

EUROPEAN COUNCIL
Brussels

CONCLUSIONS
OF THE PRESIDENCY

25 and 26 March 2004

1. The European Council met in Brussels on 25/26 March 2004 for its annual meeting on the Lisbon Strategy and the economic, social and environmental situation in the Union. It also received a report from the Presidency on the Intergovernmental Conference, adopted a Declaration on combating terrorism and addressed a number of issues arising out of developments on the international scene.
2. The meeting was preceded by an exposé by the President of the European Parliament, Mr Pat Cox, followed by an exchange of views concerning the main items on the agenda.

I. INTERGOVERNMENTAL CONFERENCE

3. The European Council welcomed the Presidency's report on the Intergovernmental Conference and its assessment of the prospect for progress. It reaffirmed its commitment to reaching agreement on the Constitutional Treaty, as a means of better equipping the Union to respond to the demands of its citizens and to play a more effective role in the world. It agreed on the importance of maintaining the momentum imparted by the Convention and by the work of the Intergovernmental Conference so far.
4. On the basis of the Presidency's recommendation, the European Council requested the Presidency to continue its consultations and as soon as appropriate to arrange for the resumption of formal negotiations in the IGC. It decided that agreement on the Constitutional Treaty should be reached no later than the June European Council.

II. TERRORISM

5. The European Council expresses its sympathy and solidarity with the victims of the terrorist attacks in Madrid, their families and the Spanish people. It adopted the Declaration on Combating Terrorism.

III. THE LISBON STRATEGY: PRIORITIES

MEETING THE LISBON CHALLENGE

6. Meeting the expectations of Europe's population for improved living standards and a better quality of life requires strong economic growth and employment generation together with a high degree of social cohesion and environmental protection.
7. The Union set itself ambitious goals in March 2000. Four years later, the picture is a mixed one. Considerable progress has been made and the European Council reaffirms that the process and goals remain valid. However, the pace of reform needs to be significantly stepped up if the 2010 targets are to be achieved. The European Council is committed to demonstrating the political will to make this happen.

8. The message from this European Council is one of determination and confidence. The challenges ahead are formidable but Europe has the will and capacity to achieve its economic potential. Enlargement will stimulate the European economy, creating new opportunities for all and promoting the convergence of the acceding States. The Lisbon process will benefit from the experience and contribution of our new Members.

Delivery

9. The Lisbon Agenda is based on a consistent approach: between the actions of the Union and those of the Member States, and also between the different areas of policy – economic, social and environmental. Individual measures must be mutually reinforcing and reforms must be pursued across all areas. The European Council noted with approval the key messages from all the relevant Council formations and took full account in its discussions of the Synthesis Report from the European Commission. It will keep under close review the detailed actions being taken to progress implementation across the range of sectors.
10. The European Council agrees that the critical issue now is the need for better implementation of commitments already made. The credibility of the process requires stepping up the pace of reform at Member State level. Enhanced monitoring of national performance is needed, including information exchange on best practice. There must be speedier translation of agreements and policy making at EU level into concrete measures. The European Council underlines the need to address the unacceptably high deficits in transposing agreed measures into national law, and to complete the legislative programme arising from the Lisbon Agenda.
11. The most important policy issues that deliver higher growth and employment must be prioritised. Accordingly, this year's Spring European Council focuses on two issues: sustainable growth and more and better jobs.

SUSTAINABLE GROWTH

(i) Sound Macro-economic policies

12. The main economic challenge facing the European Union is to realise its growth potential. The economic recovery that started in the second half of 2003 is gathering pace. The Union must build on this momentum in its internal and external policies. It must seize the opportunity to accelerate its internal reform process. Increasing external openness globally and improving the dynamic economic relationships between trading partners will enhance growth prospects.
13. Reaching or maintaining sound budgetary positions in line with the Stability and Growth Pact, and price stability are the two key bases on which to build. Member States must ensure that they meet the commitments for budgetary consolidation which they have undertaken.

