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20 AND 21 MARCH 2003**

**PRESIDENCY CONCLUSIONS**

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Delegations will find attached the revised version of the Presidency conclusions of the Brussels European Council (20 and 21 March 2003).

1. The European Council met in Brussels on 20 and 21 March for its third annual Spring meeting on the economic, social and environmental situation in the Union. The meeting was preceded by an exchange of views with the President of the European Parliament, Mr Pat Cox, on the main topics for discussion.
2. Heads of State or Government, Foreign and Finance Ministers also came together with their counterparts from the thirteen acceding and candidate countries to discuss the Lisbon Strategy and its implementation as well as international issues.
3. At its annual Spring meetings, the European Council assumes the central role in setting the direction for the Union's economic, social and environmental action in order to meet the objectives of the Lisbon strategy to make the European economy *the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*.
4. At the end of its deliberations, the European Council signals its agreement on the following:
  - on the priority objectives for the European Union concerning the Lisbon reform programme (see Part I below);
  - on a number of orientations and specific measures in order to achieve these objectives (see Part II below).
5. Furthermore, it adopted conclusions on enlargement and on a number of international issues. Those conclusions are reproduced after Part II below.

## **PART I**

### **GROWTH, JOBS AND PROSPERITY IN *OUR EUROPE***

6. The European Union is currently facing, as are other parts of the world, a slowdown in growth and job creation. Economic uncertainties and global political risks weigh heavily on the short-term outlook and have delayed a recovery. This makes it all the more essential to increase the capacity of our economies to grow, through sound macroeconomic policies and purposeful structural reforms.
7. At Lisbon three years ago the European Union set itself the strategic goal of building the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. To deliver this, we committed ourselves to an ambitious, comprehensive and mutually reinforcing ten-year programme of reforms in labour, capital and product markets.
8. Considerable progress has been made with the Lisbon agenda, now entering its fourth year. Significant results have been obtained as regards, for example, opening up energy markets, creating a single sky, modernising competition policy, putting into place an integrated Europe-wide financial market, and agreeing on a Community patent. Five million new jobs have been created since the start of the Lisbon strategy – 500.000 of them in 2002 despite the less favourable economic climate, with unemployment declining by 2 million people.
9. Nonetheless, there is still a lot to do. It is time, in particular, for the Union and the Member States to fulfil their commitments regarding economic reforms by translating words into action. We reaffirm our strong personal commitment to the timely and effective delivery of reforms across the three pillars of the Lisbon strategy – economic, social, and environmental.

10. The promotion of sustainable growth and the creation of more and better jobs must remain firmly at the top of the Union's agenda. This can be done by pursuing growth and stability-oriented macroeconomic policies, pressing ahead with economic reforms, taking decisive action to increase employment and modernise the European social model, and implementing the sustainable development strategy adopted at Göteborg. At the same time, and despite recent progress, this reform agenda must now also address more effectively the challenges from ageing populations if it is to secure the long-term sustainability of public finances.
  
11. Enlargement increases the potential for economic growth and for achieving the Lisbon goals. The future Member States have been covered for the first time in the Commission's Spring Report. They are adopting reform measures and are starting to take part in the open method of coordination. The Lisbon Strategy offers common solutions to common problems and is an essential tool to be used to support the process of enlargement and share best practice and experience across the Union.
  
12. To push ahead with reform, the European Council identifies the following priorities:
  - **Raising employment and social cohesion.** There has been real progress on employment but reaching the 70% employment rate Lisbon target by 2010 will require far-reaching structural reform aimed at full employment, higher productivity and quality in work. EU labour markets must become more inclusive, with employment opportunities extended to all, at the same time as they become more adaptable to economic conditions. Member States will need to undertake substantial tax-benefit reforms, increase incentives for entering employment and labour market participation, and reduce gender specific differences on the labour market. Life-long learning should be promoted, and closer cooperation in enhancing transparency about skills standards across Europe encouraged.

- **Giving priority to innovation and entrepreneurship.** Europe has a vast innovation potential – but it needs to do more to turn ideas into real added value. Boosting the interaction between industry and research institutions is at the heart of realising our entrepreneurial potential. The industrial sector is a vital source of growth and employment and will continue to play an important role in the knowledge-based economy. The right conditions for R&D need to be developed – in particular by businesses – so the EU can move towards its R&D investment target of approaching 3% of GDP. Measures must be taken to facilitate market entry and exit for businesses of all sizes, improve access to finance and know-how, improve regulation and reduce administrative burdens. Action is also needed to encourage the spirit of enterprise among young people.
  
- **Connecting Europe – strengthening the internal market.** A dynamic and well-functioning internal market is essential for productivity and growth, and even more so in an enlarged Union. It is important to push ahead to open up and integrate European markets further while improving the regulatory framework and ensuring a high standard of consumer protection. Reform of competition instruments – for anti-trust, mergers and cartels – must be completed and markets which are not working effectively investigated and addressed. The integration and greater connectivity in network industries such as energy, transport and telecoms must be pursued, while completing and extending networks, especially in view of enlargement. The potential of the internal market for services must be fully tapped and the implementation of the Financial Services Action Plan accelerated.
  
- **Environmental protection for growth and jobs.** To achieve the Lisbon goals requires every Member State to perform to its full economic potential; but this must also go hand in hand with improvements in our environment and quality of life. Thus, pressing ahead with action in the environmental field remains as important as ever. This is an important factor for innovation and the introduction of new technologies, which lead to growth and employment. Environmental targets will work as a catalyst for innovation and modernisation in key sectors such as energy and transport and promote new investments in clean and more resource-efficient technologies.

