurement.

and consumers

The operation of the internal market should, however, safeguard consumer trust and ensure a high level of protection. The Greek Presidency will seek to advance the question of consumer credit, and pursue the debate on sales promotion practices in the internal market and on the expected framework directive on fair commercial practices. Emphasis will also be placed on the promotion of an administrative cooperation framework for implementing community legislation on consumer protection.

The set of legislative texts on public procurement will be completed as part of the effort to probe the internal market. We also intend to speed up examination of the consumer credit issue. European Commission proposals are also expected on company mergers, chemicals legislation and company law.

Food safety

A viable internal market system should provide consumer protection especially in the area of food chain safety. In this context, the White Paper has already initiated the implementation of the necessary action, which will be one of our priorities.

The competitiveness of enterprises

In view of the changes brought about by Enlargement and by globalisation, in particular, it is advisable to promote an integrated and strategic approach to ensuring the development and competitiveness of European enterprises. At the same time, we must respond to the challenges of environmental protection and social issues, as required by the European social model.

Small and medium-size enterprises and entrepreneurship

The Greek Presidency will continue to give emphasis to the role of SMEs in development, competitiveness and employment in the Union. It will seek to create a more favourable environment, fostering entrepreneurship and competitiveness and to encourage small emerging enterprises, supporting their capacity to innovate. It will also facilitate the establishment of new, dynamic enterprises, which are a major source of new jobs.

At the same time, following a "think small first" approach, the Presidency will work to accelerate implementation of the European Charter for small enterprises and draw lessons from best practices, in accordance with the Barcelona

directives.

In order to meet the Union's entrepreneurship deficit, mainly in the area of technology and knowledge, the Greek Presidency will promote public dialogue and the adoption of specific political initiatives in favour of entrepreneurship at the spring European Council.

The Greek Presidency, in particular, will move forward the debate on the expected Green Paper on entrepreneurship, with the aim of implementing a European Action Plan on the issue. Similar emphasis will be given to the more profitable use of innovation by enterprises, especially SMEs.

European industrial policy

The Greek Presidency attaches special importance to the issue of industrial policy. Using the Commission's Communication and recommendations, it intends to initiate an in-depth discussion of this matter and the promotion of specific measures and actions.

Tourism – a source of development and employment

Tourism plays a major part in employment and in the development of the most remote and underprivileged regions of Europe; at the same time tourism represents an alternative economic activity from which the environment can benefit significantly. The Greek Presidency will work towards a common approach to the future of European Tourism and relevant guidelines adopted by the Council.

In the research sector, emphasis will be given to the consideration of measures and policies, in order to increase expenditure for research and development and achieve the Barcelona objective.

Bringing a new momentum to research and innovation

A new momentum should be given to research and innovation in Europe by furthering appropriate action, such as the improved use of research facilities at European level, the "opening" of national research and technology programs, the application of article 169 of the Treaty, the establishment of a framework for European Research and Development Agencies, etc. The Greek Presidency will also deal with outstanding issues on the adoption of the EU patent in the course of 2003.

The Greek Presidency is looking forward to the Commission's report on life sciences and biotechnology and will examine, in this context, appropriate measures for biotechnology, depending also on the progress made in the interim.

TRANSPORT, COMMUNICATIONS, ENERGY

Transport

Transport in an enlarged Europe, trans-european network

The transport sector is an important aspect of the single market, in terms of free movement of people and goods and, in this respect, it represents a priority for an enlarged Europe. The Greek Presidency will deal, as a priority, with the revision of the guidelines for the trans-european networks and promote the question of tariffing infrastructure, in accordance with the Commission's relevant communication.

Modernising land transport

The issue of road safety, a daily concern for European citizens, we hope will lead to the adoption of guidelines for action to be taken by the EU within the next five years. We will pursue the examination of the 2nd railway package, which is expected to give new impetus to the rail market in Europe. The Greek Presidency is particularly interested in the urban transport sector, on which it will hold discussions.

Strengthening Europe's role in the global air transport market

Negotiations for an agreement on the Single Transatlantic Aviation Area will bring a new dimension to the world air transport market. The Greek Presidency will deal with the pending issues of the package of proposals on the Single European Sky.

Safety and competitiveness in sea transport

In the matter of sea transport, the Greek Presidency will give emphasis to improved ship safety and quality shipping, as well as training, employment and motivation of young people to work in this sector, in the context of action aimed at increasing the competitiveness of EU shipping. Moreover, proposals on the prevention and avoidance of terrorist acts against ports and ships in the European Union will be promoted.

Communications

Communications for all, at the heart of an enlarged Europe

In the enlarged Europe, the development of communications and of the information society, will contribute significantly to reducing the digital divide and completing the integration of the enlarged community area, providing access to all, independent of geographical location, without any form of exclusion.

Trans-european broadband networks at the citizen's service

At this level, the Greek Presidency, with the opportunity of the launching of the e-Europe Action Plan 2005, will support the further expansion of the data exchange network

between administrations, as well as the participation of third countries in corresponding telematics programs. To build on available technological resources, transition to digital systems will be envisaged, in order to facilitate broadband access. The framework for the re-utilisation of public documents will be completed, with the aim of enhancing electronic entrepreneurship,

e-Europe and network security

As part of the e-Europe program, the application of statistical indicators will begin and the decision to extend the financial instrument for network security will be taken. For the purpose of guaranteeing the security of users of electronic media, it is advisable to promote the Regulation on the Network and Information Security Unit and prolong the duration of the Action Plan for safer use of the Internet. The Greek Presidency will hold discussions on e-governance and e-integration, with the aim of contributing to the wider debate on these issues.

Electronic democracy and e-government

As we are constantly looking for methods that will ensure more transparency and participation of European citizens in the critical choices and decisions that are made at EU level, we cannot disregard the huge possibilities which new information technologies can offer. On the Web site of the Greek Presidency, we will establish, on an experimental basis, an interactive dialogue between the Presidency and European citizens on a series of important issues that we will be asked to handle during the next six months. At an appropriate time, the Council will be informed about the results of this dialogue.

Moreover, e-governance will be the subject of a specially convened ministerial meeting. Methods to help reduce red tape, with the help of state of the art telematic technologies, could become a new field of cooperation and exchange of experience.

Liberalisation of postal services

Regarding postal services, the Commission's first report on the liberalisation of this sector in member states is awaited with interest.

Energy

Development of a strong and competitive energy sector

A steady and sustainable development of European economics requires easy access, free from any technical or economic impediments to available energy sources for the production of goods and services. This makes it imperative to secure adequate supply of available energy sources and to carry through the liberalisation of the internal electricity and natural gas market whilst developing, at the same time, all

essential energy connections, both within Europe and with the new developing energy production centres in the European periphery.

Sustainable development and energy

With a view to achieving a balanced development of the energy policy's social, environmental and competitive component, we will aim at ensuring wider integration of sustainable development in the Union's energy policies.

In the context of these objectives, the Greek Presidency will seek to secure oil and natural gas supplies, coupled with the deregulation of the internal electricity and natural gas market (by providing public service and consumer protection) and the development of trans-european networks.

In the context of sustainable development, the Greek Presidency will encourage the use of renewable energies, rational use and conservation of energy, the co-generation of heat and electricity and the establishment of common rules for the safety of nuclear plants and the handling of nuclear waste and fuel.

The international dimension of energy

With a view to ensuring the economic viability of EU energy policies, international cooperation in the energy sector should be promoted, in particular with Mediterranean partners, Russia and the countries of South-East Europe.

AGRICULTURE – FISHERIES - FOOD SAFETY

European Rural Model

Developments in agriculture, fisheries and food safety are an integral part of the changes that are taking place at the level of the European society and economy; they affect and are directly linked to the role which the European Union aspires to play on a global scale. The European Rural Model, a major aspect of European culture, is mainly founded on two pillars: farms on the one hand, which in most cases are family holdings, and the social fabric, on the other, made up of communities, small towns and villages throughout the EU's Rural Area.

The European Rural Model, directly or indirectly, preserves millions of jobs; it supports the economy of many regions, ensuring human presence and care in rural areas, with beneficial effects for the environment.

Common Agricultural Policy

For four decades, the CAP has been supporting our rural model. It guarantees the food sufficiency that Europe needs for strategic reasons in a particularly troubled and

unpredictable world. It has proven to be a cornerstone of the structure of United Europe.

Sustainable Development

The contribution of the CAP and the Common Fisheries Policy to sustainable development, in economic, social and environmental terms is essential, not only for rural populations but also for food safety and the quality of life of all European citizens.

Interim CAP revision

The interim revision of the CAP will be a central issue for the Greek Presidency. The objective is to reach a good outcome in the negotiations. The regulation proposals that will be presented in January 2003 by the European Commission and the framework agreed at the Brussels Summit will be the main reference basis for discussions and negotiations.

European Agriculture and World Trade

2003 will be a very important year for WTO negotiations. The Greek Presidency will contribute to the preparation of a firm and clear EU stand at the WTO's Ministerial Session in Cancun that will be held later in the year. The aim will be to support the European rural model, sustainable development, the healthy growth of international trade and solidarity with developing and less developed countries.

Citizen's Safety

In the context of the wider issue of citizens' safety, be they producers, workers, or consumers, emphasis will be given to the promotion of legislation in the following sectors: food health and safety, safe practice of agriculture and other related activities, veterinary science, animal welfare and nutrition, genetically modified organisms, safe use of pesticides and the control of their waste.

Fisheries Policy

In the Fisheries Sector, we will aim to complete a large portion of the Common Fisheries Policy presently under revision. An important part of this revision deals with aquaculture and fishing in the Mediterranean.

ENVIRONMENT

Development and environment in close inter-relation

With the evaluation of the Commission's strategy for sustainable development, the Greek Presidency will promote the completion of the Lisbon process, by enhancing the environmental dimension of this strategy, with the help of tools such as:

- Eliminating barriers for environmental technology
- Taking sustainability into account during impact assessment,
- Further developing market mechanisms

- Speeding up the process of integrating environmental requirements in the Union's sectoral policies and the Johannesburg commitments.

Fulfilment of the Johannesburg commitments: the Mediterranean dimension

By conveying a clear message, with regard to the fulfilment of the commitments undertaken by the EU at the Johannesburg Summit, both at global level and at the level of an enlarged Europe, the Greek Presidency will be contributing to the realisation of major cooperation initiatives in the sectors of energy and water, with emphasis on the Mediterranean dimension.

Political initiatives for critical environmental aspects in the new Europe

As it promotes the implementation of the 6th Action Program for the Environment, the Greek Presidency will give priority to environmental policies and, in particular, to important legislative proposals that are already pending or will come before Council. These include the establishment of a Community environmental liability system, based on the principle "the polluter pays", linking the environment with health, namely through the expected new proposal on chemicals, the protection of the marine environment, bathing waters in particular, as well as measures for improving air quality. At the same time, the Greek Presidency is invited to finalise political agreement on the regulation that deals with the traceability and labelling of Genetically Modified Organisms, and prepare EU positions for several international events such as the ministerial conference in Kiev on a regional strategy for sustainable development.

EDUCATION – YOUTH - CULTURE

Education

In search of a knowledge-based Europe

In accordance with the Lisbon strategy, the Greek Presidency will promote benchmarks for educational objectives and will contribute to the adoption of a coherent approach to the whole process. From this perspective, e-learning, the learning of foreign languages and international cooperation in tertiary education take on special significance.

The Presidency's interest in the possibility of creating a common educational area of the EU, the Mediterranean and South-East Europe should also be noted.

Youth

In the youth sector, our objective is to promote an open coordination method and strive for a common approach to

information and participation issues.

Culture

Culture2000

The Greek Presidency will pursue the working program on European cooperation and continue to follow the progress of the Culture 2000 program. At the same time, we will seek to highlight the close link between the Olympic Games of Athens and culture. In parallel, the Greek Presidency is working with the Cultural Olympiad for the joint organisation, within and outside Greece, of events aimed at emphasising our common European roots, both at the level of cultural traditions and present-day cultural achievements.

Cultural Olympiad

In the audiovisual sector, we hope that the re-examination of the Television Without Frontiers Directive will move ahead and that discussions on the expansion of the Community media program will be carried forward.

CREATION OF A SINGLE AREA OF FREEDOM – SECURITY – JUSTICE

Mutual trust
Flexibility – Coordination
Efficiency

The Union's policies on immigration, external border management and judicial cooperation in civil and criminal cases are important priorities of the Greek Presidency. The values of "justice, freedom and security", enshrined in the Amsterdam Treaty and the Tampere conclusions, reflect the steadfast aspiration of all citizens in the Union.

Given the importance of immigration and asylum issues, the Presidency will make all possible efforts to achieve balance on the basis of three fundamental principles: mutual trust – coordination – efficiency.

The Greek Presidency intends to work towards: the realisation of the Union's objectives, with special emphasis on the European Council's conclusions and the road map elaborated by the Danish Presidency. In the sector of Justice, cooperation on criminal and civil issues will be developed with a view to creating the new judicial area, combating international organised crime and enhancing the Union's external action.

