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Medlemmerne af Folketingets Europaudvalg
og deres stedfortrædere

Asiatisk Plads 2
DK-1448 København K
Tel. +45 33 92 00 00
Fax +45 32 54 05 33
E-mail: um@um.dk
Telex 31292 ETR DK
Telegr. adr. Errangeres
Girokonto 300-1806



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**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 14 March 2005
(OR. fr,en)**

7240/05

LIMITE

POLGEN 15

NOTE

from : **Presidency**
to : **Coreper/Council**

Subject : ***European Council (22 and 23 March 2005)***
 – Draft conclusions

The Presidency submits herewith to Coreper a set of draft conclusions to be adopted by the European Council at its meeting on 22 and 23 March 2005.

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1. The meeting was preceded by a presentation given by Mr Josep Borrell, President of the European Parliament, followed by an exchange of views. The President of the Commission took the opportunity to present the Commission's strategic objectives for 2005-2009. The Heads of State or Government took note and welcomed the close agreement between the Council and the Commission on the Union's priorities, particularly with regard to legislative activity for the coming years.

2. The European Council discussed the following matters:
 - I. Stability and Growth Pact
 - II. Mid-term review of the Lisbon Strategy
 - III. Sustainable development
 - IV. Climate change

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I. STABILITY AND GROWTH PACT

for the record

II. RELAUNCHING THE LISBON STRATEGY: A PARTNERSHIP FOR GROWTH AND EMPLOYMENT

A. A STRATEGY FOR TODAY'S WORLD

3. Five years after the launch of the Lisbon Strategy, the results are mixed. Alongside undeniable progress, there are shortcomings and obvious delays. Given the challenges to be met, there is a high price to pay for delayed or incomplete reforms, as is borne out by the gulf between Europe's growth potential and that of its economic partners. Urgent action is therefore called for.

4. To that end, it is essential to relaunch the Lisbon Strategy without delay and re-focus priorities on growth and employment. Europe must renew the basis of its competitiveness, increase its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of human capital.
5. To achieve these objectives, the Union must mobilise all national and Community resources – including the cohesion policy – in the Strategy's three dimensions (economic, social and environmental) so as better to tap into their synergies. Alongside the governments, all the other players concerned – parliaments, regional and local bodies, social partners and civil society – should be stakeholders in the Strategy and take an active part in attaining its objectives.
6. At the same time, the financial perspective for 2007-2013 will have to provide the Union with adequate funds to carry through the Union's policies in general, including the policies that contribute to the achievement of the Lisbon priorities. Sound macroeconomic conditions are essential to underpin the efforts in favour of growth and employment. [The changes made to the Growth and Stability Pact will contribute thereto, while allowing Member States to play their full part in relaunching long-term growth.]
7. The European Council welcomes the Commission communication *Working together for growth and jobs – A new start for the Lisbon Strategy* submitted for the mid-term review. It welcomes the important contributions in this context by the European Parliament, the Committee of the Regions, the Economic and Social Committee and the social partners. In the light of these proposals, the European Council asks the Commission, Council and Member States to relaunch the Strategy without delay on the basis of the following elements centred on growth and employment.
8. The European Council welcomes the commitment expressed by the social partners at the Tripartite Summit on 22 March. It calls on the social partners to submit a common work programme for growth and employment in the context of their respective areas of competence.

B. VITAL STRANDS OF THE RELAUNCH

Knowledge and innovation – engines of sustainable growth

9. The European area of knowledge should enable undertakings to build new competitive factors, consumers to benefit from new goods and services and workers to acquire new skills. With that in mind, it is important to develop research, education and all forms of innovation insofar as they make it possible to turn knowledge into an added value and create more and better jobs. Moreover, in the years to come, a genuine dialogue must be encouraged among those directly involved in the knowledge-based society in the public and private sectors.
10. Member States should develop their innovation policies in the light of their specific characteristics and, *inter alia*, with the following objectives: establishing support mechanisms for innovative SMEs, including high-tech start-ups, promoting joint research between undertakings and universities, improving access to risk capital, refocusing public procurement on innovative products and services, developing partnerships for innovation and innovation centres at regional and local level.
11. The new Community Competitiveness and Innovation Programme will, for its part, lend great impetus to innovation throughout the European Union by establishing a new mechanism for financing innovative SMEs with a high growth potential, by streamlining and strengthening the technical support network for innovation in undertakings, and by supporting the development of regional centres and European networks for innovation.
12. The European Council notes the Commission's intention to submit a proposal on the establishment of a European Technology Institute.

