



EUROPEAN COUNCIL

Brussels, 17 June 2010

EUCO 13/10

**CO EUR 9
CONCL 2**

COVER NOTE

from : General Secretariat of the Council
to : Delegations

Subject : **EUROPEAN COUNCIL
17 JUNE 2010**

CONCLUSIONS

Delegations will find attached the conclusions of the European Council (17 June 2010).

The EU has met the worldwide financial crisis with united resolve and has done what was necessary to safeguard the stability of the Economic and Monetary Union. In particular, in May agreement was reached on a support package for Greece as well as on a European financial stabilisation mechanism and facility, which was finalised in June. We have been laying the foundations for much stronger economic governance. We remain committed to taking all necessary action to put our economies back on the path of sustainable and job-creating growth.

To that end, today:

- we adopt "Europe 2020", our new strategy for jobs and smart, sustainable and inclusive growth. It constitutes a coherent framework for the Union to mobilise all of its instruments and policies and for the Member States to take enhanced coordinated action. It will promote the delivery of structural reforms. The emphasis must now be on implementation, and we will guide and monitor this process. We will discuss further, over the coming months, how specific policies can be mobilised to unlock the EU's growth potential, starting with innovation and energy policies;*
- we reaffirm our collective determination to ensure fiscal sustainability, including by accelerating plans for fiscal consolidation where warranted;*
- we confirm our commitment to ensuring financial stability by addressing the gaps in regulation and supervision of financial markets, both at the level of the EU and at the G20. We agree to rapidly advance on key legislative measures so that the new supervisory bodies can start work from the beginning of next year and set an ambitious position for the EU to take at the Toronto Summit;*
- we fully agree on the urgent need to reinforce the coordination of our economic policies. We agree on first orientations as regards the Stability and Growth Pact and budgetary surveillance as well as broader macroeconomic surveillance. We look forward to the final report of the Task Force in October.*

I. A NEW EUROPEAN STRATEGY FOR JOBS AND GROWTH

Finalising and implementing the Europe 2020 Strategy

1. The European Council today has finalised the European Union's new strategy for jobs and smart, sustainable and inclusive growth. The strategy will help Europe recover from the crisis and come out stronger, both internally and at the international level, by boosting competitiveness, productivity, growth potential, social cohesion and economic convergence. The new strategy responds to the challenge of reorienting policies away from crisis management towards the introduction of medium- to longer-term reforms that promote growth and employment and ensure the sustainability of public finances, *inter alia* through the reform of pension systems.
2. Member States are determined to ensure fiscal sustainability and achieve budgetary targets without delay. They will continue to adopt a differentiated speed in fiscal consolidation taking both fiscal and non-fiscal risks into account. Several Member States have recently strengthened and frontloaded budgetary consolidation. All Member States are ready, if necessary, to take additional measures to accelerate fiscal consolidation. Priority should be given to growth-friendly budgetary consolidation strategies mainly focused on expenditure restraint. Increasing the growth potential should be seen as paramount to ease fiscal adjustment in the long run.

3. The European Council confirms the five EU headline targets (annex I) which will constitute shared objectives guiding the action of Member States and the Union as regards promoting employment; improving the conditions for innovation, research and development; meeting our climate change and energy objectives; improving education levels and promoting social inclusion in particular through the reduction of poverty. It agrees on the quantification of the education and social inclusion/poverty indicators, as agreed by the Council. It gives its political endorsement to the Integrated Guidelines for economic and employment policies, which will be formally adopted following the European Parliament's opinion on the latter. The guidelines will continue to be the basis for any country-specific recommendations that the Council may address to Member States. These recommendations shall be fully in line with relevant Treaty provisions and EU rules and shall not alter Member States' competences, for example in areas such as education.

4. Member States must now act to implement these policy priorities at their level. They should, in close dialogue with the Commission, rapidly finalise their national targets, taking account of their relative starting positions and national circumstances, and according to their national decision-making procedures. They should also identify the main bottlenecks to growth and indicate, in their National Reform Programmes, how they intend to tackle them. Progress towards the headline targets will be regularly reviewed.

5. All common policies, including the common agricultural policy and cohesion policy, will need to support the strategy. A sustainable, productive and competitive agricultural sector will make an important contribution to the new strategy, considering the growth and employment potential of rural areas while ensuring fair competition. The European Council stresses the importance of promoting economic, social and territorial cohesion as well as developing infrastructure in order to contribute to the success of the new strategy. Full use should be made of the strategy's external dimension, notably via the trade strategy that the Commission will present by the end of the year. Efforts should seek to address the main bottlenecks constraining growth at EU level, including those related to the working of the internal market and infrastructure, as well as the need for a common energy policy and a new ambitious industrial policy.

