



EUROPEAN COUNCIL

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COVER NOTE

from : General Secretariat of the Council

to : Delegations

Subject : **EUROPEAN COUNCIL**
10/11 DECEMBER 2009

CONCLUSIONS

Delegations will find attached the revised version of the conclusions of the European Council (10/11 December 2009).

The new Treaty of Lisbon will allow the Union to concentrate fully on addressing the challenges ahead. Work will continue in coming months to ensure its full implementation, particularly as regards the setting up of the European External Action Service and the adoption of legislation on the citizens' initiative. Noting that the economic situation is starting to show signs of stabilising, the European Council stressed the importance of developing credible and coordinated strategies for exiting from the broad-based stimulus policies once the recovery is fully secured. Over recent months the EU has made good progress in strengthening its regulatory framework, in particular with the agreement reached by the Council on a fundamentally new structure for financial supervision in Europe. Given the important structural challenges facing the EU, it is necessary to evaluate the impact of the Lisbon Strategy and develop a new strategy which also responds to new challenges. The European Council adopted a new multi-annual programme for the years 2010-2014, the Stockholm Programme, which will allow for the further development of an area of freedom, security and justice. The European Council exchanged views on how the EU could best contribute to a successful outcome at the Copenhagen Conference on climate change. Reconfirming the position it had agreed at its October meeting, it stated the readiness of the EU and its Member States to contribute with fast-start funding of EUR 2.4 billion annually for the years 2010 to 2012. The European Council adopted declarations on Iran and on Afghanistan.

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The meeting of the European Council was preceded by an exposé by the President of the European Parliament, Mr Jerzy Buzek, followed by an exchange of views.

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I. Institutional issues

1. The European Council welcomes the entry into force of the Treaty of Lisbon on 1 December. The Treaty provides the Union with a stable and lasting institutional framework and will allow the Union to concentrate fully on addressing the challenges ahead.
2. The intensive preparatory work carried out during Sweden's Presidency, as set out in the Presidency's report (EUCO 5/09), has made it possible for the Treaty to enter into force smoothly. On 1 December Herman Van Rompuy took office as President of the European Council and Catherine Ashton as High Representative of the Union for Foreign Affairs and Security Policy.
3. The European Council invites the High Representative, on the basis of the Presidency report adopted by the European Council on 29 October 2009, to present the proposal on the organisation and functioning of the European External Action Service at an early date with a view to its adoption, together with the related legal acts, by the end of April 2010. Member States will continue to provide input in this area.

4. The European Council welcomes the launch by the Commission of a public consultation on the citizens' initiative. It invites the Commission to present a legislative proposal as soon as possible, with a view to its adoption within the first half of 2010.
5. Further to the European Council's conclusions of December 2008 and June 2009, the Spanish Government submitted a proposal for the amendment of the Treaties as regards transitional measures concerning the composition of the European Parliament. The European Council decided to consult the European Parliament and the Commission with a view to examining that proposal at an early date.

II. The economic, financial and employment situation

6. The economic and financial crisis has posed severe challenges to the world economy and resulted in the most difficult economic downturn since the 1930s. To tackle the crisis, the EU and its Member States have implemented a wide range of extraordinary measures including the European Economic Recovery Plan from December 2008. The support measures have been crucial in restoring confidence in financial markets and ensuring their proper functioning as well as dampening the impact of the crisis on growth and employment.
7. The economic situation is starting to show signs of stabilisation and confidence is increasing. Forecasts suggest a weak recovery in 2010, followed by a return to stronger growth in 2011. But uncertainties and fragilities remain, while the employment and social situation is expected to deteriorate further in 2010. Policies in support of the economy should therefore remain in place and be withdrawn only when recovery is fully secured. In order to anchor expectations and reinforce confidence, the European Council reconfirms the importance of developing and communicating credible and coordinated strategies for exiting from the broad-based stimulus policies.