13. To take these priorities forward the European Council has:
- set the direction for the Broad Economic Policy Guidelines and the revised European Employment Strategy to be adopted in June;
  - invited the Commission to establish a European Employment Task Force to help identify practical reforms that can have the most direct and immediate impact on the implementation by Member States of the revised Employment Strategy;
  - identified key labour market reforms to be pursued at national level;
  - launched action to strengthen the Union's support for knowledge, innovation, and entrepreneurship in order to place competitiveness centre stage;
  - set deadlines for final agreement on remaining Lisbon reforms in key areas ahead of next year's Spring European Council: railways, energy markets, a Single European Sky, financial markets (including take-over bids), procurement markets, the information society, temporary agency work, cross-border social security rules, energy taxation, liability for environmental damage and climate change;
  - provided a comprehensive response on maritime safety in the aftermath of the Prestige disaster;
  - renewed its commitment to stronger cohesion across the Union and the Union's leadership in promoting sustainable development around the world.
14. The detailed actions to bring this about over the next twelve months are now set out.

## PART II

### MEETING OUR OBJECTIVES: DECISIONS AND ACTIONS FOR THE NEXT TWELVE MONTHS

#### A. Economic context and policy tools

15. The economic slowdown has lasted longer than anticipated and the outlook is clouded by economic uncertainties and global political risks. In the current environment, sound macroeconomic policies must be pursued in order to restore confidence and economic growth.
16. Against this background, the European Council:
  - endorses the Key Issues Paper adopted by the Council (Ecofin), which together with these conclusions will be the basis of the forthcoming Broad Economic Policy Guidelines. The BEPGs should be concise, focus on key economic policy issues and priorities for three years and contain, where appropriate, specific deadlines for implementing recommendations on reform;
  - confirms the need to strengthen the coordination of budgetary policies with a view to improving the growth potential of the European economies and to prepare better for medium-term challenges. Accordingly, it fully endorses the report on this subject adopted by the Council (Ecofin) while inviting the Council and Member States to implement its conclusions.
17. 2003 provides a particular opportunity to use streamlined key policy coordination instruments – the Broad Economic Policy Guidelines, the Employment Guidelines and the Internal Market Strategy – and give them a new three-year perspective. This should deliver a more comprehensive, efficient and coherent approach to reforms, which the sound macroeconomic framework is intended to underpin. In this framework, and where appropriate, recommendations on economic reforms should be accompanied by specific deadlines.

18. At the same time, and in order to enhance the quality, in particular the comparability over time, countries and regions, of statistical and analytical tools, so as to provide better analytical foundations for the design and monitoring of policies, the European Council notes the Commission's intention, in close cooperation with the European Statistical System, to report in time for the 2004 Spring European Council on how the use of structural indicators and other analytical tools for assessing progress on Lisbon strategy could be strengthened.
19. Given the central role that the Commission's annual Spring Report has in reviewing progress on the Lisbon agenda, the European Council invites the Commission in preparing its report for 2004, to analyse the measurable differences which Lisbon's integrated approach has brought about, and assess how Member States have achieved this success and improved their position, including showing how the Lisbon objectives are being achieved through regulatory reform.

**B. Economic reforms to raise Europe's growth potential**

20. The EU must accelerate economic reforms in order to realise its vision of a knowledge-based economy and boost long-term growth potential. Competitiveness must once again be placed centre stage. That means creating an environment in which enterprise and entrepreneurs can flourish, ensuring that the internal market is completed and extended, and boosting investment in knowledge as the best guarantee of innovation and a skills-based workforce.
21. In this context the new Competitiveness Council must actively assume its horizontal role of enhancing competitiveness and growth in the framework of an integrated strategy for competitiveness to be developed by the Commission, reviewing on a regular basis both horizontal and sectoral issues. Its work will complement the work done by the Economic and Financial Affairs Council to ensure delivery of economic reform.

***Fostering enterprise and entrepreneurship***

22. Dynamic and competitive industry and services are needed to sustain growth and prosperity in an enlarged Europe. Further efforts at the EU and national levels are needed to improve the overall business environment for all sectors, including tourism, reduce the administrative and regulatory burden on business and in particular encourage small firms to start up and grow. It is also essential to promote the culture of entrepreneurship by motivating individuals and encouraging society to value entrepreneurial success. Finally, attention must be paid to re-establishing public trust in business by encouraging responsible corporate governance.
23. Against this background, the European Council:
- urges Member States to participate actively in the consultation process following the presentation of the Commission's Green Paper on "Entrepreneurship in Europe" and invites the Commission to propose as a follow-up a European entrepreneurship Action Plan before the 2004 Spring European Council, with special attention paid to making business start-ups easier and quicker, facilitating access to low-cost finance, in particular venture capital, and micro-credits, and improving bankruptcy legislation;
  - invites Member States to develop initiatives to foster entrepreneurship more actively through the education system and to promote the value of entrepreneurship in society at large, including by setting up EU-wide entrepreneurship awards in collaboration with employers organisations;
  - encourages Member States to speed up the implementation of the European Charter for Small Enterprises in an innovative way in order to ensure a more effective involvement and consultation of small businesses in the policy-making process; lend it greater focus, making full use of possibilities offered by appropriate national targets and peer review, for example in speeding up the process to set up and register a new business.

24. In order to reduce administrative burdens, improve regulation and the business environment, the European Council:
- calls for rapid implementation of the Action Plan "Simplifying and improving the regulatory environment" and the conclusion before its June meeting of the Interinstitutional Agreement on better regulation; for rapid follow-up to the Commission's proposals on updating and simplifying the Community *acquis*; and for Member States to improve further the performance and efficiency of public administrations;
  - welcomes the Commission's intention to ensure that as a rule all major proposed EU legislation will be preceded by a systematic consultation of interested parties and be accompanied by a comprehensive impact assessment taking into account the three pillars of the Lisbon Strategy; the Competitiveness Council should be effectively consulted within the Council's decision-making processes on proposals considered likely to have substantial effects on competitiveness, alongside the responsibility of all Council formations to assess the impact of their work field;
  - notes that in boosting European competitiveness, a new approach to industrial policy will be important, on the lines of the Communication by the Commission, that is horizontal in nature, addressing general framework conditions, but also taking into account characteristics of individual sectors, while respecting competition rules;
  - calls for the adoption, by the end of 2003, of an Action Plan on better company law and corporate governance, prepared by the Commission drawing on the report of the High Level Group (Winter Group).