6. In particular, Europe's Single Market needs be taken to a new stage, through a comprehensive set of initiatives. The European Council welcomes the report presented by Mr Mario Monti on a new strategy for the Single Market and the Commission's intention to follow it up by presenting concrete proposals. The European Council will revert to this matter in December 2010.
7. Further to the presentation by the Commission of the first flagship initiative on a 'Digital Agenda for Europe', the European Council endorses the establishment of an ambitious action agenda based on concrete proposals and calls upon all institutions to engage in its full implementation, including the creation of a fully functioning digital single market by 2015. The Commission is invited to report on progress achieved by the end of 2011.
8. The European Council looks forward to the presentation of the other flagship initiatives before the end of the year.

Enhancing economic governance

9. The crisis has revealed clear weaknesses in our economic governance, in particular as regards budgetary and broader macroeconomic surveillance. Reinforcing economic policy coordination therefore constitutes a crucial and urgent priority.
10. The European Council welcomes the progress report of the President of the Task Force on economic governance and agrees on a first set of orientations.

11. The present rules on budgetary discipline must be fully implemented. As regards their strengthening, the European Council agrees on the following orientations :
- a) strengthening both the preventive and corrective arms of the Stability and Growth Pact, with sanctions attached to the consolidation path towards the medium term objective; these will be reviewed so as to have a coherent and progressive system, ensuring a level playing field across Member States. Due account will be taken of the particular situation of Member States which are members of the euro area and Member States' respective obligations under the Treaties will be fully respected;
 - b) Giving, in budgetary surveillance, a much more prominent role to levels and evolutions of debt and overall sustainability, as originally foreseen in the Stability and Growth Pact;
 - c) from 2011 onwards, in the context of a "European semester", presenting to the Commission in the spring Stability and Convergence Programmes for the upcoming years, taking account of national budgetary procedures;
 - d) ensuring that all Member States have national budgetary rules and medium term budgetary frameworks in line with the Stability and Growth Pact; their effects should be assessed by the Commission and the Council;
 - e) ensuring the quality of statistical data, essential for a sound budgetary policy and budgetary surveillance; statistical offices should be fully independent for data provision.
12. As regards macro-economic surveillance, it agrees on the following orientations:
- a) developing a scoreboard to better assess competitiveness developments and imbalances and allow for an early detection of unsustainable or dangerous trends;
 - b) developing an effective surveillance framework, reflecting the particular situation of euro area Member States.
13. The European Council invites the Task Force and the Commission to rapidly develop further and make operational these orientations. It looks forward to the final report of the Task Force, covering the full scope of its mandate, for its meeting in October 2010.

Regulating financial services

14. The necessary reforms to restore the soundness and stability of the European financial system must be completed urgently. The resilience and transparency of the banking sector must be ensured. Progress in the next few months is essential. The European Council agrees that the results of ongoing stress tests by banking supervisors will be disclosed at the latest in the second half of July. The Commission's communication on "Regulating Financial Services for sustainable growth" of 2 June 2010 sets out a comprehensive list of initiatives to be undertaken and completed before the end of 2011. The EU must demonstrate its determination to bring about a safer, sounder, more transparent and more responsible financial system.

15. In particular, the European Council:
 - a) calls on the Council and the European Parliament to rapidly adopt the legislative proposals on financial supervision to ensure that the European Systemic Risk Board and the three European Supervisory Authorities can begin working from the beginning of 2011;
 - b) calls for agreement on the legislative proposal on alternative investment fund managers before the summer and for the swift examination of the Commission's proposal on the improvement of the EU's supervision of credit rating agencies;
 - c) looks forward to proposals announced by the Commission on derivative markets and in particular appropriate measures on short selling (including "naked" short selling) and credit default swaps.

16. The European Council agrees that Member States should introduce systems of levies and taxes on financial institutions to ensure fair burden-sharing and to set incentives to contain systemic risk.¹ Such levies or taxes should be part of a credible resolution framework. Further work is urgently required on their main features and issues of level playing field and cumulative impacts of various regulatory measures should be carefully assessed. The European Council invites the Council and the Commission to take this work forward and report back in October 2010.