Exit strategies

8. The European Council emphasises that the fiscal exit strategy will be implemented within the framework of the Stability and Growth Pact, which remains the cornerstone of the EU's budgetary framework. Recommendations to the countries undergoing the Excessive Deficit Procedure, in particular as adopted by the Council on 2 December, are an important tool for the restoration of sound public finances. In this context, the European Council reiterates its conclusions of 20 October on fiscal exit strategy and recalls that the strategy will include a consolidation of well beyond the benchmark of 0.5 % of GDP a year combined with structural reforms underpinning long-term fiscal sustainability. Fiscal consolidation should start in 2011 at the latest, or earlier in some Member States where economic circumstances make this appropriate, provided that the Commission forecasts continue to indicate that the recovery is strengthening and becoming self-sustaining.
9. There is a need for more broad-based exit strategies that also take into account the need to unwind financial support schemes. The principles for withdrawal of support from the financial sector, as set out by the Council on 2 December 2009, must guide further work. It is crucial that a coordinated approach which takes account of financial stability and individual Member States' circumstances and provides adequate incentives for financial institutions to cease to depend on public financial support be developed.
10. The European Council underlined that the phasing out of public support measures should be duly coordinated among Member States to avoid negative spill-over effects, that the timing of exit should take into account a broad range of elements, in line with the Council conclusions of 2 December 2009, and that, depending on individual Member States' circumstances, the phasing out of support should start with government guarantees.
11. The European Council encourages the Council to continue its work on exit strategies and to report back by June 2010, both in the fiscal area and in the financial sector.

Financial markets, including supervision

12. The financial crisis has clearly demonstrated the weaknesses of the current regulatory framework and supervisory arrangements for financial institutions. The European Council welcomes the rapid and determined action taken by the Council, which has agreed a fundamentally new structure for financial supervision in Europe. That new structure will be set up to re-establish confidence of consumers and investors in financial markets, to provide greater protection against future bubbles and crises in the economy and to enhance stability and bring oversight into line with the reality of market integration.
13. The European Council welcomes the general approach reached by the Council on a complete package for a new supervisory framework in the European Union. A new European Systemic Risk Board will provide the European Union with a system for monitoring macro-prudential risks and issuing risk warnings and recommendations for remedial action when such risks are significant. The three new supervisory authorities for banks, insurance and securities markets will develop common technical standards, have a strong coordinating role in supervisory colleges, be able to act effectively in the event of financial emergencies, and ensure the consistent application of EU law *inter alia* through binding mediation. The European Council looks forward to negotiations with the European Parliament with a view to early adoption, so that the new system can become operational during 2010.

14. The adoption by the Council of a general approach regarding amendments to the Capital Requirements Directive is a further step towards strengthening financial regulation in the light of the financial crisis. It enhances the capital requirements for certain banking activities and introduces clear and binding rules on remuneration consistent with those endorsed by G 20 leaders. Remuneration policies within the financial sector must promote sound and effective risk management and should contribute to the prevention of future crises in the economy. The European Council is now looking to the European Parliament to reach a final agreement swiftly. The European Council invites the financial sector to implement sound compensation practices immediately and in that respect encourages Member States to consider available short-term options promptly. The European Council welcomes the Commission's intention of monitoring closely the implementation of sound remuneration principles. The European Council also calls for further progress on countering pro-cyclicality in the banking sector and invites the Commission to present further proposals in 2010 taking account of the work under way in the Basel Committee.

15. The European Council emphasises the importance of renewing the economic and social contract between financial institutions and the society they serve and of ensuring that the public benefits in good times and is protected from risk. The European Council encourages the IMF to consider the full range of options including insurance fees, resolution funds, contingent capital arrangements and a global financial transaction levy in its review.

In line with the European Council conclusions of October 2009, it calls on the Council and the Commission to identify the key principles which new global arrangements would need to respect.

16. The European Council also stresses the need to accelerate work on the draft Directive on alternative investment fund managers, which should also address the issue of appropriate remuneration policies. It welcomes the Commission's intention of presenting legislative proposals in 2010 to improve the stability and transparency of derivatives markets.

