



EUROPEAN COUNCIL

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COVER NOTE

from : General Secretariat of the Council

to : Delegations

Subject : **EUROPEAN COUNCIL**
1/2 March 2012

CONCLUSIONS

Delegations will find attached the conclusions of the European Council (1/2 March 2012).

The European Council discussed the implementation of the EU's economic strategy. This strategy pursues both continued fiscal consolidation and determined action to boost growth and jobs; sustainable growth and jobs cannot be built on deficits and excessive debt levels. The measures taken to stabilize the situation in the euro area are bearing fruit.

The European Council endorsed the five priorities for 2012 set out in the Commission's Annual Growth Survey. It looked at action that has to be taken at national level. Member States must make faster progress towards the targets of the Europe 2020 Strategy and step up efforts on the reforms taken up in the 2011 Country-Specific Recommendations. They are expected to indicate the measures they intend to take to that effect in their National Reform Programmes and their Stability of Convergence Programmes. The European Council also discussed action required at the EU level, pushing ahead with completing the Single Market in all its aspects, both internal and external, and boosting innovation and research.

In the margins of the European Council the participating Member States signed the Treaty on stability, coordination and governance in the EMU.

The European Council set the EU's priorities for the forthcoming G20 meeting and UN Rio+20 Conference, with a particular emphasis on growth-enhancing measures and reforms. It took stock of developments concerning the Arab Spring and set guidance for future EU action to support that process.

The European Council granted candidate status to Serbia.

It agreed that the Council should revert to the issue of Bulgaria and Romania's accession to the Schengen area in order to adopt its decision in September

Finally, the European Council re-elected Herman Van Rompuy as its President.

I. ECONOMIC POLICY

1. The European Union is taking all necessary measures to put Europe back on the path to growth and jobs. This requires a two-pronged approach, covering both measures to ensure financial stability and fiscal consolidation and action to foster growth, competitiveness and employment.

2. "Europe 2020" is Europe's strategy for jobs and growth and its comprehensive response to the challenges it is facing. In particular, the five targets set out for 2020 remain fully relevant and will continue to guide the action of Member States and the Union to promote employment; improve the conditions for innovation, research and development; meet our climate change and energy objectives; improve education levels and promote social inclusion in particular through the reduction of poverty.
3. However, efforts undertaken to date remain insufficient to meet most of these targets. It is therefore urgent to concentrate on the implementation of reforms, with a particular attention to measures which have a short-term effect on jobs and growth.
4. For 2012, the European Council endorses the five priorities set out in the Commission's Annual Growth Survey for action taken at the EU and national level to:
 - pursue differentiated, growth-friendly, fiscal consolidation,
 - restore normal lending to the economy,
 - promote growth and competitiveness,
 - tackle unemployment and the social consequences of the crisis, and
 - modernise public administration.

Action at the national level

5. The European Council discussed preliminary findings and best practices relating to the implementation of the 2011 Country-Specific Recommendations and commitments under the Euro Plus Pact.
6. While important measures have been taken by all Member States, reforms in certain areas are lagging behind and implementation is uneven, as is described in the Commission's Annual Growth Survey and the Presidency's report on the European semester.

7. Furthermore, the Commission's recent Alert Mechanism Report, which constitutes the first step of the new procedure on the prevention and correction of macroeconomic imbalances, points to certain challenges and potential risks raised by macroeconomic imbalances in some Member States. The Council will examine the report closely. The European Council invites the Council and the Commission to fully, effectively and swiftly implement the procedure and Member States to act accordingly.
8. Fiscal consolidation is an essential condition to return to higher growth and employment. It must be differentiated according to Member States' conditions. All Member States should continue to respect their commitments according to the rules of the Stability and Growth Pact, which allow the automatic stabilisers to work around the agreed path of structural fiscal adjustment, while ensuring the long term sustainability of public finances. Countries under an assistance programme should stick to the targets and structural reforms agreed in the programme. Similarly, Member States under market pressure should meet agreed budgetary targets and stand ready to pursue further consolidation measures if needed. While pursuing consolidation efforts, particular care must be given to prioritising expenditure that constitutes an investment in future growth, with a particular emphasis on education, research and innovation.
9. Tax policy can contribute to fiscal consolidation and growth. In line with the Council conclusions of 21 February, and recognising Member States' competences in this area, the European Council invites Member States, where appropriate, to review their tax systems with the aim of making them more effective and efficient, removing unjustified exemptions, broadening the tax base, shifting taxes away from labour, improving the efficiency of tax collection and tackling tax evasion. The Council and the Commission are invited to rapidly develop concrete ways to improve the fight against tax fraud and tax evasion, including in relation to third countries and to report by June 2012.

