



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 17 March 2003

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NOTE

From : The Presidency

To : General Affairs and External Relations Council

Subject : *European Council (21 March 2003)*
– *Annotated draft agenda*

In line with the Seville European Council conclusions, the General Affairs and External Relations Council at its meeting on 24 February, acting on a Presidency proposal, drew up an annotated draft agenda for the meeting of the European Council on 21 March 2003 (cf. doc. 6469/03).

Work on aspects of the Lisbon Strategy has been carried forward in different Council configurations. The Presidency has, as appropriate, drawn on both the contributions from those Councils and the contributions forwarded by Member States when drawing up the revised annotated draft agenda reproduced hereafter.

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1. The European Council will meet in Brussels on 20 and 21 March 2003. The meeting will be preceded by an exposé by the President of the European Parliament, Mr Pat Cox, followed by an exchange of views concerning the main item on the agenda.
2. The European Council will also hear a progress report on work in the European Convention from its President, Mr. Valéry Giscard d'Estaing, followed by an exchange of views
3. pm. – International situation
4. The European Council assumes, at its Spring meetings, 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*. It will review progress achieved, discuss key issues, set priorities and give guidance for future work.
5. At the end of its deliberations, it is expected that the European Council will signal its agreement:
 - on the priority objectives for the European Union concerning the Lisbon reform programme (see Part I below); and
 - on a number of orientations and specific measures in order to achieve these objectives (see 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. Ensuring sustainable public finances should go hand in hand with implementing structural reforms, thus creating the basis for growth and employment.
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 and putting into place an integrated Europe-wide financial market. Recent successes include the agreements on a Community patent and a ground-breaking tax package. Five million new jobs have been created since the start of the Lisbon strategy -- 500.000 of them in 2002 alone despite the less favourable economic climate -- and unemployment has declined 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 establishing clear deadlines and demonstrate their capacity to deliver ambitious reforms by translating words into action. The Heads of State and Government are expected to reaffirm their strong personal commitment to the timely and effective delivery at European and at national level across the three pillars of the Lisbon strategy – economic, social, and environmental.
10. This European Council accordingly is expected to conclude that 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 therefore as relevant for those countries as it is for the current Member States. The European Council is therefore expected to note that the strategy 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 is expected to identify the following priorities:
 - **Raising employment and social cohesion.** There has been real progress on employment but reaching the 70% employment rate 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 by older workers and vulnerable groups, 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, so that qualifications can be widely recognised and experiences validated.
 - **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 right conditions for R&D need to be developed - in particular by businesses - so the EU can move towards its target for R&D investment of 3% of GDP. This requires, inter alia, getting more people into science and technology; effective levels of competition to stimulate innovation; accessible, low cost financing; and an appropriate intellectual property regime. 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 and ensure that entrepreneurship reaches into the most deprived areas, for example, through micro-credits.

- **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. The internal market has achieved much over the last ten years, yet it is too often held back by patchy or partial implementation. 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 and quality products. 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. This should reduce the cost of capital, increase investor and consumer protection, and promote good corporate governance.
- **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 chaired by [] 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 twelve key areas ahead of next year's Spring European Council: railways, energy markets, a Single European Sky, financial markets (including take-overs), procurement markets, the information society, temporary agency workers, cross-border social security rules, bio-fuels, 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 is expected to:
 - endorse the Ecofin Key Issues Paper, which 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 policy reform.
 - confirm the need to strengthen the co-ordination 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 is expected to fully endorse 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 of labour, product and capital markets 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 is expected to invite the Commission in its report for 2004, to include an analysis of the measurable differences which the integrated approach has brought about, and an assessment of how the best-performing member states have achieved this success, 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 Ecofin to ensure delivery of economic reform.

Fostering enterprise and entrepreneurship

22. To sustain growth and prosperity in an enlarged Europe we need dynamic and competitive industry and services. 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 is expected to:
- urge Member States to participate actively in the consultation process following the presentation of the Commission's Green Paper on "Entrepreneurship in Europe" and to note the Commission's intention to propose as a follow-up an appropriate European

entrepreneurship Action Plan before the 2004 Spring European Council , in which special attention should be paid to making business start-ups easier and quicker, facilitating access to low-cost finance, in particular venture capital, and simplifying and improving bankruptcy legislation.

- invite 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, for example by setting up in collaboration with industry EU-wide entrepreneurship awards.
- encourage 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.

