



EUROPEAN COUNCIL

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COVER NOTE

from : General Secretariat of the Council
to : Delegations
Subject : **EUROPEAN COUNCIL
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CONCLUSIONS

Delegations will find attached the conclusions of the European Council (23 October 2011).

In addition to addressing the immediate challenges posed by the financial crisis, it is essential to intensify efforts to secure sustainable and job-creating growth. Budgetary consolidation and debt reduction are of crucial importance in order to ensure the sustainability of public finances and restore confidence. At the same time, determined action is required to strengthen the economy already in the short run. It is therefore crucial for the European Union to implement all aspects of the Europe 2020 strategy. The Member States will accelerate structural reforms in line with the recommendations made in the context of the European semester. Within this framework, the European Council identified today a number of priorities which should be fast-tracked because of their significant impact on jobs and growth in the short to medium term. It also called for a stronger focus to be given to the growth-enhancing aspects of the European Union's external policies in order to maximise their contribution to growth in Europe and to shape the conditions to attract more foreign investment. The European Council set the Union's position for the G20 Summit, giving top priority to maintaining financial stability and restoring growth. It also discussed the preparations for the Durban conference on climate change, stressing the need to take ambitious steps towards a global and comprehensive legally-binding framework for the post-2012 period.



I. ECONOMIC POLICY

1. In the light of the Commission's report on **growth-enhancing areas** and further to the outcome of the political conference on the sources of growth held on 6 October 2011, the European Council identified a limited number of key priorities for internal economic policy that need to be pursued in the short term in order to achieve smart, sustainable and inclusive and green growth:
 - (a) The Single Market has a key role to play in delivering growth and employment. All efforts should be made to ensure agreement by the end of 2012 on the 12 priority proposals set out in the Single Market Act, giving utmost priority to those which can bring the most benefits to growth and jobs. The full implementation of the Services Directive will also deliver significant economic gains; Member States should complete its implementation by the end of this year and ensure that the points of single contact are fully operational and that economic operators are fully informed of the new opportunities it offers. The Commission will report on this issue by the end of 2011.

- (b) The European Council invites the Commission to rapidly present the roadmap on the completion of the Digital Single Market by 2015, giving priority to proposals aimed at promoting a fully integrated Digital Single Market through the facilitation of e-commerce and the cross-border use of online services. Particular attention should be paid to ensuring rapid progress in achieving the broadband coverage objectives set out in the Digital Agenda, facilitating secure electronic identification and authentication and modernising Europe's copyright regime with a view to ensure the EU's competitive edge and unleash possibilities for new business models, while ensuring a high level of protection of intellectual property rights and taking into account cultural diversity. The European Council calls for rapid agreement on the Radio Spectrum Policy programme.
- (c) Momentum should be maintained in implementing the 2007 Action Programme for the reduction of administrative burden in order to meet the objective of a 25% reduction by 2012; more rapid progress should be made regarding annual accounts, company law, taxation and customs. The European Council calls for the rapid adoption of the simplification proposals pending before Council and Parliament.

The Commission is invited to further concentrate efforts to reduce the overall regulatory burden, in particular for SMEs, including by proposing concrete working methods within the context of the Smart Regulation agenda. It has committed to assess the impact of future regulations on micro-enterprises and to screen the *acquis* to identify existing obligations from which micro-enterprises could be excluded. The European Council looks forward to the Commission's forthcoming report in order to return to these issues at its December 2011 meeting.

- (d) Member States will ensure that the country-specific recommendations are fully reflected in national decisions as regards budgetary policy and structural reforms, given their crucial importance for ensuring sustainable public finances and creating jobs and growth. In support of this, the European Council calls for steps to be taken by the Council, working with the Commission, to ensure that all actions at the European Union level fully support economic growth and job creation.

2. Energy, including energy efficiency, as well as research and innovation are key areas for the promotion of growth. The European Council will track progress made in those areas in December 2011 and in March 2012 respectively, further to the concrete orientations set in February 2011. It calls for the swift implementation of those measures which will have a direct impact on growth.

3. Since the crisis has increased pressure on national budgets, it is important to optimise the use of available resources, in particular in countries implementing an adjustment programme. The European Council calls for the adoption before the end of the year of the proposals to temporarily increase cofinancing rates for EU funds, accompanied by a targeting of those funds on growth, competitiveness and employment. The EIB is invited to examine in close cooperation with the Commission the possibilities of further contributing to boosting investment in Europe, including for countries implementing an adjustment programme.

