



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 19 February 2008

6646/08

LIMITE

POLGEN 14

NOTE

from : Presidency
to : Coreper

Subject : European Council (13 and 14 March 2008)
– Draft conclusions

The Presidency hereby submits to Coreper draft conclusions to be agreed by the European Council at its meeting on 13 and 14 March 2008.

The text will continue to be updated in the light of work underway in relevant Council formations.

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p.m. Executive Summary

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

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LAUNCHING THE NEW CYCLE OF THE RENEWED LISBON STRATEGY FOR GROWTH AND JOBS (2008-2010)

1. 6,5 million jobs created in the last two years, an employment rate closer to the 70% target, productivity growth higher than the annual rate of 1,2% registered between 2000 and 2005 and growth at 2,9% in 2007 all demonstrate that the Lisbon Strategy – refocused on growth and jobs and based on enhanced partnership and ownership – is working and delivering results.
2. Further to the Commission's Strategic Report and in the light of work in the relevant Council formations the European Council launches the second three-year cycle of the Strategy by
 - confirming that the current Integrated Guidelines (BEPGs and Employment Guidelines) remain valid and should serve for the period 2008-2010. The Council (ECOFIN and EPSCO) is invited to formally adopt the Integrated Guidelines in accordance with the Treaty;

- endorsing the country-specific recommendations for the economic and employment policies of the Member States and the Euro area as drawn up by the Council on the basis of the Commission's proposals. It calls on the Member States to ensure that their National Reform Programmes are up-to-date for the coming cycle in line with these recommendations and the Integrated Guidelines and to include in their annual progress reports a statement presenting the detailed and concrete measures taken to address the country-specific recommendations. The Commission is invited to continue working with Member States to develop a clear methodology for the monitoring and evaluation of Lisbon reforms;
 - urging the Commission, the European Parliament and the Council, within their spheres of competence, to drive forward work on the 10 objectives identified in the Community Lisbon Programme, which provides a strategic reform agenda for the Community part of the renewed Lisbon Strategy.
3. The focus of the new cycle will be on implementation. The European Council therefore:
- reconfirms the four priority areas agreed at its Spring 2006 meeting as the cornerstones of the renewed Lisbon Strategy and at the same time calls for synergies among them to be exploited to a greater degree;
 - invites the Commission and Member States to step up the exchange of best practices within the four priority areas in the context of multilateral surveillance, as well as to strengthen the involvement of other relevant stakeholders in the Lisbon process;
 - recognises the role of the local and regional level in delivering growth and jobs; increased ownership of the growth and jobs agenda at all levels of government will lead to more coherent and effective policymaking;

- emphasises the contribution of economic, social and territorial cohesion to the Lisbon agenda and welcomes the progress made in reorienting cohesion funds in support of national reform programmes and implementation of the Integrated Guidelines. In total, some € 70 bn of cohesion funding will be mobilised annually up to 2013 in support of growth and jobs. Now that the programming phase has been completed, the European Council calls on Member States to ensure that expenditure reflects the earmarking commitments made;
- underlines the importance of macro-economic stability in addressing longer-term challenges ahead. The EU budgetary framework, as defined by the revised Stability and Growth Pact, provides the appropriate tools in this regard. The European Council calls on Member States not yet at their medium-term budgetary objective to reduce their deficits and debt in line with the requirements of the Stability and Growth Pact. Countries that have reached their medium-term objectives should maintain their structural efforts;
- agrees the concrete actions set out below. In this connection, the European Council endorses the key messages from the Council in its ECOFIN, Competitiveness, Employment and Social Policy, Environment and Education and Youth formations, as well as the Council conclusions on the Single Market Review.

