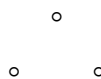


The European Council welcomed the near completion of the implementation of the comprehensive package of measures it agreed last March to put Europe back on the path towards sustainable and job-creating growth and strengthen economic governance. It welcomed in particular the agreement reached on the future ESM and the amended EFSF as well as the substantial progress made on the legislative proposals on economic governance. It concluded the first European semester by collectively assessing Member States' programmes on the basis of the Commission's evaluation and by endorsing the country-specific recommendations to be taken into account in upcoming national decisions on budgets and structural reforms. In this context it noted the pledge of Member States taking part in the Euro Plus Pact to enhance the ambition and precision of their commitments in next year's exercise. The European Council assessed the situation of those Member States with an adjustment programme. Regarding Greece, the euro area Heads of State or Government agreed on a way forward and called on their Finance Ministers to complete work to allow the necessary decisions to be taken by early July.

After an extensive debate, the European Council set orientations for the development of the EU's migration policy, as regards the governance of the Schengen area, the control of external borders, the development of partnerships with the countries of the Southern Neighbourhood and the completion of the Common European Asylum System by 2012.

The European Council agreed that the accession negotiations with Croatia should be concluded by the end of June 2011, thus confirming its strong commitment in terms of the enlargement perspective of the Western Balkans.

The European Council discussed developments in its Southern Neighbourhood and adopted a separate Declaration on this subject.



I. I. ECONOMIC POLICY

1. This European Council marks the conclusion of the first **European semester**, allowing for a collective EU assessment of national measures envisaged by Member States. In the light of this first experience, the European Council considers that the European semester can become an effective governance method to support EU and national policy-making in an integrated, transparent and timely manner. The simultaneous presentation of Stability and Convergence Programmes and National Reform Programmes enables the EU to assess national growth and fiscal strategies together and to address possible risks, imbalances or trade-offs.
2. Based on the assessment provided by the Commission, the European Council discussed the policies and measures presented by Member States. These constitute a good starting point for sustaining Europe's recovery, for addressing fiscal challenges and for driving more ambitious reforms at national level. The European Council notes the clear determination of all Member States to do everything that is required to fully implement the Stability and Growth Pact. Member States have made good progress in defining action to attain the headline targets and goals of the Europe 2020 Strategy for jobs and sustainable growth. Some of the targets are on track but others (concerning employment, energy efficiency, R&D, poverty and tertiary education) require additional efforts. Priority should also be given to ensuring a sound macroeconomic environment, restoring fiscal sustainability, correcting macroeconomic imbalances and strengthening the financial sector.
3. The European Council endorses the country-specific recommendations approved by the Council and invites all Member States to reflect them in their national decisions as regards their budgets and structural reforms and to address the shortcomings revealed by this exercise.

4. National efforts must be supported by action at European Union level, particularly with the aim of unlocking Europe's full potential for **economic growth and job creation**. In this context, work should accelerate to deliver the Europe 2020 flagship initiatives and the Single Market Act, focusing on the priorities identified by the Council on 30 May 2011. In particular, the regulatory burden on SMEs needs to be further reduced and where appropriate micro-enterprises should be exempted from certain future regulations or at least be subject to a lighter regime. In this context, the European Council welcomes the commitment of the Commission to assess the impact of future regulations on micro-enterprises and to screen the acquis to identify existing obligations from which micro-enterprises could be excluded. It agreed to return to these issues at its December 2011 meeting. The Commission is also invited to prepare a roadmap on the completion of the digital Single Market by 2015. The Commission is invited to report in October 2011 on these growth-enhancing areas with a view to progress being achieved by the time of the Spring 2012 European Council.

5. Member States participating in the **Euro Plus Pact** have presented commitments representing over 100 separate measures in total.¹ These commitments constitute a good first step towards achieving the objectives of the Pact and must now be implemented at the national level. Heads of State or Government will return to some themes of the Pact in December 2011 before the launch of the next European semester.

6. In preparing their next commitments, participating Member States will ensure:
 - a broader scope: the commitments should focus more on frontloading growth-enhancing reforms to foster competitiveness, for instance in network industries and the service sector, and more attention should be paid to the reinforcement of financial stability;

 - a more concrete approach: Member States should strive to make their future commitments as specific and measurable as possible, giving details on how and when commitments will be met, in order to render progress measurable over time and facilitate benchmarking with other Member States as well as Europe's strategic partners;

¹ See EUCO 24/11.