4. The European Union now has more powerful tools to enhance its **economic governance** and to ensure that the required measures are taken to pull Europe out of the crisis: the Europe 2020 strategy continues to guide the Union and the Member States in promoting the delivery of growth-enhancing structural reforms; the European semester will help ensure that they remain on track in implementing these reforms in a coordinated manner; and the Euro Plus Pact will achieve a new quality of economic policy coordination amongst the participating Member States. The package of six legislative acts on economic governance agreed last month will allow a much higher degree of surveillance and coordination, necessary to ensure sustainable public finances and avoid the accumulation of excessive imbalances. The European Council emphasises its determination to implement this new framework in order to ensure that it is fully and effectively applied. In this context, we welcome the intention of the Commission to strengthen, in the Commission, the role of the competent Commissioner for closer monitoring and additional enforcement.

5. The next European semester should be as ambitious as possible and draw fully on the lessons of the past. The European Council welcomes the Commission's intention to bring forward its Annual Growth Survey to December 2011, which will allow the Council to prepare thoroughly the Spring 2012 European Council. Heads of State or Government will return to some themes of the Euro Plus Pact in December 2011; they will also be informed of progress made in structured discussions on tax policy coordination issues. Legislative work on the Commission proposals for a common consolidated corporate tax base is ongoing. The European Council takes note of the Commission proposal for a financial transaction tax.

6. Strengthening financial regulation remains a key priority at the EU and the global level. Much has been achieved since 2008 with the reform of our regulatory and supervisory framework, but efforts need to be maintained to address the weaknesses of the financial system and prevent future crises. The European Council welcomes the agreement reached on short selling and calls for the speedy adoption of other important legislative proposals such as those relating to OTC derivatives and deposit guarantee schemes by the end of this year, and the ones on capital requirements by summer 2012. It welcomes the proposals on markets in financial instruments and market abuse and looks forward to the proposals the Commission will make on credit rating agencies and bank crisis management and resolution.

The European Council welcomes progress made by the Council (ECOFIN) on measures for the banking sector and invites the Council to finalise this work at its meeting of 26 October. These measures will be an essential component of a broader package whose other elements will be agreed by the Euro Summit of 26 October.

7. The President informed the European Council on the state of preparations regarding the Euro Summit of 23 and 26 October. The European Council agreed on the need for coherence of the activities of the Euro area and the European Union, in full respect of the integrity of the European Union as a whole and its operation at 27. In this context, the European Commission has the responsibility to ensure compliance by all 27 Member States with EU legislation, including that relating to the internal market, and to safeguard a level playing field among all Member States including those not participating in the euro. The President of the Euro Summit will be designated by the Heads of State or Government of the euro area at the same time the European Council elects its President and for the same term of office. Pending the next such election, the current President of the European Council will chair the Euro Summit meetings. The President of the Euro Summit will keep the non euro area Member States closely informed of the preparation and outcome of the Summits. The European Council notes the intention of the Heads of State or Government of the euro area to reflect on further strengthening of economic convergence within the euro area, on improving fiscal discipline and deepening economic union, including exploring the possibility of limited Treaty changes. The European Council recalls that any Treaty change must be decided by the 27 Member States. The European Council will revert to the issue in December on the basis of a report by the President of the European Council in close collaboration with the President of the Commission and the President of the Eurogroup.

8. As regards the **external aspects of economic policy**, Europe will continue to promote free, fair and open trade whilst at the same time asserting its interests, in a spirit of reciprocity and mutual benefit in relation to the world's largest economies. The European Union can take a number of measures in its external relations that can contribute to boosting its growth potential, both in the short and longer term:

- (a) Whilst strengthening and widening the multilateral system and concluding the WTO Doha Round remain crucial objectives given their expected benefits in terms of growth and job creation, renewed emphasis should be given to bilateral and regional agreements, particularly with strategic partners and those whose markets are expanding at a significant pace. Such efforts should in particular be geared to the removal of trade barriers, better market access, appropriate investment conditions, the protection of intellectual property, access to raw materials and the opening up of public procurement markets. Concerning the latter, the European Council looks forward to the forthcoming Commission proposal for an EU instrument.

