



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: The General Secretariat of the Council
to: Council (General Affairs)

Subject: European Council (24-25 March 2011)
- Draft conclusions

In accordance with article 2(3)(a) of the Council's Rules of Procedure, delegations will find attached the draft conclusions prepared by the President of the European Council, in close cooperation with the member of the European Council representing the Member State holding the six-monthly Presidency of the Council and with the President of the Commission.

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We express our deepest condolences for the large-scale loss of life and our solidarity with the people and government of Japan. The thoughts of EU citizens are with the many thousands of bereaved families and the hundreds of thousands of people who now have to rebuild their lives and communities. We commend the swift and decisive action taken by the Japanese authorities. Recalling the enduring friendship and close political and economic relations that link the EU to Japan, we are determined to stand by Japan as it strives to overcome the challenges it faces.

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Throughout the economic and financial crisis we have acted decisively to preserve financial stability and lay the ground for a sustainable and job-creating growth. Although the economic recovery in the Europe is now on track, risks remain and the EU must pursue determined action. We adopt today a comprehensive package of measures to strengthen the economic governance of the European Union and ensure the stability of the Euro area as a whole.

As regards latest development in Libya, we welcome UN Security Council resolution 1973. The safety of the people must be ensured by all necessary means. [p.m. follow up to UNSCR and latest events]. Regarding the Southern neighbourhood, we call for a rapid implementation of the orientations set on 11 March and agree on first concrete steps to support the countries of the Southern Neighbourhood in the short term.

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I. ECONOMIC POLICY

1. The European Council today adopted a comprehensive package of measures to respond to the crisis, preserve financial stability and lay the ground for a sustainable, socially inclusive and job-creating growth. This will strengthen the economic governance and competitiveness of the euro area and of the European Union.

Implementing the European Semester: Europe 2020, fiscal consolidation and structural reform

2. The European Council concluded the first phase in the European semester by endorsing the priorities for fiscal consolidation and structural reform in line with the Council's conclusions of 15 February and 7 March 2011 and further to the Commission's Annual Growth Survey.¹ Priority will be given to restoring sound budgets and fiscal sustainability, reducing unemployment through labour market reforms and making new efforts to enhance growth. All Member States are committed to translating these priorities into concrete measures to be included in their Stability or Convergence Programmes and National Reform Programmes. Further to the presentation of these programmes, the Commission will present its proposals for country opinions and country-specific recommendations to guide Member States' economic and employment policies, in good time for their adoption by the Council and subsequent endorsement by the June European Council.

¹ See also the Presidency's synthesis report of 16 March 2011.

3. In particular, Member States will present a multi-annual consolidation plan including specific deficit, revenue and expenditure targets, the strategy envisaged to reach these targets and a timeline for its implementation. Fiscal policies for 2012 should aim to restore confidence by bringing debt trends back on a sustainable path and ensuring that deficits are brought back below 3 % of GDP in the timeframe agreed upon by the Council. This requires in most cases an annual structural adjustment well above 0.5% of GDP. Consolidation should be frontloaded in Member States facing very large structural deficits or very high or rapidly increasing levels of public debt.
4. Fiscal consolidation efforts must be complemented by growth-enhancing structural reforms. To that end, Member States will implement measures to make work more attractive, get the unemployed back to work, balance security and flexibility, reform pension systems and allow a cost-effective access to energy. They will set out the main measures required to move towards the Europe 2020 headline targets as agreed in June 2010. They will also present policy measures to correct harmful and persistent macroeconomic imbalances and improve competitiveness.
5. In the framework of the European semester, close cooperation will be maintained with the European Parliament and other EU institutions, with the full involvement of national parliaments, social partners, regions and other stakeholders.
6. The Single Market has a key role to play to deliver growth and employment and promote competitiveness. The European Council welcomes the Commission's intention to present the Single Market Act and invites the European Parliament and the Council to identify by June 2011 a first set of priority measures to be adopted by the end of 2012. Particular emphasis should be laid on measures which create growth and jobs and bring tangible results to citizens and businesses, particularly SMEs. The European Council calls on Member States to fully implement the services Directive.

7. The external dimension of the Single Market is also important and focus should be on promoting free, open and fair trade. Work should be rapidly taken forward, following the Commission report setting out priorities for dismantling barriers to trade in third countries.

Providing a new quality of economic policy coordination: the Pact for the euro

8. The Pact for the Euro as agreed by the euro area Heads of State or government and [XXXX] (see annex) will further strengthen the economic pillar of EMU and achieve a new quality of economic policy coordination, with the objective of improving competitiveness and thereby leading to a higher degree of convergence. The Pact remains open for other Member States to join.
9. The Member States that have signed up to the Pact are committed, on the basis of the indicators and principles it contains, to announce a set of concrete actions to be achieved within the next twelve months. A number of Member States have already announced first commitments. All participating Member States will present their commitments as soon as possible and in any event on time for their inclusion in their Stability or Convergence Programmes and National Reform Programmes to be submitted in April and for their presentation at the June European Council.