14. It is essential that long-term sustainability of public finances is secured. The European Council strongly encourages the Member States to tackle the financial implications of population ageing by reducing public debt and strengthening employment, health and pension reforms.
15. Structural reforms are necessary and beneficial – necessary in an increasing globalised economy and beneficial because they contribute significantly to increasing growth and employment through a positive impact on confidence and through promoting a better allocation of resources.
16. The European Action for Growth establishes a roadmap for increased investment in physical and human capital to complement structural reform; the key principles for its implementation are set out in the conclusions from the December 2003 European Council. The 'Quick Start Programme' is an open and dynamic programme comprising projects which meet defined criteria across a range of sectors: Transport, Energy, Telecommunications, Research, Innovation and Development. Serious engagement by the EU institutions and Member States, as well as project promoters, is required in order to ensure that projects are undertaken in a sustained and timely way. The European Council underlines the need for continued support and monitoring of the Action for Growth and Quick Start Programme and will review progress at its Spring 2005 session. The scope for giving greater emphasis to R&D projects in key growth technologies will be included in this review.

(ii) Competitiveness and Innovation

17. The European Council emphasises that competitiveness, innovation, and the promotion of an entrepreneurial culture are defining conditions for growth – essential to the economy as a whole, and especially important for small and medium-sized enterprises. With the strides being made by other global players, the Union must act more decisively if it is to maintain the capacity to support the European social model in the years ahead. De-industrialisation remains a risk and the European Council looks forward to receiving a substantial report from the Commission, including concrete steps aimed at increasing the competitiveness of European industry.
18. The European Council focuses on four specific priorities to enhance European competitiveness: completing the internal market, better regulation, higher rates of R&D and effective institutional arrangements.

Completing the Internal Market

19. The potential of the internal market is not yet fully realised. Efforts must continue to achieve a smoother functioning of products, services, capital and labour markets. The Union must develop timely responses to new challenges: in the vital area of electronic communications, for example, new EU mobile and broadband strategies must keep the Union at the cutting edge. In the services sector, which remains highly fragmented, more competition is required to improve efficiency, increase output and employment, and benefit consumers. The draft Directive on Services must be processed as a matter of high priority in line with the timeframe envisaged.

20. An effective single market for Financial Services will provide more and cheaper capital, including much needed venture capital. The European Council calls for the remaining elements of the Financial Services Action Plan – the proposed Directives on Investment Services and on Transparency – to be finalised before the end of the current Parliament. It also underlines the importance of strengthening corporate governance.
21. The recent agreement on the Directive on strengthening the enforcement of intellectual property rights is welcome. However, agreement on the Community Patent is now long overdue and the European Council calls for further efforts to complete work on this proposal.
22. The European Council underlines the need to continue efforts to tackle harmful tax measures and remove barriers to the internal market created through the fiscal system.

Better Regulation

23. Better regulation at both European and national levels will enhance competitiveness and productivity. The European Council welcomes the recent four Presidency initiative on better regulation and calls on the Council to pursue a programme of actions to drive this forward over the coming year. It welcomes the Commission's commitment to further refine the integrated impact assessment process, working with the Council and the European Parliament within the framework of the Inter Institutional Agreement on better lawmaking, with a particular emphasis on enhancing the competitiveness dimension, and to develop in cooperation with the Council a method to measure administrative burdens on business. The European Council invites the Commission to take account of the Council's views in relation to priority areas and timescales for simplification. It also invites Member States to commit to accelerated implementation of national regulatory reform initiatives. It will return to the issue of better regulation at the November 2004 European Council meeting.

Reaching the R&D target

24. Progress must be accelerated towards creating a European area of knowledge. A particular priority is to ensure strengthened business investment in R&D. By comparison with performance elsewhere, the relative weakness of private sector investment in R&D within the Union is striking. Part of the answer lies in ensuring that public sector investment in this area secures greater leverage of private funds. The European Council calls on Member States to improve the general conditions for R&D investment and to consider targeted support and incentives to encourage greater investment by business.
25. The overall aim for Europe must be a strong science and research capacity and accelerated public and private sector investment in R&D. A range of mutually reinforcing actions is required. More effort is needed to strengthen the interactions between public research bodies and industry. High-quality education makes a key contribution to overall competitiveness. Human resources are critical for R&D and priority must be given to training, retention and mobility of researchers. Competition in research should be strengthened in order to promote scientific excellence.