***Connecting Europe – completing and extending the internal market on the eve of enlargement***

25. The EU is today increasingly interdependent and connected, and we must ensure that bottlenecks and barriers to such integration are removed. Giving a strong new push to complete and improve the performance of the internal market will be a major factor in boosting competitiveness across the Union, bringing economic benefits to both producers and consumers. Without it substantial gains in growth and jobs will be lost.

*Horizontal*

26. Against this background and taking the forthcoming Internal Market Strategy as the basis for future action, the European Council:

- calls for effective application by Member States of legislation already agreed at the EU level. As a first step, Member States must make a renewed effort by July 2003 to meet the Stockholm and Barcelona targets for transposing Internal Market legislation; sectoral Councils must report in the run up to the 2004 Spring European Council on progress made in transposing the measures they have adopted;
- calls for a further reduction in State aids and the redirection of aid to horizontal objectives and welcomes the Commission's intention to continue working to simplify and modernise State aid arrangements, focusing attention on the most distorting aid;
- regarding services of general interest, it invites the Council (Competitiveness) to take the necessary procedural decisions for future work in order to safeguard their supply and funding, while ensuring that the provision of public services is compatible with EU State aid and competition rules and that the application of this aid and these rules do not endanger the provision of public services and equally that Member States' financing arrangements do not distort the market for tradeable services; it confirms the conclusions of the European Council at its Barcelona meeting on this issue and invites the Council to examine the forthcoming Commission Green Paper following the request of the Barcelona European Council regarding a proposal for a framework Directive;

- invites the Commission to complete work on its Services Strategy and notes its intention to bring forward before the end of 2003 proposals for a range of measures designed to remove obstacles to the cross-border provision of services, taking into account the requirements of consumer protection; Member States should nevertheless already step up their own efforts to dismantle existing barriers;
- notes that a proactive competition policy is essential for the efficient working of the internal market. This should be taken forward by the final adoption of the proposed reform of the mergers regime before the 2004 Spring European Council; the new take-over bids Directive should be adopted as soon as possible; the public procurement package should be adopted by July 2003;
- calls for a consumer policy which puts empowered consumers at the heart of a competitive internal market, giving appropriate follow-up to the Green Paper on consumer protection, and progressing towards an effective single credit market through the Consumer Credit Directive;
- calls for the final adoption of the tax package and continued efforts to tackle unfair tax competition and remove barriers to the internal market created through the fiscal system.

### *Sectoral*

27. Finalising the reforms already agreed by the European Council will create new opportunities for jobs, investment and better quality of services.
28. For energy, the European Council:
  - calls for the rapid final adoption and effective implementation of the Electricity and Gas Internal Market Directives and Regulation in compliance with the Barcelona conclusions;

- urges the Council to agree pending financing rules and develop measures to reinforce energy infrastructures and energy networks in conformity with the Barcelona conclusions;
- underlines the importance of reaching rapidly an agreement on proposals reinforcing cooperation in managing EU gas and oil stocks;
- invites Member States to set appropriate framework conditions to encourage private investment in energy infrastructure;
- notes the intention of the Commission to present a report on the effects of emission trading instruments on other instruments in the energy sector.

29. For transport, the European Council:

- calls on the Council (Transport) to rapidly reach a final agreement on the second railway package, as well as to adopt rapidly the Single European Sky Package and the Port Services Directive;
- urges the Council to accelerate its work so as to give a mandate to the Commission to negotiate an open skies agreement with the US;
- calls for a full and speedy implementation of the Barcelona conclusions regarding Galileo, taking further steps to consolidate the work already undertaken to set up the joint undertaking in order to take the project forward through the selection of the concession holder and secure the necessary frequency assignments; and for a solution to be urgently reached on the division of budget contributions within the European Space Agency.

30. For trans-European networks, the European Council:

- invites the Council, in the light of the conclusions of the Barcelona European Council and following the report of the Van Miert High Level Group, to spell out conditions and directions needed in terms of "connectivity", especially in view of enlargement, so as to make better use of and improve existing infrastructure while completing (in the next programming period) its missing links, while reducing bottlenecks in regions such as the Alps, the Pyrenees, the Massif Central and the Baltic Sea, especially related to cross-border natural barriers, encouraging investment in basic infrastructures through available EU financing instruments and joint public-private initiatives;
- invites the Commission, the EIB and other international financial institutions to examine possible initiatives in support of major infrastructure projects in transport, energy and telecommunications in South-Eastern Europe and in particular in the western Balkan countries, in cooperation with all countries concerned.

31. For financial services, the European Council:

- invites the Council to rapidly complete the Financial Services Action Plan. This will require proper and effective implementation of existing Directives and the adoption by the end of 2003 of the pensions and prospectuses directives and by April 2004 of the investment services and the transparency directives;
- invites the Council and the Commission to work towards reducing barriers to the creation of a genuine European risk capital market, capable of supporting entrepreneurship, and examine *inter alia* obstacles for investments by institutional investors (pension funds) in venture capital markets.

