



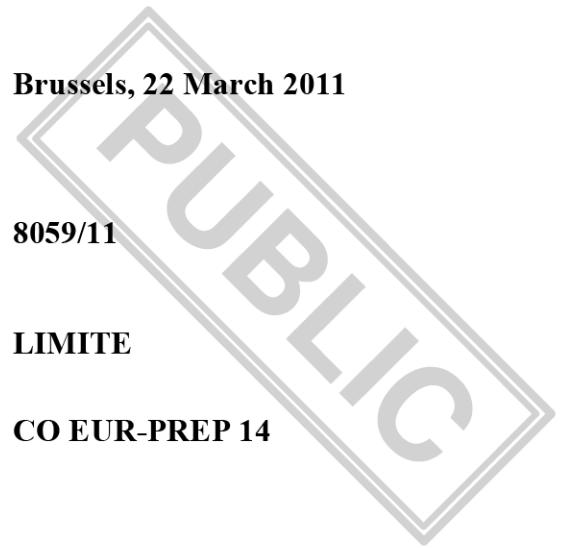
**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 22 March 2011**

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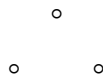
from: General Secretariat of the Council  
to: Delegations  
Subject: European Council (24-25 March 2011)  
- Draft conclusions

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*In accordance with Article 2(3)(a) of the Council's Rules of Procedure, delegations will find attached the draft conclusions prepared by the President of the European Council, in close cooperation with the member of the European Council representing the Member State holding the six-monthly Presidency of the Council and with the President of the Commission.*

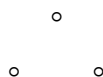
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*We express our deepest condolences for the large-scale loss of life in Japan and our solidarity with the Japanese people and government. The thoughts of EU citizens are with the many thousands of bereaved families and the hundreds of thousands of people who now have to rebuild their lives and communities. We commend the swift and decisive action taken by the Japanese authorities. Recalling the enduring friendship and close political and economic relations that link the EU to Japan, we are determined to stand by Japan as it strives to overcome the challenges it faces.*



*Over the last months, Europe has gone through a serious financial crisis. Although economic recovery in Europe is now on track, risks remain and we must continue our determined action. We adopted today a comprehensive package of measures which should allow us to turn the corner of the financial crisis and continue our path towards sustainable growth. This package will strengthen the economic governance of the European Union and ensure the lasting stability of the euro area as a whole.*

*[p.m. Libya: follow up to UNSCR and FAC discussions and latest events]. Regarding the Southern neighbourhood, we reiterate our determination to develop a new partnership with the region and call for a rapid implementation of the orientations set on 11 March 2011; we agreed on first concrete steps to support the countries of the Southern Neighbourhood in the short term. Finally, we discussed the lessons to be drawn from the events that occurred in Japan, notably as regards nuclear safety.*



## I. ECONOMIC POLICY

1. The European Council today adopted a comprehensive package of measures to respond to the crisis, preserve financial stability and lay the ground for smart, sustainable, socially inclusive and job-creating growth. This will strengthen the economic governance and competitiveness of the euro area and of the European Union.

### *Implementing the European Semester: Europe 2020, fiscal consolidation and structural reform*

2. Within the new framework of the European semester, the European Council endorsed the priorities for fiscal consolidation and structural reform.<sup>1</sup> It underscored the need to give priority to restoring sound budgets and fiscal sustainability, reducing unemployment through labour market reforms and making new efforts to enhance growth. All Member States will translate these priorities into concrete measures to be included in their Stability or Convergence Programmes and National Reform Programmes. On this basis, the Commission will present its proposals for country-specific opinions and recommendations in good time for their adoption before the June European Council.
3. In particular, Member States will present a multi-annual consolidation plan including specific deficit, revenue and expenditure targets, the strategy envisaged to reach these targets and a timeline for its implementation. Fiscal policies for 2012 should aim to restore confidence by bringing debt trends back on a sustainable path and ensuring that deficits are brought back below 3 % of GDP in the timeframe agreed upon by the Council. This requires in most cases an annual structural adjustment well above 0.5% of GDP. Consolidation should be frontloaded in Member States facing very large structural deficits or very high or rapidly increasing levels of public debt.

