



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from : The General Secretariat of the Council
to : General Affairs Council

Subject : *European Council (28/29 October 2010)*
– *Draft conclusions*

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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In order to address the challenges revealed by the recent financial crisis, a fundamental shift in European economic governance is required. To that end, the European Council endorsed the report of the Task Force on economic governance. Its implementation will constitute a major step forward in strengthening the economic pillar of EMU: it will increase fiscal discipline, broaden economic surveillance and deepen coordination. The report also sets out the guiding principles for a robust framework for crisis management and stronger institutions. [p.m. post Task Force work.] Further to its discussions of 16 September 2010, the European Council also exchanged views in preparation of the G20 Seoul Summit and the Cancún Conference on climate change as well as the summits with the United States, Russia and Ukraine.

I. TASK FORCE ON ECONOMIC GOVERNANCE

1. The European Council endorses the report of the Task Force on economic governance. Its implementation will allow to increase fiscal discipline, broaden economic surveillance, deepen coordination, and set up robust framework for crisis management and stronger institutions. The result will be a substantial strengthening of the economic pillar of EMU, enhancing confidence and thus contributing to sustainable growth, employment and competitiveness. Adoption of the secondary legislation will be needed for the implementation of many of the recommendations. The European Council calls for a "fast track" approach to be followed, in order for the Council and the European Parliament to reach agreement on the Commission's legislative proposals by summer 2011 and to ensure the effective implementation of the new surveillance arrangements as soon as possible.

[p.m. post TF work]

II. SEOUL G20 SUMMIT

2. The world economy is recovering from the crisis. However, there remain a number of issues that require sustained attention at the global level, including risks to financial sustainability, incomplete financial sector repair, high unemployment, the volatility of global commodity prices, and re-emerging global macroeconomic imbalances. Further to the preparations at the level of the Council for the G20 ministerial meeting, the European Council discussed the priorities which the President of the European Council and the President of the Commission will promote at the Seoul summit. The summit must send an ambitious signal as regards the concrete and timely implementation of measures agreed in the Framework for Strong, Sustainable and Balanced Growth, notably concerning fiscal consolidation plans, financial regulatory reform and the need for further structural reforms. The issue of the rebalancing of world growth also requires particular attention. The European Union looks forward to the confirmation by the G20 summit of the Basel agreement, which is an important step in strengthening global financial stability. The European Union emphasises the need to continue keeping markets open, to inject momentum into the Doha negotiations and to adopt a growth-oriented development agenda. It stresses the need to avoid all forms of protectionism and to avoid engaging in exchange rate moves aimed at gaining short term competitive advantages.
3. The European Union supports a comprehensive reform of the International Monetary Fund. It considers that quota as well as wider governance reforms should be delivered together as a single, comprehensive package and within the same time frame. Modernising the IMF's governance is a core element to improve its credibility, legitimacy and effectiveness.
4. Further work is necessary on levies and taxes on financial institutions, both at the international and internal levels. In line with the Council's report, there should be further coordination between the different levy schemes in place in order to avoid double-charging. The Council is invited to report back to the European Council in December 2010. The different options regarding the taxation of the financial sector should also be examined.

[p.m. may be updated in the light of the outcome of the forthcoming G20 Ministerial]

III. CANCÚN CONFERENCE ON CLIMATE CHANGE

5. Making progress in tackling climate change is becoming ever more urgent. It is therefore important that the Cancún Conference deliver a significant intermediate step on the way towards a global and comprehensive legally binding framework, building on the Kyoto Protocol and integrating the political guidance given in the Copenhagen Accord. It is crucial that the European Union and its Member States continue to play a constructive role and that they deliver a single message. The European Council endorses the conclusions of the Council of 14 October 2010 on the preparation of the Cancún Conference and confirms the willingness to consider a second commitment period under the Kyoto Protocol provided the conditions set out in these conclusions are met. The European Union will submit a comprehensive and transparent report on the implementation of its commitment on fast start financing in Cancún and yearly thereafter and will underline the importance of further increasing transparency of climate financing. The European Union will reassess the situation after the Cancún Conference, including the examination of options to move beyond 20% greenhouse gas emission reductions to be prepared to react to the ongoing international climate negotiations. In parallel with seeking an international agreement, the EU will also develop a more diversified approach to engaging with key partners in areas of mutual interest that help them reduce their emissions.

IV. SUMMITS WITH THIRD COUNTRIES

6. The forthcoming summit with the United States must mark a common will to cooperate for a more effective global governance, based on shared values and a commitment to solidarity and predictability. It will focus on global issues such as economic recovery, climate change and security. Recalling its conclusions of 16 September 2010, the European Council discussed the priorities which the President of the European Council and the President of the Commission will promote at the summit, in particular regarding the relaunch of the Transatlantic Economic Council with a special focus on jobs, growth and innovation; a successful outcome of the Cancún Conference; the promotion of investment, research and regulatory cooperation in clean energy and green technologies; and enhanced cooperation in countering new security threats and addressing foreign policy and development challenges. Particular attention will be given to encouraging emerging economies to play a constructive role in global affairs.

7. The summit with Russia should allow progress in the negotiations on the new EU-Russia Agreement and help build a broad and comprehensive approach to the Partnership for Modernisation. It is important to continue engaging with Russia on a wide range of issues. The summit should focus in particular on achieving decisive progress on Russia's accession to the WTO and on outstanding bilateral issues regarding trade, investment and cooperation in the energy sector; enhancing the efficiency of crisis-management cooperation; and making progress on the visa dialogue entering a fully operational phase through the elaboration of Common Steps. Particular attention will be given to the dialogue on human rights.

8. The summit with Ukraine will aim at injecting momentum to the negotiations on the Association Agreement, with a special focus on the deep and comprehensive Free Trade Area. Particular emphasis will be paid to supporting a reform process in Ukraine, notably as regards strengthening democratic values, ensuring macro-economic stability, improving the business climate and reforming the energy sector. Concerning the visa dialogue, the summit will address the launching of a fully operational phase on the basis of an Action Plan.