- (b) The Union should capitalise on the special relationships it enjoys with its neighbouring regions in order to foster closer economic ties and open up new trade and investment opportunities, including by pursuing where appropriate deep and comprehensive free trade agreements. Promoting a more business-friendly environment throughout the EU neighbourhood is an essential investment in wider regional prosperity. The Union should pursue the integration of specific sectors which have a significant impact on growth and employment, such as energy and aviation.

- (c) The Union should also seek to reap full benefits from a regulatory environment applied in an expanding economic space and take the lead in the setting of standards. It should develop a comprehensive investment policy, aimed at achieving effective two-way investment liberalisation and protection as an integral part of the Union's overall common commercial policy. It should also ensure increased coherence between the external aspects of sectoral policies such as energy, transport and visas, within the overall balance of its economic interests and foreign policy objectives.

9. Work will be taken forward on these issues as a matter of priority, with the required resources and instruments being devoted to that end. The Commission is invited to report on progress achieved by next Spring. Whenever required, EU summits with third countries and regions will be more focused on settling outstanding issues in agreements under negotiation with them.

II. G20

10. The European Council discussed the preparations for the Cannes G20 Summit. It confirmed the orientations agreed by the Council in preparation for the G20 Finance, Agriculture, Employment and Development ministerial meetings.
11. Determined action is necessary to maintain financial stability, restore confidence and support growth and job creation. The G20 should approve an ambitious action plan containing specific commitments and measures from all G20 countries to respond to the serious challenges emanating from the current economic slowdown and to ensure strong, sustainable and balanced growth while implementing credible fiscal consolidation.
12. The Cannes Summit should also achieve real progress on the following:
 - (a) reforming the international monetary system (IMS), in particular by reinforcing surveillance and crisis management tools and better coordinating economic and monetary policies; sound macroeconomic policies should be the first line in responding to capital flow shocks and the G20 should continue to promote open capital markets and avoid financial protectionism; further progress is expected on a criteria-based path to broaden the special drawing rights basket, as a contribution to the evolution of the IMS, based on the existing criteria. The G20 should ensure that the IMF has adequate resources to fulfil its systemic responsibilities and should explore possible contributions to the IMF from countries with a large external surplus.

- (b) strengthening the regulation and supervision of the financial sector, by ensuring the full and consistent implementation of past commitments, implying the timely and consistent implementation of Basel II, II-5 and III, the reform of OTC derivatives, and remuneration principles and standards. Progress is needed on achieving internationally consistent frameworks for all systemically important financial institutions, on identifying and publically listing non-cooperative jurisdictions, on the convergence of accounting standards, on strengthening the regulation of the shadow banking system, on combating the existence of tax havens and on reducing overreliance on credit ratings. To keep pace with ambitious financial reform, the Financial Stability Board's institutional footing, resources and governance will be strengthened. The introduction of a global financial transaction tax should be explored and developed further;

- (c) tackling the excessive volatility of commodity prices, notably by enhancing transparency in commodity markets and improving the functioning and regulation of derivative markets; the G20 Action Plan on food price volatility and agriculture constitutes an important further step towards providing an internationally coordinated response to the food security challenge;

- (d) promoting global recovery and sustainable and inclusive growth by supporting an active WTO negotiating agenda, including for the least developed countries, and by fully implementing the G20 Development Agenda through concrete measures; the social dimension of globalisation should also be enhanced;

- (e) advancing international trade liberalisation and resisting protectionism in particular by agreeing a credible plan as a basis for concluding the Doha Development round and considering innovative approaches to strengthen the multilateral trading system;

- (f) combating climate change, in particular by mobilising sources for climate change finance.

III. CLIMATE CHANGE

13. The European Council endorses the conclusions of the Council of 4 and 10 October 2011 which outline the EU position for the Durban conference on climate change in detail. It underlines that an ambitious international regime to combat climate change is crucial if we are to reach the agreed objective of maximum 2°C increase of global temperatures. The European Union will work towards an ambitious and balanced outcome at the Durban conference, building upon what was agreed last year in Cancun. It is urgent to agree on a process towards a comprehensive legally binding framework and a clear time line, ensuring global participation, including from major economies. The European Council confirms the openness of the European Union to a second commitment period under the Kyoto Protocol as part of a transition to such a framework, as set out by the Council on 10 October 2011.
14. The European Council welcomes the ongoing work of the High-level Panel on Global Sustainability, established by the UNSG, to find new effective ways to promote global sustainable development.