Investing in knowledge and innovation

4. A key factor for future growth is the full development of the potential for innovation and creativity of European citizens built on European culture and excellence in science. Since the relaunch of the Lisbon Strategy, joint efforts have led to significant achievements in the areas of research, knowledge and innovation. The implementation of the broad-based innovation strategy remains key to realising EU ambitions in the area. However, further efforts must be made with a view to investing more and more effectively in research, creativity, innovation and higher education and achieving the 3% R&D investment target. The European Council highlights the following actions on which the Member States and the Community are urged to make swift progress:
- Member States are invited to set out in their National Reform Programmes how progress towards national R&D investment targets will be achieved and how their R&D strategies will contribute to realising the European Research Area;
 - key projects, such as GALILEO, EIT, the European Research Council, the Risk-Sharing Finance Facility and the Joint Technology Initiatives must be swiftly implemented/set up and decisions should be taken on further research projects;
 - scientific e-infrastructure and high-speed internet usage must be significantly increased; With a view to high-speed internet penetration in Europe reaching 30%, Member States should aim to make high-speed internet available to all schools by 2010 and to set ambitious national targets for household access as part of their National Reform Programmes;
 - promotion of an EU-wide market for venture capital for the most innovative companies.

5. In order to become a truly modern and competitive economy, the EU must remove barriers to the free movement of knowledge by creating a "**fifth freedom**" based on fostering scientific excellence, launching a new generation of world-class research facilities, removing legal and administrative obstacles to the cross-border mobility of researchers, as well as students, scientists, and university teaching staff and further implementing higher education reforms. European researchers' labour market should be rendered more open and competitive, providing better career structures, transparency and family-friendliness. It should encourage open access to knowledge and open innovation, as well as facilitate and promote the optimal use of intellectual property created in public research organisations so as to increase knowledge transfer to industry.

Unlocking the business potential, especially of SMEs

6. Decisions taken since the renewal of the Lisbon Strategy have started to improve conditions for market players. It has become easier to set up a business as all Member States have established one-stop shops to facilitate registration and reduce paperwork. The European Council welcomes the progress made during 2007 on better regulation and considers that further efforts are needed in order to highlight its crucial role in improving the competitiveness of EU business, in particular SMEs. To ensure that the better regulation initiative delivers real and substantial economic benefits:
- efforts on reducing administrative burdens by 25% by 2012 should be stepped up and corresponding national targets and processes established;
 - "fast track" legislative proposals should be adopted and simplification rolling programme continue to be implemented;
 - more should be done to develop the capacity of EU institutions on impact assessment.

7. The **Single Market** remains a crucial driver for enhancing living standards of European citizens and Europe's competitiveness in the globalised economy. In order to further improve the functioning of the Single Market and to tap its full potential, the following measures and actions need to be taken forward as immediate priorities:
- ensure effective follow-up to the Commission's Single Market Review with a focus on actions needed to boost growth and jobs by removing remaining barriers to the four freedoms. In this context market developments should be monitored in order to prioritise action in markets where there are genuine and significant barriers to market functioning and competition;
 - continue efforts to liberalise network industries (energy, electronic communications) and to adopt the adequate regulatory frameworks;
 - ensure a complete, coherent, and timely transposition and implementation of the Services Directive which is an important step towards the creation of a genuine single market for services.
8. **Small and medium sized enterprises** (SMEs) form the backbone of European economy and have the potential to contribute significantly to creating more growth and jobs in the European Union. In order to reinforce the Union's SMEs policy, the following actions are of immediate importance:
- a Small Business Act Initiative setting out an integrated approach across the SMEs' life cycle, in line with Better Regulation and Think Small First principles, should be developed to further strengthen SMEs' competitiveness;
 - the introduction, where justified and following screening of the *acquis communautaire*, of exemptions for SMEs from the administrative requirements of EU legislation;
 - strengthened support of research-performing and innovative SMEs with high growth potential, for example through a new European private company statute;
 - further facilitation of access to finance, including through existing EU financial instruments.

9. Open markets and a sound international environment contribute to growth and jobs. The EU should therefore continue its endeavours to shape globalisation by reinforcing the global dimension of the renewed Lisbon strategy. The European Council welcomes the Commission's intention to report annually on market access, identifying countries and sectors where significant barriers remain and believes that the EU should continue its endeavours to:
- improve the multilateral trading system, in particular by promoting a balanced and global agreement in the Doha Development Round;
 - conclude ambitious bilateral agreements with important trading partners and develop a common economic area with neighbouring countries and candidate countries;
 - secure reliable access to energy and to strategic raw materials;
 - strengthen existing economic relations and develop mutually beneficial strategic partnerships with emerging economic powers;
 - foster regulatory cooperation, convergence of standards and an effective Intellectual Property Rights enforcement system against counterfeiting.