¹ The Czech Republic reserves its right not to introduce these measures.

II. G 20 TORONTO SUMMIT

17. The Union's response to the crisis must continue to be coordinated at the global level to ensure that measures are internationally consistent. The action it is taking to boost competitiveness, consolidate public finances and reform its financial sector will enable it to put forward strong positions for similar international action at the forthcoming G20 Summit. The EU should lead efforts to set a global approach for introducing systems for levies and taxes on financial institutions with a view to maintaining a world-wide level playing field and will strongly defend this position with its G20 partners. The introduction of a global financial transaction tax should be explored and developed further in that context.

18. With a view to the Toronto Summit, the European Council confirms the orientations agreed by the Council and reflected in the Terms of Reference prepared for the Busan Ministerial Meeting. Given the major risks that late exit from extraordinary fiscal stimulus would entail for public accounts' sustainability, the G20 should agree on a coordinated and differentiated exit strategy to ensure sustainable public finances. All major economies need to do their part to achieve the agreed objective of a strong, sustainable and balanced growth. The G20 must reaffirm its commitment to the reform of the financial system and make rapid progress in a consistent and coordinated manner on the whole range of actions agreed upon in Pittsburgh, to strengthen the resilience and transparency of our financial system, including through better quality additional capital and new liquidity buffer. In the IMF, quotas should be reviewed as part of a wider package of IMF governance issues, covering all elements agreed in Pittsburgh and Istanbul, and be completed, as a single and comprehensive package by November 2010.

III. MILLENNIUM DEVELOPMENT GOALS

19. The forthcoming UN High Level Plenary Meeting on the Millennium Development Goals constitutes a unique opportunity to strengthen our collective endeavours and our partnerships with developing countries to eliminate global poverty, hunger and inequality. The conclusions adopted by the Council on 14 June provide the European Union with a strong position for this meeting.

20. The European Union remains determined to support the achievement of the MDGs globally by 2015. This is possible if all partners demonstrate firm political commitment, implement necessary policy changes and take concrete action. The European Union calls on the High Level Plenary Meeting to agree on concrete actions aimed at: increasing ownership by developing countries; focusing efforts; improving the impact of policies; mobilising more and predictable financing for development, including innovative sources of financing; and making more effective use of development resources. The European Council reaffirms its commitment to achieve development aid targets by 2015 as set out in its June 2005 conclusions. The European Council agrees to return to this annually on the basis of a report by the Council.

IV. CLIMATE CHANGE

21. The European Council takes note of the Commission's communication analysing options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage. In line with the conclusions of the Council of 11 June, the Commission will undertake further analyses, including consequences for each Member State, and the Council will examine further the issues raised in the communication. As shown in the ECOFIN report, the EU and its Member States have advanced in the implementation of their fast start commitments for 2010 and will report at the Cancun conference in a coordinated manner on progress achieved. The European Council will revert to climate change in the autumn, in advance of the Cancun conference.

V. **OTHER ISSUES**

22. The European Council expresses its appreciation for the work achieved by the **Reflection Group**. The Group's report on "Project Europe 2030 - Challenges and Opportunities" will provide useful input for the European Union's work in the future.
23. The European Council welcomes the progress achieved in implementing the **European Pact on Immigration and Asylum** and endorses the conclusions of the Council of 3/4 June.
24. The European Council welcomes the Commission opinion on **Iceland's** application for membership of the EU and the recommendation that accession negotiations should be opened. Having considered the application on the basis of the opinion and its December 2006 conclusions on the renewed consensus for enlargement, it notes that Iceland meets the political criteria set by the Copenhagen European Council in 1993 and decides that accession negotiations should be opened.
25. The European Council invites the Council to adopt a general Negotiating Framework. It recalls that negotiations will be aimed at Iceland integrally adopting the EU acquis and ensuring its full implementation and enforcement, addressing existing obligations such as those identified by the EFTA Surveillance Authority under the EEA Agreement, and other areas of weakness identified in the Commission's Opinion, including in the area of financial services. The European Council welcomes Iceland's commitment to address these issues and expresses its confidence that Iceland will actively pursue its efforts to resolve all outstanding issues. The European Council confirms that the negotiations will be based on Iceland's own merits and that the pace will depend on Iceland's progress in meeting the requirements set out in the negotiating framework, which will address i.a. the above requirements.
26. The European Council congratulates **Estonia** on the convergence it has achieved, based on sound economic and financial policies, and welcomes its fulfilment of all the convergence criteria as set out in the Treaty. It welcomes the Commission's proposal that Estonia adopt the euro on 1 January 2011.

