



EUROPEAN COUNCIL

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COVER NOTE

from : General Secretariat of the Council

to : Delegations

Subject : **EUROPEAN COUNCIL
28/29 JUNE 2012**

CONCLUSIONS

Delegations will find attached the conclusions of the European Council (28/29 June 2012).

During the last two and a half years, the European Union has taken important and far-reaching steps to overcome the crisis and improve the governance of the EMU. However, Europe is once again going through a period of heightened tensions. The crisis surrounding sovereign debt and the weakness of the financial sector, together with persistent low growth and macroeconomic imbalances, are slowing down economic recovery and creating risks for the stability of EMU. This is having a negative impact in terms of unemployment and may weigh down Europe's potential to benefit from a gradual improvement of the global economic outlook.

We are therefore committed to taking resolute action to address financial market tensions, restore confidence and revive growth. We reaffirm our commitment to preserve the EMU and put it on a more solid basis for the future. Strong, smart, sustainable and inclusive growth, based on sound public finances, structural reforms and investment to boost competitiveness, remains our key priority.

This is why today the Heads of State or Government decided on a "Compact for Growth and Jobs", encompassing action to be taken by the Member States and the European Union with the aim of re-launching growth, investment and employment as well as making Europe more competitive. We also endorsed the country-specific recommendations to guide Member States' policies and budgets. Finally we emphasised the role that the forthcoming Multiannual Financial Framework should play in strengthening growth and employment. The President of the European Council presented the report "Towards a Genuine Economic and Monetary Union".

We are determined to take the measures required to ensure a financially stable, competitive and prosperous Europe and thus enhance the welfare of citizens.

I. GROWTH, INVESTMENT AND JOBS

1. The European Union will continue to do everything necessary to put Europe back on the path of smart, sustainable and inclusive growth. Recalling the importance of fiscal consolidation, structural reform and targeted investment for sustainable growth, the Heads of State or Government decided on a "Compact for Growth and Jobs", providing a coherent framework for action at national, EU and euro area levels, using all possible levers, instruments and policies (see annex).

They invited the Council to rapidly examine how to improve cooperation between the institutions in order to ensure the timely implementation of the provisions of this Compact requiring EU legislation.

2. The European Council generally endorsed the country-specific recommendations which Member States will translate into their forthcoming national decisions on budgets, structural reforms and employment policies, thus bringing the 2012 European Semester to a close.
3. Heads of State or Government of the participating Member States agreed on the solution for the last outstanding issue of the patents package, namely the seat of the Central Division of the Court of First Instance of the Unified Patent Court (UPC). That seat, along with the office of the President of the Court of First Instance, will be located in Paris. The first President of the Court of First Instance should come from the Member State hosting the central division.

Given the highly specialised nature of patent litigation and the need to maintain high quality standards, thematic clusters will be created in two sections of the Central Division, one in London (chemistry, including pharmaceuticals, classification C, human necessities, classification A), the other in Munich (mechanical engineering, classification F).

Concerning actions to be brought to the central division, it was agreed that parties will have the choice to bring an infringement action before the central division if the defendant is domiciled outside the European Union. Furthermore if a revocation action is already pending before the central division the patent holder should have the possibility to bring an infringement action to the central division. There will be no possibility for the defendant to request a transfer of an infringement case from a local division to the central division if the defendant is domiciled within the European Union.

We suggest that Articles 6 to 8 of the Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection to be adopted by the Council and the European Parliament be deleted.

II. REPORT ON EMU

4. The report "Towards a Genuine Economic and Monetary Union" presented by the President of the European Council, in cooperation with the Presidents of the Commission, Eurogroup and ECB, sets out "four essential building blocks" for the future EMU: an integrated financial framework, an integrated budgetary framework, an integrated economic policy framework and strengthened democratic legitimacy and accountability.