13. Europe needs a solid industrial fabric throughout its territory. The necessary pursuit of an active industrial policy means strengthening the competitive advantages of the industrial base while ensuring the complementarity of the action at national, trans-national and European level. This objective will be pursued by means of technological initiatives based on public-private partnerships and the organisation of technological platforms aimed at setting long-term research agendas. The Commission will report back on its preparatory work on the subject by June.

14. In the field of R&D, the overall objective of 3% investment is maintained, with an adequate split between private and public investment. This objective will be obtained in particular by tax incentives for private investment, a better leverage effect of public investment and by a modernised management of research institutions and universities. Specific intermediate levels need to be set out at national level.

15. The 7th Framework Programme for Research and Development will lend fresh impetus to the European research area by enhancing European cooperation, stimulating private investment in areas crucial to competitiveness and helping to fill the technology gap. The programme should act as a lever on national research budgets. The attraction which Europe holds for researchers should be enhanced by an effective improvement in the conditions under which they move and practise their profession. A European Research Council should be established to support cutting-edge research. Work on the European space programme will make it possible to exploit the capacity for innovation and the considerable potential in this sector.

16. The European Investment Bank will have to extend its Structured Finance Facility to R&D projects and, together with the Commission, explore new ways of using Community funds as levers for EIB loans.

17. It is essential to build a fully inclusive information society, based on widespread use of information and communication technologies (ICTs) in public services, SMEs and households. To that end, the i2010 initiative will focus on content industry development, the security of networks and information, ICT research and innovation as well as convergence and interoperability in order to establish a seamless information area.

18. The European Council reiterates the important contribution of environment policy to growth and employment, and also to the quality of life, in particular through the development of eco-innovation and eco-technology as well as the sustainable management of natural resources, which lead to the creation of new outlets and new jobs. It emphasises the importance of energy efficiency as a factor in competitiveness and sustainable development and welcomes the Commission's intention of producing a European initiative on energy efficiency and a Green Paper in 2005. Eco-innovation and environmental technology should be strongly encouraged, particularly in energy and transport, with particular attention paid to SMEs and to promoting eco-technology in public procurement. In addition to its growth in the internal market, this sector has considerable export potential. The European Council invites the Commission and the Member States to implement the action plan for eco-technology as a matter of urgency. The European Council reaffirms the importance of the objective of halting the loss of biological diversity between now and 2010, one of the reasons being the importance of biodiversity for certain economic sectors.

An attractive area in which to invest and work

19. In order to encourage investment and provide an attractive setting for business and work, the European Union must complete its internal market and make its regulatory environment more business-friendly, while business must in turn develop its sense of social responsibility. There is also a need for efficient infrastructure, high-standard, affordable general-interest services and a healthy environment based on sustainable consumption and production and a high quality of life.

20. The European Council calls on Member States to spare no effort to honour the commitments given in Barcelona in March 2002 as regards – among other things – the transposition of Directives.

21. For the completion of the internal market, the European Council has identified the following priority areas:

A fully operational internal market for services will improve competitiveness and generate growth and employment; the European Council supports all the efforts made to arrive at a broad consensus on a Directive that will enable this objective to be achieved. Effective services of general economic interest have a central role to play in a competitive and dynamic economy.

Any agreement on REACH must reconcile environmental and health protection concerns with the competitiveness of European industry, while paying particular attention to SMEs and their ability to innovate.

