



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 25 February 2008

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LIMITE

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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 Pöttering, followed by an exchange of views.

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1. The fundamentals of the European Union economy remain sound: public deficits have been more than halved since 2005 and public debt has also declined to just under 60%. Economic growth has reached 2,9% in 2007, but is likely to be lower this year. 6,5 million jobs were created in the last two years. Although cyclical factors have played a role, these developments owe much to the structural reforms undertaken over the last years within the framework of the Lisbon Strategy and to the beneficial effects of the Euro and the single market.
2. However, the global economic outlook has deteriorated recently as a result of a slowdown of economic activity in the United States, higher oil and commodity prices, and ongoing turbulence on the financial markets. This is why it is all the more essential for the Union to avoid complacency and sustain reform efforts through the full implementation of the National Reform Programmes and the Integrated Guidelines for Growth and Jobs. Efforts to complete and deepen the internal market must continue. Closely coordinated economic and financial policies must be geared towards ensuring macro-economic stability, taking up the opportunities of globalisation and addressing the challenges ahead including ageing populations, climate change and energy. Action is also required to ensure greater stability of financial markets.

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

3. 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. The Council is invited to formally adopt them. Member States should set out detailed and concrete actions addressing their specific policy response to the country-specific recommendations and "points to watch" in their National Reform Programmes and the subsequent annual implementation reports. The Commission is invited to continue working with Member States to further develop a clear and transparent methodology for the monitoring and evaluation of Lisbon reforms;
 - taking into account the priorities identified by the Council and the actions set out below, the Commission, the European Parliament and the Council are invited, within their spheres of competence, to take 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.

4. 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 in the context of multilateral surveillance to step up the exchange of best practices, in particular by making full use of existing methods of open coordination;
- invites the Commission and Member States to strengthen the involvement of 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 renewed Lisbon Strategy and welcomes the progress made in reorienting cohesion funds in support of national reform programmes and implementation of the Integrated Guidelines. 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 and of improving the quality of public finances 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. Countries that have reached their medium-term objectives should maintain their structural position and all countries not yet at their medium-term objectives should speed up the pace of deficit and debt reduction and allocate possible higher-than-expected revenues to this objective;
- 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.

5. The European Council furthermore stresses that a renewed EU-level commitment to structural reforms and sustainable development will be necessary after 2010 in order to lock in the progress achieved by the renewed Lisbon Strategy for growth and jobs. The European Council therefore invites the national Lisbon coordinators and the Commission to start discussing a post-2010 strategy.

Investing in knowledge, innovation and creativity

6. 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 in 2005, 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. At the same time 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 the realising and better governance of the European Research Area;
 - key projects, such as GALILEO, EIT, the European Research Council, the Risk-Sharing Finance Facility, the Joint Technology Initiatives must be swiftly implemented/set up; decisions on Article 169 initiatives and additional research initiatives should be taken as soon as possible;
 - scientific e-infrastructure and high-speed internet usage must be significantly increased. With a view to high-speed internet penetration at the EU level 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;

- an EU-wide market for venture capital for the most innovative companies must be promoted; in that respect the European Investment Fund must play a key role in the financing of innovative SMEs;
- efforts towards improving the framework conditions for innovation should be better coordinated.

7. In order to become a truly modern and competitive economy, and building on the work carried out on the future of science and technology and on the modernisation of universities, the EU must remove barriers to the free movement of knowledge by creating a "**fifth freedom**" based on:

- removing legal and administrative obstacles to the cross-border mobility of researchers, as well as students, scientists, and university teaching staff,
- making the labour market for European researchers more open and competitive, providing better career structures, transparency and family-friendliness,
- further implementing higher education reforms,
- facilitating and promoting the optimal use of intellectual property created in public research organisations so as to increase knowledge transfer to industry,
- encouraging open access to knowledge and open innovation,
- fostering scientific excellence,
- launching a new generation of world-class research facilities.

Unlocking the business potential, especially of SMEs

8. 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 deliver crucial improvements to the competitiveness of EU business, in particular SMEs. Better regulation should be considered a high priority by each Council formation in its regulatory work. 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, in line with the European Council Conclusions of March 2007; progress made will be evaluated at the 2009 Spring meeting on the basis of the Commission's "Strategic Evaluation of Better Regulation";
 - "fast track" legislative proposals should be adopted and the Commission should continue to bring forward reduction proposals on an ongoing basis; the simplification rolling programme should continue to be implemented;
 - more should be done to develop the capacity of EU institutions on impact assessment.
9. 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 so as to allow business, in particular SMEs, and consumers to make full use of its 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 of the treaty, including through harmonisation where appropriate. 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;

- reinforce efforts to strengthen competition in network industries (energy, electronic communications) and to adopt the adequate regulatory frameworks; in this context work on interconnections must be pursued and accelerated;
- 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. In this context it is crucial to improve the functioning of "e-Single Market" by putting in place cross-border interoperable electronic procedures.

10. **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 and to allow them to operate more effectively in the Single Market the following actions are of immediate importance:

- swift examination by the Council of the upcoming ambitious Small Business Act 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' growth and 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.

11. Open markets and a sound international environment contribute to growth and jobs and should lead to reciprocal benefits. The EU should therefore continue its endeavours to shape globalisation by reinforcing the **external 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 continuing to strive for 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 equivalence of rules in the mutual interest of the EU and its partners, and improve the effectiveness of the Intellectual Property Rights enforcement system against counterfeiting.

Investing in people and modernising labour markets

12. 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 and creativity 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.
13. 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 as well as intercultural dialogue. In this context combating poverty and social exclusion, promoting active inclusion and increasing employment opportunities for priority categories are all of major importance. 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.

14. 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, and to this end draw up national plans setting targets;
 - attract more adults, particularly low-skilled and older workers into education and training and to further facilitate geographic and occupational mobility;
 - promote higher 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.
15. 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 and recognizing that there is no single flexicurity model, the European Council calls on the Member States to implement the agreed common principles on flexicurity by defining national flexicurity arrangements within their National Reform Programmes by the end of 2008. Flexibility and security are mutually reinforcing 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. Attention should also be given to the employment of disabled persons. 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

16. The transition into a safe and sustainable 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 as well as in other EU policy areas, including:
- developing coherent R&D and innovation policies at 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 Energy and Climate Change measures on competitiveness;
 - considering a review of the Energy Taxation Directive to bring it closer in line with the EU's energy and climate change objectives;
 - educating the consumer about the efficient use of energy in order to tackle social impacts and opportunities of Energy and Climate Change.

CLIMATE CHANGE AND ENERGY

17. 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 Council meetings)

THE STABILITY OF FINANCIAL MARKETS

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

INTERNATIONAL RELATIONS (if necessary)

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