24. In order to reduce administrative burdens, improve regulation and the business environment, the European Council is expected to:

- call 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; and rapid implementation of the Commission's proposals on updating and simplifying the Community *acquis* simplification. Impact assessment and active efforts to simplify, clarify and update the body of Community and national law must become standard practice while Member States must pursue ongoing action to improve further the performance and efficiency of public administrations
- welcome the Commission's intention to ensure that as a rule all major proposed EU legislation will be preceded by a systematic consultation of business and other 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 associated, within the Council's decision-making processes, on proposals which are considered likely to have substantial effects on competitiveness, alongside the responsibility of all Council formations to assess the impact of their work field
- note 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 specific

needs and characteristics of individual sectors, while respecting competition rules.

- call for the adoption of an Action Plan on better company law and corporate governance by end 2003, drawing on the report of the High Level Group (Winter Group).

Connecting 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 is expected to:
- call for improvement in the implementation and 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.
 - call for a further reduction in state aids and the redirection of aid to horizontal objectives and to welcome the Commission's intention to continue working to simplify and modernise state aid arrangements, focusing attention on the most distorting aid.
 - invite the Commission to complete work on its Services Strategy and to note 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
 - regarding services of general interest, invite 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, taking account of the Commission's Green Paper

prepared in response to the request of the Barcelona European Council with a view to consolidating the principles on services of general economic interest in a proposal for a framework Directive

- note that a proactive competition policy – which recognises the need to inquire into sectors of the economy and tackle internal market barriers, 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, while Council should arrive by end 2003 at a political agreement on the new takeovers directive in order to create a genuinely level playing field for corporate control amongst Member States; the public procurement package should be adopted by July 2003.
- call for a consumer policy which puts empowered consumers at the heart of a competitive internal market, giving appropriate follow up to the Green book on consumer's protection, including through adopting the Sales Promotion Regulation, and progressing towards an effective single credit market through the Consumer Credit Directive.
- call for continued efforts to tackle unfair tax competition and remove barriers to the internal market created through the fiscal system, including through the final adoption of the tax package

Sectoral

27. By finalising the reforms already agreed by the European Council, new opportunities for jobs, investment and better quality of services will be created.
28. For energy, the European Council is expected to:
 - support the rapid final adoption and effective implementation of the Electricity and Gas Internal Market Directives and Regulation;
 - urge the Council (Energy) to agree pending financing rules and develop measures to reinforce energy infrastructures and energy networks;
 - underline the importance of security of supply and reaching an agreement by end of 2003 on proposals reinforcing co-operation in managing EU gas and oil stocks;
 - invite Member States to set appropriate framework conditions to encourage private investment in energy infrastructure;

- and invite 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 is expected to:

- call the Council (Transport) to rapidly reach a final agreement on the second railway package, which includes measures promoting interoperability, high standards of safety and access to the networks, as well as on the Single European Sky, Port Services, and the proposed regulation on public service requirements for passenger transport;
- call the Council to give rapidly a mandate in line with the Commission proposal to negotiate an open sky agreement with the US
- call 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 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 is expected to:

- invite the Council (Transport), 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, by working towards adopting guidelines and accompanying financial rules on Trans-European Networks so as to make better use of existing infrastructure and filling in (in the next programming period) the missing links in Europe's key infrastructure, encouraging investment in basic infrastructures through available EU financing instruments and joint public-private initiatives
- welcome initiatives in support of major infrastructure projects in transport, energy and telecommunications in South-Eastern Europe and in particular in the western Balkan countries and to invite the Commission, the EIB and other international financial institutions to cooperate with all countries concerned in promoting and co-financing the implementation of the projects.

31. For financial services, the European Council is expected to:

- invite the Council (Ecofin and Competitiveness) to rapidly complete the Financial Services Action Plan, so as to reduce the cost of capital through the full integration of

financial markets, make progress in opening and securing retail markets as well as restore investor confidence. 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, and the extension of the Lamfalussy procedure to banks, insurers and financial conglomerates before July 2003

- invite the Council (Ecofin and Competitiveness) 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. Effective 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 is expected to urge 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 achieving the Barcelona objective of 3% of GDP and encouraging innovative and effective means of financing, in particular mobilizing private capital.
34. The European Council is expected to call 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 co-ordination in support of research and innovation policy in areas such as action pursuing the 3% of GDP target for R%D investment or developments in human resources in science and technology, and the setting up a mechanism for taking stock of the progress achieved.
 - 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 utilizing 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 co-operation with European intergovernmental research organisations and activities to enhance participation of SME's in research and innovation
- on the basis of the Space Green Paper, acting to reinforce European activity related to space 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 pursuing actively the agreed roadmap on biotechnology and rapidly finalizing and implementing the necessary legislative framework;
- 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.