Investing in people and modernising labour markets

10. The education element of the knowledge triangle "research-innovation-education" should be strengthened. Providing high-quality education and investing more and more effectively in human capital throughout people's lives are crucial conditions for Europe's success in a globalised world. This can bridge and facilitate the movement towards a "knowledge-based economy", create more and better jobs and contribute to sound fiscal positions. They are also effective ways of fighting inequality and poverty and can contribute to reducing youth unemployment.
11. In this context the European Council looks forward to the Commission's proposal for a renewed Social Agenda which will take account of Europe's new social realities and cover issues such as youth, education, migration and demography. In view of increasing skills shortages in a number of sectors, it invites the Commission to present a comprehensive assessment of the future skills requirements in Europe up to 2020, taking account of the impacts of technological change and ageing populations and to propose steps to anticipate future needs.

12. The European Council urges Member States to take concrete action to:
- substantially reduce the number of young people who cannot read properly and the number of early school leavers, and improve the achievement levels of learners with a migrant background;
 - attract more adults, particularly low-skilled and older workers into education and training to further facilitate geographic and occupational mobility;
 - promote further overall labour force participation and tackle segmentation in order to ensure active social integration;
 - improve policy consistency and coordination in order to enhance social cohesion.
13. Flexicurity strikes a balance between flexibility and security on the labour market and helps both employees and employers to seize the opportunities globalisation offers. In line with the recommendations of social partners of October 2007, the European Council calls on the Member States to implement the agreed common principles on flexicurity by defining comprehensive national flexicurity arrangements within their National Reform Programmes by the end of 2008. Flexibility and security are required throughout the life cycle. In this context, intergenerational solidarity should be considered within all four components of flexicurity. Continued attention needs to be given to youth employment, and in particular to the transition from education to employment in the context of the implementation of the European Youth Pact. The availability and affordability of quality child care should be increased in line with national and Community targets. Efforts should be pursued to substantially reduce gender pay gaps and to implement the European Pact for Gender Equality.

Synergies for a low carbon economy

14. The transition into a low carbon economy will have an impact on numerous policies and on the economic and daily life of the citizens. Specific actions are listed below under a separate heading "Climate change and Energy" but coherent policies relating to energy and climate change are also needed in the other three priority areas of the Lisbon Strategy, including:
- developing coherent R&D and innovation policies on the European and national levels;
 - unlocking the business potential of eco-industries and developing a sustainable industrial policy and sustainable and globally competitive lead markets, while taking into account the impact of ECC measures on competitiveness;
 - educating the consumer about the efficient use of energy in order to tackle social impacts and opportunities of ECC.

CLIMATE CHANGE AND ENERGY

15. Last year historic commitments on climate and energy policy were made, this year the challenge will be to deliver. The Spring 2007 European Council agreed on ambitious commitments for climate protection and renewable energies. In December of last year the Bali Climate Conference made an important breakthrough and launched an inclusive international negotiating process on the reduction of greenhouse gas emissions after 2012. Europe is committed to maintaining international leadership on climate change and energy and to keeping up the momentum of negotiations on the United Nations Framework Convention on Climate Change. The objective is to secure an ambitious and comprehensive post-Kyoto agreement on climate change at Copenhagen in 2009. By delivering on its own targets for reducing greenhouse gas emissions and boosting the use of renewable energy it will make a major contribution to this objective.

p.m. (to be completed in the light of the outcome of forthcoming Councils)

THE STABILITY OF FINANCIAL MARKETS

16. The global economic outlook has deteriorated recently as a result of a slowdown of economic activity in the US, higher oil and commodity prices, and ongoing turbulence on the financial markets. That is why the Union, apart from pressing ahead with the implementation of the key elements of the renewed Lisbon Strategy, must take steps to strengthen the transparency and functioning of financial markets and further improve the supervisory and regulatory environment both within the EU and globally.

p.m. (to be completed after ECOFIN on 4 March)

INTERNATIONAL RELATIONS (if necessary)

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