



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 16 March 2004

7370/04

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NOTE

From : The Presidency

To : Permanent Representatives Committee/Council

Subject : *European Council (25/26 March 2004)*
– *Annotated draft agenda*

According to the Seville European Council Conclusions the General Affairs and External Relations Council, acting on a Presidency proposal, shall draw up an annotated draft agenda at least four weeks before the meeting of the European Council. The Presidency accordingly submits the following annotated draft agenda.

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The Presidency intends to limit the agenda to the following items:

- I. The Lisbon Strategy: Priorities
- II. IGC: Report from the Presidency
- III. Terrorism
- IV. International Situation (*as necessary*)
- V. Other Business

The meeting will be preceded by an exposé by the President of the European Parliament, Mr. Pat Cox, followed by an exchange of views.

I. THE LISBON STRATEGY: PRIORITIES

(see draft conclusions attached)

II. INTERGOVERNMENTAL CONFERENCE

The Presidency is expected to report to the European Council on the prospects for progress on the basis of consultations conducted according to the mandate by the December 2003 European Council.

III. TERRORISM

The Presidency in consultation with partners will bring forward a package of measures.

IV. INTERNATIONAL SITUATION

(as necessary)

V. OTHER BUSINESS

Financial Perspectives

"The European Council welcomes the publication of the Commission's Communication on the Financial Perspectives 2007-2013. It invites Council to continue the study being conducted by Coreper on the detail of the Communication, with a view to preparation of an analytical report in advance of the European Council in June 2004. The European Council reaffirms the timetable envisaged in the Multiannual Programme, which aims at reaching political agreement on the new Financial Perspectives at the European Council in June 2005."

Residence Palace

"The European Council agrees to the proposal by the Belgian Government that it use block A of the Residence Palace building for its meetings, after it has been refurbished, on the basis of the general framework approved by Council concerning the financial, logistical and legal aspects of the project. The European Council invites the Belgian Government and the General Secretariat of the Council to translate this general framework into an operational project in line with its provisions.

The European Council asks Council to monitor closely the development of the project and its execution, and, where necessary, to take appropriate decisions to ensure that the implementation of the project adheres to the framework agreed."

Draft Presidency Conclusions

European Council 25/26 March 2004

MEETING THE LISBON CHALLENGE

1. Meeting the expectations of Europe's population for improved living standards and a better quality of life requires strong economic growth and employment generation together with a high degree of social cohesion and environmental protection.
2. The Union set itself ambitious goals in March 2000. Four years later, the picture is a mixed one. Considerable progress has been made and the European Council reaffirms that the process and goals remain valid. However, the pace of reform needs to be significantly stepped up if the 2010 targets are to be achieved. The European Council is committed to demonstrating the political will to make this happen.
3. The message from this European Council is one of determination and confidence. The challenges ahead are formidable but Europe has the will and capacity to achieve its economic potential. Enlargement will stimulate the European economy, creating new opportunities for all and promoting the convergence of the acceding States. The Lisbon process will benefit from the experience and contribution of our new Members.

Delivery

4. The Lisbon Agenda is based on a consistent approach: between the actions of the Union and those of the Member States, and also between the different areas of policy – economic, social and environmental. Individual measures must be mutually reinforcing and reforms must be pursued across all areas. The European Council took full account in its discussions of the Synthesis Report from the European Commission and of the key messages from all the relevant Council formations. It will keep under close review the detailed actions being taken to progress implementation across the range of sectors.
5. The European Council agrees that the critical issue now is the need for better implementation of commitments already made. The credibility of the process requires stepping up the pace of reform at Member State level. Enhanced monitoring of national performance is needed, including information exchange on best practice. There must be speedier translation of agreements and policy making at EU level into concrete measures. The European Council underlines the need to address the unacceptably high deficits in transposing agreed measures into national law, and to complete the legislative programme arising from the Lisbon Agenda.
6. The most important policy issues that deliver higher growth and employment must be prioritised. Accordingly, this year's Spring European Council focuses on two issues: sustainable growth and more and better jobs.