10. Bringing the employment rate to 75% by 2020 requires resolute action. The orientations set by the Heads of State or Government on 30 January provide further specific guidance to Member States, particularly on youth unemployment and the elaboration of their National Job Plans in the framework of their NRPs. Tackling poverty and social exclusion requires the implementation of active inclusive strategies encompassing labour market activation measures. In line with the Council conclusions of 17 February 2012, and respecting the role of social partners and national systems for wage-formation, Member States should :
- increase efforts to make it easier and more attractive for employers to hire people, where necessary by improving wage-setting mechanisms;
 - remove barriers to the creation of new jobs;
 - and implement active labour market policies, notably with a view to strengthening the participation of young people, women and older workers.
11. The European Council looks forward to the Commission's forthcoming "employment package", focusing on strengthening growth through the mobilisation of Europe's workforce, promoting job creation in key sectors of the economy, improving management of skills needs, promoting labour market transitions and improving geographic mobility. It stresses the importance of making progress on enhancing the mutual recognition of professional qualifications, reducing the number of regulated professions and removing unjustified regulatory barriers.
12. It is of the utmost importance that Member States fully reflect these priorities and challenges through more precise, operational and measurable commitments in their National Reform Programmes and Stability or Convergence Programmes. The Member States that participate in the Euro Plus Pact should also include further commitments focused on a small number of essential, timely and measurable reforms to achieve the objectives of the Pact.

13. In this process, in which social partners and regions have an important role to play, full use will be made of the tools offered by the European Union's new economic governance. The European Council calls for the adoption by June of the two outstanding proposals aimed at further strengthening euro area surveillance.

Action at the EU level

14. In its meetings of October and December 2011, the European Council set out a clear framework for a series of growth-enhancing proposals. The informal meeting of 30 January 2012 looked at some particularly urgent measures on which the Council will report next June. Work must continue on all fronts to press ahead with this package of measures.
15. In particular, efforts will continue in order to:
- bring the Single Market to a new stage of development by strengthening its governance and improving its implementation and enforcement; in this connection the European Council looks forward to the presentation next June of the Commission's communication on the Single Market and its report on the Services Directive as well as its report on the outcome of sectoral performance checks. It welcomes the Commission's intention to propose in the second half of this year a new round of measures designed to open up new growth areas in the Single Market. In this connection, the European Council stresses the importance of completing the Single Market and removing remaining barriers;
 - complete the Digital Single Market by 2015, in particular by adopting measures to boost confidence in on-line trade and by providing better broadband coverage, including by reducing the cost of high-speed broadband infrastructure; the European Council looks forward to the forthcoming Commission proposals on copyright;
 - reduce the administrative and regulatory burdens at EU and national level; the European Council welcomes the Commission's intention to present a communication on further steps towards minimising regulatory burdens, including measures to support micro-enterprises. It invites the Commission to consider sectoral targets;