***Building the knowledge-based economy***

32. Medium-term growth performance in Europe depends on tapping new sources of growth. Efficient and increasing public and private investment in all areas of the knowledge chain is a key factor in creating the skilled labour force and the innovation needed to underpin competitiveness. The momentum behind the European Area of Research and Innovation and the information society should be maintained.
33. Against this background, the European Council urges Member States to take concrete action, on the basis of the Commission's forthcoming R&D Action Plan, to promote increased business investment in R&D and innovation, moving towards the Barcelona objective of approaching 3% of GDP.
34. The European Council calls for the European Research and Innovation Area to be strengthened to the benefit of all in the enlarged EU by:
- the application of the open method of coordination in support of research and innovation policy in areas such as action pursuing the 3% of GDP target for R&D investment or developing human resources in science and technology, and the setting up of a mechanism for taking stock of the progress achieved and assessing its efficiency;
  - creating European technology platforms bringing together technological know-how, industry, regulators and financial institutions to develop a strategic agenda for leading technologies, in areas such as plant genomics or the transition to hydrogen as a fuel;
  - fully utilising the potential of the 6th Framework Programme and of national programmes in support of the European Research and Innovation Area, with particular attention to cooperation with European intergovernmental research organisations and activities to enhance participation of SME's in research and innovation;

- noting the Space Green Paper, with a view to moving towards a true European space policy, and adopting a framework for a joint EC/ESA space strategy by the end of 2003;
  - Member States and the Commission actively pursuing the agreed roadmap on biotechnology and rapidly finalising and implementing the necessary legislation;
  - strengthening the links between research and business, fostering exploitation of RTD results, and encouraging the creation of spin-off companies and mobility of researchers, calling upon business to set up a high-level forum to promote such links;
  - promoting a better understanding of science in society.
35. The European Council recognises the role that defence and security related R&D could play in promoting leading-edge technologies and thereby stimulate innovation and competitiveness; welcomes the Commission's Communication "Towards an EU Defence Equipment Policy"; invites the Council to analyse the role of defence R&D procurement in the context of the overall R&D activities in the Union, including the possible creation by the Council of an inter-governmental defence capabilities development and acquisition agency.
36. The European Council recognises the importance of innovation in developing new products, services and ways of doing business; calls upon Member States and the Commission to take further action in order to create the conditions in which business innovates, in particular by bringing together research, financial and business expertise; and urges that a framework of common objectives for strengthening innovation in the EU should be set up, including an assessment mechanism for taking stock of the progress achieved.

37. The European Council calls upon the Commission and Member States to improve exploitation of intellectual property rights by taking forward measures against counterfeiting and piracy, which discourages the development of a market for digital goods and services; to protect patents on computer-implemented inventions. It expresses its satisfaction at the common political approach on the Community patent reached in the Council earlier this month and calls on the Council to rapidly finalise work thereon.
38. Electronic communications are a powerful engine for growth, competitiveness and jobs in the European Union and action must be taken now to consolidate this strength and to contribute to the achievement of the Lisbon goals. We need to boost the momentum behind the information society, focusing in particular on the networks and services a knowledge economy needs. In line with the Commission's recent assessment of the situation in the telecommunications sector and the Union's eEurope 2005 Action Plan, this requires:
- the timely, effective and coherent implementation of the new regulatory framework for electronic communications by July 2003;
  - promoting e-Inclusion and the removal of technical, legal and other barriers to effective participation of people with disabilities in the knowledge-based economy and society; exchanging experience and best practice in the development of broadband networks and services in the fields of eGovernment, eHealth, eLearning and eBusiness;
  - adoption of the directive on the re-use of public sector documents and the creation of a European network and information security agency by the end of 2003;
  - considering, where appropriate, new issues arising from the development of 3G mobile communications, such as cooperation in the development of 3G applications and services and the need to provide transparency in roll-out obligations and to seek out possibilities for coherent approaches, inter alia deployment deadlines and spectrum reallocation; in this respect the European Council notes the Commission's intention to clarify issues related to network infrastructure sharing;

- accelerated broadband deployment; in this respect the European Council calls on Member States to put in place national broadband / high speed Internet strategies by the end of 2003 and aim for a substantial increase in high speed internet connections by 2005;
  - guidelines on criteria and modalities of implementation of Structural Funds respecting the existing Structural Funds Regulations in support of the electronic communications sector, especially for broadband, in particular in rural or remote areas of geographical isolation and low population density; in this respect the European Council invites the Commission to provide such guidelines by mid-2003;
  - enhancing, where appropriate, national research initiatives, as well as coordinated joint national efforts, for example of the Eureka type, in order to stimulate and support private R&D in electronic communications technologies;
  - the Commission to report on developments in the telecommunications sector in time for the 2004 Spring European Council.
39. The European Council welcomes the European Investment Bank's new Innovation 2010 Initiative – with an indicative lending envelope of 20 billion euros for 2003-2006 – that supports the Lisbon and Barcelona objectives by extending loan finance for innovation, R&D and education, as well as for the creation and dissemination of information and communications technologies.
40. Investing in human capital is a prerequisite for the promotion of European competitiveness, for achieving high rates in growth and employment and moving to a knowledge-based economy. In this respect, the European Council calls for:
- implementation of the 10-year programme on the objectives for education systems, thus demonstrating the contribution of education and training to economic growth, *inter alia* by using benchmarks to identify best practice and to ensure efficient and effective investment in human resources;

- continuing work in the areas of both vocational education and training, and in higher education, as well as by helping to boost mobility and opportunity within the Union by fostering greater transparency, recognition and quality assurance of qualifications;
- an emphasis on basic skills, languages, developing digital literacy and life-long learning, in education and training systems; and the adoption by June 2003 of e-Learning and Erasmus-World Programmes;
- the Council (Education), considering the broader role of education and its cultural aspects, to investigate ways of promoting this role in a European perspective fully respecting subsidiarity, and to report to the 2005 Spring European Council.