A new EU 2020 strategy

17. The EU faces important structural challenges. That is why the Lisbon strategy was launched ten years ago. That strategy has been useful in setting a framework for strengthening European competitiveness and encouraging structural reform. The time has now come to evaluate the impact of the Lisbon strategy and, above all, to look ahead. In view of the economic and social impact of the crisis and in view of the challenges posed by ageing populations, increasing inequalities and climate change, a new approach is needed more than ever. In order to improve competitiveness further and increase the EU's sustainable growth potential, policies must be refocused towards long-term reforms in an ambitious and revamped new strategy.
18. Building on work already done, the time leading up to the Spring European Council should be used to define the elements of such a strategy for EU 2020 and to consider how to ensure sustainable public finances while preserving investment and social welfare, how to establish inclusive and efficient labour markets, how to strengthen the internal market further and how to exploit fully the reciprocal benefits of external trade and openness. Other important issues to be examined relate to the benefits offered by a greener economy, the improvement of the business climate, in particular for SMEs and the industrial base, and the enhancement of the knowledge base in our economies, including research and innovation. In this context, every effort should be made to ensure economic, social and territorial cohesion and gender equality.
19. At the same time the European Council calls for a new reflection on the methodology to be used; a more efficient and transparent governance structure is needed, geared towards reaching tangible results. In this context, monitoring and evaluation of policy measures are crucial. Further reflection is also necessary on how to improve coordination of economic policies and on the best way of using country recommendations to strengthen the link between national and EU measures and enhance national ownership through more active involvement of social partners as well as of regional and local authorities.

20. The European Council takes note of the consultation launched by the Commission on the future strategy and looks forward to discussing an ambitious proposal as early as possible in 2010 with a view to full discussion in the European Council, including at its 2010 Spring meeting.

Sustainable Development Strategy

21. Sustainable development remains a fundamental objective of the European Union under the Lisbon Treaty. As emphasised in the Presidency's report on the 2009 review of the Union's Sustainable Development Strategy (16818/09), the strategy will continue to provide a long-term vision and constitute the overarching policy framework for all Union policies and strategies.
22. A number of unsustainable trends require urgent action. Significant additional efforts are needed to curb and adapt to climate change, to decrease high energy consumption in the transport sector and to reverse the current loss of biodiversity and natural resources. The shift to a safe and sustainable low-carbon and low-input economy will require a stronger focus in the future. Priority actions should be more clearly specified in future reviews. Governance, including implementation, monitoring and follow-up mechanisms should be reinforced for example through clearer links to the future EU 2020 strategy and other cross-cutting strategies.
23. The European Council welcomes the Commission's intention of establishing the Forum for "Outermost Europe" open to all Member States and outermost regions, as set out in its communication presented on 17 October 2008. The inaugural forum will be held in Brussels on 27 and 28 May 2010 and every two years thereafter.

24. The European Council recalls the objective of carrying out a comprehensive budget review covering all aspects of EU spending and resources. The European Council invites the Commission to come forward with a report in order to provide orientations on priorities during 2010. The European Council looks forward to the presentation by the Commission of its proposal for the next multiannual financial framework by July 2011 at the latest.

III. The Stockholm Programme - An open and secure Europe serving and protecting the citizens

25. The European Council reaffirms its determination to continue the development of an area of freedom, security and justice, serving and protecting EU citizens and those living in that area. Five years after the Hague Programme, it is time for the Union to review its policy to meet the new challenges effectively, taking full advantage of the opportunities presented by the Lisbon Treaty. To that end the European Council adopted a new multi-annual programme for the years 2010-2014, the Stockholm Programme.
26. The European Council considers that the priority for the years to come should be to focus on the interests and needs of the citizens and other persons for whom the EU has a responsibility. The challenge will be to ensure respect for fundamental rights and freedoms and integrity while guaranteeing security in Europe. It is of paramount importance that law enforcement measures and measures to safeguard individual rights, the rule of law and international protection rules be coherent and mutually reinforcing. The Stockholm programme focuses on the priorities set out below.

