



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 12 June 2009

10955/09

LIMITE

POLGEN 104

NOTE

from: Presidency
to: Council

Subject: *European Council (18 and 19 June 2009)*
– *Draft conclusions*

The attached draft conclusions are presented by the Presidency with a view to their adoption by the European Council on 18 and 19 June 2009.

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[p.m. chapeau]

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The meeting of the European Council was preceded by an exposé by the President of the European Parliament, Mr Hans-Gert Pöttering, followed by an exchange of views.

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I. Institutional issues

p.m.

II. Economic, financial and social situation

1. The European Union, like the rest of the world, continues to face the effects of the deepest and most widespread recession in the post-war era. It is therefore imperative for the EU to continue to develop and implement the measures required to respond to the crisis. This should be done building on the important achievements of the past months in line with the European Economic Recovery Plan agreed last December. As evidenced by the Council's report assessing the national recovery measures (XXXX/09), the significant measures taken by governments and central banks are contributing to limiting the negative effects of the downturn and helping to safeguard jobs. They also pave the way towards a sustainable economic recovery.
2. The European Council reaffirms its strong commitment to sound public finances and to the Stability and Growth Pact. Future developments remain uncertain; based on economic and budgetary outlook forecasted by the Commission in early May, further budgetary stimulus would not be warranted and attention should shift towards consolidation, keeping pace with economic recovery. There is a clear need for a reliable and credible exit-strategy, inter alia by improving the medium-term fiscal framework.

Building a new order in financial markets

3. The Council's report on the effectiveness of financial support schemes (XXXX/09) underlines the extent to which state guarantees and recapitalisation operations have been crucial in preventing a meltdown of the financial sector and have played a positive role in protecting the interests of depositors. By supporting the flow of credit to the real economy they also contribute to protecting jobs.

4. Although this coordinated strategy at the EU level has been effective in stabilising financial markets, the operating environment of the financial institutions remains challenging and credit flows continue to be constrained. Governments must therefore stay alert to possible further measures which may be needed to recapitalise or to clean up balance sheets. The ongoing EU-wide stress testing exercise will help to better assess the financial system's resilience, contribute to enhancing confidence of financial markets and facilitate coordinated policy measures at EU level. All actions must be consistent with single market principles, ensure a level playing field and take into account a credible exit strategy. The Commission is invited to continue to monitor the measures taken in support to the financial sector and provide further guidance on the return of the banking sector to viability.

5. The financial crisis has clearly demonstrated the need to improve the regulation and supervision of financial institutions, both in Europe and globally. Addressing the failures exposed by the present crisis will contribute to preventing future ones. It will also help restore confidence in the financial system, in particular by enhancing the protection of depositors and consumers, and thus facilitate the recovery of the European economy.

6. Important progress has already been achieved on improving the EU's regulatory framework, in particular with the agreement reached on the Capital Requirements Directive, the Credit Rating Agencies Regulation and the Solvency II Directive. The European Council calls for further progress to be made in the field of regulation of financial market, notably on the regulation of alternative investment funds and on improved capital requirements for banks. It also invites the Member States to rapidly take action on executives' pay and on remunerations in the financial sector, taking account of the recommendations made by the Commission.
7. The communication presented by the Commission on 27 May 2009 and Council Conclusions of 9 June 2009 set out the way forward to establish a new framework for macro- and micro-prudential supervision. The European Council supports the creation of a European Systemic Risk Board which will monitor and assess potential threats to financial stability and, where necessary, issue risk warnings and recommendations for action and monitor their implementation.
8. The European Council also supports the establishment of a European System of Financial Supervisors composed of national supervisory authorities and three new European Supervisory Authorities (ESAs), working as an operational European network with shared and mutually reinforcing responsibilities towards safeguarding financial soundness at the level of individual financial firms and protecting consumers of financial services.
9. The European Council welcomes the Commission's intention to bring forward, by early autumn 2009 at the latest, the legislative proposals to put in place the new framework for EU supervision, taking full account of the Council conclusions of 9 June 2009. These proposals need to be swiftly adopted in order for the new framework to be fully in place in the course of 2010. The European Council will take stock of progress at its meeting in December 2009 and if necessary provide further impetus.