IV. FOREIGN POLICY

15. Europe remains committed to supporting the democratic transformation of its Southern Neighbourhood through the European Neighbourhood Policy. Democratic transition and economic development in the whole region remains essential for the establishment of democracy, fully respecting the rule of law and human and civil rights. The rapid launch of concrete projects within the Union for the Mediterranean can contribute much to this process.
16. The death of Muammar Gaddafi marks the end of an era of despotism and repression from which the Libyan people have suffered for too long. Today Libya can turn a page in its history, pursue national reconciliation, and embrace a new democratic future.

The European Council pays tribute to the courage and determination of the people of **Libya**. It looks forward to the formation of an inclusive and broad-based government, to the launch of a democratic, peaceful and transparent transition that reaches out to all Libyans and to the preparation of free and fair elections in accordance with the Constitutional Declaration by the National Transitional Council. It reaffirms the commitment of the European Union to support the emergence of a democratic Libya. The European Council reiterates its support for a democratic, pluralist and stable **Egypt** as a key partner to the EU. The interim authorities have the crucial task of organising the first democratic and transparent elections, while ensuring law and order in a manner respectful of human rights. The European Council is concerned about the recent tragic clashes in Egypt and underlines the importance of the promotion and protection of freedom of religion or belief, including the protection of religious minorities as an essential component of any democratic society. The European Council welcomes the holding of the first free elections in **Tunisia** today. The European Union will support the new authorities in their effort in favour of democratisation and sustained economic development, including through the EU/Tunisia Task Force.

17. The European Council fully endorses the Council conclusions on **Syria** adopted on 10 October. The Syrian people must be able to define the future of their country without the fear of repression. The European Council welcomes the efforts of the political opposition to establish a united platform. The creation of the Syrian National Council is a positive step forward. It remains gravely concerned about the current situation in Syria and stresses its strong support to the Syrian people as they express their legitimate aspirations for a life in freedom and dignity. It condemns in the strongest terms the ongoing brutal repression led by the Syrian regime against its population as well as the widespread human rights violations. President Assad must step aside to allow a political transition to take place in Syria. The EU has decided to place restrictive measures aimed at those responsible for or associated with the violent repression and those who support or benefit from the regime, not at the civilian population. The EU will impose further and more comprehensive measures against the regime as long as the repression of the civilian population continues. The European Council urges all members of the UN Security Council to assume their responsibilities in relation to the situation in Syria.

18. The European Council welcomes the reinforcement of EU restrictive measures against **Iran** due to unacceptable human rights violations and the adoption of restrictive measures against five individuals following the foiled plot to assassinate the Ambassador of the Kingdom of Saudi Arabia to the United States. It urges Iran to respect all obligations under international law. It expresses its continued concern over the expansion of Iran's nuclear and missile programmes, in violation of UNSC and IAEA Resolutions, as well as its lack of cooperation with the IAEA in addressing outstanding issues, including those pointing to possible military dimensions to its nuclear programme.

We urge Iran to enter into constructive and substantial talks with the E 3+3 in a way to arrive at a comprehensive, negotiated, long-term solution of the nuclear question in order to avoid possible further restrictive measures. At the same time the European Council invites the Foreign Affairs Council to prepare new restrictive measures to be decided upon and to be implemented at the appropriate moment in the case that Iran continues not to co-operate seriously nor to meet its obligations. It endorses the statement delivered by the High Representative on 21 September. It reiterates the commitment of the European Union to work for a diplomatic solution of this issue.

19. The European Council welcomes the second **Eastern Partnership** Summit held in Warsaw on 29-30 September and welcomes the intention of the High Representative and the European Commission to propose a roadmap that would list the objectives, instruments and actions with a view to the next Eastern Partnership Summit in the second half of 2013. The pace and depth of these countries' political association and economic integration with the EU will depend on their upholding of the democratic principles and rule of law which are the basis of the Partnership.
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EUROPEAN COUNCIL STATEMENT

The European Council welcomes with great satisfaction the announcement of the cessation of ETA's terrorist activity made on 20 October. This is undoubtedly the victory of democracy and freedom in Spain and throughout the Union, and in this respect the European Council wishes to express its appreciation to the Government, political parties, security forces, the Law Enforcement authorities and the whole of Spanish society for their steadfastness and determination in the long struggle against terrorist violence. Recognition is also due to the invaluable European cooperation and solidarity received, with special thanks to the people and Government of France. And we retain a very special memory for the victims of this violence, a memory that must endure so that such violence, which should never have occurred, may never return.