SUSTAINABLE GROWTH

(i) Sound Macro-economic policies

7. The main economic challenge facing the European Union is to realise its growth potential. The economic recovery that started in the second half of 2003 is gathering pace. The Union must build on this momentum in its internal and external policies. It must seize the opportunity to accelerate its internal reform process. Increasing external openness and improving the dynamic economic relationships between trading partners will enhance growth prospects.
8. Reaching or maintaining sound budgetary positions in line with the Stability and Growth Pact, and price stability are the two key bases on which to build. Member States must ensure that they meet the commitments for budgetary consolidation which they have undertaken.
9. It is essential that long-term sustainability of public finances is secured. The European Council strongly encourages the Member States to tackle the financial implications of population ageing by reducing public debt and strengthening employment, health and pension reforms.
10. Structural reforms are necessary and beneficial – necessary in an increasing globalised economy and beneficial because they contribute significantly to increasing growth and employment through a positive impact on confidence and through promoting a better allocation of resources.
11. The European Action for Growth, adopted at the European Council in December 2003, sets out a roadmap for increased investment in physical and human capital to complement structural reform. The ‘Quick Start Programme’ is an open and dynamic programme comprising projects which meet defined criteria across a range of sectors : Transport, Energy, Broadband, Research, Innovation and Development. Serious engagement by Member States and the EU institutions, as well as project promoters, is required in order to ensure that projects are undertaken in a sustained and timely way. The European Council underlines the need for continued support and monitoring of the Action for Growth and Quick Start Programme and will review progress at its Spring 2005 session.

(ii) Environmentally Sustainable Growth

12. Growth, to be sustainable, must be environmentally sound. Through better policy integration and more sustainable consumption and production patterns, growth must be decoupled from negative environmental impacts.

13. Improvement in energy efficiency is essential for environmental and competitiveness reasons; an EU wide indicative target as supported by the Council is important in focussing efforts. Further cost effective ways of implementing EU decisions in the field of climate change, including the cost of inaction, should be considered. The European Council reaffirms the Union's commitment to delivering on the Kyoto Protocol target and underlines the importance the Union attaches to the ratification process of the Protocol and its early entry into force. As a contribution to global efforts, the European Council looks forward to considering medium and longer term emission reduction strategies, including targets, at the 2005 Spring Council. In preparation for this discussion, it invites the Commission to prepare a cost benefit analysis which takes account both of environmental and competitiveness considerations.
14. Clean technologies are vital in order to fully exploit synergies between enterprise and the environment. The European Council welcomes the Environmental Technologies Action Plan and calls for its rapid implementation. It invites the Commission and the EIB to explore the broadening of the range of financial instruments to promote such technologies. It will consider a report from the Commission at next year's Spring Council on overall progress of the Action Plan, and on other opportunities for the Union to promote win-win opportunities where environmental improvement can help to achieve the economic and social goals of the Lisbon Strategy.
15. The European Council considers that fusion technology holds great promise for delivering a new and sustainable energy source and calls on the Commission to progress negotiations on the ITER project with a view to its rapid commencement at the European candidate site.

(iii) Social Cohesion must be central

16. A high level of social cohesion is central to the Lisbon Agenda. The most vulnerable members of society must be protected; strategies which make a decisive impact on social exclusion and on the eradication of poverty are therefore essential. Modernising social protection systems, in particular pension and healthcare systems, and mainstreaming the social inclusion agenda through implementing national action plans play a key role. Gender equality policies are instruments of social cohesion as well as of growth.

(iv) Competitiveness and Innovation

17. The European Council emphasises that competitiveness, innovation, and the promotion of an entrepreneurial culture are defining conditions for growth. With the strides being made by other global players, the Union must act more decisively if it is to maintain the capacity to support the European social model in the years ahead.
18. The European Council focuses on four specific priorities to enhance European competitiveness: effective institutional arrangements, completing the internal market, better regulation and higher rates of R&D.

Institutional Arrangements

19. The Competitiveness Council was established as part of the package of reforms agreed at the Seville European Council. It must now move forward rapidly to champion and drive a clear and integrated response to the competitiveness challenges facing the Union. In the formation of the next Commission, the incoming President will wish to consider how to ensure the competitiveness agenda is effectively supported.