10. It is equally important to further advance work on building a comprehensive cross-border framework for the prevention and management of financial crises. The European Council invites the Commission to rapidly come forward with appropriate initiatives in this regard.
11. The European Union will continue to play a leading role at the global level, in particular within the G20. It calls on its international partners to fully implement the commitments undertaken in Washington and London, in particular as regards the provision of additional resources to international financial institutions and accelerating the reform of the financial and regulatory framework. The European Council invites the Council and the Commission to ensure the thorough preparation of a coordinated EU position in advance of the 24/25 September 2009 G20 Summit. It also calls on the Presidency and the Commission to take up the issue of global regulation and supervision systematically in contacts with international partners, including at the highest level.
12. Regarding the resources of the IMF, Member States have already stated their readiness to provide fast temporary support to a total amount of EUR 75 bn. In principle, Member States stand ready to take their share of further financing needs, if they arise over the medium term through the New Arrangements to Borrow, in the context of a fair burden-sharing at the global level.

Strengthening efforts to support employment

13. The fight against unemployment remains a major priority. Whilst action in this field lies first and foremost with the Member States, the European Union has an important role to play in providing and improving the common framework required to ensure that measures taken are coordinated, mutually supporting and in line with single market rules.

14. The informal Prague Employment Summit discussed concrete actions to help alleviate the employment and social consequences of the crisis. In the context of this discussion three priority areas which should receive particular attention were identified, both within the recovery packages of the Member States and within the initiatives launched at European level: (i) maintaining employment, creating new jobs and promoting mobility; (ii) upgrading skills and matching labour market needs; (iii) increasing access to employment.
15. The Commission in its communication of 3 June 2009 developed those priorities into concrete actions which can be supported through the European Social Fund. These measures show that an accelerated mobilisation of existing EU resources and their better use can help the Member States to find new ways of coping with unemployment and equipping people with the knowledge, skills and training needed for the jobs of the future.
16. “Flexicurity” remains the right approach in the current situation, mainly through modernising and fostering the adaptability of labour markets. Priority should be given to preparing labour markets for future recovery: creating a friendly environment for entrepreneurship and job creation, investing in a skilled, adaptable and motivated labour force and transforming Europe into competitive, knowledge-based, inclusive, innovative and eco-efficient economy. Social protection systems and social inclusion policies play their role as automatic economic stabilisers and as effective mechanisms for cushioning the social impact of the downturn. Particular attention must also be given to the most vulnerable and to new risks of exclusion.

III. Climate change and sustainable development

17. The time has now come for the international community to take the commitments needed to limit global warming to under 2°C. A coherent response to the challenges posed by both climate change and the economic and financial crisis will open up new opportunities and make it possible to move to a low-carbon economy capable of generating sustainable growth and creating new jobs.

18. The European Union once again calls on all parties to cooperate in reaching an ambitious and comprehensive agreement at the Copenhagen Conference and to speed up the pace of negotiations to this end. It underlines the important role of high level international meetings in advancing discussions and looks forward to a positive contribution by the forthcoming Major Economies Forum and G8 meetings to the United Nations Framework Convention on Climate Change process. To build up this global process the EU has intensified its bilateral dialogue on climate change with key international partners, including at recent summits with Canada, China, Japan, the Republic of Korea, Russia and the USA.

19. The European Union stands ready to play a leading role in this process. It has itself entered into an ambitious and legally binding commitment to reduce its greenhouse gas emissions by 20% by 2020 compared to 1990 levels. Provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities, the Union is committed, in line with the December 2008 European Council conclusions, to increase its commitment to 30%. The efforts the Union expects of the developed countries and the developing countries, especially the most advanced among them, by 2020 are set out in the conclusions of the Council of March 2009.