35. The European Council is expected to recognize the role that defence and security related R&D can play in promoting leading edge technologies and thereby stimulate innovation and competitiveness. Following the Commission's Communication "Towards an EU Defence Equipment Policy", it is also expected to invite the Commission to examine a possible defence R&D initiative, including the launch of a European defence R&D program, and the creation by the Council of an inter-governmental defence capabilities development and acquisition agency; to be funded through voluntary participation of interested countries.
36. The European Council is expected to recognize the importance of innovation in developing new products, services and ways of doing business; call 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 urge 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 is expected to call 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 of computer-implemented inventions, and following the agreement in Council earlier this month, to finalise rapidly the Community patent.
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 information and the creation of a European network and information security agency by end 2003;
- considering, where appropriate, new issues coming up with the development of 3G mobile communications, such as cooperation in the development of 3G applications and services and the need to provide transparency in 3G roll-out obligations; in this respect the European Council is expected to note the Commission's intention to clarify issues related to network infrastructure sharing;
- accelerated broadband deployment; in this respect the European Council is expected to call 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 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 is expected to invite the Commission to provide such guidelines by mid-2003
- enhancing, where appropriate, national research initiatives, as well as of co-ordinated joint national efforts, for example of Eureka-type, in order to stimulate and support private R&D in electronic communications technologies

39. The European Council is expected to welcome the European Investment Bank's new Innovation 2010 Initiative -- with an indicative lending envelope of 20 billion Euro for 2003-

2006 -- that supports the Lisbon and Barcelona objectives by extending loan finance for innovation, 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 is expected to call for:
- implementation of the 10-year programme on the objectives for education systems, thus demonstrating the contribution of education and training to economic growth and the achievement of the Lisbon objectives, *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 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 preserve the European social model, reducing the risk of exclusion. In order to link employment goals more closely to the overall Lisbon objectives the new three-year perspective of the Employment guidelines which are to be adopted 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 will rapidly have a positive effect on employment levels and growth.

42. Against this background, the European Council is expected to:

- endorse the overarching objectives set out in the Council's (Employment) key messages on the future of the European Employment Strategy: full employment by increasing employment rates; quality and productivity at work; cohesion and an inclusive labour market which are interrelated and mutually supportive
- confirm 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;
- demand that the new three-year cycle 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 and complementary 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.
- demand that the Employment Guidelines should address: active and preventive measures for the unemployed and inactive; making work pay; increasing labour supply and participation; change and adaptability; the development of human capital; 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 is expected to urge 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 and labour market conditions, and modernizing 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 the role 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 as well as by pursuing ongoing work on barriers to mobility, e.g. the transferability of certain social security rights.

- Increasing labour supply particularly amongst older people, women, immigrants and young people; encouraging active ageing, by discouraging early retirement incentives and increasing opportunities for older workers; and reducing barriers and disincentives for female labour force participation.

44. The European Council is expected to invite the Commission to establish of a European Employment Taskforce headed by [] to assist the Commission and the Council by identifying 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; its composition should be small, well balanced, including social partners, and it should report in time for the Joint Commission/Council Employment Report to be submitted to the 2004 Spring European Council.
45. The European Council is also expected to welcome 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 in the EU. The smooth integration of existing and new legal immigrants could play a key role in this approach. The European Council is expected to return to this question at its meeting in Thessaloniki in June 2003.
46. The European Council is expected to welcome the establishment of a Tripartite Social Summit for Growth and Employment, which will enable the social partners at European level to contribute, in the context of their social dialogue, to the various components of the integrated economic and social strategy, including the sustainable development dimension. The first Summit which is scheduled to precede this European Council is likely to highlight the important contribution that the social partners can make to the European Employment Strategy and the Lisbon objectives through their recently agreed joint annual work programme.
47. It is also expected to:
 - welcome the strengthening of the implementation, co-ordination and follow-up of

gender equality and gender mainstreaming in the European Union; in order to monitor progress the invite the Commission to prepare, in collaboration with the Member States, an annual report to the European Spring Council will be prepared on developments towards gender equality and orientations for gender mainstreaming of policy areas

- urge that momentum behind the Skills and Mobility Action Plan be maintained, *inter alia* by adopting by July 2003 the Directive on the mutual recognition of qualifications and by taking the necessary decisions to ensure that a European Health Insurance Card can start to be used from Summer 2004
- urge a review of ongoing efforts to improve the quality of work by *inter alia* improving level of basic skills, improving effective health and safety regulations, and promoting life-long learning; it welcomes the Commission's intention to prepare a report on quality at work by end 2003. The European Council urges adoption by Dec 2003 of pending legislative proposals on temporary agency workers and social security.