Completing the Internal Market

20. The potential of the internal market is not yet fully realised. Efforts must continue to achieve a smoother functioning of products, services, capital and labour markets. The Union must develop timely responses to new challenges : in the vital area of electronic communications, for example, new EU strategies must keep the Union at the cutting edge. In the services sector, which remains highly fragmented; more competition is required to improve efficiency, increase output and employment, and benefit consumers. The draft Directive on Services must be processed as a matter of high priority in line with the timeframe envisaged.
21. An effective single market for Financial Services will provide more and cheaper capital, including much needed venture capital. The European Council calls for the remaining elements of the Financial Services Action Plan – the proposed Directives on Investment Services and on Transparency – to be finalised before the end of the current Parliament.
22. The recent agreement on the Directive on strengthening the enforcement of intellectual property rights is welcome. However, agreement on the Community Patent is now long overdue and the European Council calls for further efforts to complete work on this proposal.

Better Regulation

23. Better regulation at both European and national levels will enhance competitiveness and productivity. The European Council welcomes the recent four Presidency initiative on better regulation and calls on the Council to pursue a programme of actions to drive this forward over the coming year. It welcomes the Commission's commitment to further refine the integrated impact assessment process, with a particular emphasis on enhancing the competitiveness dimension, and to develop a method to measure administrative burdens on business. The European Council calls on the Commission to take account of the Council's views in relation to priority areas and timescales for simplification. It also invites Member States to commit to accelerated implementation of national regulatory reform initiatives. It will return to the issue of better regulation at the November 2004 European Council meeting.

Reaching the R&D target

24. Progress must be accelerated towards creating a European area of knowledge. A particular priority is to ensure strengthened business investment in R&D. By comparison with performance elsewhere, the relative weakness of private sector investment in R&D within the Union is striking. Part of the answer lies in ensuring that public sector investment in this area secures greater leverage of private funds. The European Council calls on Member States to improve the general conditions for R&D investment and to consider targeted support and incentives to encourage greater investment by business.
25. The overall aim for Europe must be a strong science and research capacity and accelerated public and private sector investment in R&D. A range of mutually reinforcing actions is required. The R&D projects envisaged as part of the "Quick Start Programme" – including industrial R&D projects focussed on key growth technologies – will play a key role. More effort is needed to strengthen the interactions between public research bodies and industry. Human resources are critical and priority must be given to training, retention and mobility of researchers. Competition in research should be strengthened in order to promote the development of centres of scientific excellence.
26. The main European instrument in the research area is the European Framework Programme for Research and Development. This programme must be simplified to make it more user-friendly, in particular for small and medium-sized enterprises and start-ups. The priorities should be to promote cooperation between business and research, to boost future technologies, and to support basic and applied research. The European Council sees merit in enhanced support for basic research of the highest quality and a funding mechanism will be considered in the context of discussions on the Financial Perspectives.

MORE AND BETTER JOBS

27. Delivering more and better jobs is the most urgent issue to be addressed over the coming year. Higher employment rates are critical to achieving economic growth and, given the strong correlation between unemployment and poverty, to furthering social inclusion. It is imperative that the EU reduce its current unacceptably high overall unemployment rate.
28. Member States must renew their commitment to reaching the Lisbon employment goals; in this context, follow-up action is essential on implementing the recommendations of the Employment Task Force chaired by Mr. Wim Kok. The incorporation of the Task Force messages in the Joint Employment Report is a welcome step. The European Council emphasises the need for decisive action by Member States along the lines suggested by the Task Force, within the framework of the Broad Economic Policy Guidelines and the European Employment Strategy.