20. The European Council endorses the conclusions of the Council of 9 June 2009. All countries, except the least developed, should contribute to the financing of the fight against climate change in developing countries on the basis of a universal, comprehensive and specific contribution key. One of the main findings of preparatory work in the Council up to date is that the main principles of contribution should be the ability to pay and the responsibility for emissions.¹ The European Union recognises the scale of the effort required and, while underlining the primary role of private financing, will contribute its fair share of international public support for actions for mitigation and adaptation, in particular in the least developed countries. Financing mechanisms should as far as possible build on existing - and if necessary, reformed - instruments and institutions. Efficient, effective and equitable financing mechanisms must be ensured. This includes the putting into place of comprehensive low-carbon development strategies by developing countries and the establishment of a comprehensive system to measure, report and verify mitigation actions in these countries.
21. The European Council welcomes the intention of the incoming Presidency to develop, in close cooperation with the Commission, a work programme to ensure that there is sufficient time for internal EU coordination and decision making prior to important international meetings which will prepare the December Copenhagen Conference. It invites the Commission to table proposals, including on financing, as soon as possible and is prepared, subject to developments in international negotiations, to take the appropriate decisions on all aspects of financing at its October meeting.
22. Sustainable development remains a fundamental objective of the European Union encompassing an economic, a social and an environmental dimension. The European Council invites the Council to examine the Commission's progress report on the implementation of the Sustainable Development Strategy with a view to agreeing as soon as possible on the actions which should be implemented with priority.

¹ This is without prejudice to the internal EU burden sharing which will be determined in good time before the Copenhagen Conference.

23. The European Council calls for work to be taken forward rapidly on the Commission's communication on the Baltic Sea region with a view to adopting a Strategy on the Baltic Sea Region at its meeting in October 2009. In this connection, the European Council welcomes the Action Plan on Baltic Energy Market Interconnection as a major contribution to enhancing the energy security of the Union. It also invites the Commission to present an EU strategy for the Danube region before the end of 2010.

IV. Illegal immigration

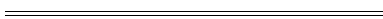
24. Recent events underline the urgency of strengthening efforts to prevent and combat illegal immigration in an efficient manner at the EU Southern maritime borders and thus prevent future human tragedies. A determined European response based on firmness, solidarity and shared responsibility is essential, in line with the European Pact on Immigration and Asylum and the Global Approach to Migration. Their implementation must be stepped up, in particular as concerns the cooperation with countries of origin and transit. All activities in the Western Mediterranean region and at the Eastern and South-Eastern borders need to continue.
25. The European Council calls for the coordination of voluntary measures for internal reallocation of beneficiaries of international protection and urges the Council and the European Parliament to reach agreement allowing for the rapid establishment of the European Asylum Support Office. The European Council also underlines a need for strengthened border control operations coordinated by FRONTEX, clear rules of engagement for joint patrolling and the disembarkation of rescued persons, and greater use of joint return flights. In this context it calls for strong actions aimed at fighting effectively against organised crime and criminal networks involved in trafficking of human beings.

V. **External relations**

26. The European Council adopted a Declaration on Pakistan and Afghanistan (ANNEX I).

27. [Eastern Partnership]

28. [MEPP]



DECLARATION ON PAKISTAN AND AFGHANISTAN

The European Union attaches great importance to stability and security in Afghanistan and Pakistan and the wider region. Afghanistan and Pakistan each face complex and urgent challenges. While the EU reconfirms its specific ties with both countries individually, some of these challenges are closely interlinked and can only be solved through collaboration between those with a stake in the stability, security and development of the region. The EU welcomes and continues to support the increasing dialogue between the Governments of Afghanistan and Pakistan and encourages further development of recent moves towards improving their relationship.

Pakistan

The European Union welcomes the successful outcome of the recent Summit between the EU and Pakistan, which marks a step towards the development of a strategic dialogue. The EU and Pakistan are committed to the primary objective of fighting terrorism and combating radicalisation. The EU recognises Pakistan's major progress in transition to democratic civilian rule and will continue to help with institution building to further strengthen and reinforce democratic structures in Pakistan.