### **C. Modernising the European social model**

#### *More and better jobs for all*

41. Improving the employment situation is central to the Lisbon Strategy. More and better jobs contribute both to economic growth and to reducing the risk of exclusion. The new three-year perspective of the Employment Guidelines, which are to be endorsed at the June European Council, should provide a basis for a simplified and more effective Employment Strategy. In addition, there is an urgent need to step up the momentum of reform of national labour markets by identifying measures which can rapidly have a positive effect on employment levels and growth.
42. Against this background, the European Council:
  - endorses the Council's (Employment) key messages on the future of the European Employment Strategy including the overarching objectives set out in them: full employment by increasing employment rates; quality and productivity at work; cohesion and an inclusive labour market which are interrelated and mutually supportive;

- confirms that the Employment Strategy has the leading role in the implementation of the employment and labour market objectives of the Lisbon strategy and acknowledge that it has clearly contributed to the progress made in the last few years;
- demands that the new three-year perspective of the Employment Guidelines should provide a stable basis for a simplified and more effective Strategy, and that they and the Broad Economic Policy Guidelines should operate in a consistent way; the Guidelines should be limited in number, results-oriented and allow Member States to design the appropriate mix of action, taking into account national traditions and practices. They should be supported by appropriate targets;
- demands that the Employment Guidelines should address: active and preventive measures for the unemployed and inactive; making work pay; increasing labour supply and participation; entrepreneurship, change and adaptability; the development of human capital and life-long learning; gender equality; integration and discrimination in the labour market; and regional employment disparities; while taking into account that transforming undeclared work into regular employment is also a key issue of the Employment Strategy which should be addressed in parallel with the effect of immigration on labour markets.

43. It urges Member States to maintain the momentum of reform of national labour markets by focusing on:

- reforms in tax and benefit systems and their interaction, so that they promote participation in the labour force and tackle poverty and unemployment traps, and increase labour demand and participation, in particular of those with low earning prospects;

- improving wage formation systems, so that they take into account the relationship between wages, price stability, productivity, training levels and labour market conditions, and modernising employment legislation taking account of the need for both flexibility and security, *inter alia*, by relaxing overly restrictive elements that affect labour market dynamics, while respecting the roles of social partners in accordance with national practice;
- improving the effectiveness of active labour market programmes, by better follow-up and monitoring; improving labour mobility, over occupations, sectors, regions and across borders, for example by improving transparency and recognition between systems of vocational education;
- increasing labour supply particularly amongst older people, women, immigrants and young people; encouraging active ageing, by discouraging early retirement incentives; and reducing barriers and disincentives for female labour force participation, including through better child care facilities.

44. The European Council invites the Commission to establish a European Employment Taskforce, headed by Mr Wim Kok, to carry out an independent in-depth examination of key employment-related policy challenges and to identify practical reform measures that can have the most direct and immediate impact on the ability of Member States to implement the revised European Employment Strategy and to achieve its objectives and targets. The taskforce should be set up without prejudice to the provisions of the Treaty on employment; it should be composed of a limited number of highly qualified experts, able to reflect the views of all social partners. It should report to the Commission in time for the Joint Commission/Council Employment Report to be submitted to the 2004 Spring European Council. Its report should be made public.

45. The European Council also welcomes the Commission's intention to present a Communication on the interaction between immigration, integration of legal migrants in the EU societies, and employment. A fresh approach is needed on immigration in the context of skills shortages and demographic change and projections in the EU. The smooth integration of existing and new legal immigrants could play a key role in this approach. The European Council will return to this question at its meeting in Thessaloniki in June 2003.
46. The European Council welcomes the establishment of a Tripartite Social Summit for Growth and Employment. The first Summit, which preceded this European Council, highlighted the important contribution that social partners can make to the European Employment Strategy and the Lisbon objectives through their recently agreed joint multi-annual work programme.
47. The European Council also:
- welcomes the strengthening of the implementation, coordination and follow-up of gender equality and gender mainstreaming in the European Union; in order to monitor progress invites the Commission to prepare, in collaboration with the Member States, an annual report to the Spring European Council on developments towards gender equality and orientations for gender mainstreaming of policy areas;
  - urges that momentum behind the Skills and Mobility Action Plan be maintained, inter alia by reaching a political agreement by the end of 2003 on the Directive on the mutual recognition of qualifications and by taking the necessary decisions to ensure that a European Health Insurance Card could start to be used from Summer 2004;
  - urges a review of ongoing efforts to improve the quality of work and welcomes the Commission's intention to prepare a report on quality at work by the end of 2003. The European Council urges agreement by December 2003 on temporary agency work.

***Solidarity and social cohesion***

48. The Union is committed to promoting a high level of social cohesion based on the principles of solidarity and social inclusion. In order to guarantee their adequacy and long-term sustainability, in particular when populations are ageing, the efforts already undertaken by Member States to modernise their social protection systems must be intensified. Strong mutually reinforcing interaction between employment and social protection policies is needed. Combating social exclusion requires, in addition to employment policy, the mainstreaming of this objective into all relevant strands of policy, recognising that this is first and foremost the responsibility of Member States and their regional and local authorities.
49. Against this background, the European Council:
- welcomes the joint Council/Commission report on adequate and sustainable pensions and its focus on the need for financial sustainability to ensure adequate pension provision in an era of ageing populations and calls on Member States to ensure the implementation of further reforms of pensions systems, including increasing employment of older people;
  - calls for continued application of the open method of coordination in the field of pensions and a review of the progress achieved in 2006, including for the new Member States, continuing the practice of cooperation between the Social Protection Committee and the Economic Policy Committee. There is a clear need to continue to develop indicators covering the adequacy, financial sustainability and modernisation of pension systems;
  - invites the Council and the Commission to maintain the momentum for cooperation by delivering special studies focusing on common challenges for pension systems;

- welcomes the joint Council/Commission report on health care and long-term care for the elderly and the intensification of the cooperative exchange on this topic on the basis of further proposals which the Commission should present by Autumn 2003;
  - invites the Council to strive for further improvement and simplification of the Community provisions, with regard to the problems arising in the field of social security from cross-border movement of European citizens by accelerating the process for the modernisation of Regulation 1408/71 in line with the timetable established at the Barcelona European Council.
50. The European Council invites the Commission to report in time for the 2004 Spring Council on the improvement in the overall framework for social protection policies through a greater emphasis on the effectiveness of incentives (e.g. benefit systems, reconciliation of family and work life, measures for older people) and the identification of best practice.
51. It also invites the Commission to report on the advisability of simplifying and streamlining the various strands of work on social protection into a coherent framework within the open method of coordination. This should clarify how these objectives can be achieved by 2006, while fully respecting subsidiarity and national competencies in relation to the organisation and financing of social protection.
52. The European Council invites Member States, in their new National Action Plans to be presented by July 2003, to set appropriate national targets for significantly reducing the number of people at risk of poverty and social exclusion by 2010. It looks forward to the second round of Social Inclusion National Action Plans and the Joint Inclusion Report ahead of the 2004 Spring European Council and highlights the importance of sharing best practice in the social inclusion field and of targeting help on under-represented and disadvantaged groups, including migrants, and encouraging social responsibility. Special efforts should be made during the European Year of People with Disabilities to ensure their better integration into society and the labour market.

