

**PRESIDENCY CONCLUSIONS**

**BARCELONA EUROPEAN COUNCIL**

**15 AND 16 MARCH 2002**

# **PART I**

1. The European Council met in Barcelona on 15 and 16 March for its second annual Spring meeting on the economic, social and environmental situation in the Union. The meeting was preceded by an exchange of views with the new President of the European Parliament, Mr Pat Cox, on the main topics for discussion. The European Council welcomes the President's initiative for a new partnership for political dialogue and pragmatic change.
2. Heads of State or Government, Foreign and Finance Ministers also came together with their counterparts from the thirteen candidate countries to discuss the Lisbon Strategy and its implementation. The European Council highlights the Lisbon strategy as an incentive for candidate countries to adopt and implement key economic, social and environmental objectives and as a two-way learning process.

### **GENERAL POLITICAL AND ECONOMIC CONTEXT**

3. The euro clearly demonstrates what the European Union can achieve when the political will is there. That same political will must be harnessed towards meeting the economic, social and environmental objectives which the Union has set itself.
4. The European Council has, on the basis of the Commission's Spring Report, reviewed progress made in the first two years of the Lisbon strategy. It notes that there have been important successes, but also that there are areas where progress has been too slow. It took into account the contributions from various sectoral Councils. The objective now is to simplify and consolidate this strategy so as to ensure more effective implementation of the decisions already taken, and of those taken today.
5. The economic situation is in the first stages of global recovery after the steep decline in 2001. The rapid response of economic policy, sound fundamentals, and a restoration of confidence provide a platform for that recovery. Now, these prospects need to be enhanced by a clear commitment to economic reform to increase the EU potential for growth and employment.

## **MAINTAINING THE MOMENTUM BEHIND OUR LONG-TERM STRATEGY**

### **Coordination of economic policies**

6. Coordination of fiscal policies is anchored in the commitment to sound public finances and rules of play agreed in the Stability and Growth Pact. Member States will maintain or respect the medium term budgetary objective of close to balance or in surplus by 2004 at the latest. Automatic stabilisers should be allowed to play symmetrically, provided that the 3% of GDP limit is not breached in downturns. This means, in particular, that in expansionary phases growth dividends should be fully reaped. Member States could make use of discretionary fiscal policy only if they have created the necessary room for manoeuvre.

The European Council invites the Council to continue to examine the long-term sustainability of public finances as part of its annual surveillance exercise, particularly in the light of the budgetary challenges of ageing.

7. The Eurozone is a monetary union working under a single and independent monetary policy and decentralised but coordinated fiscal policies. There is a need, therefore, to make further progress by:
  - improving and harmonising the methodologies used to draw up Eurozone statistics and indicators. The Commission and the Council are invited to present a comprehensive report on Eurozone statistics in time for the Spring European Council 2003;
  - conducting a systematic analysis of the Euro area's policy mix as a whole, in order to assess the consistency of monetary and fiscal policies with respect to economic developments;
  - reinforcing existing fiscal policy coordination mechanisms. In this regard, the Commission will present proposals to reinforce economic policy coordination in time for the 2003 Spring European Council.

8. In this context, the European Council endorses the Key Issues Paper. This will be the basis of the Broad Economic Policy Guidelines, which will be targeted and specific, identifying key economic challenges and proposing concrete measures to tackle them. Focal points will be the quality and sustainability of public finances, pursuing further necessary reforms in product, capital and labour markets and ensuring coherence with the policies established in each domain.

### **Sustainable development**

9. Growth today must in no event jeopardise the growth possibilities of future generations. The Sustainable Development Strategy means that the various policies should be consistent with the Union's long-term objectives. Economic, social and environmental considerations must receive equal attention in policymaking and decision taking processes. In this context, relevant Council configurations, including ECOFIN and General Affairs, have now adopted their strategies for integration of environmental concerns, and the Fisheries Council has also taken the necessary steps for this integration in the context of its forthcoming review of the common fisheries policy.
10. The European Council welcomes the decision on the ratification of the Kyoto Protocol on behalf of the European Community. It urges Member States to complete their national ratification procedures by June 2002. The Protocol should enter into force before the World Summit on Sustainable Development in Johannesburg. The European Council recalls its invitation made at Göteborg to other industrialised countries.
11. The European Council recognises the importance of the Sixth Environmental Action Programme as a key instrument for progress towards sustainable development and welcomes the recent progress in discussions between the European Parliament and the Council with a view to its final adoption.
12. But further action is required. The European Council:
  - notes the intention of the Commission to present in 2002, following its report on environmental technologies, an Action Plan for tackling obstacles to their take up;

- notes the intention of the Commission to accelerate its work on the preparation of a framework directive on infrastructure charging, to ensure that by 2004 different modes of transport can better reflect their costs to society;
- notes the intention of the Commission to include, before the end of 2002, a sustainability dimension in the impact assessment which will form part of its wider efforts in the field of better regulation;
- asks the Council, in parallel with the agreement on the opening of the energy markets, to reach an agreement on the adoption of the energy tax directive by December 2002, bearing in mind the needs of professionals in the road-haulage industry;
- agrees on the need for the European Union to show substantial progress in enhancing energy efficiency by 2010.

13. With a view to the Monterrey Conference on Financing for Development, the European Council welcomes the agreement reached on ODA by Foreign Ministers. This states that in pursuance of the undertaking to examine the means and timeframe that will allow each of the Member States to reach the UN goal of 0.7% ODA/GNI, those Member States that have not yet reached the 0.7% target commit themselves – as a first significant step – individually to increasing their ODA volume in the next four years within their respective budget allocation processes, whilst the other Member States renew their efforts to remain at or above the target of 0.7% ODA, so that collectively a European Union average of 0.39% is reached by 2006. In view of this goal, all the European Union Member States will in any case strive to reach, within their respective budget allocation processes, at least 0.33% ODA/GNI by 2006. The ECOFIN Council will examine other ways of debt relief for the least developed countries.

