



EUROPEAN COUNCIL

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COVER NOTE

from : General Secretariat of the Council

to : Delegations

Subject : **EUROPEAN COUNCIL
13/14 DECEMBER 2012**

CONCLUSIONS

Delegations will find attached the conclusions of the European Council (13/14 December 2012).

The European Council agreed on a roadmap for the completion of the Economic and Monetary Union, based on deeper integration and reinforced solidarity. This process will begin with the completion, strengthening and implementation of the new enhanced economic governance, as well as the adoption of the Single Supervisory Mechanism and of the new rules on recovery and resolution and on deposit guarantees. This will be completed by the establishment of a single resolution mechanism. A number of other important issues will be further examined by the June 2013 European Council, concerning the coordination of national reforms, the social dimension of EMU, the feasibility and modalities of mutually agreed contracts for competitiveness and growth, and solidarity mechanisms and measures to promote the deepening of the Single Market and to protect its integrity. Throughout this process, democratic legitimacy and accountability will be ensured.

The European Council launched work on the 2013 European Semester on the basis of the Commission's Annual Growth Survey. It decided to launch work on the further development of the EU's Common Security and Defence Policy and will return to this issue in December 2013.

I. ECONOMIC POLICY

Roadmap for the completion of EMU

1. In the light of the fundamental challenges facing it, the Economic and Monetary Union needs to be strengthened to ensure economic and social welfare as well as stability and sustained prosperity. Economic policies must be fully geared towards promoting strong, sustainable and inclusive economic growth, ensuring fiscal discipline, enhancing competitiveness and boosting employment, and in particular youth employment, in order for Europe to remain a highly competitive social market economy and to preserve the European social model.
2. The consolidation of EMU rests not only on completing its architecture but also on pursuing differentiated, growth-friendly and sound fiscal policies. While fully respecting the Stability and Growth Pact, the possibilities offered by the EU's existing fiscal framework to balance productive public investment needs with fiscal discipline objectives can be exploited in the preventive arm of the SGP.

3. Further to the interim report submitted in October 2012, the President of the European Council, in close collaboration with the Presidents of the Commission, the European Central Bank and the Eurogroup, has drawn up a specific and time-bound road map for the achievement of genuine Economic and Monetary Union. The European Council notes the "Blueprint" issued by the Commission which provides a comprehensive analysis of the relevant issues combined with an assessment of their legal aspects. It also notes the contributions made by the European Parliament. The European Council sets out the next steps in the process of completing EMU, based on deeper integration and reinforced solidarity for the euro area Member States.
4. The process of completing EMU will build on the EU's institutional and legal framework. It will be open and transparent towards Member States not using the single currency. Throughout the process the integrity of the Single Market will be fully respected, including in the different legislative proposals which will be made. It is also important to ensure a level playing field between Member States which take part in the SSM and those which do not.
5. The immediate priority is to complete and implement the framework for stronger economic governance, including the "six-pack", the Treaty on Stability, Coordination and Governance (TSCG) and the "two-pack". Following the decisive progress achieved on the key elements of the "two-pack", the European Council calls for its rapid adoption by the co-legislators.
6. It is equally urgent to advance towards a more integrated financial framework, which will help restore normal lending, improve competitiveness and help bring about the necessary adjustment to our economies.

7. The Single Supervisory Mechanism constitutes a major qualitative step towards a more integrated financial framework. The European Council welcomes the agreement reached within the Council on 13 December and calls on the co-legislators to rapidly agree so as to allow its implementation as soon as possible. It also reiterates the importance of the new rules on capital requirements for banks (CRR/CRD), which are of the utmost priority so as to develop a single rule book, and calls on all parties to work towards their agreement and rapid adoption.

8. The European Council urges the co-legislators to agree on the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive before June 2013; the Council for its part should reach agreement by the end of March 2013. Once adopted, these Directives should be implemented by the Member States as a matter of priority.

9. The European Council looks forward to the Commission's rapid follow up to the proposals of the high level expert group on the structure of the EU banking sector.

10. It is imperative to break the vicious circle between banks and sovereigns. Further to the June 2012 euro area Summit statement and the October 2012 European Council conclusions, an operational framework, including the definition of legacy assets, should be agreed as soon as possible in the first semester of 2013, so that when an effective single supervisory mechanism is established, the European Stability Mechanism will, following a regular decision, have the possibility to recapitalise banks directly. This will be done in full compliance with the Single Market.

11. In a context where bank supervision is effectively moved to a single supervisory mechanism, a single resolution mechanism will be required, with the necessary powers to ensure that any bank in participating Member States can be resolved with the appropriate tools. Therefore, work on the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive should be accelerated so that they can be adopted in line with paragraph 8. In these matters, it is important to ensure a fair balance between home and host countries. The Commission will submit in the course of 2013 a proposal for a single resolution mechanism for Member States participating in the SSM, to be examined by the co-legislators as a matter of priority with the intention of adopting it during the current parliamentary cycle. It should safeguard financial stability and ensure an effective framework for resolving financial institutions while protecting taxpayers in the context of banking crises. The single resolution mechanism should be based on contributions by the financial sector itself and include appropriate and effective backstop arrangements. This backstop should be fiscally neutral over the medium term, by ensuring that public assistance is recouped by means of *ex post* levies on the financial industry.