- to remove trade barriers and ensure better market access and investment conditions in line with the conclusions of October 2011 and the statement of January 2012; the European Council welcomes the Commission's new report on trade and investment barriers. The European Council will next June review progress and discuss how the Union can deepen its trade and investment relationships with key partners.
16. The European Council considers that enhanced "peer pressure" can help raise the ownership and responsibility at the level of Heads of State or Government as regards the Council's and individual Member States' role in developing the Single Market and complying with its rules. To this effect, the European Council invites :
- the Commission to provide transparent scoreboards as a basis for appropriate benchmarking;
 - the President of the European Council to promote regular monitoring by the European Council of progress achieved on key Single Market proposals in the various Council formations.
17. Promoting a more resource-efficient, greener and more competitive economy is crucial. The European Council calls for agreement to be reached on the Energy Efficiency Directive by June. Recalling its conclusions of December 2011, it also calls for rapid progress on the low-carbon 2050 strategy and on the implementation of the roadmap towards a resource-efficient Europe.
18. Innovation and research are at the heart of the Europe 2020 strategy. Europe has a strong science base but the ability to transform research into new innovations targeted to market demands needs to be improved. On the basis of a report presented by the Presidency, the European Council took stock of the progress achieved in implementing its conclusions of February 2011 and agreed that efforts must be stepped up with a view to:

- completing the European Research Area by 2014; in this connection the European Council welcomed the Commission's intention to propose an ERA framework in June 2012;
- improving the mobility and career prospects of researchers;
- rapidly establishing and implementing the inventory of EU-funded R&D and the single innovation indicator;
- an intellectual property rights valorisation instrument at the European level;
- the participating Member States reaching a final agreement in June 2012 at the latest on the last outstanding issue in the patent package;
- creating the best possible environment for entrepreneurs to commercialise their ideas and create jobs and putting demand-led innovation as a main driver of Europe's research and development policy; in particular, creating an effective EU-wide venture capital regime, including an "EU passport", a financing scheme in support of innovative SMEs, considering a "fund of funds" to provide cross-border risk capital and making more effective use of pre-commercial public procurement to support innovative and high tech businesses;
- strengthening key enabling technologies which are of a systemic importance for the innovativeness of industry and the whole economy.

19. As regards energy, it is important to implement the orientations agreed in February and December 2011, delivering on the commitment to complete the internal energy market by 2014, including through the full implementation of the Third Energy Package in recognition of agreed deadlines, and to interconnect networks across borders. The European Council looks forward to the Commission's communication expected by next June assessing the degree of liberalisation and integration of the internal energy market.
20. The European Council stresses the important role played by industry for European growth, competitiveness, exports and job creation and as a driver for productivity and innovation.

21. Work and discussions should be carried forward on the Commission proposals on energy taxation, on the common consolidated corporate tax base, on the financial transactions tax and on the revision of the Savings Tax Directive. The negotiating directives for savings taxation agreements with third countries should be rapidly adopted. The Council and the Commission will regularly report on the state of play in this field, starting in June 2012.
22. It is likewise important to rapidly complete the regulatory reform of the financial sector. Building on the political agreement recently achieved, the European Market Infrastructure Regulation should now be adopted as rapidly as possible. Furthermore, the proposals relating to bank capital requirements and to markets in financial instruments should be agreed, respectively by June and December 2012, bearing in mind the objective of having a single rule book, and ensuring timely and consistent implementation of Basel III. The amendments to the Regulation on Credit Rating Agencies should be adopted as soon as possible. The European Council looks forward to the outcome of the Commission's ongoing review of mandatory references to the ratings from credit rating agencies in EU legislation.
23. It is important to restore investor confidence in the EU banking sector and to ensure the flow of credit to the real economy, in particular through the strengthening of banks' capital positions without excessive deleveraging and, where required, measures to support bank access to funding. The Council will closely monitor the implementation of decisions taken last October in this regard. The Commission is invited to consider the possible strengthening of the current framework relative to executives pay.
24. Given the need to stimulate the private financing of key infrastructure projects, work on the pilot phase of the Europe 2020 project bond initiative should be stepped up with a view to reaching agreement by June.