- a higher degree of ambition: Member States should announce where forward-looking reform projects have been initiated as a reaction to the Pact and take account of best practices;
 - pragmatic coordination of tax policies: the Commission and the Finance Ministers of the participating Member States are invited to report back by December 2011 on progress made in their structured discussions on tax policy issues, notably to ensure the exchanges of best practices, avoidance of harmful practices, and proposals to fight fraud and tax evasion. In line with the Pact, the Commission has made a proposal on a common consolidated corporate tax base.
7. Progress made by Member States in implementing the Council's country-specific recommendations and their commitments under the Pact will be assessed by the European Council in March 2012 on the basis of the Annual Growth Survey of the Commission.
8. The conclusion of the Doha Development Round would substantially boost economic growth and promote competitiveness. The European Council reiterates the EU's commitment to advance the process of trade liberalization and rule-making to strengthen the multilateral system, and its readiness to explore all negotiating options to bring the Doha Round to a conclusion including with regard to the priorities of least developed countries in line with the Doha mandate.

9. The **comprehensive package** approved by the European Council last March has now been almost fully implemented. Agreement has been reached on the European Stability Mechanism Treaty and on the amendment to the EFSF. Member States should take all steps required to ensure the ratification of the ESM Treaty by the end of 2012 and for the rapid entry into force of the amended EFSF. The legislative work on the package for the strengthening of economic governance has progressed substantially and its adoption at first reading is within reach. Stress tests are being conducted in the banking sector. It is of key importance that they are fully credible and transparent and concluded in full compliance with the methodology and guidelines issued by the European Banking Authority and that all participants ensure the highest quality of the outcome. All necessary measures fully consistent with international standards must be rapidly taken to address any possible banking vulnerabilities brought to light by these stress tests.

10. The European Council welcomes the progress made in Ireland in the implementation of its reform programme, which is well on track. It also welcomes the strong commitment by the newly elected Portuguese government to fully implement its programme of reforms. Building on a cross-party consensus on the need to reform, strict implementation of those programmes will ensure debt sustainability and will support the return of Ireland and Portugal to the financial markets.

11. Euro area Heads of State or Government reiterate their commitment to do whatever is necessary to ensure the financial stability of the euro area as a whole.

12. The recovery in the euro area is well on track and has reached a sustainable path of solid growth. The euro is based on sound fundamentals, and we are deeply satisfied with the track record of price stability achieved since the inception of the euro.

13. As regards Greece, the European Council recognises the considerable progress achieved over the last year, particularly in the area of fiscal consolidation. It welcomes the Greek government's continued strong commitment to implementing the adjustment programme.
14. The European Council calls on the national authorities to continue implementing with resolve the necessary adjustment efforts to put the country on a sustainable path. A comprehensive reform package agreed upon with the Commission, in liaison with the ECB and the IMF, and adoption by the Greek Parliament of the key laws on the fiscal strategy and privatization must be finalized as a matter of urgency in the coming days. Following the request by the Greek government announced by the Greek Prime Minister, this will provide the basis for setting up the main parameters of a new programme jointly supported by its euro area partners and the IMF, in line with current practices, and at the same time for allowing disbursement in time to meet Greece's financing needs in July.
15. The euro area Heads of State or Government agree that required additional funding will be financed through both official and private sources. They endorse the approach decided by the Eurogroup on 20 June as regards the pursuit of voluntary private sector involvement in the form of informal and voluntary roll-overs of existing Greek debt at maturity for a substantial reduction of the required year-by-year funding within the programme while avoiding a selective default.
16. The euro area Heads of State or Government call on Finance Ministers to complete work on outstanding elements to allow the necessary decisions to be taken by early July.
17. The European Council calls on all political parties in Greece to support the programme's main objectives and key policy measures to ensure a rigorous and expeditious implementation. Given the length, magnitude and nature of required reforms in Greece, national unity is a prerequisite for success.