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<sup>1</sup> In line with the Council's conclusions of 15 February and 7 March 2011 and further to the Commission's Annual Growth Survey. See also the Presidency's synthesis report of 16 March 2011.

4. Fiscal consolidation efforts must be complemented by growth-enhancing structural reforms. To that end, Member States emphasise their commitment to the Europe 2020 Strategy. In particular, they will implement measures in order to:
  - make work more attractive;
  - get the unemployed back to work;
  - balance security and flexibility;
  - reform pension systems;
  - attract private capital to finance growth;
  - boost research and innovation;
  - and allow cost-effective access to energy and step up energy efficiency policies.
5. Member States will set out the main measures required to move towards the Europe 2020 headline targets as agreed in June 2010. They will also present policy measures to correct harmful and persistent macroeconomic imbalances and improve competitiveness.
6. In implementing these policies, and in order to ensure wide ownership, close cooperation will be maintained with the European Parliament and other EU institutions and advisory bodies (ESC, CoR), with the full involvement of national parliaments, social partners, regions and other stakeholders.
7. The Single Market has a key role to play to deliver growth and employment and promote competitiveness. The European Council welcomes the Commission's intention to present the Single Market Act and invites the European Parliament and the Council to adopt by the end of 2012 a first set of priority measures to bring a new impetus to the Single Market. Particular emphasis should be laid on measures which create growth and jobs and bring tangible results to citizens and businesses. Emphasis should also be put on completing the Digital Single Market. The overall regulatory burden, in particular for SMEs, should be reduced. The European Council calls on Member States to fully implement the services Directive and on the Commission and Member States to take further actions where necessary to improve the internal market for services.

8. The external dimension of the Single Market is also important and the focus should be on promoting free, fair and open trade, in line with the conclusions of the 16 September 2010 European Council. Work should be rapidly taken forward, following the Commission report setting out priorities for dismantling barriers to trade in third countries.

### ***Strengthening governance***

9. The package of six legislative proposals on economic governance is key to ensuring enhanced fiscal discipline and avoiding excessive macroeconomic imbalances. It includes a reform of the Stability and Growth Pact aimed at enhancing the surveillance of fiscal policies and applying enforcement measures more consistently and at an earlier stage, new provisions on national fiscal frameworks and a new surveillance of macroeconomic imbalances.
10. The European Council welcomes the general approach reached in the Council on the proposals, opening the way for negotiations with the European Parliament. It called for work to be taken forward with a view to their adoption in June 2011.

### ***Providing a new quality of economic policy coordination: the Euro Plus Pact***

11. The Euro Plus Pact as agreed by the euro area Heads of State or government and joined by [XXXX] (see annex I) will further strengthen the economic pillar of EMU and achieve a new quality of economic policy coordination, with the objective of improving competitiveness and thereby leading to a higher degree of convergence. The Pact remains open for other Member States to join.
12. The Member States that have signed up to the Pact are committed, on the basis of the indicators and principles it contains, to announce a set of concrete actions to be achieved within the next twelve months. A number of Member States have already announced first commitments. All participating Member States will present their commitments as soon as possible and in any event on time for their inclusion in their Stability or Convergence Programmes and National Reform Programmes to be submitted in April and for their presentation at the June European Council.

### ***Restoring the health of the banking sector***

13. The European Banking Authority and relevant authorities are carrying out stress tests. The European Council underlines the importance of the peer review process to be conducted in close cooperation with national supervisors, the European Systemic Risk Board, the Commission and the European Central Bank in order to increase the consistency and quality of the results. A high level of disclosure for banks will be ensured, including on sovereign debt holdings.
14. Member States will prepare, ahead of the publication of the results, specific and ambitious strategies for the restructuring of vulnerable institutions, including private sector solutions (direct financing from the market or asset sales) but also a solid framework in line with State aid rules for the provision of government support in case of need.
15. As agreed by the European Council in June 2010, the introduction of a financial transaction tax should be explored and developed further.