Combating illegal immigration and managing external frontiers

Combating illegal immigration, through joint management of external land and sea border, by all member states, will be a major priority during the Greek Presidency, which will be responsible for supervising the joint action already decided under the Danish Presidency's road map. In view of the fact that most joint cooperation programs on border issues will

be completed during the first half of 2003, the Greek Presidency's Report to the European Council in Thessaloniki on the practical implementation of the Seville guidelines for the management of external borders, is of critical importance.

On matters of external frontier management, the Presidency will focus on the following issues:

- Successful implementation of all joint actions announced under the Seville conclusions regarding the EU's external frontiers (with special emphasis on sea borders); and the analysis, evaluation and utilisation of their results, with a view to reaching useful conclusions that will define the Union's corresponding policies.
- Promotion of repatriation programs and securing community funding
- Promotion of the establishment of a common database on visas.

A collective problem that requires a collective response

The Greek Presidency wants to make it clear that combating illegal immigration is a collective problem for the Union and its resolution therefore requires a common understanding of its causes and expected results. For this reason, it feels that the preparation of a study by the European Commission on the rational distribution of responsibilities amongst member states with regard to external frontier management is important, as well as the development of the programme for expulsion and repatriation policies together with the necessary funding.

Asylum in a global planning context

Regarding asylum, the promotion of measures ensuring uniform implementation of asylum procedures should go hand in hand with the adoption of corresponding measures for combating illegal immigration, establishing common principles with regard to legal immigration and the integration of legal immigrants into the societies of member states and encouraging joint initiatives aimed at more efficient common management of the EU's external frontiers. Moreover, the joint responsibility of all member states in the matter of rational distribution of rights and obligations, with respect to both the expulsion of illegal immigrants to the countries of origin and external frontier control issues, should be promoted.

Combating trafficking of human beings and economic exploitation of immigrants.

The issue of trafficking of human beings equally involves cooperation with countries of origin and transit and the adoption of a coherent common policy on readmission and repatriation. Improved cohesion of the Union's internal and external policies could contribute to the handling of problems related to the movement of populations from third

countries. The Greek Presidency intends to develop closer cooperation with the main countries of origin or transit of immigrants entering the EU's territory, with respect to re-admission agreements.

The social dimension of the problem

The Presidency believes that it is important to facilitate the social inclusion of immigrants. This would have a positive impact on both social (directives on family reunion for long-term residents) and economic issues, which concern the Union and would help to allay the fears expressed by EU citizens. To that end, the Presidency will seek an approach that encourages the adoption of relevant policies by member states. Non-discrimination in the economic, social and cultural field through measures against racism and xenophobia constitutes a priority for the European Union.

Family reunification and long-term immigrants

In parallel the Presidency will maximise efforts for the adoption of the Directives on family reunification and long-term immigrants. Further work will be done on the new proposals for immigration for paid employment and for studying.

The relationship between immigration and development

The Greek Presidency will seek to open the debate on the direct relationship between immigration and development, taking into account the Seville appeal for economic and technical assistance to third countries, for the purpose of establishing social and economic conditions that will enable people to remain in their countries of origin or return to them.

Combating terrorism, cross-border crime, trafficking of human beings

The EU has increased its efforts, particularly after 1999, in response to citizens' demand for more security in the area of freedom and justice. In this context, the Greek Presidency will continue to implement the necessary measures for creating a single area where citizens will feel secure. The fight against terrorism remains a top priority issue under the Greek Presidency. Cross-border organised crime and the trafficking of human beings, are important issues to which special emphasis will be given. We shall continue the implementation of the EU Action Plan and the Seville declaration. Moreover, combating cross–border organised crime and the trafficking of human beings are crucial problems to which utmost attention will paid in compliance with the conclusions of Tampere and later European Councils.

Coordination with third countries.

Coordination with third countries, in particular the US, Russia, Balkan and Mediterranean countries is an important element in achieving the objectives of judicial and police cooperation. The advancement of the EU–US judicial

cooperation agreement will be the first important step that guides our future action in this area.

Drugs policy

The gradual development of a single European policy on drugs is another area of initiatives for the Greek Presidency. Major benefits can result from the use of harmonised methods in dealing with this problem, both at the level of law enforcement and criminal procedures as well as detoxification systems and the social integration of users. The effectiveness of existing international treaties on the control of narcotics production and trafficking, should be reviewed. The extension of the Drugs Action Plan (2000–2004) to the Balkan region and stronger regional cooperation, through joint MS/EUROPOL and MS/SECI operations on drugs related issues, will significantly contribute to a coherent approach to this problem

Beyond the Tampere program

EU enlargement will bring new challenges and opportunities, resulting from the expansion of the Union's external frontiers and, more generally, from a situation where 25 or more states will be cooperating and carrying out Union policies. At the same time, economic and social conditions are changing, as a result of globalisation, creating new needs and obligations for the Union. For this reason, with a view to achieving the objectives within the original deadlines laid down by the Amsterdam Treaty through to the road map and laying the foundations of a common immigration and asylum policy by 2004, the Union must prepare its future course of action on these issues. The Greek Presidency will seek, on the one hand, to contribute to the attainment of the Union's present objectives, whilst participating in the debate on Union policies, after the completion of the Tampere program.

Mutual recognition of court rulings in civil and criminal cases

Mutual recognition of court rulings is the cornerstone of judicial cooperation, as it strengthens the EU's capacity to prosecute international crime, by simplifying and speeding up judicial cooperation, whilst providing better service to citizens. The Greek Presidency will promote the draft regulation for mutual recognition in all member states of court decisions on parental responsibility, which regulate relations between parents and children. It will also promote the draft regulation on the European Enforcement Order on uncontested claims, to further simplify and speed up the recognition of court decisions and their execution in other member states.

Convergence of legislations for combating severe forms of criminal behaviour

Regarding criminal proceedings, efforts will be made to further improve judicial cooperation by promoting the draft framework decision on the execution of confiscation

decisions in relation to specific serious crimes.

The Greek Presidency has set as its objective to further the convergence of criminal legislation relating to serious crimes with a view to effectively promoting the rule of law within the European Union. For that purpose it intends to speed up work on the finalisation of the framework decision on the crimes of racism and xenophobia.

EXTERNAL RELATIONS – ESDP

Western Balkans

The Union's relations with the Western Balkan region will be a major priority of the Greek Presidency. The Presidency is set to capitalise on the positive results achieved so far in the implementation of the Stabilisation and Association Process. In this context, the Presidency will work in a systematic way in order to deal with issues such as the consolidation of democratic institutions and civil liberties in the countries of the region, protection of minorities, promotion of economic reconstruction and development and further enhancing of regional cooperation. Furthermore, the Greek Presidency considers the objective of Romania and Bulgaria joining the EU in 2007 to be an important incentive for West Balkan countries, which have already been recognised as potential applicants. The scheduled EU-Western Balkans Summit Meeting (Zagreb II Process) next June in Thessaloniki will contribute to the development of EU relations with the Western Balkans. It is clear that the Greek Presidency, capitalising on its knowledge of the region and its tradition of bilateral relations with these countries, will give the necessary impetus to all initiatives, such as the Stability Pact, aimed at furthering the development of the region.

Russia

Russia is a strategic partner of the EU and this will be demonstrated at the EU-Russia Summit in May 2003, which we hope will be the starting point for the effective renewal of EU-Russia relations. During our Presidency, we shall push forward the creation of the Common European Economic Area, the energy dialogue between the EU and Russia, substantial progress on negotiations for Russia's accession to the WTO, as well as cooperation on crisis management and link-up on ESDP. Relations with Russia need to be reviewed within a coherent and integrated framework, not only on the economic, but also on the social and security level. To this end, the revision process of the Common Strategy for Russia, to be completed during the Greek Presidency, is particularly important.

Wider Europe / New Neighbours

Following the accession of the new member states, the enlarged Union will focus its attention on developing closer relations with all new neighbouring countries. The EU has already established contractual relations with partners in the South Mediterranean and the Commonwealth of Independent States, including the Caucasus. Building on this diversified contractual relationship, the Presidency, working together with the Secretary General/High Representative and European Commission, will explore existing possibilities for developing these relations further, in sectors of growing importance after enlargement (trade and economic relations, area of freedom, security and justice, etc.).

Ukraine
Belarus
Moldova

In the new geography that will emerge after enlargement in Europe, countries within our immediate proximity will be the subject of a new debate. We feel it would be advisable to elaborate proposals to enhance cooperation with these countries in all sectors (economy, institutions building, rule of law, freedom, security and justice) and through the improvement of the conventional framework.

Caucasus

The significance of the South Caucasus region for an integrated EU energy policy and its proximity to high interest areas, have led to the Union's decision to assume a more active role in this region. Implementing this decision will be the main target of the Greek Presidency for South Caucasus. An important aspect of our objectives will be to utilise appropriately the partnership and cooperation agreements, whilst at the same time enhancing cooperation and the EU's presence in the region, through the Special Representative.

Transatlantic Dialogue-EU-US and EU-Canada Relations

The US is an important EU partner and in this context we will seek to enhance dialogue and cooperation at all levels. The fight against terrorism, the handling of international issues, the growth of international trade and the promotion of sustainable development are all aspects of globalisation in which we share common values and interests. In the context of the Transatlantic Dialogue with the US, the Greek Presidency will put the emphasis on relations with the Balkans, Russia, CIS countries, the Middle East, Afghanistan, disarmament and illegal immigration, and on promoting the issues contained in the Positive Economic Agenda. Our aim is to achieve tangible results in all sectors at the EU-US summit that will be held during the Greek Presidency.

Relations between the EU and Canada will be further supported and enhanced, based on major international

issues.

The Mediterranean

The Mediterranean has always enjoyed advanced relations with the EU, which we will try to enhance further during our Presidency. The main aim is to achieve a de-escalation of tension in the region, by encouraging dialogue and cooperation amongst Mediterranean countries and strengthening their ties with Europe (confidence building measures, new institutions, such as the EuroMediterranean Parliamentary Assembly). The Action Plan that was adopted at the last EuroMediterranean Foreign Ministers Conference in Valencia represents a suitable framework for promoting the Barcelona Process and a more active involvement of Mediterranean partners in this Process. The Greek Presidency will work for the fulfilment of the Valencia commitments and promote dialogue with Mediterranean countries and cooperation in the sectors of trade, development, justice, immigration, security and environment. The establishment of the EuroMediterranean Institute for Intercultural Dialogue will strengthen cooperation on questions related to culture, youth and information. During our Presidency, conferences of Foreign and Energy Ministers will be convened.

Middle East

The Union's traditional relations with the region of the Middle East should be further developed by creating an opportunity for effective action to put an end to violence, allow political considerations to prevail over military prospects and revive the peace process. To this end, the "Quartet" should be promoted as a decisive element of coordination of the international community's efforts. In this context, we will be supporting efforts aimed at reforming the Palestinian Authority and obtaining a positive response on the part of Israel, since these are elements that affect the peace process. The partisans of peace on both sides should be supported through the resumption, inter alia, of contacts between representatives of the two civil societies concerned.

We shall maintain our contacts with Iran's neighbours and pursue dialogue with this country. Our objective is to develop relations with the Arab and Islamic world, with a view to establishing a climate of trust and cooperation that will be beneficial for the region's security. In the wider region, the promotion of negotiations for a free trade agreement will be a positive development for the countries of the Gulf.

Africa

The role of the EU in the African continent needs to be enhanced. The Europe-Africa Summit in Lisbon, on 5 April 2002, provides a good opportunity along these lines. At the

same time, all possible efforts will be made to avert conflicts in crisis areas and to address the humanitarian crisis on the African continent.

Asia

For the Asian region, our aim will be to build on the conclusions of the 4th ASEM and the opportunities provided by the EU-ASEAN Ministerial Meeting, which will be held in Brussels. The development of the EU's relations with Japan and China should gradually reach a level commensurate with the size and importance of these two countries. The Union's role has already been instrumental in normalising relations between India and Pakistan and in preventing a new crisis. To further stabilise security in this region, we shall continue to support the efforts for the reconstruction of Afghanistan and the implementation of the Bonn Agreement.

Latin America

Capitalising on the opportunities provided by the Ministerial Meetings with Latin American countries, following on the efforts of the recent Madrid Summits, we will strive, during the Presidency, to enhance the EU's relations with the countries of this region. The Ministerial Conference of the EU and the Rio Group will be a further step in this direction.

Development

In the field of development, it is important to make progress with respect to the economic partnership agreements and we hope that the EU-ACP Ministerial Conference in May 2003 will accelerate this process. Meanwhile, we will be examining a number of issues in the Council, such as the orientation discussion on European foreign policy and immigration and development issues. We shall work together with the European Commission to establish better partnerships between North and South, in conformity with the commitments made at Monterey and Johannesburg.