27. The European Council adopts a Declaration on **Iran** (annex II).

 28. Confirming its previous conclusions of December 2008 and June 2009, and following on its decision of December 2009 to examine transitional measures regarding the addition of 18 seats in the **European Parliament** until the end of the present 2009-2014 parliamentary term, the European Council adopts a decision (doc. EUCO 11/10) to pursue the necessary procedure to adopt those measures.
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NEW EUROPEAN STRATEGY FOR JOBS AND GROWTH

EU HEADLINE TARGETS

- aiming to raise to 75% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers and the better integration of legal migrants;

- improving the conditions for research and development, in particular with the aim of raising combined public and private investment levels in this sector to 3% of GDP; the Commission will elaborate an indicator reflecting R&D and innovation intensity;

- reducing greenhouse gas emissions by 20% compared to 1990 levels; increasing the share of renewables in final energy consumption to 20%; and moving towards a 20% increase in energy efficiency;
the EU is committed to taking a decision to move to a 30% reduction by 2020 compared to 1990 levels as its conditional offer with a view to a global and comprehensive agreement for the period beyond 2012, provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities;

- improving education levels, in particular by aiming to reduce school drop-out rates to less than 10% and by increasing the share of 30-34 years old having completed tertiary or equivalent education to at least 40%;¹

- promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion.²

¹ The European Council emphasises the competence of Member States to define and implement quantitative targets in the field of education.

² The population is defined as the number of persons who are at risk-of-poverty and exclusion according to three indicators (at-risk-of poverty; material deprivation; jobless household), leaving Member States free to set their national targets on the basis of the most appropriate indicators, taking into account their national circumstances and priorities.

DECLARATION ON IRAN

1. The European Council underlines its deepening concerns about Iran's nuclear programme and welcomes the adoption by the UN Security Council of Resolution 1929 introducing new restrictive measures against Iran.

2. The European Council welcomes the recent efforts by Brazil and Turkey to secure progress on the Tehran Research Reactor agreement proposed to Iran by the IAEA in October 2009. A satisfactory agreement with Iran on the TRR could serve as a confidence building measure. However, the European Council stresses that it would not address the core of Iran's nuclear issue. The European Council urges Iran to engage in negotiations on its nuclear programme.

3. The European Council reaffirms the rights and responsibilities of Iran under the NPT. The European Council deeply regrets that Iran has not taken the many opportunities which have been offered to it to remove the concerns of the international community over the nature of the Iranian nuclear programme. The decision by Iran to enrich uranium to the level of 20 per cent, contrary to its international obligations under existing UNSC and IAEA Board of Governors Resolutions has further increased these concerns. In this regard, the European Council notes the last report of the IAEA of 31 May.

4. Under these circumstances, new restrictive measures have become inevitable. The European Council, recalling its declaration of 11 December 2009 and in the light of the work undertaken by the Foreign Affairs Council thereafter, invites the Foreign Affairs Council to adopt at its next session measures implementing those contained in the UN Security Council Resolution 1929 as well as accompanying measures, with a view to supporting the resolution of all outstanding concerns regarding Iran's development of sensitive technologies in support of its nuclear and missile programmes, through negotiation. These should focus on the areas of trade, especially dual use goods and further restrictions on trade insurance; the financial sector, including freeze of additional Iranian banks and restrictions on banking and insurance; the Iranian transport sector, in particular the Islamic Republic of Iran Shipping Line (IRISL) and its subsidiaries and air cargo; key sectors of the gas and oil industry with prohibition of new investment, technical assistance and transfers of technologies, equipment and services related to these areas, in particular related to refining, liquefaction and LNG technology; and new visa bans and asset freezes especially on the Islamic Revolutionary Guard Corps (IRGC).

5. The European Council confirms once again the commitment of the European Union to work for a diplomatic solution of the issue of Iran's nuclear programme. The European Council calls on Iran to demonstrate willingness to build the confidence of the international community and to respond to the invitation for resumption of negotiations, and reaffirms the validity of the June 2008 proposals made to Iran.

6. What is needed is a serious negotiation about Iran's nuclear programme and other issues of mutual concern. The European Council underlines that the EU High Representative for Foreign Affairs and Security Policy is ready to resume talks in this regard.

