



EUROPEAN COUNCIL

Brussels, 30 November 2010

**EUCO 25/1/10
REV 1**

**CO EUR 18
CONCL 4**

COVER NOTE

from : General Secretariat of the Council
to : Delegations
Subject : **EUROPEAN COUNCIL
28-29 OCTOBER 2010**

CONCLUSIONS

Delegations will find attached the revised version of the conclusions of the European Council (28-29 October 2010).

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

I. TASK FORCE ON ECONOMIC GOVERNANCE

1. The European Council endorses the report of the Task Force on economic governance. Its implementation will allow us to increase fiscal discipline, broaden economic surveillance, deepen coordination, and set up a robust framework for crisis management and stronger institutions. The European Council calls for a "fast track" approach to be followed on the adoption of secondary legislation needed for the implementation of many of the recommendations. The objective is for the Council and the European Parliament to reach agreement by summer 2011 on the Commission's legislative proposals, noting that the Task Force report does not cover all issues addressed in these proposals and vice-versa. This will ensure the effective implementation of the new surveillance arrangements as soon as possible. The result will be a substantial strengthening of the economic pillar of EMU, enhancing confidence and thus contributing to sustainable growth, employment and competitiveness.

The European Council invites the Council to speed up work on how the impact of pension reform is accounted for in the implementation of the Stability and Growth Pact and report back to the European Council in December. Acknowledging the importance of systemic pension reforms, a level playing field within the SGP should be ensured.

2. Further to the report of the Task Force, and in order to ensure balanced and sustainable growth, Heads of State or Government agree on the need for Member States to establish a permanent crisis mechanism to safeguard the financial stability of the euro area as a whole and invite the President of the European Council to undertake consultations with the members of the European Council on a limited treaty change required to that effect, not modifying article 125 TFEU ("no bail-out" clause).

The European Council welcomes the intention of the Commission to undertake, in close consultation with the President of the European Council, preparatory work on the general features of a future new mechanism, i.a. the role of the private sector, the role of the IMF and the very strong conditionality under which such programmes should operate.

The European Council will revert to this matter at its December meeting with a view to taking the final decision both on the outline of a crisis mechanism and on a limited treaty amendment so that any change can be ratified at the latest by mid-2013.

The President of the European Council intends to subsequently examine in consultation with the Member States the issue of the right of euro area members to participate in decision making in EMU-related procedures in the case of a permanent threat to the stability of the euro area as a whole.

3. Heads of State or Government stressed that, at the same time as fiscal discipline is reinforced in the European Union, it is essential that the European Union budget and the forthcoming Multi-annual Financial Framework reflect the consolidation efforts being made by Member States to bring deficit and debt onto a more sustainable path. Respecting the role of the different institutions and the need to meet Europe's objectives, the European Council will discuss at its next meeting how to ensure that spending at the European level can make an appropriate contribution to this work.

II. SEOUL G20 SUMMIT

4. The world economy is recovering from the crisis. However, there remain a number of issues that require sustained attention at the global level, including risks to financial sustainability, incomplete financial sector repair, high unemployment, the volatility of global commodity prices, and re-emerging global macroeconomic imbalances. The European Council confirmed the orientations agreed by the Council and discussed the priorities which the representatives of the EU and the EU Member States which are member of the G20 will promote at the Seoul summit. The summit must send an ambitious signal as regards the concrete and timely implementation of measures agreed in the Framework for Strong, Sustainable and Balanced Growth, notably concerning fiscal consolidation plans, financial regulatory reform, social cohesion, job creation and the need for further structural reforms. The issue of the rebalancing of world growth also requires particular attention. The European Union looks forward to the confirmation by the G20 Summit of the Basel agreement, which is an important step in strengthening global financial stability. The European Union emphasises the need to continue keeping markets open, to inject momentum into the Doha negotiations and to adopt a growth-oriented development agenda. It stresses the need to avoid all forms of protectionism and to avoid engaging in exchange-rate moves aimed at gaining short-term competitive advantages.

5. The agreement reached at the G20 Ministerial Meeting of 23 October 2010 on the reform of the International Monetary Fund will help deliver a more effective, credible and legitimate IMF and enable the IMF to play its role in supporting the operation of the international monetary and financial system. Quota as well as wider governance reforms should be delivered together as a single, comprehensive package and within the same time frame.

6. Further work is necessary on levies and taxes on financial institutions, at both the international and internal levels. In line with the Council's report, there should be further coordination between the different levy schemes in place in order to avoid double-charging. The Council is invited to report back to the European Council in December 2010. The different options regarding the taxation of the financial sector should also be examined, as well as good practices aimed at impeding tax havens and tax evasion.

III. CANCÚN CONFERENCE ON CLIMATE CHANGE

7. Making progress in tackling climate change is becoming ever more urgent. It is therefore important that the Cancún Conference deliver a significant intermediate step, building on the Kyoto Protocol and paving the way towards a global and comprehensive legally binding framework, integrating the political guidance given in the Copenhagen Accord. It is crucial that the European Union and its Member States continue to play a constructive role and that they deliver a single message. The European Council endorses the conclusions of the Council of 14 October 2010 on the preparation of the Cancún Conference and confirms the willingness of the European Union to consider a second commitment period under the Kyoto Protocol provided the conditions set out in these conclusions are met. The European Union will submit a comprehensive and transparent report on the implementation of its commitment on fast-start financing in Cancún and yearly thereafter and will underline the importance of further increasing transparency of climate change financing. The European Union will reassess the situation after the Cancún Conference, including the examination of options to move beyond 20% greenhouse gas emission reductions to be prepared to react to the ongoing international climate negotiations; the Council is invited to report back on this issue by spring 2011. In parallel with seeking an international agreement, the EU will also develop a more diversified approach to engaging with key partners in areas of mutual interest that help them reduce their emissions. In this context, the EU encourages regional initiatives to tackle climate change and promote green growth such as the recent Mediterranean Initiative on Climate Change.

IV. SUMMITS WITH THIRD COUNTRIES

8. In line with its conclusions of September 2010, the European Council discussed the key political messages which the President of the European Council and the President of the Commission will promote at the forthcoming summits with the United States, Russia, Ukraine, India and Africa.

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In the margins of the European Council a Social Summit was held, focusing on economic governance following the final report of the Task Force, in the light of the conclusions adopted by the Council (EPSCO) on 21 October 2010.