26. The main European instrument in the research area is the European Framework Programme for Research and Development. This programme must be simplified to make it more user-friendly, in particular for small and medium-sized enterprises and start-ups. The priorities should be to promote cooperation between business and research, to boost future technologies, and to support basic and applied research. The European Council sees merit in enhanced support for basic research of the highest quality and the case for specific funding will be examined. It awaits with interest a proposal from the European Commission which may include the possibility of setting up a Research Council.
27. Reaffirming the unanimous support for the European offer, the European Council invites the Commission to progress negotiations on the ITER project with a view to its rapid commencement at the European candidate site.

Institutional Arrangements

28. The Competitiveness Council was established as part of the package of reforms agreed at the Seville European Council. It must now move forward rapidly to champion and drive a clear and integrated response to the competitiveness challenges facing the Union. In the formation of the next Commission, the incoming President will wish to consider how to ensure the competitiveness agenda is effectively supported.

(iii) Social Cohesion must be central

29. A high level of social cohesion is central to the Lisbon Agenda. Strategies which make a decisive impact on social exclusion and on the eradication of poverty must be reinforced; protecting the most vulnerable members of society forms an essential aspect of the wider approach. Modernising social protection systems, in particular pension and healthcare systems, and mainstreaming the social inclusion agenda through implementing national action plans play a key role. Gender equality policies are instruments of social cohesion as well as of growth.

(iv) Environmentally Sustainable Growth

30. Growth, to be sustainable, must be environmentally sound. Through better policy integration and more sustainable consumption and production patterns, growth must be decoupled from negative environmental impacts.
31. Improvement in energy efficiency and increased use of renewable energy sources are essential for environmental and competitiveness reasons. The EU wide indicative target for energy efficiency as supported by the Council is important in focussing efforts.

32. Further cost effective ways of implementing EU decisions in the field of climate change, and the potential costs of inaction, should be considered. The European Council reaffirms the Union's commitment to delivering on the Kyoto Protocol target; underlining the importance the Union attaches to the ratification process of the Protocol and its early entry into force, it urges countries that have not yet ratified, including the Russian Federation, to do so in a timely manner. As a contribution to global efforts, the European Council looks forward to considering medium and longer term emission reduction strategies, including targets, at the 2005 Spring Council. In preparation for this discussion, it invites the Commission to prepare a cost benefit analysis which takes account both of environmental and competitiveness considerations.
33. Clean technologies are vital in order to fully exploit synergies between enterprise and the environment. The European Council welcomes the Environmental Technologies Action Plan and calls for its rapid implementation. It invites the Commission and the EIB to explore the mobilisation of the range of financial instruments to promote such technologies. It will consider a report from the Commission at next year's Spring Council on overall progress of the Action Plan, and on other opportunities for the Union to promote win-win opportunities where environmental improvement can help to achieve the economic and social goals of the Lisbon Strategy.

MORE AND BETTER JOBS

34. Delivering more and better jobs is the most urgent issue to be addressed over the coming year. Higher employment rates are critical to achieving economic growth and, given the strong correlation between unemployment and poverty, to furthering social inclusion. It is imperative that the EU reduce its current unacceptably high overall unemployment rate.
35. Member States must renew their commitment to reaching the Lisbon employment goals; in this context, follow-up action is essential on implementing the recommendations of the Employment Task Force chaired by Mr Wim Kok. The incorporation of the Task Force messages in the Joint Employment Report is a welcome step. The European Council emphasises the need for decisive action by Member States along the lines suggested by the Task Force, within the framework of the Broad Economic Policy Guidelines and the European Employment Strategy.
36. In the context of an overall employment strategy, Member States should give urgent attention to four particular structural challenges: adaptability, attracting more people into the labour market, improving the quality of employment and investing in human capital.
37. Adaptability requires reduction wherever appropriate of non wage labour costs; ensuring that wages better reflect productivity; promoting flexible forms of work while addressing security for workers.