18. The European Council welcomes the Commission's intention to enhance the synergies between the loan programme and the EU funds. The European Council supports all efforts to increase Greece's capacity to absorb EU funds in order to stimulate growth and employment. This can be done by refocusing them on improving competitiveness and employment creation. Moreover, the European Council welcomes and supports the preparation by the Commission, together with the Member States, of a comprehensive programme of technical assistance to Greece.
19. Heads of State or Government are conscious of the efforts that the adjustment measures entail for the Greek citizens, and are convinced that these sacrifices are indispensable for economic recovery and will contribute to the future stability and welfare of the country.

II. MIGRATION

20. The **free movement of persons**, as established in the Treaty, is one of the most tangible and successful achievements of European integration as well as being a fundamental freedom. Political guidance and cooperation in the Schengen area need to be further strengthened, enhancing mutual trust between Member States, which are equally responsible for guaranteeing that all Schengen rules are applied effectively in accordance with the agreed common standards and with fundamental principles and norms. Europe's external borders must be effectively and consistently managed, on the basis of common responsibility, solidarity and increased practical cooperation.

21. In line with the Council conclusions of 9/10 June 2011, the enforcement of common rules, in particular through the Schengen evaluation system, should be further improved and deepened so as to be able to give an efficient response to future challenges. An effective and reliable monitoring and evaluation system is necessary to ensure that this is the case. The future Schengen evaluation system will provide for the strengthening, adaptation and extension of the criteria based on the EU acquis. The evaluation should be EU-based and involve experts from the Member States, the Commission and competent agencies. The Commission is invited to regularly report on the results of evaluations and where necessary propose measures to respond to any deficiencies which are identified.

22. A mechanism should be introduced in order to respond to exceptional circumstances putting the overall functioning of Schengen cooperation at risk, without jeopardising the principle of free movement of persons. It should comprise a series of measures to be applied in a gradual, differentiated and coordinated manner in order to assist a Member State facing heavy pressure at the external borders. These could include inspection visits and technical and financial support, as well as assistance, coordination and intervention from Frontex.

As a very last resort, in the framework of this mechanism, a safeguard clause could be introduced to allow the exceptional reintroduction of internal border controls in a truly critical situation where a Member State is no longer able to comply with its obligations under the Schengen rules. Such a measure would be taken on the basis of specified objective criteria and a common assessment, for a strictly limited scope and period of time, taking into account the need to be able to react in urgent cases. This will not affect the rights of persons entitled to freedom of movement under the Treaties.

The Commission is invited to submit a proposal for such a mechanism in September.

23. Responsibility for the control and surveillance of the **external borders** lies with the Member States which, in performing this function, are also acting in the common interest of all Member States. In order to ensure that Europe's external borders are effectively managed and that the same standards apply everywhere, all relevant instruments must be used in an optimal manner and be adapted where necessary. The European Border Surveillance System will be further developed as a matter of priority in order to become operational by 2013 and allow Member States' authorities carrying out border surveillance activities to share operational information and improve cooperation.

24. These efforts will also be strengthened by pushing forward rapidly with work on “smart borders”, to ensure that new technologies are harnessed to meet the challenges of border control. In particular, an entry/exit system and a registered travellers' programme should be introduced. The European Council welcomes the agreement reached on the agency for the operational management of large-scale IT systems in the area of freedom, security and justice.

25. The functioning of Frontex and other agencies needs to be continuously monitored to ensure their continued efficiency in assisting Member States in managing external borders, in fighting illegal immigration and in dealing with refugees. Frontex will cooperate with the third countries concerned. The European Council welcomes the agreement reached on the revision of the Frontex Regulation, which will increase the effectiveness of that Agency's operational capacities. In line with the Stockholm Programme, the framework for cooperation between national border guards will be further developed, notably by promoting common training and the sharing of capacities and standards. The Commission, in close cooperation with Frontex, is invited to present further ideas in that respect by the end of the year.