The EU and the Government of Pakistan will now focus on the follow-up to the Summit. In this context, the European Council underlines the importance of sustainable economic development for further progress in Pakistan and of significantly enhancing the EU trade relationship with Pakistan, including through a possible free trade agreement in the long-term. The EU will enhance the dedicated trade dialogue to take forward work. The EU will maintain its support for efforts aimed at promoting trade liberalisation in South Asia and will encourage Pakistan to facilitate intraregional trade, in particular with India and Afghanistan.

The EU welcomes Pakistan's resolve to step up counter terrorism efforts and recognised the sacrifices which the Pakistani people and armed forces are making notably during ongoing operations in North West Frontier Province. The European Union expresses confidence that a successful outcome would greatly strengthen the democratically elected government in achieving its political and development objectives. The EU underlines the importance of an immediate humanitarian response to the crisis in Swat and stands ready to provide further assistance, in order to enable displaced persons to return to their homes. The EU will support the Government of Pakistan in implementing a comprehensive rehabilitation and reconstruction plan for the region.

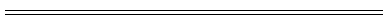
Afghanistan

The EU reaffirms its long-term commitment to supporting Afghanistan on its path to security, stability and prosperity, while stressing that primary responsibility for the development of the country lies with Afghan Authorities.

Recognising the challenging environment in which the first Afghan-led election process will take place, the EU attaches the greatest importance to the holding of credible, inclusive and secure presidential and provincial elections in Afghanistan in line with international standards, which would strengthen the support of the Afghan people for their institutions. It is particularly important that the state exercises its authority with impartiality and integrity to ensure that no candidate is unfairly disadvantaged. Political legitimacy is at the heart of further progress in Afghanistan. Afghan politicians have an important role to play by reaching out to voters and encouraging Afghans to exercise their right to choose their own leaders by participating in the August elections. The EU also calls on candidates to use the campaigning period to present policy manifestos, which inform and engage the population in the political process. As part of international efforts, the EU remains committed to supporting the elections and will deploy a team of international observers to Afghanistan.

The EU remains committed to promoting rule of law and good governance in Afghanistan and urges the Government of Afghanistan to give the utmost priority to the achievement of significant progress in this area, especially at sub-national level. Building Afghan capacity and ownership, within the police as well as within the civilian sectors, remains at the core of EU's engagement in Afghanistan. In this respect, the EU police mission EUPOL Afghanistan is a key contribution of active EU-engagement in Afghanistan, currently mandated to deploy up to 400 international personnel to monitor, mentor, advise and train in the area of police and the wider rule of law. The European Council underlines the importance of the prospect of a deployment of the European Gendarmerie Force in Afghanistan within the NTMA, as a complementary initiative in building up police capacity. The EU will follow through on its commitment in March to examine what it can do strategically and practically to build Afghan capacity in delivering the rule of law and assist the Government of Afghanistan to strengthen its respect for human rights and governance.

The EU emphasizes that the Afghan Compact and the Afghan National Development Strategy (ANDS) continue to provide the relevant framework for the political, social and economic development of Afghanistan, with UNAMA's coordinating role at the centre of the efforts of the international community. In this regard, the EU intends to enhance and consolidate its commitment to Afghanistan, as a major partner for reconstruction and development, through the EC's and Member States' actions.



Reference documents submitted to the European Council

- Report on the effectiveness of the financial support schemes, adopted by the Council on 9 June 2009 (10772/09 + ADD 1)

- Report on the European Economic Recovery Plan, adopted by the Council on 9 June 2009 (10771/09)

- Conclusions on international financing for climate action, adopted by the Council on 9 June 2009 (10837/09)

- Conclusions on strengthening EU financial supervision, adopted by the Council on 9 June 2009 (10862/09)

- Conclusions on the Middle East Peace Process, adopted by the Council on 15 June 2009 (xxx/09)

- ESDP Presidency Report (xxx/09)