38. Attracting and retaining more people in the labour market means ensuring that the interaction between taxes and benefits is such that working brings a clear financial reward. It also means developing specific strategies to increase the employment rates of women and older workers. A gender mainstreaming approach will contribute to attaining the overall Lisbon objectives; encouraging more women into employment requires steps to address gender disparities in pay and create more family friendly workplaces. Retaining older workers requires the right legal and financial incentives.
39. Investing more, and more effectively, in human capital is critical to growth and productivity as well as to promoting social integration and inclusion. If the EU is to become the leading knowledge based economy in the world, education and training will play a vital part. The European Council underlines the need for reform and investment in the key areas for the knowledge society. It also recognises that life long learning has positive effects on productivity and labour supply; it supports the adoption of an integrated EU programme during 2005 and the putting in place of national strategies in all Member States by 2006.
40. The challenge now is follow up: real progress towards more and better jobs must be made over the coming year. At its Spring 2005 session, the European Council will review progress in the course of the year; it intends to give particular attention to the extent to which national actions have boosted progress towards the Lisbon employment goals. The European Council invites the Council and the Commission jointly to prepare a concise synthesis report, drawing on the Joint Employment Report, especially for that discussion. The report should focus in particular on progress made in strengthening country specific recommendations within the Broad Economic Policy Guidelines and the European Employment Strategy.

Enhancing Free Movement of Workers

41. A single labour market, enhancing the free movement of workers, is central to the development of the Union. The European Council therefore encourages further progress in a number of areas which will promote mobility. The European Health Insurance Card will become operational in June 2004. Two measures which will facilitate the recognition of qualifications across the Union – the Directive on Mutual Recognition of professional qualifications and Europass – should be the subject of political agreement by June 2004.
42. The reform of regulation 1408/71, which simplifies and modernises the provisions protecting the social security rights of workers moving within the Union, is a significant step which is expected to be finalised within the lifetime of the current European Parliament.

BUILDING PARTNERSHIPS FOR REFORM

43. Support and advocacy for change must reach beyond governments. In order to generate this support, the European Council calls on Member States to build Reform Partnerships involving the social partners, civil society and the public authorities, in accordance with national arrangements and traditions.
44. Such national Reform Partnerships should promote complementary strategies for change, addressing the broad range of policies - economic, social and environmental - encompassed by the Lisbon Agenda. These strategies should be reflected in clear national policies and objectives and should be taken into account by Governments in the course of preparing national contributions to the mid term review of the Lisbon agenda.

45. The social partners at EU level are already closely and constructively involved in progressing the Lisbon objectives, through the Tripartite Social Summit. Further action is now required to boost their role in advancing the strategy. The European Council welcomes the commitment of the social partners to deepening their involvement through a renewed European Partnership for Change in order to promote growth and accelerate employment and productivity. It also invites the European Economic and Social Committee to examine ways and means for more effective implementation of the Lisbon Strategy.

LOOKING FORWARD TO 2005

46. The continuing validity and relevance of the Lisbon process is not in doubt. Next year, the midpoint of the decade, is an appropriate point for an in-depth review of delivery. The European Council notes that the Commission intends to set up a road map to reinforce the Lisbon strategy and improve its implementation.
47. The mid-term review should consider how the Lisbon targets can best be met, particularly in light of enlargement. Account should be taken in its preparation of the forthcoming review of the EU sustainable development strategy. The mid term review should include an assessment of:
- the progress made towards agreed sectoral targets, as well as the range of structural indicators and benchmarks used to measure the level and dynamism of Member State performance;
 - the measurement of European performance in the global context;
 - measures necessary in the new economic and geopolitical climate to increase the level of growth and to achieve the goal set in March 2000;
 - governance and other measures and instruments available both to Member States and the EU to attain the Lisbon goal, including both the internal and external drivers of growth, competitiveness and employment;
 - mechanisms for communicating the objectives of the Lisbon strategy and best practices among Member States to consumers, citizens and key stakeholders;
 - possible ways of improving the method.