II. INTERNATIONAL SUMMITS

G20 and G8

25. The European Council agreed that the following priorities should be pursued with a view to the G20 summit:
- ensure effective coordination at the global level for strong, sustainable and balanced growth and progress in the implementation of the Cannes Action Plan;
 - implement the G20 commitments on financial market reform, including strict monitoring, to ensure a global level playing field;
 - implement the 2011 Action Plan on Food Price Volatility and Agriculture; enhance transparency in commodity markets; further implement the Seoul Development Action plan focusing on infrastructure and green growth;
 - promote green growth and sustainable development; combat climate change in particular, and mobilise sources for climate change finance;
 - fight protectionism and support an active WTO negotiation agenda, including for the least developed countries;
 - address the social dimension of globalisation, in particular youth unemployment.
26. The European Council was informed of the discussions at the G20 level on the substantial increase in the IMF's resources. It recalled that euro area Member States have already committed to provide EUR 150 billion through bilateral loans to IMF General Resources, and that other EU Member States have also indicated their willingness to take part in the process of reinforcing IMF resources. It encouraged G20 Finance Ministers to continue their work with a view to reaching agreement on an increase in the IMF's resources at their next meeting in April, in order to enhance the IMF's capacity to fulfil its systemic responsibilities in support of its global membership.
27. The European Council was informed of the state of play regarding preparations for the G8 summit.

Rio+20 United Nations Conference on Sustainable Development

28. The European Council underlined its strong support for an ambitious outcome at the Rio+20 UN Conference on Sustainable Development. It stressed the need for a strong participation from the private sector and civil society at the Conference. It set out some key principles that will guide the EU in its preparations:
- the Conference should advance the global transition towards a green economy, thus promoting environmental protection, contributing to poverty eradication and stimulating low carbon and resource-efficient growth;
 - it should work towards clear operational targets and concrete actions at national and international level within agreed time frames;
 - it should contribute to a strengthened global institutional framework for sustainable development which should include the upgrade of UNEP to a specialised agency;
 - it should advance the work on global and coherent post-2015 goals for sustainable development, also having regard to the review process of the Millennium Development Goals.

III. FOREIGN POLICY

29. One year after the start of the Arab Spring, the European Council discussed emerging trends and lessons learnt from developments in the region and assessed the implementation of EU support to date. The EU is promoting and supporting the democratic transformation in its **Southern Neighbourhood** and across the wider Middle East and Gulf region. It remains committed to developing partnerships with the Southern Neighbourhood countries, based on differentiation, mutual accountability and the adherence to universal values, including the protection of religious minorities (including Christians). In line with the principles and objectives defined in its earlier declarations and in the Council conclusions of 20 June 2011, the European Council agreed that the following orientations will guide the EU's further engagement and contribution to the process:

- the EU encourages all countries in its Southern Neighbourhood to undertake significant political reforms designed to build and consolidate democracy, establish and strengthen the rule of law and to uphold respect for human rights and civil liberties with particular attention to women's and minorities' rights.
- bearing in mind the context of the economic and financial challenges facing many countries in the region, the EU will continue to mobilise its instruments, placing greater emphasis on assistance focused on governance and job creation and continue its efforts in the framework of the "Task Force" meetings, including business stakeholders; the European Council called in this connection for a swift ratification of the extension of the EBRD's mandate;
- in this context the EU is determined to match support to the level of democratic reform, offering more support to those partners that make progress towards inclusive democratic systems, while reconsidering support to governments in cases of oppression or grave or systematic violations of human rights;
- the EU will continue to strengthen its partnership with civil society, including through the launch of the Neighbourhood Civil Society Facility;
- rapid progress is needed in the ongoing trade negotiations and in the preparation of negotiations for Deep and Comprehensive Free Trade Agreements that will progressively integrate partners' economies into the EU Single Market and increase market access opportunities;
- the dialogues on migration, mobility and security will be extended with a view to fostering people-to-people contacts, business contacts and mutual understanding; in this context, joint efforts will be pursued also to prevent illegal immigration, in line with the EU's Global Approach to Migration.

30. The European Council invites the Commission and the High Representative to present by the end of this year a roadmap to define and guide the implementation of the EU policy vis à vis our Southern Mediterranean partners, listing its objectives, instruments and action, focusing on the synergies with the Union for the Mediterranean and other regional initiatives.