29. Within an overall employment strategy, Member States should give urgent attention to three particular structural challenges: adaptability, attracting more people into the labour market, and investing in human capital.
30. Adaptability requires reduction wherever appropriate of non wage labour costs; ensuring that wages better reflect productivity; promoting flexible forms of work while addressing security for workers.
31. Attracting more people into the labour market means ensuring that the interaction between taxes and benefits is such that working brings a clear financial reward. It also means developing specific strategies to increase the employment rates of women and older workers. Encouraging more women into employment requires addressing gender disparities in pay and creating more family friendly workplaces. Retaining older workers requires the right legal and financial incentives.
32. Investing more, and more effectively, in human capital is critical to growth and productivity as well as to promoting social integration and inclusion. If the EU is to become the leading knowledge based economy in the world, education and training will play a vital part. The European Council underlines the need for reform and investment in the key areas for the knowledge society. It also recognises that life long learning has positive effects on productivity and labour supply; it supports the adoption of an integrated EU programme during 2005 and the putting in place of national strategies in all Member States by 2006.
33. The challenge now is follow up: real progress towards more and better jobs must be made over the coming year. At its Spring 2005 session, the European Council will review progress in the course of the year; it intends to give particular attention to the extent to which national actions have boosted progress towards the Lisbon employment goals. The European Council invites the Council and the Commission jointly to prepare a concise report – complementary to the Joint Employment Report - especially for that discussion. The report should focus in particular on progress made in strengthening country specific recommendations within the Broad Economic Policy Guidelines.

Enhancing Free Movement of Workers

34. A single labour market, enhancing the free movement of workers, is central to the development of the Union. The European Council therefore encourages further progress in a number of areas which will promote mobility. The European Health Insurance Card will become operational in June 2004. Two measures which will facilitate the recognition of qualifications across the Union – the Directive on Mutual Recognition of professional qualifications and Europass – should be the subject of political agreement by June 2004.
35. The reform of regulation 1408/71, which simplifies and modernise the provisions protecting the social security rights of workers moving within the Union, is a significant step which is expected to be finalised within the lifetime of the current European Parliament.

BUILDING PARTNERSHIPS FOR REFORM

36. Support and advocacy for change must reach beyond governments. In order to generate this support, the European Council calls on Member States to build Reform Partnerships involving the social partners, civil society and the public authorities, in accordance with national arrangements and traditions.
37. Such national Reform Partnerships should promote complementary strategies for change, addressing the broad range of policies - economic, social and environmental - encompassed by the Lisbon Agenda. These strategies should be reflected in clear national policies and objectives. The Partnerships should be consulted by Governments in the course of preparing national contributions to the mid term review of the Lisbon agenda.
38. The social partners at EU level are already closely and constructively involved in progressing the Lisbon objectives, through the Tripartite Social Summit. Further action is now required to boost their role in advancing the strategy. The European Council welcomes the commitment of the social partners to deepening their involvement through a renewed European Partnership for Change in order to promote growth and accelerate employment and productivity. It also invites the European Economic and Social Committee to develop proposals for more effective implementation of the Lisbon Strategy.

LOOKING FORWARD TO 2005

39. The continuing validity and relevance of the Lisbon process is not in doubt. Next year, the midpoint of the decade, is an appropriate point for an in-depth review of delivery. The European Council notes that the Commission intends to set up a road map to reinforce the Lisbon strategy and improve its implementation.
40. The mid-term review should consider how the Lisbon targets can best be met, particularly in light of enlargement. Account should be taken in its preparation of the forthcoming review of the EU sustainable development strategy. The mid term review should include an assessment of:
 - the progress made towards agreed sectoral targets, as well as the range of structural indicators and benchmarks used to measure the level and dynamism of Member State performance;
 - the measurement of European performance in the global context;
 - measures necessary in the new economic and geopolitical climate to increase the level of growth and to achieve the goal set in March 2000;

- governance and other measures and instruments available both to Member States and the EU to attain the Lisbon goal;
 - mechanisms for communicating the objectives of the Lisbon strategy and best practices among Member States to consumers, citizens and key stakeholders.
41. The European Council invites the Commission to establish a high-level group headed by [...] to carry out an independent review to contribute to this exercise. Its report should identify measures which together form a consistent strategy for our economies to achieve the Lisbon objectives and targets. The group should be composed of a limited number of highly qualified individuals able to reflect the views of all stakeholders. It should report to the Commission by 1 November 2004. Its report will be made public.
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