27. ***Promoting citizenship and fundamental rights:*** European citizenship must become a tangible reality. The area of freedom, security and justice must above all be a single area in which fundamental rights are protected. The enlargement of the Schengen area must continue. Respect for the human person and human dignity and for the other rights set out in the Charter of Fundamental Rights and the European Convention on Human Rights are core values. For example, the exercise of these freedoms and citizens' privacy must be preserved beyond national borders, especially through the protection of personal data. Allowance must be made for the special needs of vulnerable people, and European citizens and others must be able to exercise their specific rights to the full within the European Union and even, where relevant, outside the Union.
28. ***A Europe of law and justice:*** The achievement of a European area of justice must be consolidated so as to move beyond the current fragmentation. Priority should be given to mechanisms that facilitate access to justice, so that people can enforce their rights throughout the Union. Cooperation between public professionals and their training should also be improved, and resources should be mobilised to eliminate barriers to the recognition of legal decisions in other Member States.
29. ***A Europe that protects:*** An internal security strategy should be developed in order to improve security in the Union further and thus protect the lives and safety of European citizens and tackle organised crime, terrorism and other threats. The strategy should be aimed at strengthening cooperation in law enforcement, border management, civil protection, disaster management as well as judicial cooperation in criminal matters in order to make Europe more secure. Moreover, the European Union needs to base its work on solidarity between Member States and make full use of Article 222 TFEU.
30. ***Access to Europe in a globalised world:*** Access to Europe for persons recognized as having a legitimate interest to access EU territory has to be made more effective and efficient. At the same time, the Union and its Member States have to guarantee security for its citizens. Integrated border management and visa policies should be construed to serve these goals.

31. ***A Europe of responsibility, solidarity and partnership in migration and asylum matters:***

The development of a forward-looking and comprehensive European migration policy, based on solidarity and responsibility, remains a key policy objective for the European Union. Effective implementation of all relevant legal instruments needs to be undertaken and full use should be made of the relevant Agencies and Offices operating in this field. Well-managed migration can be beneficial to all stakeholders. The European Pact on Immigration and Asylum provides a clear basis for further development in this field. Europe will need a flexible policy which is responsive to the priorities and needs of Member States and enables migrants to take full advantage of their potential. The objective of establishing a common asylum system in 2012 remains and people in need of protection must be ensured access to legally safe and efficient asylum procedures. Moreover, in order to maintain credible and sustainable immigration and asylum systems in the EU, it is necessary to prevent, control and combat illegal migration as the EU faces increasing pressure from illegal migration flows, particularly in the Member States at its external borders, including at its southern borders, in accordance with the conclusions of the European Council in October 2009.

32. ***The role of Europe in a globalised world – the external dimension:*** The importance of the external dimension of the EU's policy in the area of freedom, security and justice underlines the need for increased integration of those policies with the general policies of the European Union. The external dimension is essential to address the key challenges we face and in providing greater opportunities for EU citizens to work and do business with countries across the world. The external dimension of Freedom, Security and Justice is crucial to the successful implementation of the objectives of this programme and should in particular be taken into account in, and be fully coherent with, all other aspects of EU foreign policy.

33. The European Council invites the Commission to present an Action Plan for implementing the Stockholm Programme, to be adopted in June 2010 at the latest, and to submit a midterm review before June 2012.