48. The European Council invites the Commission to establish a high-level group headed by Mr Wim Kok to carry out an independent review to contribute to this exercise. Its report should identify measures which together form a consistent strategy for our economies to achieve the Lisbon objectives and targets. The group should be composed of a limited number of highly qualified individuals able to reflect the views of all stakeholders. Its report, which will be made public, should be submitted to the Commission by 1 November 2004. Following presentation of the report, the Commission and Member States will work together in considering its content and ensuring a coherent preparation for the Spring 2005 European Council.

IV. CYPRUS

49. The European Council emphasises its continuing strong support for the efforts of UN Secretary General Annan to help the parties seize this historic opportunity to bring about a comprehensive settlement of the Cyprus problem consistent with the relevant UN Security Council Resolutions. It welcomes the Commission's continued willingness to offer assistance for a speedy solution within the framework of the acquis. It also welcomes the Commission's offer to organise a high-level international conference in Brussels on 15 April to prepare a donors conference. The European Council remains convinced that a just, viable and functional settlement is achievable by 1 May. It urges all parties to maintain a firm commitment to a successful outcome to the negotiating process with the collaboration of the governments of Greece and Turkey.
50. The European Council reaffirms its strong preference for the accession of a united Cyprus to the European Union and reiterates its readiness to accommodate the terms of such a settlement in line with the principles on which the Union is founded.

V. INTERNATIONAL SITUATION

Middle East Peace Process

51. The European Council expressed its deep concern at the situation in the Middle East and the deepening of the Israeli-Palestinian conflict, following in particular the extra-judicial killing of Hamas leader Sheikh Ahmed Yassin. While having repeatedly condemned terrorist atrocities against Israelis and recognised Israel's right to protect its citizens against terrorist attacks, the European Union has consistently opposed extra-judicial killings which are contrary to international law. The present cycle of retaliatory violence has caused widespread suffering and loss of life, has inflamed the situation and is taking the parties ever further from a negotiated settlement.
52. The European Council expressed its sympathy for those on all sides who endure the effects of violence or whose lives are disrupted by the conflict. It called on the Palestinian Authority to address the issue of security and combat terrorism and welcomed the Palestinian Authority's announcement of plans for improving Palestinian security performance, stressing the need for full and proper implementation. It noted with particular concern the grievous humanitarian situation in the Occupied Palestinian Territories and called on the Israeli Government to take action to alleviate the suffering of Palestinians by lifting prohibitions on movement, reversing its settlement policy and dismantling settlements built after March 2001, and reversing the

construction of the so-called security fence on Palestinian land.

53. The European Council confirmed its deep conviction that the Quartet Road Map, endorsed by UNSCR 1515, remains the basis for reaching a peaceful settlement. It called on all sides to refrain from further escalation and to take the steps required to begin the implementation of the Road Map. The most important step is for all sides to desist from all further acts of violence.
54. The European Council renewed its commitment to a negotiated agreement resulting in two viable, sovereign and independent states, Israel and Palestine, based on the borders of 1967, living side by side in peace and security, in the framework of a comprehensive peace in the Middle East, as laid out in the Road Map drawn up by the Quartet. The European Union will not recognise any change to the pre-1967 borders other than those arrived at by agreement between the parties.
55. The European Council noted the proposals for an Israeli withdrawal from the Gaza Strip. Such a withdrawal could represent a significant step towards the implementation of the Road Map, provided that, in accordance with the deliberations of the Council of 23 February:
- it took place in the context of the Roadmap;
 - it was a step towards a two State solution;
 - it did not involve a transfer of settlement activity to the West Bank;
 - there was an organised and negotiated handover of responsibility to the Palestinian Authority;
 - and Israel facilitated the rehabilitation and reconstruction of Gaza.
56. The European Union stands ready to support the Palestinian Authority in taking responsibility for law and order, and in particular, in improving the capacity of its civil police and law enforcement capacity in general. The European Council tasked the EU Special Representative, in liaison with the Commission, to examine the requirement of the PA in this area and make recommendations for assistance.
57. The European Council called on the Israeli and Palestinian peoples to summon the political will necessary to overcome the current impasse in the peace process. Only through peace and reconciliation will Israelis and Palestinians realise their full potential.
58. The European Council reaffirms the need to deal with all the crises of the region within the framework of a global approach, which alone can ensure long-term security of the region. With that purpose, the EU will mobilise all its instruments and will develop its vision for stability in the region through the strategic partnership which it is seeking to establish with the Mediterranean and the Middle East.