### ***Strengthening the stability mechanisms of the euro area***

16. Recalling the importance of ensuring financial stability in the euro area, the European Council adopted the decision amending the TFEU with regard to the setting up of the European Stability Mechanism. It calls for the rapid launch of national approval procedures with a view to its entry into force on 1 January 2013.
17. The European Council welcomes the decisions taken by the euro area Heads of State or government on 11 March as well as the agreement reached on 21 March on the features of the ESM (see annex II). The preparation of the ESM treaty and the amendments to the EFSF agreement, to ensure its EUR 440 billion effective lending capacity, will be finalized so as to allow national procedures to be completed in good time for signature of both agreements at the same time before the end of June 2011.

## II. LIBYA / SOUTHERN NEIGHBOURHOOD

18. *p.m. follow up to UNSCR and FAC discussions; latest events.*
19. Work should be rapidly taken forward to develop a new partnership with the region, in line with the European Council's declaration of 11 March 2011. As first steps in the implementation of the 11 March package, the European Council calls for rapid progress to be made along the following lines:
- the EU and its Member States will step up their humanitarian assistance;
  - *[p.m. follow-up to visit by Minister Martonyi]*
  - the EU will continue its dialogue with the countries of the region concerned on financial and technical support to improve the control and management of borders and measures to facilitate the return of migrants to their countries of origin; the European Council will revert in June to the question of EU capacities to manage migratory flows;
  - agreement should be reached by June 2011 on the regulation enhancing the capabilities of Frontex; in the meantime the Commission will make additional resources available in support to the agency's Hermes 2011 operation;
  - the ceiling for EIB operations for Mediterranean countries undertaking political reform should be increased by EUR 1 billion;
  - work should rapidly advance on the Commission's proposal to extend to EIB operations in the Southern neighbourhood the possibility to re-invest funds reflowing from past operations;
  - EBRD shareholders should consider the possible extension of the Bank's activities to countries in the Southern neighbourhood;
  - the proposals on pan-Euro-Mediterranean rules of origin should be adopted without delay.

### III. JAPAN

20. The European Union will support Japan as it strives to overcome the challenges it faces after the earthquake and the tsunami that struck it with such tragic consequences.
21. Following an initial request from the Japanese government, it is mobilising relief supplies for the affected population. It stands ready to provide further support if requested. More generally, the EU is interested in developing its cooperation with Japan on disaster relief.
22. The European Union commends the swift and decisive action taken by the Japanese authorities in response to disorders on financial markets. It welcomes the action taken by the G7 on the yen. It stands ready to cooperate fully with Japan to address the economic and financial consequences of these events, including in the framework of the G8 and the G20.
23. Looking to the future, the European Council reiterates the strategic importance of the EU/Japan relationship. The forthcoming summit must be used to strengthen this relationship and bring forward our common agenda.
24. In this connection, the European Council stresses the need to fully draw the lessons from these events. It calls for work to be taken forward as a matter of priority on the following aspects:
  - the safety of EU nuclear plants should be reviewed, on the basis of a comprehensive and transparent risk and safety assessment ("stress tests"); the Commission is invited to ensure that the European Nuclear Safety Regulatory Group (ENSREG) develops as soon as possible the scope and modalities of these tests in the light of events and with the full involvement of Member States, making full use of available expertise (notably from the Western European Nuclear Regulators Association); the assessments will be conducted by relevant national authorities and their outcome should be shared with the Commission and within the ENSREG;



- the priority of ensuring the safety of nuclear plants obviously cannot stop at our borders; the EU will encourage and support similar "stress tests" in the EU's neighbours and worldwide, regarding both existing and planned plants;
  - high standards for nuclear safety should be implemented and continuously improved in the EU and promoted internationally;
  - the Commission will review the existing legal and regulatory framework for the safety and security of nuclear installations and will propose any changes that may be necessary. Member States should ensure the full implementation of the directive on the safety of nuclear installations. The proposed directive on radioactive waste should be adopted without delay.
  - the economic and financial consequences for the world economy and for the EU need to be closely monitored, paying particular attention to the volatility of energy and commodity prices, in particular in the context of the G20.
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**THE EURO PLUS PACT  
STRONGER ECONOMIC POLICY COORDINATION FOR  
COMPETITIVENESS AND CONVERGENCE**

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**Term Sheet on the ESM**

p.m.