Trade Relations

With the aim of arriving at a satisfactory outcome at the 5th Ministerial Session in Cancun, we shall seek to obtain satisfactory and balanced results during the negotiations on the development agenda in Doha. We will try to achieve progress in all areas and, in particular, on those issues for which there is an agreed calendar for the first half of 2003, i.e. services, agriculture and market access. At the level of bilateral trade relations, we will give special emphasis to the EU-US Positive Economic Agenda. We will support the process of the EuroMediterranean free trade area and try to achieve progress in the negotiations with Gulf countries, Mercosur countries, Iran and ACP countries and the completion of negotiations for the cooperation agreement with Syria.

Fight against terrorism

International cooperation, and especially cooperation with the US, in the fight against terrorism is of paramount importance. The political dialogue between the EU and third countries on this issue is necessary so that the international alliance against terrorism becomes more effective. We shall continue efforts to include this issue in all facets of EU external policy, in international fora as well as in bilateral relations.

United Nations

During our Presidency, the text on the priorities for the preparation of the European position with regard to the General Assembly will be drawn up. At the same time, we will be studying the UN Secretary General's Report on the reform of the organisation.

Environmental diplomacy

The difficulties encountered by the EU positions at the Johannesburg World Summit on Sustainable Development have highlighted an important gap in EU external policies, with respect to environmental diplomacy. Greece will try to promote the development of common European diplomacy on the environment and sustainable development. In addition to the support it will bring to European positions on these issues, environmental diplomacy may constitute an effective tool for preventive policies and a policy of rapprochement between peoples. In this context, contacts will be organised with interested member states, the Council's General Secretariat and the European Commission and efforts made to establish a network of the Environment Policy Directorates of member states Foreign Ministries. An international conference on "Peace and Sustainability" will also be convened, in cooperation with the World Bank.

Olympic Truce

Every opportunity will be taken to promote the Olympic Truce initiative, including at selected multinational events, during the Greek Presidency. Information will be available on this international peace initiative, and there will be the possibility of holding special Truce signing ceremonies by leaders and personalities wishing to contribute to the spread of the initiative.

European Security and Defence Policy (ESDP)

With regard to the ESDP, a main priority of the Greek Presidency will be to conclude all pending issues in order to achieve, during 2003, the EU's full operational capability for global crisis management, through a balanced development of political and military facets and the promotion of political – military coordination.

Military aspects

In this context, with regard to the ESDP's military aspects, the efforts of the Greek Presidency will focus on:

- improving military capability, to allow the Union to conduct, on an autonomous or non-autonomous basis, Petersberg type missions. At this level, emphasis will be given to the armaments sector and, especially, to the strengthening of the European Defence Industry, mainly through the development of research and technology.
- consolidating and further expanding and deepening cooperation with NATO,
- promoting the necessary adjustments to the ESDP's mechanism, following enlargement, to ensure the smooth integration of new members,
- finalising the institutional framework for the mechanism's operation by adopting the necessary operational concepts and general ideas,
- re-adjusting and testing procedures, mainly through preliminary work, for the implementation of the exercise program.
- tightening relations with third countries, potential partners in particular, with special emphasis on relations with Russia, in view of its integration in the European security system and by promoting dialogue and closer relations, at ESDP level, with Mediterranean and Balkan countries.

Crisis management

At the level of political crisis management, the main aim of the Greek Presidency is to integrate the capabilities and operational framework in all four areas (police, rule of law, civil protection, public administration) while, at the same time, promoting horizontal issues such as financing, the participation of third countries and cooperation with international and non-governmental organisations. Special emphasis will be given to political – military coordination.

Conflict prevention

Regarding conflict prevention, the Greek Presidency will present the annual progress report, which will reflect results achieved in this area during the second half of 2002 and the first half of 2003. The objectives of the Greek Presidency will be to develop the regional approach, by focusing on prevention in areas like the Balkans, to establish the prevention mechanism and procedures and to promote cooperation with international and non-governmental organisations.

GENERAL AFFAIRS

GAC, the main coordinating body

Under the Seville guidelines the GAC will pursue its coordinating role and will have primary responsibility for

preparing the European Council. In the context of the Council, we will continue the debate, which began during the Danish Presidency, on language issues and the rotating Presidency, in view of the forthcoming enlargement.

The regime applicable to European MPs and parties and the status of EU staff

During our Presidency, the Council will examine the regime applicable to European MPs and political parties, with special emphasis on funding. Similarly, we will strongly focus on the status of Community officials, which constitutes a question of wider interest for the Union's operation, in the hope of reaching a final conclusion.

Cohesion Policy

The Greek Presidency attaches importance to the future of the policy on economic and social cohesion and we are awaiting with interest the 2nd Interim Report on Cohesion. In this framework, we shall promote the dialogue on the future of cohesion policy after enlargement and on the policies to assist areas with particular structural disadvantages, such as the islands.

Restructuring of external actions

The Council will continue the discussion on the restructuring of external actions, giving emphasis to its operational aspects. Furthermore, in the Seville context, the Commission will present, in addition to the annual programme for 2004, the multi-annual programme, which is expected to contribute significantly to the inter-institutional dialogue within the Union.

IV. Epilogue

The task of organising an EU Presidency has now reached completely different dimensions, compared to the previous Greek Presidency in 1994. The duties of the Presidency in the areas of external relations and Justice and Home Affairs are particularly enhanced.

During the first half of 2003, there will be 2 European Councils, 5 international summit meetings (EU-Africa, the signing of the Accession Treaty, the European Conference, EU-Russia, EU-Western Balkans), 39 regular meetings of the Council of Ministers and 14 informal ministerial councils and meetings. In addition, 16 troika meetings at summit level are planned, as well as 37 ministerial troika meetings and more than 180 meetings and conferences at various other levels in 36 Greek cities.

As it completes its two-year preparations, the Greek Presidency has a strong feeling of responsibility towards the European family for the critical role it will be assuming in a period that will clearly be one of transition. It will seek, in a balanced way, to continue the highly positive role of the Danish Presidency, pursuing or completing pending matters, whilst bringing forward new ideas and proposals for action for an enlarged Europe. An enlarged Europe that is more competitive, socially fairer, safer, with a strong international presence and, above all, much closer to its citizens. Close cooperation with the Italian Presidency that follows will ensure, we believe, the necessary continuity and cohesion of action in 2003, a year of major decisions for the Union's future.

RESTRICTED /COMMERCIAL/MARKET SENSITIVE

BJ 15/1 - Prickett.
24/1 - Richard Taylor
16/1 - Edward Oakden.

From: Paul Johnston, Sec Pol
Date: 03 January 2003

cc: Private Secretary
PS/Mr O'Brien
PS/Baroness Symons
William Ehrman
Edward Oakden
David Manning, No. 10

cc. MR SSW DLH.

Prep for defence meeting.

NW Bowyer
cc JSW MJO MR RG TF

To: PS/PUS

UK/FRANCE: AIRCRAFT CARRIERS

1. Michael Jay's 18 December minute, recording a conversation with the French Ambassador, included a request for advice on scope for UK/French co-operation on aircraft carriers. . As the PUS knows, Errera has also lobbied CDS on the importance of co-operation in this field, not least in the context of the UK/French Summit.

2. There are various levels of possible co-operation between the UK and France on carriers:

   - the most intensive would result from France agreeing to adopt the basic UK design (assuming Thales was involved – see below);

   - co-operation over sub-systems, eg weapons and defensive systems, even if not on the platform itself – the "adaptable" variant for the carrier concept decided on by the UK last year increases the chances of this;

   - co-ordinating procurement and other decisions on sub-systems and other elements so as to maximise inter-operability between UK and French carriers;

   - operational co-ordination, eg aligning patrolling, training and other aspects of activity once the carriers were in service so as to maximise the complementarity of our major naval assets. This will be covered, we hope, in the updated Letter of Intent on naval co-operation to be agreed at the Le Touquet Summit.

David Manning cc MR - RL

I cannot understand why the Summit's not [illegible] Layer in the minds of the FCO/MOD.

RESTRICTED /COMMERCIAL/MARKET SENSITIVE

If we announce a DAES decision before the summit it will be big news and seen as a snub to the French. If we are going the 'alliance' route then that should surely be →

3. Whatever decision is taken on prime contractorship, therefore, there is considerable scope for UK/French co-operation before and after entry into service of our carriers. As noted above, the maximum scope for co-operation would arise from a French decision to adopt the eventual basic design chosen by the UK (our procurement process is several years ahead of theirs). The French have privately recognised that to do this would be the cheapest option for them. But we have always assumed that this would happen only if the UK went with the Thales option. Latest developments suggest a third option is now in the running.

4. As the attached MOD letter to No.10 reports, the MOD propose approaching both BAES and Thales to examine scope for a joint or "alliance" approach. Having assessed the comparative merits of the two main candidates for prime contractor, the MoD assesses that both have strength and weaknesses and that neither alone is likely to be able to deliver the carrier project on cost and on time. The MoD is therefore inclined to examine the scope for a joint approach.

5. The MOD propose sticking for the moment to the timetable for reaching a decision on prime contractorship by the end of January, as both companies are expecting. Mr Hoon is "aware that the …Summit on 4 February could prove to be a relevant factor". He suggests that we need to consider the implications of that nearer the time once the outcome of initial MOD contacts with the two companies is known. The Government's decision must, of course, be based on military and value for money criteria. If this was to result in agreement to pursue some form of joint approach, even an outline UK decision to invite BAE and Thales to work together on a new generation of UK carriers, would be an excellent backdrop to the policy, institutional and operational elements to ESDP that we hope to agree at Le Touquet.

Paul Johnston
Head, Security Policy Department
E320
Tel: 020 7 008 3131/3130
Fax: 020 7 008 2929

aware of the Summit as it has very powerful political

Bmade.

12.

(A)

RESTRICTED

From: Michael Jay

Date: 18 December 2002

cc: Private Secretary
William Ehrman
Edward Oakden
Paul Johnston, SecPol
Ian Whitting, EUD(B)
Sir David Manning, No10
Sir John Holmes, Paris
Sir Stephen Wall, Cabinet Office

Peter Ricketts

GÉRARD ERRERA

1. I telephoned Gérard Errera this morning, on the back of many conversations on the subject when he was political director and I was in Paris, to say how glad I was that ESDP had been settled at Copenhagen: this got the St Malo process back on track, removed what was becoming a tiresome irritant between us and France, and should open the way for real co-operation on practical security and defence issues, including Macedonia and Bosnia. Errera agreed on all points, and added that the Prime Minister and President Chirac had agreed when they spoke at Copenhagen that defence should have a prominent part in the rescheduled Franco-British summit on 4 February.

2. Errera said he would like to add two other points:

   i) It would help enormously to put the defence relationship back on track if we were able to agree some way of co-operating on future aircraft carriers. This should, in his view, be independent of the decision taken as between BAE's systems and Thales on the prime contractorship for our two new carriers. I said that this point was well taken in London, though he would understand the complexities. (Grateful if Paul Johnson could let me know where we are on this).

   ii) He repeated to me, as he had told the Secretary of State after the lunch with EU Ambassadors yesterday, that the way in which we and the French

handled Iraq would have a big impact on the reality and perception of the bilateral relationship over the next few months. In this context he thought there needed to be constant communication and, as far as possible, complete transparency. I said I agreed with this: where did he see the problems? He said that the Straw / Villepin relationship was excellent. He thought David Manning was establishing a good relationship with Gourdault-Montagne at the Elysee. He thought that the relationship between Political Directors was less good, through no fault of ours. He added that he didn't want to get in the way of these relationships himself, but that he had good links with Villepan and others and would be happy to be a channel if that were helpful.

3. I agree with Errera on (ii) above. Is there any more we could or should do? Is your Political Director colleague getting up to speed on this and other issues? Errera may indeed be a useful channel: I have agreed to have lunch with him in mid-January to talk about prospects for the summit on condition he is equally transparent about Franco-German proposals for marking the 40th Anniversary of the Elysee Treaty.

4. Since dictating this I have seen the record of your recent lunch with Errera.

Michael Jay

(B)

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SECRETARY OF STATE

Sec PSTD

cc: PS
PS/MrO'Brien
PS/Bns Symons
PS/PUS
MrEmms
MrOakden
Parch Dave 23/12

M0 26/3/5H

20 December 2002

Dear Matthew,

1) cc me
2) GIS & pm.

FUTURE CARRIER PROGRAMME

Currently assessing outcome of competition between BAE SYSTEMS and THALES for prime contractor for aircraft carrier programme, to be announced by end of January. Contractors' proposals have strengths and weaknesses. But neither company alone may be able to deliver this hugely demanding project within our cost and time targets. The Defence Secretary has therefore authorised further discussions between officials and both companies to establish scope for an 'alliance' approach, involving both companies and MoD. The Defence Secretary report conclusions and seek decision early in the New Year.