26. Noting the difficult situation currently faced by some Member States, the European Council reaffirms the need for genuine and practical solidarity towards the Member States most affected by migratory flows. The EU and Member States will continue to provide the necessary operational and financial support as the situation evolves, building on the measures agreed by the Council on 11 April 2011. The necessary funds and technical and human resources will be provided in order to continue and, where required, step up activities in support of those Member States. The European Council welcomes the extension of the pilot project on a voluntary basis for beneficiaries of international protection in Malta. It looks forward to the Commission communication on intra-EU solidarity later this year.
27. A consistent and strategic policy is required to manage mobility in a secure environment. The objective must be to address the root causes of migration at a structural level. To that end, and in the framework of the European Neighbourhood Policy, **partnerships** will be developed with the countries of the Southern and Eastern Neighbourhood.
28. As a first step, as proposed in the Commission's recent communication, a wide-ranging structured dialogue on migration, mobility and security will be established with those countries, with the aim of delivering tangible benefits for them as well as for the European Union. Such dialogues should begin as a matter of urgency with partner countries willing and able to engage constructively on these matters. Mobility Partnerships will be differentiated according to partner countries' individual merits; be agreed with each partner country separately; be conditional on efforts and progress made in all areas (migration, readmission, mobility and security); and include an efficient monitoring mechanism. Ways should be sought to increase the share of funding devoted to those areas, within the existing envelopes.

29. The Commission is invited to present its evaluation of the Global Approach to Migration, setting the path towards a more consistent, systematic and strategic policy framework for our relations with all relevant third countries, and including concrete proposals for the development of the Union's key partnerships, giving priority to the Union's neighbourhood as a whole.
30. Recent developments have put European asylum policy under strain. Safe and efficient **asylum** procedures are needed for people in need of protection. This requires in turn that the EU acquis in this field be fully applied. It is crucial that the Common European Asylum System (CEAS) be completed by 2012, based on high protection standards combined with fair and effective procedures capable of preventing abuses and allowing for rapid examination of asylum applications in order to ensure the sustainability of the system. The recent presentation by the Commission of modified proposals relating to the asylum procedures directive and to the reception conditions directive should provide a new basis for negotiations to begin on two important building blocks of the CEAS. Changes should not, as a result, encourage the submission of unfounded claims or increase overall costs for Member States. These negotiations should now be taken forward with diligence on the basis of a balanced overall approach encompassing all proposals on the table in order to meet the key objectives set out above.

III. CROATIA

31. The European Council commends Croatia for its intensive efforts, which have allowed accession negotiations to reach their final stage. The ongoing examination of the remaining negotiating chapters by the Council is being conducted in full respect of strict conditionality and in line with the negotiating framework. In the light of the progress made and the Commission's positive assessment, the European Council invited the Council to take all necessary decisions for the conclusion of the accession negotiations with Croatia by the end of June 2011 on the basis of the draft common positions recently presented by the Commission, with a view to the signing of the Accession Treaty before the end of the year. Croatia should continue its reform efforts with the same vigour, in particular as regards the judiciary and fundamental rights, so as to be able to assume fully the obligations of membership from the date of accession. Monitoring up to accession of these reform efforts will give the necessary assurance to Croatia and current Member States. The Council, acting by qualified majority on a proposal from the Commission, may take all appropriate measures.
32. These developments bring a new momentum to the European perspective of the Western Balkans, provided these countries continue on the path of reform. The European Council will return to this matter at its December 2011 meeting. In this context, it welcomes the arrest and transfer to the Hague Tribunal of Ratko Mladic, which constitutes a positive step for international justice as well as for Serbia's EU perspective.

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OTHER ITEMS

The European Council:

- appointed Mr Mario Draghi **President of the European Central Bank** from 1 November 2011 to 31 October 2019;
- adopted a declaration on the **Southern Neighbourhood** (Annex); endorsed the new approach to relations with the **European Union's neighbourhood** as set out in the Council's conclusions of 20 June 2011 and stressed the importance of the Eastern Partnership Summit in Warsaw on 29/30 September 2011;
- endorsed the **EU Strategy for the Danube Region** and called on all relevant actors to implement it without delay, as outlined in the Council's conclusions of 13 April 2011; Member States are invited to continue work in cooperation with the Commission on possible future macro-regional strategies, in particular as regards the Adriatic and Ionian region;
- noting its major importance, endorsed the Presidency's report on **Roma inclusion** and called for the rapid implementation of the Council's conclusions of 19 May 2011 on the EU framework for national Roma integration strategies up to 2020, in particular as regards the preparation, updating or development of Member States' national Roma inclusion strategies, or integrated sets of policy measures within their broader social inclusion policies for improving the situation of the Roma, by the end of 2011;
- welcomed the annual report on EU **development** aid targets, noting that whilst the EU remains by far the largest donor in the world in 2010, the intermediate collective target for 2010 has not been reached; it reaffirmed its commitment to achieve development aid targets by 2015 as set out in its June 2005 conclusions.