IV. The Copenhagen Conference on climate change

34. The Copenhagen Conference constitutes a historic opportunity for the international community to act together to respond to the challenge of climate change. The European Council recalls the negotiating position that it adopted on 30 October 2009. All Parties must devote themselves fully to reaching a global, comprehensive, ambitious and politically binding Copenhagen Agreement that will cover all building blocks of the Bali Action Plan and builds on the essential elements of the Kyoto Protocol. A prerequisite for a Copenhagen Agreement is that it uses commonly agreed, transparent, international standards for measurement, reporting and verification, thus ensuring transparency and compliance of commitments, actions and support. In this context, the European Union will support efforts towards enhancing international environmental governance. The agreement should lead to the finalisation of a legally binding instrument, preferably within six months of the Copenhagen Conference, for the period starting on 1 January 2013.
35. The European Council welcomes in this context the recent pledges of emission reductions on the part of a number of countries. Our common objective must be to stay below the science-based two-degree limit for global warming. Some Parties have not yet presented offers corresponding to that objective. The European Council urges developed countries to do so without further delay and developing countries, especially the more advanced, to commit to appropriate mitigation action.
36. The European Union is at the forefront of efforts to fight climate change. As part of a global and comprehensive agreement for the period beyond 2012, the EU reiterates its conditional offer to move to a 30 % reduction by 2020 compared to 1990 levels, provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities.

37. The Copenhagen Agreement should include provisions on immediate action, starting in 2010. The European Council acknowledges that that requires scaled up financial support. Fast-start international public support should imply specific and separate support for adaptation and mitigation, including forestry and capacity building, with special emphasis on vulnerable and least developed countries. The EU calls on developed countries to announce their contributions to such support, in line with the October European Council conclusions. The EU is confident that a global amount of EUR 7 billion annually will be reached. The EU and its Member States are ready to contribute with fast-start funding of EUR 2.4 billion annually for the years 2010 to 2012.
38. In addition, the European Council recognises the need for a significant increase in public and private financial flows to 2020 and reiterates its conclusions of October 2009. In that context the European Council reconfirms its commitment to providing its fair share of international public support.

V. Enlargement

39. The European Council endorses the Council conclusions of 8 December 2009 on Enlargement and the Stabilisation and Association Process.

VI. External relations

Development

40. The European Council recognises the continued impact of the economic crisis on the poorest, reaffirms its Official Development Assistance commitments and will return to the issue at its meeting in June 2010 in advance of the UN Summit.

Eastern Partnership and the Union for the Mediterranean

41. The European Council welcomes the start of the implementation of the Eastern Partnership since its launch at the Summit held in Prague on 7 May 2009 and notes with satisfaction all the recent steps and initiatives taken to strengthen and deepen the relations between the EU and the Partners. The European Council underlines the European Union's commitment to furthering the implementation of the Eastern Partnership and to promoting political and socio-economic reforms of the partner countries, facilitating approximation towards the European Union.
42. The European Council underlines the importance of the enhanced partnership between the EU and the Mediterranean partner countries and welcomes the process of reinforcing relations as well as efforts to strengthen cooperation and dialogue further and that of establishing the structures of the Union for the Mediterranean.

Iran

43. The European Council adopts the attached declaration on Iran.

Afghanistan

44. The European Council adopts the attached declaration on Afghanistan.

DECLARATION ON IRAN

The European Council underlines that since 2004 the European Union has been working for a diplomatic solution of the issue of Iran's nuclear programme. The European Council expresses its grave concern that Iran has so far done nothing to rebuild the international community's confidence in the exclusively peaceful nature of its nuclear programme. The fact that Iran has constructed a clandestine enrichment facility near Qom, in breach of its obligations, and the declaration of an intent to construct further plants have further deepened the European Council's concern.

The European Council again urges Iran to comply fully and without further delay with its obligations under the relevant resolutions of the United Nations Security Council and the IAEA, notably to meet the requirements set out by the IAEA Board of Governor's resolution of 27 November 2009.

The European Council regrets that Iran has not agreed with the IAEA on a scheme of nuclear fuel supply for the Tehran research reactor, which would help to build confidence while responding to Iran's need for medical radio-isotopes.

The European Council notes with great concern that Iran has failed to take up repeated offers from China, France, Germany, Russia, the United Kingdom, the United States and the EU High Representative Javier Solana to discuss its nuclear programme and other issues of mutual concern further. It nonetheless remains committed to working for a diplomatic solution of the issue of Iran's nuclear programme. The offer of negotiations remains on the table.