Background

We announced as part of the Strategic Defence Review in 1998 our decision to build two large aircraft carriers, the first to enter service in 2012. The ships would be equipped with Joint Strike Fighter (JSF) aircraft, acquired collaboratively with the US. We started a project Assessment phase for the carriers in late 1999, involving both BAE SYSTEMS (BAES) and Thales, to develop solutions to the operational requirement for the carriers. Last September we announced that we had selected the Short Take Off and Vertical Landing (STOVL) variant of the JSF and would be procuring an 'adaptable' carrier design, to enable us to make best use of the ships over a life of perhaps 50 years. The second stage of Assessment was completed recently and involved a process of 'continuous assessment' of both contractors' performance and competencies.

Matthew Rycroft Esq
10 Downing Street

Nature of Decision

The acquisition of the carriers, the integration of the associated equipment – to meet demanding performance, cost and time requirements – and the future support of the total system is an enormous and challenging project. It would also represent an enormous prize for the selected prime contractor and provide substantial benefits for UK industry, including some 10,000 jobs created or sustained, and a range of sub-contractors, whichever company we select as the prime.

BAES has teamed with Lockheed Martin, EDS, Northrop Grumman, Rolls Royce, Strachan & Henshaw, Alenia Marconi Systems, Babcock BES, Fleet Support Limited, Vosper Thornycroft, Swan Hunter and QinetiQ. The Thales partners are Lockheed Martin, Devonport Management Limited, KBR, CAE, Alstom, British Maritime Technology, Raytheon and QinetiQ. Under the plans that they have developed we expect that either contractor would be looking to the same UK shipyards (Govan, Vosper Thornycroft, Swan Hunter and Rosyth) for the build and assembly of the ships, with both bidders likely to undertake final assembly at Rosyth. The major ship systems offered by the contractors are also broadly similar. We believe, therefore, that industrial issues are unlikely to be a significant discriminator in our decision, although the problem of ensuring that there is adequate industrial capacity is very relevant to the programme. There are other, more imponderable, industrial issues relating to the future ownership and structure of both BAES and Thales over the lifetime of this project that will also need to be considered as part of the final downselect decision.

The Assessment phase has involved significant risk reduction activity by both contractors over the past three years. The selected prime will proceed to a third and final stage of Assessment, during which a costed 'demonstration and manufacture' proposal would be submitted for a 'main gate' decision, when we would commit to the major investment in the ships (of the order of £4bn, including initial support).

Outcome of Assessment

Both contractors have welcomed the 'continuous' nature of the competitive process that we have been following. They have been assessed on their ability to deliver an appropriate design for the ships that fully meets our performance requirements, achieves the planned in service date and does so within our budget. Our assessment of their competencies has also covered project management skills. The process has given us a detailed understanding of their strengths and weaknesses that would not have been achieved through the normal competitive bid process.

Performance: The design proposals offered by Thales are more mature and represent a better and more flexible technical solution - particularly in areas such as aviation, platform design and combat weapon systems. We believe that BAES, although its IS integration proposals are good, would need to do substantial further work on its design proposals generally.

In Service Date: Neither contractor currently predicts that it will meet our target ISD of October 2012: at 50% confidence: Thales estimate May 2013 and BAES December 2013. We agree that the planned time scales are already very challenging and this increases the need to ensure we identify the lowest risk solution. But the timetable does not (and should not) be finalised until we commit to the contract, currently planned for early 2004.

Cost: The companies have given us full access to their cost models. We now have a good insight into the likely cost of the ships and have concluded that cost is not a discriminator between the contractors. There is currently an affordability gap of about £400M against our current provision for both bids. Cost capability trade-offs would be explored in Stage 3 of Assessment. The design proposal of Thales would be inherently more flexible in this context.

Soft Issues: We have also assessed the contractors on trust, teamwork, culture and their ability to manage. BAES demonstrated strong leadership and effective management at the programme level, outperforming Thales throughout Stage 2. In order to avoid any conflict of interest over the shipbuilding work, BAES managed their carrier bid from the portfolio of the Company Board member who does not have line management responsibility for their Marine business (including the ASTUTE contract). Thales showed less evidence of effective management, although its performance improved over the phase.

Stage 3 Proposals: Both contractors' proposals for Stage 3 meet our requirements. BAES displayed a better understanding of how to take the programme forward to main gate, but given that their less mature design gives them more to do in Stage 3, this is not a significant discriminator.

Supplier Past Performance: There is of course much less evidence on which to assess Thales than BAES. The latter has presented a self assessment of its performance across a wide range of naval programmes. Whilst this identifies ways of avoiding its past failures, we have yet to be fully convinced they can deliver on this.

Way Forward

It is clear that each contractor has different strengths and weaknesses. The strength of Thales lies in its design, while it has shown relative weakness in management. Conversely, BAES has demonstrated relative strength in project management and high level integration, but significant weaknesses in its design proposals. We have concluded that neither of the contractors is able on its own to deliver the carrier programme within the required performance, cost and time parameters.

Given this outcome, we are now considering alternative ways of moving the programme forward, seeking to make maximum use of the strengths of both companies. We intend to explore a solution under which both contractors would commit to working together with the Department, in an 'alliance', to deliver the ships.

The feasibility of any 'alliance' approach can only be established through discussions with both BAES and Thales. The Defence Secretary has agreed, therefore, that MOD officials should initiate such discussions, whilst holding open all other options at this stage. We shall put to both companies our suggestions for a three party project board, with the MOD project leader in the chair. The MOD, BAES and Thales would need to commit to working together to achieve a successful outcome and share responsibility for risk management.

If we ultimately decide to go down this route, we would need to have formal commitment from the other parties to the principles, and perhaps some of the detail, in advance of any announcement. **In the light of discussion with the companies and further consideration of the outputs from our assessment, Mr Hoon expects to come forward with proposals for decision early in the New Year.**

Presentation

Mr Hoon considers that, if at all possible, we should, announce the outcome of the competition by the end of January, as both companies are expecting. Any delay would be undesirable, partly because we could expect further (probably very unhelpful) speculation about the outcome. He is aware that the Anglo-French summit on 4 February could prove to be a relevant factor, but suggests that we can best consider the implications of this nearer the time. Meanwhile, all that we should say about this in public is that **we are considering the proposals of both companies on their merits and hope to announce a decision early in the New Year.**

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I am copying this letter to Jonathan Sinclair (FCO), Erica Zimmer (DTI), Lucy Makinson (HMT), Desmond Bowen and Ian Fletcher (Cabinet Office).

Yours ever,
Peter.

PETER DAVIES
Private Secretary

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S[redacted]an Claridge

From: Matthew Rycroft
Sent: 10 January 2003 15:52
To: David Manning; Stephen Wall; Roger Liddle
Subject: FW: REST: Anglo-French Summit SITREP

FCO update on defence aspects of UK/French summit planning. I'll keep in close touch with all this.

-----Original Message-----
From: Sarah.Fellous@fco.gsi.gov.uk [mailto:Sarah.Fellous@fco.gsi.gov.uk]
Sent: 10 January 2003 15:41
To: Jonathan.Sinclair@fco.gsi.gov.uk; David.Dunn2@fco.gsi.gov.uk; Claire.Lawley@fco.gsi.gov.uk; William.Ehrman@fco.gsi.gov.uk; Edward.Oakden@fco.gsi.gov.uk; Tim.Barrow@fco.gsi.gov.uk; Karen.Pierce@fco.gsi.gov.uk; Alastair.McPhail@fco.gsi.gov.uk; Angus.Lapsley@fco.gsi.gov.uk; Marcus.Winsley@fco.gsi.gov.uk; nepgead@mod.gsi.gov.uk; mrycroft@no10.x.gsi.gov.uk; Ian.Whitting@fco.gsi.gov.uk
Subject: REST: Anglo-French Summit SITREP

Alternate Body Parts containin...

anglo-french sitrep 100103.doc...

Views for Defence mtgs.

Matthew Rycroft

cc DMin, Pte Bartlett; ND: JHMS

I hope we can avoid lots of little declarations. We need one heads-of-agreement of a defence declaration which handles all the right boxes – even if that's backed up by more detailed documents. Are FCO drafting? Subject to David's view, I think they should.

[signature]

1

From: Sarah Fellous, SEC POL D
Date: 09 January 2003

cc: PS
PS/Dr MacShane
PS/Mr O'Brien
Mr Ehrman
Mr Oakden
Heads SecPol, CFSPD, EUD(B), EAD
Mr Macphail, Sudan Unit
Mr Lapsley, Paris
Mr Winsley, Washington
James Babbage, MoD
Mr Rycroft, Downing Street

Reference: //2003

Paul Johnston
Peter Ricketts

SUBJECT: ANGLO-FRENCH SUMMIT SITREP

1. A substantial programme of work is underway for the defence side of the declarations at the Anglo-French Summit on 4 February 2002. The UK and France are each contributing papers. The split was agreed at the Oakden-Araud bilateral on 19th December.

2. I include below a summary of what we will expect to appear on each item and attach (for you only) first drafts of the UK papers.

   a) Political chapeau: You will discuss the principles of this at your meeting with Laboulaye on 15 January 2002

   b) ESDP operations in the Balkans: We aim to work up joint language on 15 January. This should be based on the timetable which we are discussing with the French and - if agreed by you and Laboulaye – you could jointly feed to Solana. The main deadline is calling for the Macedonia operation to be launched at the March European Council.

c) ESDP in Sudan: UK non-paper to be considered by France. Our paper provides a start on contingencies work on an EU Monitoring Mission in Sudan. This is unlikely to make it to the summit declarations in detail although there would probably be a reference to joint action in Africa.

d) Convention: Support for the Barnier paper will be worked up over the next few days.

e) Using ESDP to offer assistance to the civilian authorities: UK is putting together some ideas on how to develop existing EU and NATO Civil Protection structures. I attach the first draft.

f) Implementing the Headline Goal: Draft UK language attached

g) Armaments and capabilities common framework, and benchmarking process: France are drafting a paper aiming at bridging the gap between our DCDA proposal and their Armaments Agency. We ought to be able to agree a set of key principles.

h) OHQ: The UK is drafting a text which will kick off further co-operation between PJHQ and its French counterparts including a joint exercise.

i) Rapid reaction: The UK is drafting a paper to develop the procedures and concepts on the Rapid Response Elements of ESDP, including language on ESDP's relationship with NATO Response Force. It will highlight the need for the enhancement of the Union's response capabilities as part of Headline Goal progress.

j) Using ESDP in the Mediterranean: France is considering our idea for starting work in the EU; they claim that the Italians and Spanish will worry.

k) Naval Co-operation; update current agreement: The UK and French navies continue to work closely together and have drawn up proposals for future areas of co-operation. This includes 26 new measures, which are greater focussed on outputs. The UK Chief of Navy Staff will be meeting his French counterpart in London on 23 January and they will sign a Letter of Intent. The Letter of Intent can then be taken forward as one of the defence issues at the Franco-British Summit on 4 February. MoD is drafting a further paper for the UK to present.

l) Aircraft carriers: France are drafting a statement on potential co-operation

3. This is a substantial agenda. It is complicated by the Franco-German Summit on 22 January 2002. Depending on its outcome we may need to amend the Anglo-French work.

4. We aim to send first drafts of at some papers to the French next week. Thereafter, we have a dense schedule of consultations. We will need to inform others during this time; e.g. Solana, the Presidency, the US, and Germany. I attach a timetable.

Sarah Fellous
European Defence Section
SecPol
Tel: 0207 008 3180
Fax: 0207 008 2929

NO. OF ATTACHMENTS:

TIMETABLE FOR ANGLO-FRENCH SUMMIT DEFENCE WORK

Activity	Timing
UK papers to be sent to the French	13 January 2002
Ricketts -Bradtke/Jones brief on broad subjects for summit - in particular Balkans	Week commencing 13 January
Ricketts-Laboulaye discussion (key subject: what output are we aiming for: a declaration, press conference papers, or just elements for use with the press?, as well as the substance)	15 January
Franco-German Summit	22 January
Perhaps send a **second tranche** of papers (those which we judge might contain substance that could be taken by the French and Germans for their summit)	23/24 January
Washington to brief US in more detail on developing papers.	27/28 January
Athens to brief Presidency in general terms.	27/28 January
UKRep/UKDel to brief Solana and Robertson	27/28 January
Simon Webb in Berlin to get read out of Franco-German summit, and brief Germans in general terms.	27/28 January
David Manning letter to MGM around 27/28 January, taking stock of the defence (and perhaps other) elements of the summit	27/28 January
final **Ricketts-Laboulaye** meeting on 29/30 January	29/30 January
Ricketts/Bradtke contact?	31 January
Anglo French summit	4 February

FAXED
23/12

10 DOWNING STREET
LONDON SW1A 2AA

23 December 2002

Dear Jonathan,

SPRING EUROPEAN COUNCIL: ECONOMIC REFORM

I enclose a letter from the Prime Minister to Romano Prodi. The letter has gone direct with copies sent to the offices of other Prime Ministers in the EU.

I should be grateful if you could arrange for copies of the letter to go to our posts in the EU and candidate countries. They will wish to make sure that it is given circulation. This is particularly important in Athens, for obvious reasons.