31. The European Council is appalled by the situation in **Syria** and endorses the Council Conclusions of 27 February 2012. In line with the United Nations Human Rights Council resolution of 1 March, it demands that Syrian authorities immediately stop the massive violence and human rights abuses inflicted to the civilian population. The European Council remains determined to ensure that those responsible for the atrocities being committed in Syria are held accountable for their actions and will coordinate closely with and assist those working to document these appalling crimes. The European Council confirms its commitment to further increasing the pressure on the Syrian regime as long as the violence and human rights abuses continue, and invites the Council to prepare further targeted restrictive measures against the regime. It calls on president Assad to step aside to make room for a peaceful transition for the sake of the country. As soon as a democratic transition begins, the EU is ready to develop a new partnership and provide assistance.
32. The European Council reiterates the importance of full and unhindered access for independent humanitarian agencies so that assistance may be provided to those in need in line with humanitarian principles. The Union has already mobilised humanitarian funding and stands ready to step it up as soon as conditions on the ground will allow humanitarian organisations to expand relief operations.
33. The European Council recalls its support for the efforts by the League of Arab States to end the violence in Syria, and lends its full support to the missions undertaken by former UN Secretary General Kofi Annan as the Joint Special Envoy of the United Nations and League of Arab States on the Syrian crisis. It supports the launching of the Group of the Friends of the Syrian People and the conclusions of its first meeting on 24 February 2012.

34. The European Council calls once more on all members of the United Nations Security Council, particularly Russia and China, to work together in an effort to stop the violence. The European Union supports the Syrian opposition in its struggle for freedom, dignity and democracy, recognises the Syrian National Council as a legitimate representative of Syrians and calls upon all members of the Syrian opposition to unite in its peaceful struggle for a new Syria, where all citizens enjoy equal rights. The European Union calls on all parties to promote a process aiming at a political solution.
35. The European Council stresses the responsibility of the Syrian authorities regarding the security of foreign nationals in Syria, including journalists, in particular by facilitating the evacuation of those who need it.
36. The European Council welcomes the **Somalia** Conference held in London on 23 February 2012. The European Council recalls the EU's Strategic Framework for the Horn of Africa adopted by the Council on 14 November 2011 and, building on the outcome of the London Conference, invites the Council, the Commission and the High Representative to maintain comprehensive engagement with Somalia. In line with the EU Strategic Framework, the Foreign Affairs Council should report back to the European Council in October on the implementation of agreed actions.
37. The European Council welcomes the progress the **Eastern Partnership** achieved in furthering political association and economic integration with the EU. The partnership is based on a commitment to common values, where those most engaged in reforms will benefit more from their relationship with the EU. The European Council looks forward to the Eastern Partnership Roadmap with a view to the next Eastern Partnership Summit in the second half of 2013.

38. The European Council expresses its serious and deepening concern over the further deterioration of the situation in **Belarus**. It welcomes the decision reached at the Council to extend the list of those responsible for serious human rights violations or the repression of civil society and the democratic opposition or supporting or benefitting from the Lukashenko regime to be targeted by a travel ban and an asset freeze. The European Council invites the Council to proceed with its work on further measures. It reiterates the Union's commitment to strengthening its engagement with the Belarusian civil society and to supporting the democratic aspirations of the Belarusian people.

IV. OTHER ISSUES

39. The European Council endorses the Council conclusions of 28 February 2012 on Enlargement and the Stabilisation and Association Process, and agrees to grant **Serbia** the status of candidate country.
40. The European Council, recalling its discussions in 2011, reiterates that all legal conditions have been met for the decision on Bulgaria's and Romania's accession to the **Schengen** area to be taken.
41. The European Council also acknowledges the continuous efforts undertaken by Bulgaria and Romania.
42. The European Council requests the Council, during the intervening period, to identify and implement measures which would contribute to the successful enlargement of the Schengen Area to include Romania and Bulgaria.
43. The European Council asks the Council to revert to this issue in order to adopt its decision at the meeting of the JHA Council in September 2012.

44. The European Council recalls its conclusions of June 2011, on the strengthening of the Schengen area governance and underlines, in particular, the importance of reaching a swift agreement on the Regulation on the establishment of an evaluation and monitoring mechanism to verify the application of the Schengen acquis. This mechanism should also address the required functioning of the institutions involved in the application of the Schengen acquis.
45. The European Council re-elected Mr **Herman Van Rompuy** President of the European Council for the period from 1 June 2012 until 30 November 2014.
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