12. In order for the EMU to ensure economic growth, competitiveness in the global context and employment in the EU and in particular in the euro area, a number of other important issues related to the coordination of economic policies and economic policy guidelines of the euro area will need to be further examined, including measures to promote the deepening of the Single Market and to protect its integrity. To this end, the President of the European Council, in close cooperation with the President of the Commission, after a process of consultations with the Member States, will present to the June 2013 European Council possible measures and a time-bound roadmap on the following issues:
 - a) coordination of national reforms: the participating Member States will be invited to ensure, in line with Article 11 of the TSCG, that all major economic policy reforms that they plan to undertake will be discussed *ex ante* and, where appropriate, coordinated among themselves. Such coordination shall involve the institutions of the EU as required by EU law to this end. The Commission has announced its intention to make a proposal for a framework for *ex ante* coordination of major economic policy reforms in the context of the European Semester;

- b) the social dimension of the EMU, including social dialogue;
 - c) the feasibility and modalities of mutually agreed contracts for competitiveness and growth: individual arrangements of a contractual nature with EU institutions could enhance ownership and effectiveness. Such arrangements should be differentiated depending on Member States' specific situations. This would engage all euro area Member States, but non euro Member States may also choose to enter into similar arrangements;
 - d) solidarity mechanisms that can enhance the efforts made by the Member States that enter into such contractual arrangements for competitiveness and growth.
13. Governance within the euro area should be further improved, building on the TSCG and taking into account the euro area Summit statement of 26 October 2011. The euro area Heads of State or Government will be invited to adopt rules of procedure for their meetings at their meeting in March 2013, fully respecting Article 12.3 TSCG.
14. Throughout the process, the general objective remains to ensure democratic legitimacy and accountability at the level at which decisions are taken and implemented. Any new steps towards strengthening economic governance will need to be accompanied by further steps towards stronger legitimacy and accountability. At national level, moves towards further integration of the fiscal and economic policy frameworks would require that Member States ensure the appropriate involvement of their parliaments. Further integration of policy making and greater pooling of competences must be accompanied by a commensurate involvement of the European Parliament. New mechanisms increasing the level of cooperation between national parliaments and the European Parliament, in line with Article 13 of the TSCG and Protocol No 1 to the Treaties, can contribute to this process. The European Parliament and national parliaments will determine together the organisation and promotion of a conference of their representatives to discuss EMU related issues.

Annual Growth Survey

15. The European Council welcomes the timely submission of the **Annual Growth Survey** (AGS) by the Commission, which launches the 2013 European semester. It agrees that efforts at national and European level in 2013 should continue to focus on the five priorities agreed last March, namely 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.
16. The Council will examine in further detail the AGS package in accordance with the roadmap presented by the incoming Presidency and following the recommendations outlined in the Presidency report on lessons learned from the 2012 European Semester, with a view to providing its views to the March 2013 European Council. The European Council will then agree on the required guidance for Member States' Stability and Convergence Programmes and National Reform Programmes as well as for the implementation of the EU's flagship initiatives. The Commission is invited to include in its next Annual Growth Survey an assessment of the performance of labour and product markets with a view to promoting jobs and growth.

17. The completion of the **Single Market** can contribute much to growth and jobs and constitutes a key element of the EU's response to the financial, economic and social crisis. The European Council took stock of the state of play as regards the priority proposals of the Single Market Act I and welcomed the agreement reached among participating Member States on the Unitary Patent as well as the agreement on Alternative Dispute Resolution and Online Dispute Resolution for consumer disputes. It calls on the co-legislators to conclude the remaining SMA I files as a matter of urgency. In particular, work should be speeded up on professional qualifications, public procurement, posting of workers and e-signature and e-identification. As regards the Single Market Act II, the European Council calls on the Commission to present all key proposals by the spring of 2013. It invites the Council and the European Parliament to give these proposals the highest priority with a view to their adoption by the end of the current parliamentary cycle at the latest. It is also important to take urgent action in line with the Commission's communications on implementation of the Services Directive and on Single Market governance. The European Council will keep progress on all single market proposals under close review.
18. The European Council calls for the rapid examination of the Commission's communication on "Smart Regulation" and looks forward to the publication of the first SME scoreboard. The European Council welcomes the proposals by the Commission to reduce regulatory burdens and scrap regulations that are no longer of use as part of its overall approach to "Smart Regulation". It looks forward to concrete progress and a report back at its March 2013 meeting.