I am copying this letter to the Private Secretaries to members of EP Committee and to Sir Nigel Sheinwald (UKRep Brussels).

Yours ever,

Stephen

STEPHEN WALL

Jonathan Sinclair
FCO

File

10 DOWNING STREET
LONDON SW1A 2AA
020 7930 4433

23 December 2002

THE PRIME MINISTER

Dear Romano,

Thank you for your letter of 19 November on the next steps for the Lisbon strategy.

It is right for the Commission to give a strong lead on economic reform. I hope that the Greek Presidency of the European Union will see a step change in our work to modernise Europe's economies.

We have scored some notable successes since the Barcelona European Council. The excellent deal on opening up energy markets should deliver genuine competition and lower prices for businesses and consumers. The reformed anti-trust rules we have agreed are an important step towards more effective enforcement of competition across the EU. And the agreement on the single sky should deliver real benefits through more effective management of the skies.

But if we do not build on these achievements by meeting the commitments we set ourselves at previous Spring Councils, the Lisbon process will lose credibility and we will have missed a real opportunity for progress towards our strategic goal.

It is therefore disappointing that we have so far failed to agree some other important reforms. Agreeing a Community Patent is a prime example of how the EU could make a real difference to levels of innovation and growth. But we have lost sight of the aim: giving businesses the cheap, efficient and legally certain system they need. A Community Patent which is not taken up enthusiastically by business will do nothing to boost innovation, and would be actively damaging.

So I agree that we must make progress on the measures you highlight in your letter to the President of the Council:

- **We need to improve Europe's networks.** We have made two major breakthroughs, opening Europe's energy markets and agreeing the single sky. We now need to make progress on the second rail package and the proposed regulation on public service requirements to further improve efficiency and competition in EU transport.

- **We must deliver on our commitment to better regulation.** The Council, the Commission and the European Parliament must stick to the promises each have made to improve the legislative process through effective impact assessment of proposals. We hope that the Interinstitutional Agreement will be concluded quickly: it is disappointing that the deadline of the end of this year will be missed. And we look forward to further embedding the practice of impact assessment over the coming months.

- **We should agree the two outstanding tax measures**. We look forward to ECOFIN agreeing the tax package in January. We should also conclude the negotiations on the Energy Products Directive as soon as possible in the New Year. As you know, we believe unanimity remains the appropiate decision-taking procedure for tax issues.

- **We must press on with the integration of financial services and capital markets.** We have made substantial progress since Barcelona. The challenge now will be to effectively implement and enforce the new arrangements so that they deliver better access to capital and greater choice for consumers. And we must take a responsible, measured approach to improving standards of corporate governance.

- **We should redouble our efforts to meet our targets for transposition of Community law.** We must ensure that the laws we adopt are framed in line with better regulation principles, and make certain that they produce the right outcomes on the ground. We also look forward to progress on the Commission's simplification programme.

We look forward to continuing to work with you and Council colleagues to deliver the full range of reforms we committed ourselves to at Barcelona. And we underline that it is just as important to ensure that they are the right reforms, delivering real benefits to Europe's economy in terms of innovation, jobs and growth. By benchmarking the EU against the best in the world, we

can both identify where we need to improve our performance and assess the effectiveness of our reforms.

Above all, we must redouble our efforts to raise employment. Five million jobs have been created since Lisbon. But the EU's member states are still not doing enough to tackle the fundamental barriers to job creation. If we duck this challenge we will not meet the employment targets we set at Lisbon and Stockholm.

The reform of the Employment Strategy is an important step forward. But we need to do more to make a difference quickly on the ground, and show that we are serious about tackling unemployment. So I believe that we should seriously consider using the Spring Council to appoint a small taskforce of leading experts, headed by a respected figure, with a mandate to make recommendations on the most urgent reforms that individual member states could use to boost job creation.

A taskforce on these lines might build on the new Employment Guidelines to be agreed by next June and produce a final report for the end of the year. Heads of Government could then take this forward at the 2004 Spring Council.

Many of the decisions we have to take are not easy. But the benefits of doing so are clear. The continued success of the Lisbon agenda depends on our ability to turn our commitments into real reforms that deliver jobs and prosperity for all our citizens.

I am copying this letter to European Council colleagues and to the President of the European Parliament.

Best wishes,

yours ever,

Tony

His Excellency Professor Romano Prodi

Copy to DTO INBOX

file
cc FCO
HMA

SUBJECT MASTER
Filed:
EUROPEAN COUNCILS Pt (9)

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

17 December 2002

Dear Anders,

I am writing to thank you for organising, hosting and chairing such a successful European Council in Copenhagen. You did a truly magnificent job.

The achievements of the Danish Presidency, crowned by the Copenhagen European Council, have been considerable. You can feel immense pride in the way in which accession negotiations with the ten were concluded, in addition to the progress on the candidatures of Romania, Bulgaria and Turkey, and the resolution of Berlin Plus on European Defence.

As your Presidency draws to a close, I congratulate you on the remarkable achievement of reuniting and redefining Europe.

With my very best wishes for Christmas and the New Year,

You did brilliantly!

Yours ever,

Tony

His Excellency Mr Anders Fogh Rasmussen

SM

EUROPEAN POLICY: EUROPEAN COUNCILS: PTS: Annex 1

Presidency Conclusions: Brussels Euro Council: 20/21 Mar 2003

niceday by Guilbert

NAPM APPROVED RECYCLED

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No.181126 Blue
No.181164 Green
No.181203 Yellow
No.181242 Pink
No.181089 Buff
No.181127 Orange
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PRESIDENCY CONCLUSIONS

BRUSSELS EUROPEAN COUNCIL

20 AND 21 MARCH 2003

1. The European Council met in Brussels on 20 and 21 March for its third annual Spring meeting on the economic, social and environmental situation in the Union. The meeting was preceded by an exchange of views with the President of the European Parliament, Mr Pat Cox, on the main topics for discussion.

2. Heads of State or Government, Foreign and Finance Ministers also came together with their counterparts from the thirteen acceding and candidate countries to discuss the Lisbon Strategy and its implementation as well as international issues.

3. At its annual Spring meetings, the European Council assumes the central role in setting the direction for the Union's economic, social and environmental action in order to meet the objectives of the Lisbon strategy *to* make the European economy *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.*

4. At the end of its deliberations, the European Council signals its agreement on the following:

   – on the priority objectives for the European Union concerning the Lisbon reform programme (see Part I below);

   – on a number of orientations and specific measures in order to achieve these objectives (see Part II below).

5. Furthermore, it adopted conclusions on enlargement and on a number of international issues. Those conclusions are reproduced after Part II below.

PART I

GROWTH, JOBS AND PROSPERITY IN *OUR EUROPE*

6. The European Union is currently facing, as are other parts of the world, a slowdown in growth and job creation. Economic uncertainties and global political risks weigh heavily on the short-term outlook and have delayed a recovery. This makes it all the more essential to increase the capacity of our economies to grow, through sound macroeconomic policies and purposeful structural reforms.

7. At Lisbon three years ago the European Union set itself the strategic goal of building 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. To deliver this, we committed ourselves to an ambitious, comprehensive and mutually reinforcing ten-year programme of reforms in labour, capital and product markets.

8. Considerable progress has been made with the Lisbon agenda, now entering its fourth year. Significant results have been obtained as regards, for example, opening up energy markets, creating a single sky, modernising competition policy, putting into place an integrated Europe-wide financial market, and agreeing on a Community patent. Five million new jobs have been created since the start of the Lisbon strategy – 500.000 of them in 2002 despite the less favourable economic climate, with unemployment declining by 2 million people.

9. Nonetheless, there is still a lot to do. It is time, in particular, for the Union and the Member States to fulfil their commitments regarding economic reforms by translating words into action. We reaffirm our strong personal commitment to the timely and effective delivery of reforms across the three pillars of the Lisbon strategy – economic, social, and environmental.

10. The promotion of sustainable growth and the creation of more and better jobs must remain firmly at the top of the Union's agenda. This can be done by pursuing growth and stability-oriented macroeconomic policies, pressing ahead with economic reforms, taking decisive action to increase employment and modernise the European social model, and implementing the sustainable development strategy adopted at Göteborg. At the same time, and despite recent progress, this reform agenda must now also address more effectively the challenges from ageing populations if it is to secure the long-term sustainability of public finances.

11. Enlargement increases the potential for economic growth and for achieving the Lisbon goals. The future Member States have been covered for the first time in the Commission's Spring Report. They are adopting reform measures and are starting to take part in the open method of coordination. The Lisbon Strategy offers common solutions to common problems and is an essential tool to be used to support the process of enlargement and share best practice and experience across the Union.

12. To push ahead with reform, the European Council identifies the following priorities:

- **Raising employment and social cohesion**. There has been real progress on employment but reaching the 70% employment rate Lisbon target by 2010 will require far-reaching structural reform aimed at full employment, higher productivity and quality in work. EU labour markets must become more inclusive, with employment opportunities extended to all, at the same time as they become more adaptable to economic conditions. Member States will need to undertake substantial tax-benefit reforms, increase incentives for entering employment and labour market participation, and reduce gender specific differences on the labour market. Life-long learning should be promoted, and closer cooperation in enhancing transparency about skills standards across Europe encouraged.

– **Giving priority to innovation and entrepreneurship**. Europe has a vast innovation potential – but it needs to do more to turn ideas into real value-added. Boosting the interaction between industry and research institutions is at the heart of realising our entrepreneurial potential. The industrial sector is a vital source of growth and employment and will continue to play an important role in the knowledge-based economy. The right conditions for R&D need to be developed – in particular by businesses – so the EU can move towards its R&D investment target of approaching 3% of GDP. Measures must be taken to facilitate market entry and exit for businesses of all sizes, improve access to finance and know-how, improve regulation and reduce administrative burdens. Action is also needed to encourage the spirit of enterprise among young people.

– **Connecting Europe – strengthening the internal market**. A dynamic and well-functioning internal market is essential for productivity and growth, and even more so in an enlarged Union. It is important to push ahead to open up and integrate European markets further while improving the regulatory framework and ensuring a high standard of consumer protection. Reform of competition instruments – for anti-trust, mergers and cartels – must be completed and markets which are not working effectively investigated and addressed. The integration and greater connectivity in network industries such as energy, transport and telecoms must be pursued, while completing and extending networks, especially in view of enlargement. The potential of the internal market for services must be fully tapped and the implementation of the Financial Services Action Plan accelerated.

– **Environmental protection for growth and jobs**. To achieve the Lisbon goals requires every Member State to perform to its full economic potential; but this must also go hand in hand with improvements in our environment and quality of life. Thus, pressing ahead with action in the environmental field remains as important as ever. This is an important factor for innovation and the introduction of new technologies, which lead to growth and employment. Environmental targets will work as a catalyst for innovation and modernisation in key sectors such as energy and transport and promote new investments in clean and more resource-efficient technologies.

13. To take these priorities forward the European Council has:

- set the direction for the Broad Economic Policy Guidelines and the revised European Employment Strategy to be adopted in June;

- invited the Commission to establish a European Employment Task Force to help identify practical reforms that can have the most direct and immediate impact on the implementation by Member States of the revised Employment Strategy;

- identified key labour market reforms to be pursued at national level;

- launched action to strengthen the Union's support for knowledge, innovation, and entrepreneurship in order to place competitiveness centre stage;

- set deadlines for final agreement on remaining Lisbon reforms in key areas ahead of next year's Spring European Council: railways, energy markets, a Single European Sky, financial markets (including take-over bids), procurement markets, the information society, temporary agency work, cross-border social security rules, energy taxation, liability for environmental damage and climate change;

- provided a comprehensive response on maritime safety in the aftermath of the Prestige disaster;

- renewed its commitment to stronger cohesion across the Union and the Union's leadership in promoting sustainable development around the world.

14. The detailed actions to bring this about over the next twelve months are now set out.

PART II

MEETING OUR OBJECTIVES: DECISIONS AND ACTIONS FOR THE NEXT TWELVE MONTHS

A. Economic context and policy tools

15. The economic slowdown has lasted longer than anticipated and the outlook is clouded by economic uncertainties and global political risks. In the current environment, sound macroeconomic policies must be pursued in order to restore confidence and economic growth.

16. Against this background, the European Council:

- endorses the Key Issues Paper adopted by the Council (Ecofin), which together with these conclusions will be the basis of the forthcoming Broad Economic Policy Guidelines. The BEPGs should be concise, focus on key economic policy issues and priorities for three years and contain, where appropriate, specific deadlines for implementing recommendations on reform;

- confirms the need to strengthen the coordination of budgetary policies with a view to improve the growth potential of the European economies and to prepare better for medium-term challenges. Accordingly, it fully endorses the report on this subject adopted by the Council (Ecofin) while inviting the Council and Member States to implement its conclusions.