Following an open exchange of views, where various opinions were expressed, the President of the European Council was invited to develop, in close collaboration with the President of the Commission, the President of the Eurogroup and the President of the ECB, a specific and time-bound road map for the achievement of a genuine Economic and Monetary Union, which will include concrete proposals on preserving the unity and integrity of the Single Market in financial services and which will take account of the Euro Area statement and, *inter alia*, of the intention of the Commission to bring forward proposals under Article 127. They will examine what can be done within the current Treaties and which measures would require Treaty change. In order to ensure their ownership, Member States will be closely associated to the reflections and regularly consulted. There will also be consultations with the European Parliament. An interim report will be presented in October 2012 and a final report before the end of the year.

III. MULTIANNUAL FINANCIAL FRAMEWORK

5. The European Council held an in-depth discussion with the President of the European Parliament on the future Multiannual Financial Framework.

6. The European Council welcomed the progress achieved under the Danish presidency, which provides a basis and orientations for the final stage of the negotiation during the incoming Cyprus presidency. The Negotiating Box will be further developed with a view to reaching an agreement by the end of 2012, while respecting the principle that nothing is agreed until everything is agreed. Work should also be accelerated on the relevant legislative texts with a view to rapid adoption, following the procedures enshrined in the Treaty. In this process, all competent institutions are invited to cooperate closely, in line with Treaty competences.

IV. OTHER ITEMS

- (a) The European Council welcomed the statement of the Euro Area Summit of 29 June 2012 and the use of the existing EFSF/ESM instruments that will be implemented according to existing guidelines which detail the relevant procedures.
- (b) Enlargement: the European Council endorsed the decision taken by the Council to open accession negotiations with Montenegro on 29 June 2012.
- (c) Justice and Home Affairs: the European Council welcomed the progress achieved on the Dublin Regulation, the Directive on Reception Conditions and the Directive on Asylum Procedures, and in relation to resettlement. It reiterated its commitment to the completion of the Common European Asylum System by the end of 2012. It also underlined the importance of free movement within the Schengen area and noted the state of play on the proposals relating to its governance and to the Visa Regulation. It underlined the importance of solidarity and cooperation in the management of external borders, asylum and the fight against illegal immigration. It also emphasised the importance of enhancing cooperation with countries of the neighbourhood. It will return to these matters as necessary.

- (d) Nuclear energy: the European Council invited Member States to ensure the full and timely implementation of the recommendations presented in the report from ENSREG further to the completion of the nuclear safety stress tests. The Commission and ENSREG have agreed that further work is needed. The European Council noted the Commission's intention to present a comprehensive communication later this year. It called for the rapid implementation of the recommendations of the Ad Hoc Group on Nuclear Security. It called for further efforts to enhance the EU's cooperation with all the EU's neighbours on nuclear safety and security.

- (e) Syria: the European Council:

strongly condemned the brutal violence and massacres of civilians and urged the Syrian regime to stop immediately its attacks against the civilian population;
called for an international, transparent, independent and prompt investigation into violations of international law and human rights with a view to ensuring accountability for those responsible;
called for a complete cessation of violence by all parties; reiterated that the main responsibility for achieving the cease fire, implementing the Special Envoy Kofi Annan's six-point plan, allowing full and unhindered humanitarian access and ensuring the safety of the United Nations observers in Syria lies with the regime;
encouraged the Syrian opposition groups to agree on a set of shared principles for working towards an inclusive, orderly and peaceful transition in Syria to a future free of Assad and his brutal regime;
recalled its full support to Kofi Annan's plan and welcomed his efforts to work with key international partners to move the political process forward;
called for united action by the UN Security Council to add more robust and effective pressure, including the adoption of comprehensive sanctions under Chapter VII; and, in this context, welcomed the adoption of additional restrictive measures by the Council of the EU and agreed to keep further measures under consideration.