The European Union will continue to review all aspects of the Iranian nuclear issue and will decide soon on further steps within the context of the dual track approach. In this regard the European Union remains ready to engage with Iran in order to reach a negotiated solution to the issue, should Iran take concrete decisions towards that end. However, Iran's persistent failure to meet its international obligations and Iran's apparent lack of interest in pursuing negotiations require a clear response, in particular through appropriate measures. In accordance with the dual-track approach, the European Union would support action by the UNSC if Iran continues not to co-operate with the international community over its nuclear programme. The European Union stands ready to take the necessary steps to accompany that UNSC process. The European Council invites EU Foreign Ministers to consider options for the next steps to that end at the next Foreign Affairs Council.

The European Council reiterates its deep concern at continued violations of human rights in Iran. The European Union will continue to raise its concern with the Iranian government and remind Iran of its international obligations, including the international covenant on civil and political rights. The European Council also reiterates its increasing concern at the situation of staff members of EU Member States' missions and European citizens in Iran who have been on trial recently, and continues to call for their prompt and unconditional release. Any action against one EU Member State is considered as action against the entire EU.

DECLARATION ON AFGHANISTAN

The European Council reiterates the EU's strong commitments to promoting stability and development in Afghanistan and Pakistan.

In this context, the European Council underlines the EU's readiness to support President Hamid Karzai in the implementation of his commitments, as set out in the five key areas of his inauguration speech: security, governance and anti-corruption, economic development, including agriculture, peace and reconciliation and regional cooperation. This requires close and strategic coordination of the international efforts under the lead of UNAMA.

The European Council recalls that the EU has initiated decisive steps to strengthen and achieve a more coherent and concerted approach to EU action in Afghanistan and Pakistan, through its Plan of Action for the region.

The European Council welcomes the recent announcement by President Obama of a reinforced engagement and commitment by the United States to Afghanistan and Pakistan. That announcement comes at a time of renewed focus and engagement by the international community as a whole. The European Union stands ready to work closely with Afghanistan, the United States, regional and other partners in the international community in addressing the challenges in Afghanistan.

The European Council underlines the need to maintain a comprehensive approach to the challenges in Afghanistan, building on a combination of political, civilian/development and military instruments. The focus must be on enabling the government of Afghanistan at national and sub-national level gradually to assume full responsibility for the security, stabilization and social and economic development of the country, and to deliver tangible results. In this context the European Council particularly emphasizes the need for capacity building in Afghanistan. The European Union and its Member States are already today spending close to EUR 1 billion a year on various civilian, political and developmental activities in Afghanistan, in addition to the EU Member States' large contributions to security through ISAF. The European Council reiterates the EU's commitment to the Afghan police and justice sector, *inter alia* through the EU Police Mission in Afghanistan.

An international conference is to be held in London on 28 January 2010. The European Council expects clear commitments from the Afghan government on that occasion in the fields of governance, in particular on the sub-national level, action against corruption, counter-narcotics, reintegration and socio-economic development and the building of strong relations with its neighbours and the region. In return, we expect renewed political support from the international community for security, governance and economic development, including by enhancing the international coordination structure. This conference will thus be a step towards the transfer of responsibilities to the Afghan authorities.

DOCUMENTS SUBMITTED TO THE EUROPEAN COUNCIL

- Progress report from the Presidency to the European Council - Implementation of the Treaty of Lisbon (EUCO 5/09)
 - 2009 Review of the EU Sustainable Development Strategy - Presidency Report (16818/09)
 - Ministerial Declaration ESDP Ten Years – Challenges and Opportunities (15649/09 + COR 1 + COR 2)
 - Council conclusions of 8 December 2009 on the Enlargement / Stabilisation and Association process (17169/1/09 REV 1)
 - Conclusions adopted by the Council on 2 December on Exit strategies (17066/09)
 - Letter from the President of the ECOFIN Council on the progress made on financial supervision (17398/09)
 - The Stockholm Programme – An open and secure Europe serving and protecting the citizens (17024/09)
 - Conclusions adopted by the Council on 16 November 2009 on the Integrated Maritime Policy (15175/1/09 REV1)
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