17. 2003 provides a particular opportunity to use streamlined key policy coordination instruments – the Broad Economic Policy Guidelines, the Employment Guidelines and the Internal Market Strategy – and give them a new three-year perspective. This should deliver a more comprehensive, efficient and coherent approach to reforms, which the sound macroeconomic framework is intended to underpin. In this framework, and where appropriate, recommendations on economic reforms should be accompanied by specific deadlines.

18. At the same time, and in order to enhance the quality, in particular the comparability over time, countries and regions, of statistical and analytical tools, so as to provide better analytical foundations for the design and monitoring of policies, the European Council notes the Commission's intention, in close cooperation with the European Statistical System, to report in time for the 2004 Spring European Council on how the use of structural indicators and other analytical tools for assessing progress on Lisbon strategy could be strengthened.

19. Given the central role that the Commission's annual Spring Report has in reviewing progress on the Lisbon agenda, the European Council invites the Commission in preparing its report for 2004, to analyse the measurable differences which Lisbon's integrated approach has brought about, and assess how Member States have achieved this success and improved their position, including showing how the Lisbon objectives are being achieved through regulatory reform.

B. Economic reforms to raise Europe's growth potential

20. The EU must accelerate economic reforms in order to realise its vision of a knowledge-based economy and boost long-term growth potential. Competitiveness must once again be placed centre stage. That means creating an environment in which enterprise and entrepreneurs can flourish, ensuring that the internal market is completed and extended, and boosting investment in knowledge as the best guarantee of innovation and a skills-based workforce.

21. In this context the new Competitiveness Council must actively assume its horizontal role of enhancing competitiveness and growth in the framework of an integrated strategy for competitiveness to be developed by the Commission, reviewing on a regular basis both horizontal and sectoral issues. Its work will complement the work done by the Economic and Financial Affairs Council to ensure delivery of economic reform.

Fostering enterprise and entrepreneurship

22. Dynamic and competitive industry and services are needed to sustain growth and prosperity in an enlarged Europe. Further efforts at the EU and national levels are needed to improve the overall business environment for all sectors, including tourism, reduce the administrative and regulatory burden on business and in particular encourage small firms to start-up and grow. It is also essential to promote the culture of entrepreneurship by motivating individuals and encouraging society to value entrepreneurial success. Finally, attention must be paid to re-establishing public trust in business by encouraging responsible corporate governance.

23. Against this background, the European Council:

- urges Member States to participate actively in the consultation process following the presentation of the Commission's Green Paper on "Entrepreneurship in Europe" and invites the Commission to propose as a follow-up a European entrepreneurship Action Plan before the 2004 Spring European Council, with special attention paid to making business start-ups easier and quicker, facilitating access to low-cost finance, in particular venture capital, and micro-credits, and improving bankruptcy legislation;

- invites Member States to develop initiatives to foster entrepreneurship more actively through the education system and to promote the value of entrepreneurship in society at large, including by setting up EU-wide entrepreneurship awards in collaboration with employers organisations;

- encourages Member States to speed up the implementation of the European Charter for Small Enterprises in an innovative way in order to ensure a more effective involvement and consultation of small businesses in the policy-making process; lend it greater focus, making full use of possibilities offered by appropriate national targets and peer review, for example in speeding up the process to set up and register a new business.

In order to reduce administrative burdens, improve regulation and the business environment, the European Council:

- calls for rapid implementation of the Action Plan "Simplifying and improving the regulatory environment" and conclusion before its June meeting of the Interinstitutional Agreement on better regulation; for rapid follow-up to the Commission's proposals on updating and simplifying the Community *acquis*; and for Member States to improve further the performance and efficiency of public administrations;

- welcomes the Commission's intention to ensure that as a rule all major proposed EU legislation will be preceded by a systematic consultation of interested parties and be accompanied by a comprehensive impact assessment taking into account the three pillars of the Lisbon Strategy; the Competitiveness Council should be effectively consulted within the Council's decision-making processes, on proposals considered likely to have substantial effects on competitiveness, alongside the responsibility of all Council formations to assess the impact of their work field;

- notes that in boosting European competitiveness, a new approach to industrial policy will be important, on the lines of Communication by the Commission, that is horizontal in nature, addressing general framework conditions, but also taking into account characteristics of individual sectors, while respecting competition rules;

- calls for the adoption, by the end of 2003, of an Action Plan on better company law and corporate governance, prepared by the Commission drawing on the report of the High Level Group (Winter Group).

nnecting Europe – completing and extending the internal market on the eve of enlargement

25. The EU is today increasingly interdependent and connected, and we must ensure that bottlenecks and barriers to such integration are removed. Giving a strong new push to complete and improve the performance of the internal market will be a major factor in boosting competitiveness across the Union, bringing economic benefits to both producers and consumers. Without it substantial gains in growth and jobs will be lost.

Horizontal

26. Against this background and taking the forthcoming Internal Market Strategy as the basis for future action, the European Council:

- calls for effective application by Member States of legislation already agreed at the EU level. As a first step, Member States must make a renewed effort by July 2003 to meet the Stockholm and Barcelona targets for transposing Internal Market legislation; sectoral Councils must report in the run up to the Spring European Council 2004 on progress made in transposing the measures they have adopted;

- calls for a further reduction in state aids and the redirection of aid to horizontal objectives and welcomes the Commission's intention to continue working to simplify and modernise state aid arrangements, focusing attention on the most distorting aid;

- regarding services of general interest, it invites the Council (Competitiveness) to take the necessary procedural decisions for future work in order to safeguard their supply and funding, while ensuring that the provision of public services is compatible with EU State aid and competition rules and that the application of this aid and these rules do not endanger the provision of public services and equally that Member States' financing arrangements do not distort the market for tradeable services; it confirms the conclusions of the European Council in its Barcelona meeting on this issue and invites the Council to examine the forthcoming Commission Green Paper following the request of the Barcelona European Council regarding a proposal for a framework Directive;

- invites the Commission to complete work on its Services Strategy and notes its intention to bring forward before the end of 2003 proposals for a range of measures designed to remove obstacles to the cross-border provision of services, taking into account the requirements of consumer protection; Member States should nevertheless already step up their own efforts to dismantle existing barriers;

- notes that a proactive competition policy is essential for the efficient working of the internal market. This should be taken forward by the final adoption of the proposed reform of the mergers regime before the 2004 Spring European Council; the new take-over bids directive should be adopted as soon as possible; the public procurement package should be adopted by July 2003;

- calls for a consumer policy which puts empowered consumers at the heart of a competitive internal market, giving appropriate follow up to the Green Paper on consumer protection, and progressing towards an effective single credit market through the Consumer Credit Directive;

- calls for the final adoption of the tax package and continued efforts to tackle unfair tax competition and remove barriers to the internal market created through the fiscal system.

Sectoral

27. Finalising the reforms already agreed by the European Council will create new opportunities for jobs, investment and better quality of services.

28. For energy, the European Council:

- calls for the rapid final adoption and effective implementation of the Electricity and Gas Internal Market Directives and Regulation in compliance with Barcelona conclusions;

- urges the Council to agree pending financing rules and develop measures to reinforce energy infrastructures and energy networks in conformity with the Barcelona conclusions;

- underlines the importance of reaching rapidly an agreement on proposals reinforcing cooperation in managing EU gas and oil stocks;

- invites Member States to set appropriate framework conditions to encourage private investment in energy infrastructure;

- notes the intention of the Commission to present a report on the effects of emission trading instruments on other instruments in the energy sector.

29. For transport, the European Council:

- calls on the Council (Transport) to rapidly reach a final agreement on the second railway package, as well as to adopt rapidly the Single European Sky and Port Services;

- urges the Council to accelerate its work so as to give a mandate to the Commission to negotiate an open skies agreement with the US;

- calls for a full and speedy implementation of the Barcelona conclusions regarding Galileo, taking further steps to consolidate the work already undertaken to set up the joint undertaking in order to take the project forward through the selection of the concession holder and secure the necessary frequency assignments; and for a solution to be urgently reached on the division of budget contributions within the European Space Agency.

30. For trans-European networks, the European Council:

- invites the Council, in the light of the conclusions of the Barcelona European Council and following the report of the Van Miert High Level Group, to spell out conditions and directions needed in terms of "connectivity", especially in view of enlargement, so as to make better use of and improve existing infrastructure while completing (in the next programming period) its missing links, while reducing bottlenecks in regions such as the Alps, the Pyrenees, the Massif Central and the Baltic Sea, especially related to cross-border natural barriers, encouraging investment in basic infrastructures through available EU financing instruments and joint public-private initiatives;

- invites the Commission, the EIB and other international financial institutions to examine possible initiatives in support of major infrastructure projects in transport, energy and telecommunications in South-Eastern Europe and in particular in the western Balkan countries, in cooperation with all countries concerned.

31. For financial services, the European Council:

- invites the Council to rapidly complete the Financial Services Action Plan. This will require proper and effective implementation of existing Directives and the adoption by end 2003 of the pensions and prospectuses directives and by April 2004 on the investment services and the transparency directives;

- invites the Council and the Commission to work towards reducing barriers to the creation of a genuine European risk capital market, capable of supporting entrepreneurship, and examine *inter alia* obstacles for investments by institutional investors (pension funds) in venture capital markets.

Building the knowledge-based economy

32. Medium-term growth performance in Europe depends on tapping new sources of growth. Efficient and increasing public and private investment in all areas of the knowledge chain is a key factor in creating the skilled labour force and the innovation needed to underpin competitiveness. The momentum behind the European Area of Research and Innovation and the information society should be maintained.

33. Against this background, the European Council urges Member States to take concrete action, on the basis of the Commission's forthcoming R&D Action Plan, to promote increased business investment in R&D and innovation, moving towards the Barcelona objective of approaching 3% of GDP.

34. The European Council calls for the European Research and Innovation Area to be strengthened to the benefit of all in the enlarged EU by:

- the application of the open method of coordination in support of research and innovation policy in areas such as action pursuing the 3% of GDP target for R&D investment or developing human resources in science and technology, and the setting up a mechanism for taking stock of the progress achieved and assessing its efficiency;

- creating European technology platforms bringing together technological know-how, industry, regulators and financial institutions to develop a strategic agenda for leading technologies, in areas such as plant genomics or the transition to hydrogen as a fuel;

- fully utilising the potential of the 6th Framework Programme and of national programmes in support of the European Research and Innovation Area, with particular attention for the cooperation with European intergovernmental research organisations and activities to enhance participation of SME's in research and innovation;

- noting the Space Green Paper, with a view to moving towards a true European space policy, and adopting a framework for a joint EC/ESA space strategy by the end of 2003;

- Member States and the Commission pursuing actively the agreed roadmap on biotechnology and rapidly finalising and implementing the necessary legislation;

- strengthening the links between research and business, fostering exploitation of RTD results, and encouraging the creation of spin-off companies and mobility of researchers, calling upon business to set up a high-level forum to promote such links;

- promoting a better understanding of science in society.

35. The European Council recognises the role that defence and security related R&D could play in promoting leading edge technologies and thereby stimulate innovation and competitiveness; welcomes the Commission's Communication "Towards an EU Defence Equipment Policy"; invites the Council to analyse the role of defence R&D procurement in the context of the overall R&D activities in the Union, including the possible creation by the Council of an inter-governmental defence capabilities development and acquisition agency.

36. The European Council recognises the importance of innovation in developing new products, services and ways of doing business; calls upon Member States and the Commission to take further action in order to create the conditions in which business innovates, in particular, by bringing together research, financial and business expertise; and urges that a framework of common objectives for strengthening innovation in the EU should be set up, including an assessment mechanism for taking stock of the progress achieved.

37. The European Council calls upon the Commission and Member States to improve exploitation of intellectual property rights by taking forward measures against counterfeiting and piracy, which discourages the development of a market for digital goods and services; to protect patents on computer-implemented inventions. It expresses its satisfaction at the common political approach on the Community patent reached in Council earlier this month and calls on the Council to rapidly finalise work thereon.

38. Electronic communications are a powerful engine for growth, competitiveness and jobs in the European Union and action must be taken now to consolidate this strength and to contribute to the achievement of the Lisbon goals. We need to boost the momentum behind the information society, focusing in particular on the networks and services a knowledge economy needs. In line with the Commission's recent assessment of the situation in the telecommunications sector and the Union's eEurope 2005 Action Plan, this requires:

- the timely, effective and coherent implementation of the new regulatory framework for electronic communications by July 2003;

- promoting e-Inclusion and the removal of technical, legal and other barriers to effective participation of people with disabilities in the knowledge based economy and society; exchanging experience and best practice in the development of broadband networks and services in the fields of eGovernment, eHealth, eLearning and eBusiness;

- adoption of the directive on the re-use of public sector documents and the creation of a European network and information security agency by end 2003;

- considering, where appropriate, new issues coming up with development of 3G mobile communications, such as cooperation in the development of 3G applications and services and the need to provide transparency in roll-out obligations and to seek out possibilities for coherent approaches, inter alia deployment deadlines and spectrum reallocation; in this respect the European Council notes the Commission's intention to clarify issues related to network infrastructure sharing;

- accelerated broadband deployment; in this respect the European Council calls on Member States to put in place national broadband / high speed Internet strategies by end 2003 and aim for a substantial increase in high speed internet connections by 2005;

- guidelines on criteria and modalities of implementation of Structural funds respecting the existing Structural Funds Regulations in support of the electronic communications sector, especially for broadband, in particular in rural or remote areas of geographical isolation and low population density; in this respect the European Council invites the Commission to provide such guidelines by mid-2003;

- enhancing, where appropriate, national research initiatives, as well as of coordinated joint national efforts, for example of Eureka-type, in order to stimulate and support private R&D in electronic communications technologies;

- the Commission to report on developments in the telecommunications sector in time for the 2004 Spring European Council.