- (f) Iran: The European Council stressed its serious concerns about the nature of Iran's nuclear programme and the urgent need for Iran to comply with all its international obligations, including full implementation by Iran of UNSC and IAEA Board of Governors resolutions. The European Council fully endorses the High Representative and the E3+3 efforts in that regard. In light of the recent talks between the E3+3 and Iran in Istanbul, Baghdad and Moscow, the Council urges Iran to decide whether it is willing to commit to a serious negotiation process aimed at restoring the confidence in the exclusively peaceful nature of the Iranian nuclear programme. Iran has to engage constructively by focussing on reaching an agreement on concrete confidence-building steps and addressing the concerns of the international community. The European Council welcomes the full entry into force of the EU embargo on Iranian oil on 1 July 2012.

- (g) Human rights and democracy: the European Council welcomed the adoption by the Council of the EU Strategic Framework for Human Rights and Democracy and the related Action Plan and underlined the importance of keeping human rights and democracy at the centre of EU foreign policy.

- (h) ODA: the European Council welcomed the second annual report on European Union Official Development Assistance and reaffirmed its commitment to achieve development assistance targets by 2015 as set out in its June 2005 conclusions.

"COMPACT FOR GROWTH AND JOBS"

The Heads of State or Government

Expressing their determination to stimulate smart, sustainable, inclusive, resource-efficient and job-creating growth, in the context of the Europe 2020 Strategy,

Stressing the need to mobilise at every level of governance in the European Union all levers, instruments and policies to that end,

Recalling the importance of sound public finances, structural reform and targeted investment for sustainable growth,

Have decided on the following Compact:

ACTION TO BE TAKEN AT THE LEVEL OF THE MEMBER STATES

- 1) All Member States remain fully committed to taking the immediate action required at national level to achieve the objectives of the Europe 2020 Strategy. The European Union's new tools for economic governance must be applied fully and effectively and recourse to "peer pressure" should be enhanced. The pending proposals aimed at completing this framework (the "two-pack") must be adopted swiftly.
- 2) In the implementation of the country-specific recommendations, Member States will put particular emphasis on the following aspects:

- (a) pursuing differentiated growth-friendly fiscal consolidation, respecting the Stability and Growth Pact and taking into account country-specific circumstances; particular attention must be given to investment into future-oriented areas directly related to the economy's growth potential and ensuring the sustainability of pension systems. The Commission is monitoring the impact of tight budget constraints on growth enhancing public expenditure and on public investment. It will report on the quality of public spending and the scope for possible action within the boundaries of the EU and national fiscal frameworks;
- (b) restoring normal lending to the economy and urgently completing the restructuring of the banking sector;
- (c) promoting growth and competitiveness notably by addressing deep-rooted imbalances and going further in structural reforms to unlock domestic potential for growth, including through opening up competition in network industries, promoting the digital economy, exploiting the potential of a green economy, removing unjustified restrictions on service providers and making it easier to start a business;
- (d) tackling unemployment and addressing the social consequences of the crisis effectively; pursuing reforms to improve employment levels; stepping up efforts to increase youth employment, notably to improve young people's first work experience and their participation in the labour market, with the objective that within a few months of leaving school, young people receive a good quality offer of employment, continued education, an apprenticeship, or a traineeship, which can be supported by the ESF; and developing and implementing effective policies to combat poverty and support vulnerable groups. Member States will swiftly implement their National Job Plans and develop more ambitious and precise National Job Plans for the next European Semester ones. Member States should use the possibilities of financing temporary recruitment subsidies from the European Social Fund;

- (e) modernising public administration, in particular by tackling delays in the judicial system, reducing administrative burdens and developing e-government services. Best practices in this respect should be shared.