22. In addition to an active competition policy, the European Council calls on Member States to continue working towards a reduction in the general level of State aid, while making allowance for any market failures. This movement must be accompanied by a redeployment of aid in favour of support for certain horizontal objectives such as research and innovation and the optimisation of human capital.

23. The European Council reiterates the importance it attaches to improving the regulatory environment and urges that work press ahead – as envisaged by, among other things, the initiative of the six Presidencies and the Operational Programme of the Council for 2005 – in preparation for an overall assessment at one of its forthcoming meetings. It notes the communication submitted by the Commission and stresses the need for firm action along these lines at both European and national level. The European Council calls for an agreement to be reached on a common methodology for measuring administrative burdens by the end of 2005; it calls on the Commission to develop its impact-analysis system in accordance with its communication, to work together with the Council to ensure faster progress in the context of simplification and, lastly, to issue proposals to encourage the participation of all players directly concerned by this process. It stresses that initiatives taken in the context of improving the regulatory environment must not themselves turn into administrative burdens.
24. Small and medium-sized enterprises play a key role for growth and employment and participate in developing the industrial fabric. Member States should therefore continue with their policies to cut red tape, introduce one-stop contact points and provide access to credit, micro-loans, other forms of financing and accompanying services. Access by SMEs to Community programmes is also of major importance. The Commission and Member States are also called on to make best use of support networks for SMEs; to this end, they should swiftly identify, with national and regional social partners and with chambers of commerce, the rationalisation and cooperation measures required.
25. The European Council would urge the European Investment Fund to diversify its activities, in particular towards the financing of innovative SMEs through individual-investor (business-angel) and technology-transfer networks. Flexible funding suited to such activities should be found, together with the Commission. This action should also be supported by the new Community competitiveness and innovation programme.

26. The single market must in addition be based on a physical internal market free of interoperability and logistical constraints. Deployment of high-speed networks in poorly served regions is a prerequisite for the development of a knowledge-based economy. In general, infrastructure investment will boost growth and bring greater economic, social and environmental convergence. Under the growth initiative and quick-start programmes, the European Council emphasises the importance of carrying out the priority projects in the field of transport and energy networks and calls on Member States to keep up their investment efforts and to encourage public-private partnerships.
27. The open global economy offers new opportunities for stimulating growth, competitiveness and redeployment in Europe's economy. The European Council recognises the importance of reaching an ambitious, balanced agreement in the Doha negotiations and the value of developing bilateral and regional free-trade agreements; pursuit of that objective must be accompanied by a sustained effort to ensure international convergence of standards.

Growth and employment making for social cohesion

28. The European Council welcomes the Commission communication on the social agenda, which will help to achieve the Lisbon Strategy objectives by reinforcing the European social model based on the quest for full employment and greater social cohesion.
29. Raising employment rates and extending working life, coupled with reform of social protection systems, provide the best way of maintaining the present level of social protection.
30. The objectives of full employment, job quality, labour productivity and social cohesion must be reflected in clear and measurable priorities: making work a real option for everyone, attracting more people into the labour market, improving adaptability, investing in human capital, modernising social protection, promoting equal opportunities and fostering social inclusion.

31. It is essential to attract more people into the labour market. This aim will be achieved by following the course of an active employment policy, of making work pay, of measures to reconcile working life and family life, including the improvement of child care facilities; priority must also be given to equal opportunities, active ageing strategies, encouraging social integration and converting undeclared work into lawful employment. New sources of jobs must also be developed in services to individuals and businesses, in the social economy, in countryside management and environmental protection and in new industrial occupations, partly through promotion of local growth and employment partnerships.
32. New forms of work organisation and greater diversity of contractual arrangements, better combining flexibility with security, will help make workers and businesses more adaptable. Emphasis should also be placed on better anticipation and management of economic change.
33. Human capital is Europe's most important asset. Member States should step up their efforts to raise the general standard of education and reduce the number of early school-leavers. Lifelong learning is a *sine qua non* if the Lisbon objectives are to be achieved. The European Council calls on Member States to make lifelong learning an opportunity open to all in schools, businesses and households. Particular attention should be paid to the availability of lifelong learning facilities for low-skilled workers and for the staff of small- and medium-sized enterprises. Availability should also be facilitated by means of working time organisation, family support services, vocational guidance and new forms of cost-sharing between businesses, workers and public authorities. The European Council therefore calls for the early adoption of the programme which the Commission will shortly be submitting in this connection.