39. The European Council welcomes the European Investment Bank's new Innovation 2010 Initiative – with an indicative lending envelope of 20 billion euros for 2003-2006 – that supports the Lisbon and Barcelona objectives by extending loan finance for innovation, R&D and education, as well as for the creation and dissemination of information and communications technologies.

40. Investing in human capital is a prerequisite for the promotion of European competitiveness, for achieving high rates in growth and employment and moving to a knowledge-based economy. In this respect, the European Council calls for:

- implementation of the 10-year programme on the objectives for education systems, thus demonstrating the contribution of education and training to economic growth, *inter alia* by using benchmarks to identify best practice and to ensure efficient and effective investment in human resources;

- continuing work in the areas of both vocational education and training, and in higher education, as well as by helping to boost mobility and opportunity within the Union by fostering greater transparency, recognition and quality assurance of qualifications;

- an emphasis on basic skills, languages, developing digital literacy and life-long learning, in education and training systems; and the adoption by June 2003 of e-Learning and Erasmus-World Programmes;

- the Council (Education), considering the broader role of education and its cultural aspects, to investigate ways of promoting this role in a European perspective fully respecting subsidiarity, and to report to the 2005 Spring European Council.

C. Modernising the European social model

More and better jobs for all

41. Improving the employment situation is central to the Lisbon Strategy. More and better jobs contribute both to economic growth and to reduce the risk of exclusion. The new three-year perspective of the Employment guidelines, which are to be endorsed at the June European Council, should provide a basis for a simplified and more effective Employment Strategy. In addition, there is an urgent need to step up the momentum of reform of national labour markets by identifying measures which can rapidly have a positive effect on employment levels and growth.

42. Against this background, the European Council:

- endorses the Council's (Employment) key messages on the future of the European Employment Strategy including the overarching objectives set out in them: full employment by increasing employment rates; quality and productivity at work; cohesion and an inclusive labour market which are interrelated and mutually supportive;

- confirms that the Employment Strategy has the leading role in the implementation of the employment and labour market objectives of the Lisbon strategy and acknowledge that it has clearly contributed to the progress made in the last few years;

- demands that the new three-year perspective of Employment Guidelines should provide a stable basis for a simplified and more effective Strategy, and that they and the Broad Economic Policy Guidelines should operate in a consistent way; guidelines should be limited in number, results-oriented and allow Member States to design the appropriate mix of action, taking into account national traditions and practices. They should be supported by appropriate targets;

- demands that the Employment Guidelines should address: active and preventive measures for the unemployed and inactive; making work pay; increasing labour supply and participation; entrepreneurship, change and adaptability; the development of human capital and life-long learning; gender equality; integration and discrimination in the labour market; and regional employment disparities; while taking into account that transforming undeclared work into regular employment is also a key issue of the Employment Strategy which should be addressed in parallel with the effect of immigration on labour markets.

43. It urges Member States to maintain the momentum of reform of national labour markets by focusing on:

- reforms in tax and benefit systems and their interaction, so that they promote participation in the labour force and tackle poverty and unemployment traps, and increase labour demand and participation, in particular of those with low earning prospects;

- improving wage formation systems, so that they take into account the relationship between wages, price stability, productivity, training levels and labour market conditions, and modernising employment legislation taking account of the need for both flexibility and security, *inter alia*, by relaxing overly restrictive elements that affect labour market dynamics, while respecting roles of social partners in accordance with national practice;

- improving the effectiveness of active labour market programmes, by better follow-up and monitoring; improving labour mobility, over occupations, sectors, regions and across borders, for example by improving transparency and recognition between systems of vocational education;

- increasing labour supply particularly amongst older people, women, immigrants and young people; encouraging active ageing, by discouraging early retirement incentives; and reducing barriers and disincentives for female labour force participation, including through better child care facilities.

44. The European Council invites the Commission to establish a European Employment Taskforce, headed by Mr Wim Kok, to carry out an independent in-depth examination of key employment-related policy challenges and to identify practical reform measures that can have the most direct and immediate impact on the ability of Member States to implement the revised European Employment Strategy and to achieve its objectives and its targets. The taskforce should be set up without prejudice to the provisions of the Treaty on employment; it should be composed of a limited number of highly qualified experts, able to reflect views of all social partners. It should report to the Commission in time for the Joint Commission/Council Employment Report to be submitted to the 2004 Spring European Council. Its report should be made public.

45. The European Council also welcomes the Commission's intention to present a Communication on the interaction between immigration, integration of legal migrants in the EU societies, and employment. A fresh approach is needed on immigration in the context of skills shortages and demographic change and projections in the EU. The smooth integration of existing and new legal immigrants could play a key role in this approach. The European Council will return to this question at its meeting in Thessaloniki in June 2003.

46. The European Council welcomes the establishment of a Tripartite Social Summit for Growth and Employment. The first Summit, which preceded this European Council, highlighted the important contribution that social partners can make to the European Employment Strategy and the Lisbon objectives through their recently agreed joint multi-annual work programme.

47. The European Council also:

- welcomes the strengthening of the implementation, coordination and follow-up of gender equality and gender mainstreaming in the European Union; in order to monitor progress invites the Commission to prepare, in collaboration with the Member States, an annual report to the European Spring Council on developments towards gender equality and orientations for gender mainstreaming of policy areas;

- urges that momentum behind the Skills and Mobility Action Plan be maintained, inter alia by reaching a political agreement by the end of 2003 on the Directive on the mutual recognition of qualifications and by taking the necessary decisions to ensure that a European Health Insurance Card could start to be used from Summer 2004;

- urges a review of ongoing efforts to improve the quality of work and welcomes the Commission's intention to prepare a report on quality at work by end 2003. The European Council urges agreement by December 2003 on temporary agency work.

Solidarity and social cohesion

48. The Union is committed to promoting a high level of social cohesion based on the principles of solidarity and social inclusion. In order to guarantee their adequacy and long-term sustainability, in particular when populations are ageing, the efforts already undertaken by Member States to modernise their social protection systems must be intensified. Strong mutually reinforcing interaction between employment and social protection policies is needed. Combating social exclusion requires, in addition to employment policy, the mainstreaming of this objective into all relevant strands of policy, recognising that this is first and foremost the responsibility of Member States and their regional and local authorities.

49. Against this background, the European Council:

- welcomes the joint Council/Commission report on adequate and sustainable pensions and its focus on the need for financial sustainability to ensure adequate pension provision in an era of ageing populations and call on Member States to ensure the implementation of further reforms of pensions systems, including increasing employment of older people;

- calls for continued application of the open method of coordination in the field of pensions and a review of the progress achieved in 2006, including for the new Member States, continuing the practice of cooperation between the Social Protection Committee and the Economic Policy Committee. There is a clear need to continue to develop indicators covering the adequacy, financial sustainability and modernisation of pension systems;

- invites the Council and the Commission to maintain the momentum for cooperation by delivering special studies focusing on common challenges for pension systems;

- welcomes the joint Council/Commission report on health care and long-term care for elderly and the intensification of the cooperative exchange on this topic on the basis of further proposals which the Commission should present by autumn 2003;

- invites the Council to strive for further improvement and simplification of the Community provisions, with regard to the problems arising in the field of social security from cross-border movement of European citizens by accelerating the process for the modernisation of Regulation 1408/71 in line with the timetable established at the Barcelona European Council.

50. The European Council invites the Commission to report in time for the 2004 Spring Council on the improvement in the overall framework for social protection policies through a greater emphasis on the effectiveness of incentives (e.g. benefit systems, reconciliation of family and work life, measures for older people) and the identification of best practice.

51. It also invites the Commission to report on the advisability of simplifying and streamlining the various strands of work on social protection into a coherent framework within the open method of coordination. This should clarify how these objectives can be achieved by 2006, while fully respecting subsidiarity and national competencies in relation to the organisation and financing of social protection.

52. The European Council invites Member States, in their new National Action Plans to be presented by July 2003, to set appropriate national targets for significantly reducing the number of people at risk of poverty and social exclusion by 2010. It looks forward to the second round of Social Inclusion National Action Plans and the Joint Inclusion Report ahead of the Spring European Council 2004 and highlights the importance of sharing best practice in the social inclusion field and of targeting help on under-represented and disadvantaged groups, including migrants and encouraging social responsibility. Special efforts should be made during the European Year of people with disabilities to ensure their better integration into society and the labour market.

D. Ensuring delivery on the environmental dimension of sustainable development

Reversing unsustainable trends

53. Economic and social development will not be sustainable in the long run without taking action to curb environmental pressures and preserve natural resources within the framework of the comprehensive sustainable development strategy launched at Göteborg. This must include action aimed at decoupling environmental degradation and resource use from economic growth. Despite some progress, the worrying trends observed when the Strategy was launched have not been reversed, and a new impetus must therefore be given.

54. Against this background, the European Council:

- invites Member States to accelerate progress towards meeting the Kyoto Protocol targets, including the reduction of greenhouse gas emissions, the increase in the share of renewable energy, setting an EU-wide indicative target for renewable energy of 12% of primary energy needs and of 22% of electricity needs by 2010 and encouraging national targets; increased energy efficiency, inviting the Environment Council to examine setting indicative targets in a cost-efficient manner and with minimum distortionary effects; and achieving a final agreement on the emissions trading Directive;

- urges the Council to adopt, before the Thessaloniki European Council, the "Intelligent Energy for Europe" programme and welcomes the agreement recently achieved on the Directive on the promotion of bio-fuels for transport, endorsing the setting of national indicative targets consistent with the reference value of 5,75% for the use of bio-fuels by 2010 for transport purposes. It welcomes the Commission's intention to present proposals, in the light of its forthcoming Communication, developing a Community framework for pricing of transport infrastructure and a proposal for euro vignette by June 2003;

- welcomes, subject to the opinion of the European Parliament, the agreement of Finance Ministers on energy taxation on the basis of the Presidency compromise as amended in the Ecofin Council meeting on 19 March;

- urges the Council (Ecofin) to encourage the reform of subsidies that have considerable negative effects on the environment and that are incompatible with sustainable development;

- urges the Council to accelerate work towards a more responsible management of natural resources, including action to meet the 2010 targets for biodiversity and 2015 for fish stocks. It also calls for urgent development and implementation of the new European chemicals legislation, as agreed in Göteborg.

55. Technology also plays an important role in achieving Lisbon's sustainability goals. The European Council notes the Commission's intention to finalise, by the end of 2003, the Action Plan on environmental technologies in order to remove barriers to the development and use of clean technologies. It notes the role of such technologies to deliver twin environmental and competitiveness goals and calls for:

- emphasis to be given to the development of new vehicle fuels and technologies, as the principal means of moving towards a sustainable transport system, in partnership with industry, with the EU contributing fully to the development of international standards for new vehicle fuels and technologies and associated infrastructure, to ensure that our industry can compete effectively in this growing marketplace;

- the EU to examine its research and development approach to ensure that environmental innovations and new cutting edge innovations such as fuel cells are treated as a priority and that all synergies are fully exploited;

- the Commission to report on improving the effectiveness of the EIHP, LIFE and 6th framework programmes in developing new environmental technologies including the development of new vehicle fuels and technologies, and taking them to the market.

Maritime safety

56. In the wake of the Prestige accident the European Council renews its expression of solidarity with the countries, regions and people touched. Following the measures announced at the Council in December, the European Council calls for:

- rapid implementation of measures adopted by Council and Parliament after the ERIKA accident (reinforcing controls in ports, better oversight of classification societies, designation of ports of refuge, installation of vessel traffic monitoring and information systems in EU waters);

- rapid examination and implementation by the Council, the Commission and Member States of the measures related to the Prestige catastrophe on the basis of the Commission's communication;

- the Council (Transport) to reach agreement on 27 March on the proposal by the Commission restricting the carriage of heavy fuel-oil in single-hulled tankers and accelerating the timetable for the withdrawal of such tankers as well as for coordinated efforts by all Member States and the Commission for the establishment of a similar scheme as soon as possible at a worldwide level through an amendment of the MARPOL Convention;

- support of the ongoing work at the IMO to develop a flag state code and a compulsory model audit scheme ensuring that flag states carry out their duties under the international conventions;

- adoption before the end of 2003, based on the Commission's recent proposal, of a system of sanctions, including criminal sanctions for pollution offences on the appropriate legal basis;

- the Commission to study all possible measures of ensuring efficient mobilisation of the necessary anti-pollution equipment (including clean-up vessels) to assist a Member State faced with a pollution problem;

- increasing liability of maritime transport operators through the amendment of the relevant provisions of the Convention on Civil Liability;

- in terms of compensation for the victims of pollution, including environmental damage, Member States to pursue within the forthcoming diplomatic conference at the IMO in May an increase in the current ceiling on compensation to 1 billion Euros; failing a positive outcome within the IMO to work on the existing proposal for a Regulation establishing a special European fund endowed with 1 billion euros with a view to the creation of the fund before the end of the year and drawing as much as possible on private funding;

- exploring possibilities within the framework of the UN Convention on the law of the sea to afford better protection for coastal states; improve coordination between the Union and the IMO as well as with the neighbouring countries, including Russia, to find ways and means of adequate protection in conformity with international law, in particular through the establishment of specially sensitive areas; cooperation with neighbouring states to ensure safety of oil transports in harsh ice conditions should also be enhanced.