**D. Ensuring delivery on the environmental dimension of sustainable development**

*Reversing unsustainable trends*

53. Economic and social development will not be sustainable in the long run without taking action to curb environmental pressures and preserve natural resources within the framework of the comprehensive sustainable development strategy launched at Göteborg. This must include action aimed at decoupling environmental degradation and resource use from economic growth. Despite some progress, the worrying trends observed when the Strategy was launched have not been reversed, and a new impetus must therefore be given.
54. Against this background, the European Council:
- invites Member States to accelerate progress towards meeting the Kyoto Protocol targets, including the reduction of greenhouse gas emissions, the increase in the share of renewable energy, setting an EU-wide indicative target for renewable energy of 12% of primary energy needs and of 22% of electricity needs by 2010 and encouraging national targets; increased energy efficiency, inviting the Environment Council to examine setting indicative targets in a cost-efficient manner and with minimum distortionary effects; and achieving a final agreement on the emissions trading Directive;
  - urges the Council to adopt, before the Thessaloniki European Council, the "Intelligent Energy for Europe" programme and welcomes the agreement recently achieved on the Directive on the promotion of bio-fuels for transport, endorsing the setting of national indicative targets consistent with the reference value of 5,75% for the use of bio-fuels by 2010 for transport purposes. It welcomes the Commission's intention to present proposals, in the light of its forthcoming Communication, developing a Community framework for the pricing of transport infrastructure and a proposal for a euro vignette by June 2003;

- welcomes, subject to the opinion of the European Parliament, the agreement of Finance Ministers on energy taxation on the basis of the Presidency compromise as amended in the Ecofin Council meeting on 19 March;
- urges the Council (Ecofin) to encourage the reform of subsidies that have considerable negative effects on the environment and that are incompatible with sustainable development;
- urges the Council to accelerate work towards a more responsible management of natural resources, including action to meet the 2010 targets for biodiversity and the 2015 targets for fish stocks. It also calls for urgent development and implementation of the new European chemicals legislation, as agreed in Göteborg.

55. Technology also plays an important role in achieving Lisbon's sustainability goals. The European Council notes the Commission's intention to finalise, by the end of 2003, the Action Plan on environmental technologies in order to remove barriers to the development and use of clean technologies. It notes the role of such technologies to deliver twin environmental and competitiveness goals and calls for:

- emphasis to be given to the development of new vehicle fuels and technologies, as the principal means of moving towards a sustainable transport system, in partnership with industry, with the EU contributing fully to the development of international standards for new vehicle fuels and technologies and associated infrastructure, to ensure that our industry can compete effectively in this growing marketplace;
- the EU to examine its research and development approach to ensure that environmental innovations and new cutting edge innovations such as fuel cells are treated as a priority and that all synergies are fully exploited;
- the Commission to report on improving the effectiveness of the EIHP, LIFE and 6th framework programmes in developing new environmental technologies including the development of new vehicle fuels and technologies, and taking them to the market.

*Maritime safety*

56. In the wake of the Prestige accident the European Council renews its expression of solidarity with the countries, regions and people touched. Following the measures announced at the Council in December, the European Council calls for:
- rapid implementation of measures adopted by the Council and the Parliament after the ERIKA accident (reinforcing controls in ports, better oversight of classification societies, designation of ports of refuge, installation of vessel traffic monitoring and information systems in EU waters);
  - rapid examination and implementation by the Council, the Commission and Member States of the measures related to the Prestige catastrophe on the basis of the Commission's communication;
  - the Council (Transport) to reach agreement on 27 March on the proposal by the Commission restricting the carriage of heavy fuel-oil in single-hulled tankers and accelerating the timetable for the withdrawal of such tankers as well as for coordinated efforts by all Member States and the Commission for the establishment of a similar scheme as soon as possible at a worldwide level through an amendment of the MARPOL Convention;
  - support of the ongoing work at the IMO to develop a flag State code and a compulsory model audit scheme ensuring that flag States carry out their duties under the international conventions;
  - adoption before the end of 2003, based on the Commission's recent proposal, of a system of sanctions, including criminal sanctions, for pollution offences on the appropriate legal basis;

- the Commission to study all possible measures for ensuring efficient mobilisation of the necessary anti-pollution equipment (including clean-up vessels) to assist a Member State faced with a pollution problem;
- increasing liability of maritime transport operators through the amendment of the relevant provisions of the Convention on Civil Liability;
- in terms of compensation for the victims of pollution, including environmental damage, Member States to pursue within the forthcoming diplomatic conference at the IMO in May an increase in the current ceiling on compensation to 1 billion Euros; failing a positive outcome within the IMO to work on the existing proposal for a Regulation establishing a special European fund endowed with 1 billion euros with a view to the creation of the fund before the end of the year and drawing as much as possible on private funding;
- exploring possibilities within the framework of the UN Convention on the Law of the Sea to afford better protection for coastal States; improve coordination between the Union and the IMO as well as with the neighbouring countries, including Russia, to find ways and means of adequate protection in conformity with international law, in particular through the establishment of specially sensitive areas; cooperation with neighbouring States to ensure safety of oil transports in harsh ice conditions should also be enhanced.

***Policies and instruments for ensuring delivery***

57. In order to deliver the full set of reforms proposed in Göteborg, it is crucial that the EU institutions and the Member States take action to enhance the effectiveness and coherence of existing processes, strategies and instruments. This can be helped by strengthening the Cardiff process on integrating environmental considerations into sectoral policies and developing overall and sector-specific decoupling objectives; as well as by improving environment-related structural indicators and monitoring progress and identifying best practices.