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 is expected to:
- welcome 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;
 - call for a review the progress achieved to date through the application of the open method of coordination in the field of pensions in 2006, including for the new Member States, and continuing the practice of co-operation 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

- maintain the momentum for cooperation by delivering special studies focusing on common challenges for pension systems: effective use of reserve funds for tackling the consequences of ageing; interaction between supply and demand of older workers in the labour market; development of 2nd and 3rd pillar pension systems in relation to the safeguard of the universal and adequate character of the 1st pillar systems; conditions contributing to the promotion of the well-being of older people; setting up of national or European mechanisms, which will provide reliable and continuous information on the economic, demographic and social trends affecting pension systems..
- welcome the joint Council/Commission report on health care and long-term for elderly and the intensification of the co-operative exchange on this topic on the basis of further proposals which the Commission should present by autumn 2003
- 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.

50. The European Council is expected to invite 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 is also expected to invite 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 proposal should be set out in a Communication clarifying 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 is expected to invite the 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 is expected to look forward to the second round of Social Inclusion National Action Plans and the Joint Inclusion Report ahead of the Spring European Council 2004 and highlight 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 economic growth from environmental degradation. 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 is expected to:
- invite 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; increase energy efficiency, setting an EU-wide indicative target of a long-term increase of 1% per year in a cost-efficient manner and with minimum distortionary effects; and achieve a final agreement on the emissions trading Directive
 - urge the Council (Environment) to adopt, before the Thessaloniki European Council, the "Intelligent Energy for Europe" programme and the Directive on the promotion of bio-fuels for transport, endorsing national indicative targets for the use of biofuels of 5,75% by 2010 for transport purposes; and to welcome the Commission's intention to present proposals in the second half of 2003, in the light of its forthcoming Communication, developing a Community framework for pricing of transport infrastructure.
 - urge the Council (Ecofin) to complete work on the adoption of the taxation of energy products directive in order to improve energy efficiency and promote the use and competitiveness of renewable energy sources; to encourage the reform of subsidies that have considerable negative effects on the environment and that are incompatible with sustainable development.

- urge the Council (Environment) 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 is also expected to call 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 is expected to note 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 is expected to note the role of such technologies to deliver twin environmental and competitiveness goals and call 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 produce a report on improving the effectiveness of the EHIP, 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 is expected to renew its expression of solidarity with the countries, regions and people touched. Following the measures announced at the Council in December, the European Council is expected to call for:

- rapid implementation of measures adopted by Council and Parliament after the ERIKA accident (reinforcing controls in ports, better oversight of classification agencies, designation of ports of refuge, installation of vessel traffic monitoring and information systems in EU waters)
- Rapid implementation by Council, the Commission and Member States of the measures

in the Communication of the Commission on the follow-up to the Prestige catastrophe

- Council (Transport) to reach agreement on March 27 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
- Adoption before the end of 2003, following a Commission proposal, of a system of criminal sanctions for parties responsible for maritime pollution
- Following the creation of European agency for Maritime Safety, ask 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;
- In terms of compensation for the victims of pollution, Member States to pursue within the forthcoming diplomatic conference at the IMO in May an increase in the current ceiling on compensation to at least 1 billion Euros failing a positive outcome within the IMO to work on a proposed 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
- explore possibilities of revising the UN Convention on the law of the sea to afford better protection for coastal states; pending the outcome, improved coordination between the Union and the IMO as well as with the neighbouring countries to find ways and means of adequate protection in conformity with international law;

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 is expected to note 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 co-ordination 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 is expected to urge the Council (Environment) to reach agreement by April 2004 on the Directive on environmental liability as a concrete means of implementing the Polluter-Pays principle; to call on Member States to promptly ratify and implement the Aarhus Convention, and for 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 is expected to underline 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;
- 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 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.

F. Drawing full benefit from an enlarged EU by implementing Lisbon objectives

61. 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.
62. 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.

P.M. – INTERNATIONAL SITUATION