Policies and instruments for ensuring delivery

57. In order to deliver the full set of reforms proposed in Göteborg, it is crucial that the EU institutions and the Member States take action to enhance the effectiveness and coherence of existing processes, strategies and instruments. This can be helped by strengthening the Cardiff process on integrating environmental considerations into sectoral policies and developing of overall and sector-specific decoupling objectives; as well as by improving environment-related structural indicators and monitoring progress and identifying best practices.

58. The European Council notes the Commission's intention to:

- carry out an annual stocktaking of the Cardiff process of environmental integration and a regular environment policy review and to report in time for the outcomes of these exercises to be taken into account in the preparation of its future Spring reports, starting in 2004;

- under the general coordination of the Council (GA/ER) to update and review, in time for each annual Spring European Council, starting in 2004, the existing "Road-map on the follow-up to the Göteborg conclusions"; the Council should use it as a practical and dynamic implementation instrument giving a clear overview on goals, targets and respective responsibilities.

59. The legal framework supporting Lisbon's environmental objectives must be developed further. The European Council urges that final agreement be reached if possible by April 2004 on the Directive on environmental liability as a concrete means of implementing the Polluter-Pays principle; it calls on Member States to promptly ratify and implement the Aarhus Convention, and on the Council to adopt by mid-2004 proposals for a Directive on access to justice and for a legislative instrument setting out how the EU institutions will comply with the provisions under all three pillars of that Convention.

E. Promoting sustainable development on a global scale

60. Bearing in mind the need for overall coherence between its internal and external policies, the European Council underlines that the Union is actively committed to keep its leading role in promoting sustainable development on a global scale by translating into concrete actions the political ambitions agreed at in Johannesburg, Doha and Monterrey along the following lines:

- ensuring effective follow-up to the new goals and targets agreed in Johannesburg on water and sanitation, the protection of the marine environment, depleted fish stock, chemicals and natural resources, including forests and biodiversity;

- ensuring effective follow-up to the commitment made in Monterrey on the realisation of the 0,7% target for ODA;

- enhancement of corporate social and environmental responsibility both at EU level and internationally; means of promoting sustainable and fair trade, notably through developing incentives to trade in sustainably produced goods and encouraging export credits consistent with sustainable development;

- further development and implementation of the Union's "Water for Life" and "Energy for Poverty Eradication and Sustainable Development" initiatives;

- contributing to the development of regional sustainable development strategies, building for example on the experience gained in the context of the EUROMED process;

- timely elaboration at both international and EU level of the 10-year framework of programmes on sustainable consumption and production, on which the EU should take the lead;

- urging other Parties, in particular the Russian Federation, to ratify the Kyoto Protocol, so as to permit its timely entry into force;

- strengthening international environmental governance, which could lead to the upgrading of UNEP into a specialised UN agency with a broadly-based mandate on environmental matters.

F. Asylum

61. The European Council noted the letter from the United Kingdom on new approaches to international protection and invited the Commission to explore these ideas further, in particular with UNHCR, and to report through the Council to the European Council meeting in June 2003.

G. Drawing full benefit from an enlarged EU by implementing Lisbon objectives

62. Enlargement increases the potential for economic growth. In harvesting the benefits of a European Union of 25, we must build on values that are fundamental to the Lisbon process: entrepreneurship, sound and transparent public management and growth and stability-oriented economic policies. By demonstrating political will to meeting the Lisbon targets, we improve the framework conditions for the private sector to grow and profit from an enlarged single market. This is also necessary in order to strengthen private sector confidence and contribute to the investment necessary for interlinking the new Europe in terms of transport and energy.

63. The EU of 25 also provides new possibilities for exchanging ideas and thus promoting research and development. The European Research Area will be expanded to the benefit of all. An inclusive information society will link citizens in all 25 countries – indeed in all of Europe. The EU of 25 will also be an even stronger global leader for sustainable development, implementing the commitments of Doha, Monterrey and Johannesburg.

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ENLARGEMENT – TREATY OF ACCESSION

64. Following the successful conclusion of the accession negotiations with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia in Copenhagen in December 2002, the European Council welcomes the considerable efforts by all involved to finalise the Treaty and Act of Accession with a view to signing in Athens on 16 April 2003. This will be a momentous occasion, sealing the determination of both the present and future Member States to come together in pursuit of the European project. The European Council therefore underlines the importance of timely decisions by both the Parliament and the Council to ensure that the established timetable is met.

65. The positive result of the recent referendum in Malta on accession to the European Union is an important first step on the path towards a wider Europe of peace, democracy, stability and prosperity. The Union pays tribute to the Maltese people for their decision and calls upon the peoples of the other acceding States to seize the opportunity to reap the benefits of membership and make enlargement a reality from 1 May 2004.

IRAQ

66. With the beginning of the military conflict, we are faced with a new situation. Our hope is that the conflict will end with the minimum loss of human life and suffering. Our common challenges are:

67. As regards Iraq:

- The EU is committed to the territorial integrity, the sovereignty, the political stability and the full and effective disarmament of Iraq in all its territory, as well as to the respect for the rights of the Iraqi people, including all persons belonging to minorities.

- We believe that the UN must continue to play a central role during and after the current crisis. The UN system has a unique capacity and practical experience in coordinating assistance in post-conflict States. The Security Council should give the United Nations a strong mandate for this mission.

- We urgently need to address the major humanitarian needs that will arise from the conflict. The EU is committed to be actively involved in this field, in accordance with established principles. We support the UN Secretary General's proposal that the humanitarian needs of the Iraqi people can continue to be met through the "Oil for Food" programme.

- We want to effectively contribute to the conditions allowing all Iraqis to live in freedom, dignity and prosperity under a representative government that will be at peace with its neighbours and an active member of the international community. The Council invites the Commission and the High Representative to explore the means by which the EU might help the Iraqi people to achieve these objectives.

68. On the regional front:

- We express solidarity with and stand ready to assist those countries that are faced with problems and risks as a result of the conflict, including possible refugee flows. The EU will actively engage in supporting regional stability.

- We call on all countries of the region to refrain from actions that could lead to further instability.

- The countries of the region have also a particular responsibility to prevent acts of terrorism.

- We will continue to work actively towards the reinvigoration of the Middle East Peace Process through the immediate publication and implementation of the roadmap as endorsed by the Quartet.

- We will deepen our dialogue and cooperation in all fields with the Arab and the Islamic worlds. We hope that it will soon be possible to use the considerable opportunities offered by the Barcelona Process to good account.

69. In the international field:

- We reiterate our commitment to the fundamental role of the United Nations in the international system and to the primary responsibility of the Security Council for the maintenance of international peace and stability.

- We are determined to strengthen the capacity of the European Union in the context of the CFSP and the ESDP.

- We remain convinced that we need to strengthen the transatlantic partnership, which remains a fundamental strategic priority for the European Union; to this effect, a sustained dialogue on the new regional and global challenges is necessary.

- We will continue to contribute to the further strengthening of the international coalition against terrorism.

- We will also intensify work for a comprehensive, coherent and effective multilateral policy of the international community to prevent the proliferation of weapons of mass destruction.

70. The above objectives are interrelated and complementary. They should be pursued in parallel, through coordinated action of all main international players. In this spirit, the restoration of the unity of the international community is an absolute imperative.

MIDDLE EAST

71. The Iraqi crisis makes it all the more imperative that the other problems of the region be tackled and resolved.

72. The Israeli-Palestinian conflict, in particular, remains a cause of great concern. Both sides should act with the utmost restraint. These are times for negotiation, compromise and reconciliation, not for the vicious circle of hatred, confrontation and violence.

73. We repeat our full support for the international community's vision of two States living side by side in peace and security, on the basis of the 1967 borders. All those involved share a historic responsibility for turning this vision into reality.

74. The roadmap endorsed by the Quartet on 20 December 2002 shows the way towards the achievement of a final, just and comprehensive settlement. It must be published and implemented immediately, with parallel progress in the security, political and economic fields. We continue to stand ready to assist the parties to implement the roadmap, alongside with the US, Russia and the UN.

75. In this spirit, we welcome President Bush's statement of 14 March announcing his intention to take the roadmap forward.

76. The European Union welcomes and supports the ongoing debate in the Palestinian Authority and civil society concerning the promotion of far-reaching political reform. The appointment of a Prime Minister entrusted with substantial competencies is a fundamental first step in this regard and will provide a major boost to the Peace Process. The European Council welcomes the signing, by President Arafat, of the legislation which creates the post of Prime Minister, as well as his decision to appoint Mahmoud Abbas to this post.

77. The Union will continue its engagement and calls on all sides to support coherent efforts for reform and reconstruction of the Palestinian Authority. Measures are required urgently to bring to an end to the humanitarian tragedy in the Palestinian territories.

78. The EU repeats its appeal to Israel to reverse its settlement policy. This constitutes an obstacle to peace both in the short and longer term. Israel should also contribute effectively to efforts aiming at Palestinian reform. All parties should try to put an end to the violence.

79. The European Union has and will continue to spare no effort to achieve peace in the Middle East, to the benefit of the peoples of the region but also of international peace and stability.

WESTERN BALKANS

80. The European Council condemned in the strongest terms the assassination of the Serbian Prime Minister Zoran Djindjic. It welcomed the appointment of new governments in Serbia and Montenegro. It strongly supported the determination of the new Prime Minister of Serbia, Zoran Zivkovic, to vigorously pursue the policies promoted by Zoran Djindjic, in particular the relentless fight against organised crime and corruption, the comprehensive democratisation of state structures and the full cooperation with ICTY.

81. To this end, the Council offered the new leadership the full support of the EU in implementing the required reforms, allowing further progress towards European structures, and notably the EU. The Council invited the High Representative and the Commission to propose by the time of the next GAERC concrete proposals to that end. The European Council supports the rapid accession of Serbia and Montenegro to the Council of Europe on the basis of the commitments requested by the Council of Europe.

82. The future of the Western Balkans is within the EU. Strong political will and sustained efforts are required to secure it. The European Union pledges full support to the endeavours of the countries to consolidate democracy, stability and to promote economic development.

83. The take-over by the EU of the police operation in Bosnia and Herzegovina and the military operation in the former Yugoslav Republic of Macedonia provides further tangible proof of our full commitment to the region. In particular, the Council welcomed the launch of the EU military operation in the fYROM to follow the NATO operation "Allied Harmony" on 31 March 2003.

84. Stressing that the Western Balkans remain high on the EU agenda, the European Council recalls the Conclusions adopted in December 2002 in Copenhagen. The Thessaloniki Summit on 21 June will constitute a new and important step in further enhancing the relationship between the EU and the Western Balkan countries. In this perspective, the European Council invites the Council and the Commission to examine ways and means, based also on the experience from the enlargement process, to further strengthen the Union's stabilisation and association policy towards the region.

CYPRUS

85. The European Council regrets that the efforts of the United Nations Secretary General to find a comprehensive settlement of the Cyprus problem have failed. The EU strongly supports the continuation of the Secretary General's mission of good offices and of negotiations on the basis of his proposals. It urges all parties concerned to spare no effort towards a just, viable and functional settlement and, in particular, the Turkish Cypriot leadership to reconsider its position. The European Council reaffirms its decisions taken at Copenhagen with regard to Cyprus' accession to the EU.

NORTH KOREA

86. The European Council had a brief exchange of views on North Korea. It called on North Korea to abstain from any action which could aggravate the situation further. It reaffirmed that North Korea's non-compliance with its international obligations in the field of nuclear weapons was a serious concern for the whole of the international community and was detrimental to its own interests.

87. The European Council reaffirmed its willingness to contribute to a diplomatic solution to the crisis. The EU will remain in touch with the key players. The European Council asks the Council to hold a special session on North Korea and to invite neighbouring countries, notably Japan and South Korea, to exchange views with Ministers on the situation. It stands ready to look into the possibility of enhancing cooperation with North Korea if the present crisis can be resolved in a satisfactory manner.