DECLARATION ON THE SOUTHERN NEIGHBOURHOOD

1. The European Council confirms the principles and objectives defined in its declaration and conclusions on the Southern neighbourhood adopted on 11 March 2011 and 25 March 2011, respectively. It welcomes the Joint Communication by the High Representative and the European Commission on a new response to a changing Neighbourhood, issued on 25 May 2011. It fully endorses the Council conclusions on the European Neighbourhood Policy adopted on 20 June 2011, and calls for rapid progress in the implementation of concrete measures in line with the principles and objectives agreed by the Council.
2. The European Council welcomes the G8 support for the democratic transformation of Europe's Southern neighbourhood. It underlines once again the importance of the Union for the Mediterranean, and the importance of rapidly launching concrete and significant projects within the framework of the UfM.
3. The European Council welcomes the steps which are currently being taken towards a democratic transformation in the region, particularly in Egypt and in Tunisia. It praises the announcement of the main elements of the new Constitution in Morocco, welcomes the renewed commitment to political reforms, including a review of the Constitution, in Jordan, and takes positive note of the lifting of the state of emergency and planned constitutional reform in Algeria. It underlines the need for inclusiveness and dialogue in the reform process, and will closely follow the implementation of these reforms.

4. The European Council confirms its full support for UN Security Council Resolutions 1970 and 1973 on Libya and for the efforts Member States of the EU are taking for their implementation. It fully endorses the Council conclusions on Libya adopted on 20 June 2011, and reiterates its call to Kadhafi to relinquish power immediately. Libya's democratic transformation remains a primary interest of the European Union. The European Council stresses the essential role played by the Transitional National Council (TNC) in this process as a representative of the aspirations of the Libyan people.

5. The European Council condemns in the strongest possible terms the ongoing repression and unacceptable and shocking violence the Syrian regime continues to apply against its own citizens. It notes with grave concern reports of Syrian military activity close to the Turkish border at Khirbet al-Jouz and reiterates previous calls for maximum restraint. By choosing a path of repression instead of fulfilling its own promises on broad reforms, the regime is calling its legitimacy into question. Those responsible for crimes and violence against civilians shall be held accountable. Endorsing the conclusions on Syria adopted by the Council on 20 June 2011, the European Council welcomes the adoption of new sanctions. It also lends its full support to diplomatic efforts aimed at ensuring that the UN Security Council can assume its responsibility and give adequate response to the situation in Syria.

6. The European Council remains concerned about the situation in Yemen and urges all parties to stop violence, respect human rights and abide by a permanent cease-fire, and welcomes the commitment of the Vice-President to this end. It reiterates the urgency of an orderly and inclusive transition in line with the Gulf Cooperation Council initiative. The European Council is concerned about the process surrounding the trials and sentencing of opposition members in Bahrain. It encourages Bahrain to ensure full respect for human rights and fundamental freedoms.

7. The European Council notes that the situation in Gaza remains of concern. Humanitarian assistance delivered to the population in Gaza should be in accordance with the relevant framework and decisions of the UN and should take care not to endanger human lives.

8. Fundamental changes across the Arab world highlight the need for progress on the Middle East Peace Process and to overcome the current stalemate, while respecting previous agreements and obligations. The European Council calls on all parties to engage urgently in negotiations. Only the resumption of direct negotiations could provide a realistic chance of improving the situation on the ground, thus leading to a lasting and comprehensive solution. Stressing the central role of the Quartet, the European Council commends the efforts in this regard by EU Member States and the High Representative, and welcomes President Obama's recent proposals, in line with previous EU positions. It fully supports the High Representative's call for the Quartet to create a credible perspective for the re-launching of the peace process as a matter of urgency. The European Council calls on all parties to abstain from unilateral actions that are not conducive to a comprehensive solution. It also supports the initiative to call a Conference in Paris to provide economic support for the construction of the Palestinian State in the framework of a re-launched peace process. The European Council expresses its grave concern on the fate of Gilad Shalit held prisoner by Hamas in clear contravention to universal international humanitarian law. On the fifth anniversary of his capture, the European Council demands Gilad Shalit's immediate release.