Strengthening governance

10. The package of six legislative proposals on economic governance is key to ensuring enhanced fiscal discipline and avoidance of excessive macroeconomic imbalances. It includes a reform of the Stability and Growth Pact aimed at enhancing the surveillance of fiscal policies and applying enforcement measures more consistently and at an earlier stage, new provisions on national fiscal frameworks and a new surveillance of macroeconomic imbalances.

11. The European Council welcomes the general approach reached in the Council on the proposals, opening the way for negotiations with the European Parliament. It called for work to advance with a view to their adoption in June 2011.

Restoring the health of the banking sector

12. The EBA and relevant authorities are carrying out stress tests. The European Council underlines the importance of the peer review process to be conducted in close cooperation with national supervisors, the ESRB, the Commission and the ECB in order to increase the consistency and quality of the results. A high level of disclosure for banks will be ensured, including on sovereign debt holdings.
13. Member States will prepare, ahead of the publication of the results, specific and ambitious strategies for the restructuring of vulnerable institutions, including private sector solutions (direct financing from the market or asset sales) but also a solid framework in line with State aid rules for the provision of government support in case of need.

Strengthening the stability mechanisms of the Euro area

14. Recalling the importance of ensuring financial stability in the euro area, the European Council adopted the decision amending the TFEU with regard to the setting up of the European Stability Mechanism. It calls for the rapid launch of national approval procedures with a view to its entry into force on 1 January 2013.
15. The European Council welcomes the agreement reached on the reform of the EFSF and the features of the ESM.

p.m. to be updated in light of work conducted by Finance Ministers on EFSF and ESM

II. LIBYA / SOUTHERN NEIGHBOURHOOD

16. The European Council welcomes UN Security Council resolution 1973. The safety of the people must be ensured by all necessary means. The UN Security Council resolution provides a clear basis for the international community to provide protection to the civilian population. The European Council underlines the key role of our Arab partners.

p.m. follow up to UNSCR; FAC discussions; latest events,

17. The European Council calls for a rapid implementation of the orientations it set on 11 March, particularly as concerns measures which can benefit the countries of our Southern neighbourhood in the short term. In particular, it calls for:

- *[p.m. migration: follow-up to visit by Minister Martonyi]*
- the EU and its Member States to step up their humanitarian assistance;
- increasing by 1 billion euros the ceiling for EIB operations for Mediterranean countries undertaking political reform;
- adopting the Commission's proposal to allow the EIB to re-invest within the FEMIP funds reflowing from past operations;
- calling on EBRD shareholders to consider the possible extension of the Bank's activities to countries in the Southern neighbourhood;
- adopting without any delay the proposals on pan-Euro-Mediterranean rules of origin;
- the adoption by June 2011 of the regulation enhancing the capabilities of FRONTEX.

III. JAPAN

18. The European Union will stand by Japan as it strives to overcome the challenges it faces after the earthquake and the tsunami that struck it with such dramatic consequences.
19. Following an initial request from the Japanese government, it is mobilising relief supplies for the affected population. It stands ready to provide further support if requested. More generally, the EU is interested in developing its cooperation with Japan on disaster relief.
20. The European Union commends the swift and decisive action taken by the Japanese authorities in response to disorders on financial markets. It welcomes the action taken by the G7 on the Yen. It stands ready to cooperate fully with Japan to address the economic and financial consequences of these events, including in the framework of the G8 and the G20.
21. Looking to the future, the European Council reiterates the strategic importance of the EU/Japan relationship. The forthcoming summit must be used to strengthen this relationship and bring forward our common agenda.

[p.m. developments regarding nuclear safety]

22. In this connection, the European Council stresses the need to fully draw the lessons from these events. It calls for work to be taken forward as a matter of priority on the following aspects:
 - the safety of EU nuclear sites and equipment should be reviewed, including by carrying out a comprehensive risk and safety assessment ("stress tests"); similar "stress tests" should be carried out in the EU's neighbours and beyond, under the aegis of the IAEA;
 - the EU should implement the highest possible standards for nuclear safety and promote them internationally;

- the economic and financial consequences for the world economy and for the EU need to be closely monitored, paying particular attention to the volatility of energy and commodity prices, in particular in the context of the G20;
- [...]

p.m. to be developed in the light of the extraordinary Energy Council meeting on 21 March