EU Strategic Partnership with the Mediterranean and the Middle East

59. The European Council welcomed the interim report prepared by the Presidency, the Council Secretariat and the Commission, entitled 'EU Strategic Partnership with the Mediterranean and the Middle East'. The European Council underlined the importance of intensive consultation with the countries involved and welcomed the forthcoming attendance at the Arab League Summit by the Presidency and the High Representative as a clear demonstration of the commitment of the Union to developing this vital partnership.
60. The European Council looks forward to receiving a final report at its meeting in June 2004.
61. The European Council recalls the readiness of the EU to work with the US and other partners in cooperating with the region.

Iraq

62. The European Council welcomed recent positive political developments in relation to Iraq.
63. In particular, the European Union welcomed the consensus reached by the various parties in Iraq in signing the new Transitional Administrative Law on 8 March and expressed the hope that this encouraging development would permit the transition process to move ahead expeditiously. The European Council further expressed the hope that it will lead to the reintegration into the international community of a sovereign, independent, democratic and peaceful Iraq whose territorial integrity is preserved.
64. The European Union also welcomed the decision of the Iraqi Governing Council to invite the UN to help with the transfer of sovereignty at the end of June and future national elections and the acceptance of this invitation by the United Nations Secretary General, Kofi Annan. In line with the mandates authorised by the Security Council, and in keeping with the UN's commitment to assist the people of Iraq, the European Council supports the UN's decision to assist in the formation of an interim Iraqi government, to which sovereignty will be transferred on 30 June 2004, and in the preparation of direct elections to be held before the end of January 2005. A strong UN role in this political transition process is an essential element for its success. The European Council welcomes the UN Security Council Presidential statement of 23 March 2004 as a sign of international consensus and looks forward to the UN playing a vital and growing role endorsed by the UN Security Council in the run-up to transition and beyond.
65. The EU notes that the security situation in Iraq remains a major impediment to successful political and reconstruction processes. It reiterates its condemnation of terrorist attacks which have caused so many deaths.

66. These attacks, which are increasingly focused on the Iraqi people themselves, are a ruthless attempt to disrupt the process of restoring sovereignty and stability to Iraq. It is especially disturbing that recent attacks have been aimed at maximising civilian casualties, including at religious ceremonies, and have been intended to promote sectarian violence. This clearly shows that the perpetrators have no regard for the life and welfare of the Iraqi people or the unity of the country and the establishment of democracy. The European Union calls on all parties in Iraq to provide whatever assistance possible to prevent the targeting of international agencies whose sole purpose in Iraq is to assist the Iraqi people.
67. The European Union is determined to assist the Iraqi people as they enter a new era in the history of their country. The European Council recalled its invitation to the High Representative and the Commission to elaborate a medium-term strategy for the EU's relations with Iraq, including on possible measures to this end.

Afghanistan

68. The European Council welcomed Germany's decision to host the International Conference on Afghanistan in Berlin on 31 March and 1 April. This occasion will mark another step towards securing for the people of Afghanistan a future governed by the principles of freedom, justice, respect for human rights and fair political representation.
69. The European Council stressed the importance it attaches to the holding of free and fair elections in Afghanistan this year. It welcomed the assistance which UNAMA and others are giving to the Afghan authorities in preparing for the elections and the efforts of NATO, the Coalition and EU Member States in helping the Afghan Government provide the necessary security conditions to hold elections.
70. It reconfirmed the Union's long-term commitment to Afghanistan's development and reconstruction and welcomed proposed new pledges by Member States in the fields of reconstruction and security.