***THE CONTRIBUTION OF EUROPEAN POLICIES TO GROWTH
AND EMPLOYMENT***

- 3) Further urgent measures are needed at the level of the European Union in order to boost growth and jobs, enhance the financing of the economy in the short to medium term and make Europe more competitive as a location for production and investment.
 - (a) Deepening the Single Market by removing remaining barriers will be a key factor in promoting growth and jobs, in particular in digital and network industries. The Commission intends to present further growth-enhancing measures to that end in autumn 2012 as part of the second Single Market Act. Important progress has already been achieved on the measures which are part of the first Single Market Act, including the adoption of the proposal on standardisation and the agreement reached in the Council on the proposals on accounting, venture capital and social entrepreneurship funds and alternative dispute resolution and online dispute resolution. Agreement should be reached as soon as possible on the proposals on public procurement, e-signature and the recognition of professional qualifications. The Commission's communication to improve Single Market governance is welcomed. Member States and the Commission will ensure better implementation and enforcement of Single Market rules and the Commission will monitor performance, including through an annual report in the framework of the European Semester. The Commission communication on the implementation of the Services Directive is also welcomed and should be implemented immediately, including through rigorous peer review of national restrictions and swift action to remove unjustified barriers. Additional economic gains of up to EUR 330 billion could be reaped within the scope of this Directive. The European Council will review progress by the end of 2012.

- (b) Swift progress is required to achieve a well-functioning Digital Single Market by 2015, which will provide new dynamism to the European economy. In particular, priority should be given to measures aimed at further developing cross-border online trade, including by facilitating the transition to e-invoicing, and promoting the cross-border use of e-identification and other e-services. It is also crucial to boost demand for the roll-out of high-speed internet, modernise Europe's copyright regime and facilitate licensing, while ensuring a high level of protection of intellectual property rights and taking into account cultural diversity.
- (c) Further efforts are needed to reduce the overall regulatory burden at EU and national level. The Commission will present a communication on further steps in "smart regulation", including measures to support micro-enterprises, by the end of 2012.
- (d) Fully completing the internal energy market by 2014 in accordance with the agreed deadlines and ensuring that that no Member State remains isolated from the European gas and electricity networks after 2015 will significantly contribute to the EU's competitiveness, growth and employment. Following the formal adoption of the Energy Efficiency Directive, Member States must rapidly implement it, making full use of its provisions in order to exploit the significant potential for job creation in this sector. Agreement should be rapidly reached on the proposal on trans-European energy infrastructure.
- (e) Efforts must continue in order to ensure that research efforts are swiftly translated into innovations meeting market demands and thus strengthen Europe's competitiveness and help respond to societal challenges. The European Research Area must be strengthened, in particular by improving support to R&D and investment opportunities for innovative start-ups and SMEs. The future programme for the competitiveness of enterprises and SMEs (COSME) and the Horizon 2020 programme will help innovative SMEs access financing. It is of particular importance to strengthen key enabling technologies which are of systemic importance for the innovativeness and competitiveness of industry and the whole economy, including in areas such as nanotechnology, biotechnology and advanced materials.

- (f) For some countries, the reformed cohesion policy offers an opportunity to invest out of the crisis as it is a major tool for investment, growth and job creation at EU level and for structural reforms at national level. It accounts for an important share of public investments in the EU and contributes to deepening of internal market.
- (g) The agreement reached today on the Unitary Patent will lead to considerably reduced costs for SMEs and give a boost to innovation, by providing an affordable, high quality patent in Europe, with a single specialised jurisdiction.
- (h) It is crucial to boost the financing of the economy. EUR 120 billion (equivalent to around 1% of EU GNI) are being mobilised for fast-acting growth measures:

The EIB's paid-in capital should be increased by EUR 10 billion, with the aim of strengthening its capital basis as well as increasing its overall lending capacity by EUR 60 billion, and thus unlock up to EUR 180 billion of additional investment, spread across the whole European Union, including in the most vulnerable countries. This decision should be taken by the EIB Board of Governors so as to ensure that it enters into force no later than 31 December 2012.

The Project Bond pilot phase should immediately be launched, bringing additional investments of up to EUR 4.5 billion for pilot projects in key transport, energy and broadband infrastructure. Provided that the interim report and evaluation of the pilot phase are positive, the volume of such financial instruments could be developed further in all countries in the future, including in support to the Connecting Europe Facility.

