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held on 28 and 29 June 2012

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1. Exchange of views with the President of the European Parliament

The European Council held an exchange of views with the President of the European Parliament, focussing in particular on the future Multiannual Financial Framework.

2. Adoption of the agenda

The European Council adopted its agenda (doc. EUCO 75/12).

3. Growth, investment and jobs

The Heads of State or Government decided on a "Compact for Growth and Jobs". The European Council generally endorsed the Country-specific recommendations to guide Member States' policies and budgets¹. Heads of State or Government of the participating Member States agreed on a solution for the last outstanding issue of the patent package.

4. Report on EMU

The President of the European Council presented to the European Council the report "Towards a Genuine Economic and Monetary Union", in cooperation with the Presidents of the Commission, Eurogroup and ECB.

5. Multiannual Financial Framework (MFF)

The European Council held an exchange of view on the state of play of the MFF.

6. Other items

- Enlargement

The European Council endorsed the decision taken by the Council to open accession negotiations with Montenegro on 29 June 2012.

- Justice and Home Affairs

The European Council took stock of progress in various JHA files.

- Nuclear energy

The European Council called for rapid implementation of the recommendations presented by ENSREG and by the Ad Hoc Group on Nuclear Security.

¹ Unilateral statements by Luxembourg, Belgium, Bulgaria, Hungary, Malta and the Commission in ANNEX.

- **External relations**

The European Council held an exchange of views on the situation in Syria and in Iran. It welcomed the adoption by the Council of the EU Strategic Framework for Human Rights and Democracy, as well as the second annual report on the EU Official Development Assistance.

7. Approval of the conclusions

The European Council approved its conclusions, setting out the outcome of its discussions (doc. EUCO 76/12).

8. Adoption of the minutes of the European Council meeting on 1-2 March 2012

The European Council approved the minutes of its meeting held 1-2 March 2012 (doc. EUCO 5/12).

Statement by Luxembourg on the Country Specific Recommendations

The process of examining the country specific recommendations in the context of the European Semester needs to be improved in the coming years, in particular to ensure a real dialogue between Member States and with the Commission.

Luxembourg has taken the necessary measures to implement the Commission's recommendation of 2011 concerning indexation and wage moderation. On 31 January 2012 the Chamber of Deputies adopted a law to limit cost-of-living adjustments to one a year. The basic facts of the problem that was outlined by the Commission in 2011 and experienced at the beginning of 2012 have not changed in a year. When it comes to the short-term handling of wage moderation, there can be no question of the present government committing a future government beyond the current legislative period.

Luxembourg had proposed the following alternative wording for Recommendation No 3:

"With a view to preserve the competitiveness of the Luxembourg economy in the longer term, take steps, in consultation with the social partners and in accordance with national practice, to ensure wage moderation."

Given that neither this alternative wording nor any other form of words reflecting the efforts made has been adopted, Luxembourg hereby registers its disagreement with Recommendation No 3.

Statement by the Kingdom of Belgium on the Country Specific Recommendations

As regards the recommendation on the pension age: "Belgium is determined to preserve the viability of its pension system taking into account changes in life expectancy, primarily by taking measures that will lead to an increase in the effective retirement age". As regards the recommendation on wage indexation: "Belgium will ensure that wage growth reflects developments in productivity and competitiveness, but it considers that the recommendation as worded is too prescriptive".

Statement of the Republic of Bulgaria on the Country Specific Recommendations

With regard to paragraph 2 of the European Council conclusions Bulgaria recalls the statement included in the minutes of the ECOFIN Council on 22 June 2012 regarding the country-specific recommendations 3) and 5) on Bulgaria's National Reform Programme 2012.

Statement by Hungary on the Country Specific Recommendations

As regards recommendation 3, Hungary reiterates its commitment towards a more employment friendly tax system. To this end Hungary will continue to make endeavours to reduce taxes on labour and the burden of taxation will be shifted further to consumption in a budget-neutral manner. As regards recommendation 5, Hungary will continue to apply conditions justified by environment protection and urban development to the establishment of large scale retail premises. As regards recommendation 7, Hungary's objective is to gradually abolish regulated energy prices in a way which takes into account also social policy aspects.

Statement by Malta on the Country Specific Recommendations

Malta regrets that common agreement could not be reached on the substantive content of the country specific recommendations. Malta fully supports the importance of economic coordination through these instruments, however, it regrets that the process to approve these Council recommendations has failed to instigate the constructive and informed debate which is required between the Council and the Commission in the context of economic policies of common concern as referred to in Article 121 TFEU. Instead of encouraging Member States to agree with and take ownership of the recommendations – thereby increasing the possibility of their implementation – the process has imposed recommendations which are *a fait accompli* from the outset.

In response to Recommendation 2 concerning pension reform, Malta maintains that the Commission's recommendation derails the work already being undertaken on the second phase of pensions reform in Malta by unjustifiably attempting to re-open already implemented reforms. The Commission's recommendation also usurps and undermines social dialogue at a national level by prescribing highly specific policy actions.

In response to the Recommendation 4 concerning wage indexation, Malta holds that this is too specific and is not, in fact, a broad guideline as referred to in Article 121 of the TFEU. The highly prescriptive nature of the recommendation risks disrupting social dialogue. This demonstrates how the inherent difficulties of an island economy which is highly dependent on imports are not being taken into consideration in the recommendations.

Statement by the Commission on the Country Specific Recommendations

The Commission considers that the 2012 European Semester exercise marked an important step forward in the economic governance of the EU. The Commission deepened the country specific analysis which underpinned its country specific recommendations and monitored each Member States' implementation of the 2011 recommendations in line with the orientations of its 2012 Annual Growth Survey. It was the first time that the new reinforced procedures ("6 pack") were applied, including the need for the Council to "comply or explain" where it did not agree with the Commission's proposals. In discussion with the Member States, where it considered that it was necessary to correct factual errors or to clarify the scope of its recommendations, the Commission adapted its proposals. For every issue raised by Member States the Commission checked its analysis. In cases where the Commission did not consider that a change was justified the Commission maintained its original proposal.

The Commission welcomes the fact that the country specific recommendations were subject to multilateral debate in the Council and in the European Council who generally endorsed them. It takes note of the declarations made by a number of Member States and recalls that these recommendations apply the orientations agreed by the European Council at its March meeting, as well as in EU legislation and other agreed policy statements. In March, based on the Commission's 2012 Annual Growth Survey, Member States were invited to make structural reforms in line with these orientations which inter alia entailed

- For pension reform, alignment of the retirement age with life expectancy, restricting access to early retirement schemes and supporting longer working lives to increase the effective retirement age. The Commission notes that these issues are also part of the Euro Plus Pact to which Belgium, Luxembourg and Malta belong.

- For wages, to revise wage-setting mechanisms to better reflect productivity developments. The Commission has always made clear that it does not oppose wage indexation mechanisms as such. They can be an effective tool to preserve the purchasing power of wages and salaries and may help maintain orderly industrial relations. However, if indexation mechanisms are inflexible, they are a danger to cost competitiveness vis-à-vis a country's trading partners and appropriate adjustments should be made as recommended.

The Commission will intensify its dialogue with Member States on the implementation of the recommendations and the preparation of the next European semester. It will also discuss with the relevant Presidencies how to improve the discussion of the country specific recommendations in the preparatory committees and relevant Council configurations.