34. The European education area should be developed by encouraging geographical and occupational mobility. The European Council would point to the importance of disseminating the Europass and of adopting the Directive on recognition of professional qualifications in 2005 and a European qualifications framework in 2006.
35. Social inclusion policy should be pursued by Member States, with its multifaceted approach, focusing on target groups such as children in poverty.
36. A return to sustained and sustainable growth requires greater demographic dynamism, improved social and vocational integration and deeper appreciation of the human potential embodied by European youth. To this end, the European Council has adopted the European youth pact (set out in Annex II) as one of the instruments contributing to the achievement of the Lisbon objectives.

C. IMPROVING GOVERNANCE

37. It is important that EU and Member States' action should make a bigger and more practical contribution to growth and employment. Accordingly, a simplified arrangement will be introduced. Its aim is threefold: to facilitate the identification of priorities while maintaining the overall balance of the strategy and the synergy between its various components; to improve the implementation of those priorities on the ground by increasing the Member States' involvement; and to streamline the monitoring procedure so as to give a clearer picture of national implementation of the strategy.
38. This new approach, based on a three-year cycle which starts this year and will have to be renewed in 2008, will comprise the following steps:
 - (a) The starting-point of the cycle will be the Commission's synoptic document ("strategic report"). This report will be examined in the relevant Council configurations and discussed at the spring European Council meeting, which will establish political guidelines for the economic, social and environmental strands of the strategy.

- (b) On the basis of the European Council conclusions and in accordance with the procedures laid down in Articles 99 and 128 of the Treaty, the Council will adopt a set of "integrated guidelines" consisting of two elements: broad economic policy guidelines (BEPGs) and employment guidelines (EGs); as BEPGs are the general instrument for coordinating economic policies, they should continue to embrace the whole range of macroeconomic and microeconomic policies as well as employment policy insofar as this interacts with the former, and they will ensure general consistency between the three strands of the strategy.
- (c) On the basis of the "integrated guidelines",
- Member States will draw up "national reform programmes" which set out the measures to be taken and are appropriate to their specific situation. These programmes will be drawn up in consultation with all the players at regional and national, including parliamentary bodies in accordance with each Member State's specific procedures. The programmes may be revised in the event of major political changes. Member States will enhance their internal coordination, where appropriate by appointing a national coordinator.
 - On its side, the Commission will present as a counterpart to the national programmes a "Community Lisbon programme" covering all actions to be undertaken at Community level in the interests of growth and employment.
- (d) The reports on the follow-up to the Lisbon Strategy sent each year by the Member States to the Commission – including the application of the open methods of coordination – will now be grouped in a single document clearly distinguishing between the different areas of action and highlighting all measures taken during the previous twelve months to implement the national programmes; the first such document will be submitted in the autumn of 2006.

(e) The Commission will report on the implementation of the strategy each year. On the basis of the Commission's assessment, the European Council will review progress every spring and decide on any necessary adjustments to the integrated guidelines.

(f) For the BEPGs, the existing multilateral surveillance arrangements will apply.

39. At the end of the third year of each cycle, the integrated guidelines, the national reform programmes and the Community Lisbon programme will be renewed in accordance with the procedure described above, taking as the starting point a strategic report by the Commission, based on an overall assessment of progress during the previous three years.

40. In 2005 the cycle will begin in April, with the Commission submitting integrated guidelines drawn up on the basis of these conclusions. Member States are asked to draw up their national reform programmes in autumn 2005.