Where appropriate, and respecting de-commitment rules, Member States have the possibility under existing rules and practices to work with the Commission in using part of their Structural Funds allocation to share the EIB loan risk and provide loan guarantees for knowledge and skills, resource efficiency, strategic infrastructure and access to finance for SMEs. The Structural Funds have reallocated funds in support of research and innovation, SMEs and youth employment and a further EUR 55 billion will be devoted to growth enhancing measures in the current period. Support to SMEs should be further strengthened, including by ensuring their easier access to EU funds.

Member States also have the possibility to consider reallocations within their national envelopes, under existing rules and in cooperation with the Commission.

The action of the European Investment Fund should be developed, particularly as regards its venture capital activity, in liaison with existing national structures.

- (i) The European Union's budget must be a catalyst for growth and jobs across Europe, notably by leveraging productive and human capital investments. Within the future Multiannual Financial Framework, spending should be mobilised to support growth, employment, competitiveness and convergence, in line with the Europe 2020 Strategy.

- (j) Tax policy should contribute to fiscal consolidation and sustainable growth. Work and discussions should be carried forward on the Commission proposals on energy taxation, on the common consolidated corporate tax base and on the revision of the Savings Tax Directive. As noted at the Council on 22 June 2012, the proposal for a Financial Transaction Tax will not be adopted by the Council within a reasonable period. Several Member States therefore will launch a request for an enhanced cooperation in this area, with a view to its adoption by December 2012. The Commission is pursuing work on concrete ways to improve the fight against tax fraud and tax evasion and will soon present an Action Plan including options to that end. Rapid agreement must be reached on the negotiating directives for savings taxation agreements with third countries. Member States participating in the Euro Plus Pact will continue their structured discussions on tax policy issues, notably to ensure the exchanges of best practices.
- (k) Boosting employment for both women and men, in particular for young people and the long-term unemployed, is a clear priority. The Council will swiftly examine and decide on the proposals contained in the Commission's "Employment package", putting emphasis on quality job creation, structural reform of labour markets and investment in human capital. It is crucial to address youth unemployment, in particular through the Commission's initiatives on youth guarantees and the quality framework for traineeships. It is also important to promote the reactivation of older workers. EU governance, including multilateral surveillance of employment policies, must be improved.

- (l) Labour mobility within the EU should be facilitated. The EURES portal should be developed into a true European placement and recruitment tool; the possibility of extending it to apprenticeships and traineeships should be examined as should further support for the preparatory "Your first EURES job" action. New EU instruments to better track new skills required should be developed, the recognition of professional qualifications and language skills improved, the number of regulated professions reduced and the acquisition and preservation of cross-border pension rights and other social security rights for EU workers strengthened. Work on the proposal on the enforcement of posted workers' rights should also be taken forward.
- (m) Trade must be better used as an engine for growth. The European Union is determined to promote free, fair and open trade whilst at the same time asserting its interests, in a spirit of reciprocity and mutual benefit especially in relation to the world's largest economies. The proposal of the Commission on access to public procurement markets in third countries should be rapidly examined. Whilst strengthening the multilateral system remains a crucial objective, the ongoing and potential upcoming bilateral negotiations have a particularly high economic importance. More efforts should in particular be geared to the removal of trade barriers, better market access, appropriate investment conditions, the protection of intellectual property and the opening up of public procurement markets. Agreements which have been finalised must be rapidly signed and ratified. The Free Trade Agreements with Singapore and Canada should be finalised by the end of the year; negotiations with India need a new impulse from both sides, and work should continue towards the deepening of the EU's trade relationship with Japan. Heads of State or Government look forward to the recommendations of the EU-US High Level Working Group on Jobs and Growth and commit to working towards the goal of launching in 2013 of negotiations on a comprehensive transatlantic trade and investment agreement.

- (n) Financial stability is a prerequisite for growth. The report "Towards a genuine Economic and Monetary Union" sketches out important ideas in that respect. There are areas where the Member States sharing a single currency, and others willing to join the effort, want to go further in their efforts to coordinate and integrate their financial, fiscal and economic policies within the European Union framework, fully respecting the integrity of the Single Market and of the European Union as a whole.
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