58. The European Council notes the Commission's intention to:
- carry out an annual stocktaking of the Cardiff process of environmental integration and a regular environment policy review and to report in time for the outcomes of these exercises to be taken into account in the preparation of its future Spring reports, starting in 2004;
  - under the general coordination of the Council (GA/ER) to update and review, in time for each annual Spring European Council, starting in 2004, the existing "Road-map on the follow-up to the Göteborg conclusions"; the Council should use it as a practical and dynamic implementation instrument giving a clear overview on goals, targets and respective responsibilities.
59. The legal framework supporting Lisbon's environmental objectives must be developed further. The European Council urges that final agreement be reached if possible by April 2004 on the Directive on environmental liability as a concrete means of implementing the polluter-pays principle; it calls on Member States to promptly ratify and implement the Aarhus Convention, and on the Council to adopt by mid-2004 proposals for a Directive on access to justice and for a legislative instrument setting out how the EU institutions will comply with the provisions under all three pillars of that Convention.

**E. Promoting sustainable development on a global scale**

60. Bearing in mind the need for overall coherence between its internal and external policies, the European Council underlines that the Union is actively committed to keep its leading role in promoting sustainable development on a global scale by translating into concrete actions the political ambitions agreed in Johannesburg, Doha and Monterrey along the following lines:
- ensuring effective follow-up to the new goals and targets agreed in Johannesburg on water and sanitation, the protection of the marine environment, depleted fish stocks, chemicals and natural resources, including forests and biodiversity;

- ensuring effective follow-up to the commitment made in Monterrey on the realisation of the 0,7% target for ODA;
- enhancement of corporate social and environmental responsibility both at EU level and internationally; means of promoting sustainable and fair trade, notably through developing incentives to trade in sustainably produced goods and encouraging export credits consistent with sustainable development;
- further development and implementation of the Union's "Water for Life" and "Energy for Poverty Eradication and Sustainable Development" initiatives;
- contributing to the development of regional sustainable development strategies, building for example on the experience gained in the context of the EUROMED process;
- timely elaboration at both international and EU level of the 10-year framework of programmes on sustainable consumption and production, on which the EU should take the lead;
- urging other Parties, in particular the Russian Federation, to ratify the Kyoto Protocol, so as to permit its timely entry into force;
- strengthening international environmental governance, which could lead to the upgrading of UNEP into a specialised UN agency with a broadly-based mandate on environmental matters.

**F. Drawing full benefit from an enlarged EU by implementing the Lisbon objectives**

61. Enlargement increases the potential for economic growth. In harvesting the benefits of a European Union of 25, we must build on values that are fundamental to the Lisbon process: entrepreneurship, sound and transparent public management and growth and stability-oriented economic policies. By demonstrating political will to meeting the Lisbon targets, we improve the framework conditions for the private sector to grow and profit from an enlarged single market. This is also necessary in order to strengthen private sector confidence and contribute to the investment necessary for interlinking the new Europe in terms of transport and energy.
62. The EU of 25 also provides new possibilities for exchanging ideas and thus promoting research and development. The European Research Area will be expanded to the benefit of all. An inclusive information society will link citizens in all 25 countries – indeed in all of Europe. The EU of 25 will also be an even stronger global leader for sustainable development, implementing the commitments of Doha, Monterrey and Johannesburg.

**G. Asylum**

63. The European Council noted the letter from the United Kingdom on new approaches to international protection and invited the Commission to explore these ideas further, in particular with UNHCR, and to report through the Council to the European Council meeting in June 2003.

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## **ENLARGEMENT – TREATY OF ACCESSION**

64. Following the successful conclusion of the accession negotiations with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia in Copenhagen in December 2002, the European Council welcomes the considerable efforts by all involved to finalise the Treaty and Act of Accession with a view to signing in Athens on 16 April 2003. This will be a momentous occasion, sealing the determination of both the present and future Member States to come together in pursuit of the European project. The European Council therefore underlines the importance of timely decisions by both the Parliament and the Council to ensure that the established timetable is met.
65. The positive result of the recent referendum in Malta on accession to the European Union is an important first step on the path towards a wider Europe of peace, democracy, stability and prosperity. The Union pays tribute to the Maltese people for their decision and calls upon the peoples of the other acceding States to seize the opportunity to reap the benefits of membership and make enlargement a reality from 1 May 2004.

## **IRAQ**

66. With the beginning of the military conflict, we are faced with a new situation. Our hope is that the conflict will end with the minimum loss of human life and suffering. Our common challenges are:
67. As regards Iraq:
- The EU is committed to the territorial integrity, the sovereignty, the political stability and the full and effective disarmament of Iraq in all its territory, as well as to the respect for the rights of the Iraqi people, including all persons belonging to minorities.

- We believe that the UN must continue to play a central role during and after the current crisis. The UN system has a unique capacity and practical experience in coordinating assistance in post-conflict States. The Security Council should give the United Nations a strong mandate for this mission.
- We urgently need to address the major humanitarian needs that will arise from the conflict. The EU is committed to be actively involved in this field, in accordance with established principles. We support the UN Secretary General's proposal that the humanitarian needs of the Iraqi people can continue to be met through the "Oil for Food" programme.
- We want to effectively contribute to the conditions allowing all Iraqis to live in freedom, dignity and prosperity under a representative government that will be at peace with its neighbours and an active member of the international community. The Council invites the Commission and the High Representative to explore the means by which the EU might help the Iraqi people to achieve these objectives.

68. On the regional front:

- We express solidarity with and stand ready to assist those countries that are faced with problems and risks as a result of the conflict, including possible refugee flows. The EU will actively engage in supporting regional stability.
- We call on all countries of the region to refrain from actions that could lead to further instability.
- The countries of the region have also a particular responsibility to prevent acts of terrorism.