Serbia and Montenegro / Kosovo

71. High Representative Solana and Commissioner Patten reported to the European Council on their visit to Kosovo on 24 March 2004.
72. The European Council strongly condemned the recent ethnically-motivated violence in Kosovo, the loss of life, the damage to property and the destruction of religious and cultural heritage, which is the common property of all Europeans. It also condemned the attacks on the troops of KFOR and on the personnel and sites of UNMIK. The European Council called on all leaders, especially the Kosovo Albanian leadership, to take responsibility for the situation and to ensure such acts and threats of violence are not repeated. Those responsible for the violence must be brought to justice.

73. The European Council called on the Provisional Institutions of Self-Government to demonstrate their commitment to a multi-ethnic Kosovo. As an immediate step, they should allocate resources and take responsibility for urgent reconstruction of damaged property including places of worship, to ensure the earliest possible return of internally displaced persons. The European Council also emphasised the need for political leaders in Kosovo to work closely with UNMIK and KFOR to ensure the physical security and the full protection of the rights of members of all communities in Kosovo.
74. The European Council noted that the recent events have been a serious setback for Kosovo and endangered the progress made in recent years. It reaffirmed the strong support of the European Union for SRSG Holkeri, for UNMIK and for KFOR in their determined efforts to stabilise the situation and to ensure the implementation of Security Council Resolution 1244 and for the policy of Standards before Status. In that context, it reiterated the commitment of the European Union to a stable future for a secure, democratic, prosperous and multi-ethnic Kosovo.

Russia

75. The European Council congratulates President Putin on his re-election and looks forward to working with him in building a strategic partnership between the European Union and the Russian Federation based on respect for common values. The European Council reaffirms the Union's strong and genuine interest in an open, stable and democratic Russia. In this respect the European Council welcomes President Putin's stated commitment to build up and strengthen a multiparty system, to develop civil society and to make every effort to ensure freedom of the press.
76. The impending and historic enlargement of the European Union will bring the EU and Russia closer together. Further development of the Four Spaces and co-operation in the security sphere, in particular by combating new threats and by solving regional conflicts in our common neighbourhood, will enhance EU-Russia relations. The Partnership and Co-operation Agreement (PCA) remains the essential cornerstone of this relationship. The European Council expects it to be applicable to all Member States without pre-condition or distinction as from 1 May 2004. The European Union is open to discussing any of Russia's legitimate concerns over the impact of enlargement, but this shall remain entirely separate from PCA extension.
77. The European Council look forward to a productive EU-Russia Summit on 21 May. It also welcomes the inaugural meeting of the Permanent Partnership Council on 26/27 April 2004.

Côte d'Ivoire

78. The European Council deeply regrets the upsurge of violence in Côte d'Ivoire. It appeals to the sense of responsibility of both sides and calls on all leaders to return to the path of dialogue and reconciliation. Full implementation of the Marcoussis agreements is essential for returning to peace in the country.

VI. OTHER BUSINESS**Financial Perspectives**

79. The European Council welcomes the opening of discussions on the Commission's Communication on the Financial Perspectives 2007-2013. It invites Council to continue the study being conducted by Coreper on the Communication, with a view to preparation of an analytical report in advance of the European Council in June 2004. The European Council recalls the timetable envisaged in the Multiannual Programme, which aims at reaching political agreement on the new Financial Perspectives at the European Council in June 2005.

Residence Palace

80. The European Council agrees to the proposal by the Belgian Government that it use block A of the Residence Palace building for its meetings, after it has been refurbished, on the basis of the general framework approved by Council concerning the financial, logistical and legal aspects of the project. The European Council invites the Belgian Government and the General Secretariat of the Council to translate this general framework into an operational project in line with its provisions.
81. The European Council asks Council to monitor closely the development of the project and its execution, and, where necessary, to take appropriate decisions to ensure that the implementation of the project adheres to the framework agreed.
-