III. SUSTAINABLE DEVELOPMENT

41. On the occasion of the relaunch of the Lisbon Strategy, the European Council reaffirms that the Lisbon Strategy itself should be seen in the wider context of the sustainable development requirement that present needs be met without compromising the ability of future generations to meet their own needs. The European Council agrees to adopt a declaration on guiding principles for sustainable development at its next meeting, in June 2005; that declaration will serve as a basis for renewing the sustainable development strategy adopted at the European Council meeting in Göteborg in 2001. The new, fuller and more ambitious strategy, including targets and indicators, should be adopted by the end of 2005. The Commission will be submitting the appropriate proposals in due course.

IV. CLIMATE CHANGE

42. The European Council acknowledges that climate change is likely to have major negative global environmental, economic and social implications. It confirms that, with a view to achieving the ultimate objective of the UN Framework Convention on Climate Change, the global annual mean surface temperature increase should not exceed 2°C above pre-industrial levels.
43. The European Council notes with great satisfaction the entry into force of the Kyoto Protocol. In this respect, it wishes in particular to congratulate the Russian Federation on having ratified the Protocol.
44. The European Council emphasises the EU's determination to reinvigorate the international negotiations by:
- exploring options for a post-2012 arrangement in the context of the UN climate change process, ensuring the widest possible cooperation by all countries and their participation in an effective and appropriate international response;
 - developing a medium and long-term EU strategy to combat climate change, consistent with meeting the 2°C objective. In view of the global emission reductions required, global joint efforts are needed in the coming decades, in line with the common, but differentiated responsibilities and respective capabilities, including significantly enhanced aggregate reduction efforts by all economically more advanced countries. Without prejudging new approaches for differentiation between parties in a future fair and flexible framework, the EU looks forward to exploring with other parties possible strategies for achieving necessary emission reductions and believes that, in this context, reduction pathways by the group of developed countries in the order of 15-30% by 2020 and 60-80% by 2050, compared to the baseline envisaged in the Kyoto Protocol, should be considered;

- promoting cost-efficient measures to cut emissions.

The European Council will keep this issue under regular review.

Stability and Growth Pact

European Youth Pact

Against the background of Europe's ageing population, the European Council sees a need for young Europeans to benefit from a set of policies and measures forming a fully integrated part of the Lisbon Strategy. The Youth Pact aims to improve the education, training, mobility, vocational integration and social inclusion of young Europeans, while facilitating the reconciliation of working life and family life. The Pact should ensure the overall consistency of initiatives in these areas and provide the starting point for strong, ongoing mobilisation on behalf of young people. Its success depends on the involvement of all parties concerned, first and foremost national, regional and local youth organisations as well as the European Youth Forum, regional and local authorities and the social partners.

The European Council calls on the Union and Member States, particularly for the European employment strategy and for social inclusion strategy, to draw upon the following lines of action:

Employment, integration and social advancement

- specifically monitoring policies for the sustained integration of young people into the labour market, in the context of the mutual learning programme on employment;
- giving priority under national social inclusion policy to improving the situation of the most vulnerable young people, particularly those in poverty;
- inviting employers and businesses to display social responsibility in the area of vocational integration of young people;

- encouraging young people to develop entrepreneurship and promoting the emergence of young entrepreneurs;

Education, training and mobility

- ensuring that knowledge matches the needs of a knowledge-based economy and, to this end, encouraging the development of a common set of core skills; in this context, concentrating primarily on the problem of drop-outs from the school system;
- expanding the scope for students to undertake a period of study in another Member State;
- encouraging mobility of young people by removing obstacles for trainees and workers and for their families, including by facilitating their social integration in the host country; for researchers, stepping up ongoing initiatives under the Marie Curie programme;
- developing closer cooperation between Member States on transparency and comparability of occupational qualifications;

Reconciliation of working life and family life

- promoting the reconciliation of working life and family life, particularly by expanding the child-care network and developing innovative forms of work organisation;
- considering child-friendly policies, in the light of discussions on the Green Paper on demographic change which the Commission is preparing to issue.