- We will continue to work actively towards the reinvigoration of the Middle East Peace Process through the immediate publication and implementation of the roadmap as endorsed by the Quartet.
- We will deepen our dialogue and cooperation in all fields with the Arab and the Islamic worlds. We hope that it will soon be possible to use the considerable opportunities offered by the Barcelona Process to good account.

69. In the international field:

- We reiterate our commitment to the fundamental role of the United Nations in the international system and to the primary responsibility of the Security Council for the maintenance of international peace and stability.
- We are determined to strengthen the capacity of the European Union in the context of the CFSP and the ESDP.
- We remain convinced that we need to strengthen the transatlantic partnership, which remains a fundamental strategic priority for the European Union; to this effect, a sustained dialogue on the new regional and global challenges is necessary.
- We will continue to contribute to the further strengthening of the international coalition against terrorism.
- We will also intensify work for a comprehensive, coherent and effective multilateral policy of the international community to prevent the proliferation of weapons of mass destruction.

70. The above objectives are interrelated and complementary. They should be pursued in parallel, through coordinated action of all the main international players. In this spirit, the restoration of the unity of the international community is an absolute imperative.

## **MIDDLE EAST**

71. The Iraqi crisis makes it all the more imperative that the other problems of the region be tackled and resolved.
72. The Israeli-Palestinian conflict, in particular, remains a cause of great concern. Both sides should act with the utmost restraint. These are times for negotiation, compromise and reconciliation, not for the vicious circle of hatred, confrontation and violence.
73. We repeat our full support for the international community's vision of two States living side by side in peace and security, on the basis of the 1967 borders. All those involved share a historic responsibility for turning this vision into reality.
74. The roadmap endorsed by the Quartet on 20 December 2002 shows the way towards the achievement of a final, just and comprehensive settlement. It must be published and implemented immediately, with parallel progress in the security, political and economic fields. We continue to stand ready to assist the parties to implement the roadmap, alongside the US, Russia and the UN.
75. In this spirit, we welcome President Bush's statement of 14 March announcing his intention to take the roadmap forward.

76. The European Union welcomes and supports the ongoing debate in the Palestinian Authority and civil society concerning the promotion of far-reaching political reform. The appointment of a Prime Minister entrusted with substantial competencies is a fundamental first step in this regard and will provide a major boost to the Peace Process. The European Council welcomes the signing, by President Arafat, of the legislation which creates the post of Prime Minister, as well as his decision to appoint Mahmoud Abbas to this post.
77. The Union will continue its engagement and calls on all sides to support coherent efforts for reform and reconstruction of the Palestinian Authority. Measures are required urgently to bring to an end the humanitarian tragedy in the Palestinian territories.
78. The EU repeats its appeal to Israel to reverse its settlement policy. This constitutes an obstacle to peace both in the short and longer term. Israel should also contribute effectively to efforts aiming at Palestinian reform. All parties should try to put an end to the violence.
79. The European Union has and will continue to spare no effort to achieve peace in the Middle East, to the benefit of the peoples of the region but also of international peace and stability.

## **WESTERN BALKANS**

80. The European Council condemned in the strongest terms the assassination of the Serbian Prime Minister Zoran Djindjic. It welcomed the appointment of new governments in Serbia and Montenegro. It strongly supported the determination of the new Prime Minister of Serbia, Zoran Zivkovic, to vigorously pursue the policies promoted by Zoran Djindjic, in particular the relentless fight against organised crime and corruption, the comprehensive democratisation of state structures and the full cooperation with ICTY.

81. To this end, the Council offered the new leadership the full support of the EU in implementing the required reforms, allowing further progress towards European structures, and notably the EU. The Council invited the High Representative and the Commission to propose by the time of the next GAERC concrete proposals to that end. The European Council supports the rapid accession of Serbia and Montenegro to the Council of Europe on the basis of the commitments requested by the Council of Europe.
82. The future of the Western Balkans is within the EU. Strong political will and sustained efforts are required to secure it. The European Union pledges full support to the endeavours of the countries to consolidate democracy and stability and to promote economic development.
83. The take-over by the EU of the police operation in Bosnia and Herzegovina and the military operation in the former Yugoslav Republic of Macedonia provides further tangible proof of our full commitment to the region. In particular, the Council welcomed the launch of the EU military operation in the FYROM to follow the NATO operation "Allied Harmony" on 31 March 2003.
84. Stressing that the Western Balkans remain high on the EU agenda, the European Council recalls the Conclusions adopted in December 2002 in Copenhagen. The Thessaloniki Summit on 21 June will constitute a new and important step in further enhancing the relationship between the EU and the Western Balkan countries. In this perspective, the European Council invites the Council and the Commission to examine ways and means, based also on the experience from the enlargement process, to further strengthen the Union's stabilisation and association policy towards the region.

## **CYPRUS**

85. The European Council regrets that the efforts of the United Nations Secretary General to find a comprehensive settlement of the Cyprus problem have failed. The EU strongly supports the continuation of the Secretary General's mission of good offices and of negotiations on the basis of his proposals. It urges all parties concerned to spare no effort towards a just, viable and functional settlement and, in particular, the Turkish Cypriot leadership to reconsider its position. The European Council reaffirms its decisions taken at Copenhagen with regard to Cyprus's accession to the EU.

## **NORTH KOREA**

86. The European Council had a brief exchange of views on North Korea. It called on North Korea to abstain from any action which could aggravate the situation further. It reaffirmed that North Korea's non-compliance with its international obligations in the field of nuclear weapons was a serious concern for the whole of the international community and was detrimental to its own interests.
87. The European Council reaffirmed its willingness to contribute to a diplomatic solution to the crisis. The EU will remain in touch with the key players. The European Council asks the Council to hold a special session on North Korea and to invite neighbouring countries, notably Japan and South Korea, to exchange views with Ministers on the situation. The EU stands ready to look into the possibility of enhancing cooperation with North Korea if the present crisis can be resolved in a satisfactory manner.
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