19. Recalling the January 2012 Statement of Heads of State or Government and the conclusions of its meetings in March, June and October, the European Council welcomes the progress made during the year towards a comprehensive EU approach to **youth employment**. It calls on the Council to give consideration to the proposals of the Youth Employment Package without delay, in particular with a view to adopting the recommendation on a Youth Guarantee at an early date in 2013 while taking into account national situations and needs. It invites the Commission to rapidly finalise the quality framework for traineeships, establish the Alliance for Apprenticeships as well as propose the new EURES regulation. The Council, the Member States, and the Commission should ensure rapid follow-up to the Commission communication on "Rethinking Education".

II. OTHER ITEMS

Common Security and Defence Policy

20. The European Council recalls its conclusions of December 2008 and notes that in today's changing world the European Union is called upon to assume increased responsibilities in the maintenance of international peace and security in order to guarantee the security of its citizens and the promotion of its interests.

21. In this regard, the European Council remains committed to enhancing the effectiveness of the Common Security and Defence Policy (CSDP) as a tangible EU contribution to international crisis management. The EU plays an important role in its neighbourhood and globally. The European Council recalls that CSDP missions and operations are an essential element of the EU's comprehensive approach in crisis regions, such as the Western Balkans, the Horn of Africa, the Middle East, Sahel, Afghanistan and the South Caucasus and remains committed to increasing their operational effectiveness and efficiency. It also recalls that CSDP missions and operations should be carried out in close cooperation with other relevant international actors, such as the UN, NATO, the OSCE and the African Union, as well as partner countries, as called for in each specific situation. Enhancing the cooperation with interested partners in Europe's neighbourhood is of particular importance in this regard.

22. To deliver on security responsibilities, the European Council underlines that EU Member States must be ready to provide future-oriented capabilities, both in the civilian domain and in the field of defence. The European Council stresses that current financial constraints highlight the urgent necessity to strengthen European cooperation in order to develop military capabilities and fill the critical gaps, including those identified in recent operations. It also underlines the benefits such cooperation may have for employment, growth, innovation and industrial competitiveness within the European Union.

23. The European Council invites the High Representative, notably through the European External Action Service and the European Defence Agency, as well as the Commission, all acting in accordance with their respective responsibilities and cooperating closely as required, to develop further proposals and actions to strengthen CSDP and improve the availability of the required civilian and military capabilities, and to report on such initiatives, at the latest by September 2013, with a view to the December 2013 European Council. Member States will be closely involved throughout this process.

24. To that end, the European Council underlines i.a. the following issues:

Increase the effectiveness, visibility and impact of CSDP by

- further developing the comprehensive approach to conflict prevention, crisis management and stabilisation, including by developing the ability to respond to emerging security challenges;
- strengthening the EU's ability to deploy the right civilian and military capabilities and personnel rapidly and effectively on the whole spectrum of crisis management action.

Enhance the development of defence capabilities by

- identifying current redundancies and capabilities shortfalls and prioritising future requirements for European civilian and military capabilities;
- facilitating a more systematic and longer term European defence cooperation, including through "pooling and sharing" of military capabilities; and in this regard, systematically considering cooperation from the outset in national defence planning by Member States;
- facilitating synergies between bilateral, sub-regional, European and multilateral initiatives, including the EU's "pooling and sharing" and NATO's "smart defence".

Strengthen Europe's defence industry by

- developing a more integrated, sustainable, innovative and competitive European defence technological and industrial base;
- developing greater synergies between civilian and military research and development; promoting a well-functioning defence market, in particular through the effective implementation of the directives on public procurement and on intra-EU transfers, open to SMEs and benefiting from their contributions.

25. The European Council will in December 2013 review progress achieved in pursuing these goals, assess the situation and, on the basis of recommendations by its President, provide guidance, including by setting priorities and timelines, to ensure the effectiveness of EU efforts aimed at meeting Europe's security responsibilities.

Regional Strategies

26. Recalling its June 2011 conclusions, and subject to the evaluation of the concept of macro regional strategies as foreseen in the Council conclusions of 13 April 2011, the European Council looks forward to the presentation by the Commission of a new EU Strategy for the Adriatic and Ionian region before the end of 2014. It also calls for the prompt implementation of the revised EU strategy for the Baltic Sea. In order to enhance co-operation with the neighbouring countries the European Council encourages the Council to take further action to make full use of the Northern Dimension and its partnerships.

Enlargement and the Stabilisation and Association Process

27. The European Council welcomes and endorses the conclusions adopted by the Council on 11 December on Enlargement and the Stabilisation and Association Process.

Syria

28. The European Council is appalled by the increasingly deteriorating situation in Syria. It endorses the conclusions adopted by the Council on 10 December. The European Council also welcomes the results of the 4th Ministerial meeting of the Group of Friends of the Syrian people, held in Marrakech on the 12th of December 2012. The European Council tasks the Foreign Affairs Council to work on all options to support and help the opposition and to enable greater support for the protection of civilians. The European Council repeats its view that political transition is necessary in Syria towards a future without President Assad and his illegitimate regime. We support a future that is democratic and inclusive with full support for Human Rights and the rights of minorities. The European Council will continue to address the situation in Syria as a matter of priority.
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