14. The European Council shall, on the basis of the Commission's communication "Towards a Global Partnership for Sustainable Development" and the conclusions of the Environment Council of 4 March 2002, determine the overall position of the European Union for the Johannesburg Summit at its June meeting in Seville, and in Spring 2003 will review the comprehensive strategy for sustainable development with a focus on putting into practice the outcome of the World Summit on Sustainable Development. It underscores the importance of improved global governance in this field.

**A more favourable environment for entrepreneurship and competitiveness**

15. Entrepreneurship and a well-functioning internal market are key to growth and job creation. The regulatory environment should encourage entrepreneurial activity and make it as simple as possible to set up new businesses, in particular through the full use of the Internet. The European Council asks Member States to speed up the implementation of the European Charter for Small Enterprises and to learn from best practice. The European Council takes note of the Commission's intention to submit a green paper on entrepreneurship before the 2003 Spring European Council. As from this year, the Council will meet before every Spring European Council to assess progress in this area. The European Council considers that the Basel Committee on Banking Supervision should ensure that its work does not result in discrimination against small and medium sized enterprises and requests the Commission to present a report on the consequences of the Basel deliberations for all sectors of the European economy, with particular attention to SMEs.
16. Full implementation of all internal market legislation is a prerequisite for the proper functioning of the internal market. Although progress has been made, the interim transposition target of 98.5% set in Stockholm has only been achieved by seven Member States. Efforts need to be stepped up. The European Council calls on Member States to make further efforts to meet that target and for a transposition target of 100% to be achieved by the Spring European Council in 2003 in the case of directives whose implementation is more than two years overdue.

17. The European Council welcomes progress on modernising Community competition rules. It attaches the utmost priority to the on-going work in this regard and calls on the Council to adopt the new legal framework by the end of 2002.
18. In addition, the European Council:
- renews its call to Member States to reduce the overall level of State aid as a percentage of GDP by 2003, and onwards, and to redirect such aid towards horizontal objectives of common interest, including economic and social cohesion, and target it to identified market failures. Less and better-targeted State aid is a key part of effective competition;
  - urges the Council to agree the pending legislative package on public procurement at its May meeting with a view to its final adoption as early as possible in 2002;
  - asks the Commission to make specific references to outstanding technical barriers in its current Internal Market Scoreboard;
  - notes the Commission's intention to present, as soon as possible, the follow-up to its Communication on an Internal Market Strategy for Services, including any necessary concrete actions.

In this context, the European Council reaffirms the importance for the economic and social development of the Union of improving the quality of public administrations.

19. Efforts to simplify and improve the regulatory environment will be vigorously pursued at both national and Community level, including inter-institutional aspects, with particular emphasis on the need to reduce the administrative burden on SMEs. The European Council invites the Commission to submit, in time for its next session at Seville, the Commission's Action Plan, which should take into account in particular the recommendations of the Mandelkern Group on Better Regulation.



20. The European Council invites the Council, on the basis of Commission proposals and in the light of the conclusions of the Financial Stability Forum, to analyse, before June 2002, the requirements of good and transparent corporate governance and to examine the possibility of creating a group of "wise men".
  
21. At Ghent the European Council called on the EIB to step up lending in selected sectors to contribute to the recovery of the EU economy. The European Council welcomes the EIB's recent response to that request through mobilisation of an estimated loan volume of EUR 4-4.5 billion over two years, and further encourages the Bank to support investment in sectors particularly relevant to fostering economic integration, economic and social cohesion and growth and employment in the Union.

### **Reinforcing social cohesion: the Social Agenda**

22. The European social model is based on good economic performance, a high level of social protection and education and social dialogue. An active welfare state should encourage people to work, as employment is the best guarantee against social exclusion. The European Council considers the Social Agenda agreed at Nice to be an important vehicle for reinforcing the European social model. The Spring European Council must be the occasion for an in-depth review of progress in bringing about its objectives. This review should lend further impetus and lead to appropriate initiatives where necessary. The Lisbon goals can only be brought about by balanced efforts on both the economic and social fronts.

As far as the social front is concerned, this includes

- increasing the involvement of workers in changes affecting them: in this connection, the European Council invites the social partners to find ways of managing corporate restructuring better through dialogue and a preventive approach; it calls on them to engage actively in an exchange of good practice in dealing with industrial restructuring;

- enhancing the qualitative aspects of work: as regards in particular the health and safety dimension, the European Council invites the Council to examine as a matter of priority the forthcoming Commission communication on a Community health and safety strategy.
23. The European Council underlines the importance of safety in heavy goods traffic and the need to ensure compliance with and the further development of the social provisions and requests the Council to conclude its work on the relevant draft Regulation before the end of 2002.
  24. The European Council stresses the importance of the fight against poverty and social exclusion. Member States are invited to set targets, in their National Action Plans, for significantly reducing the number of people at risk of poverty and social exclusion by 2010.
  25. In order to address the challenge of the ageing population, the European Council calls for the reform of pension systems to be accelerated to ensure that they are both financially sustainable and meet their social objectives; in this context it stresses the importance of the joint Commission and Council report on pensions to the Spring 2003 European Council, to be drawn up on the basis of the National Strategy Reports due in September 2002.

It takes note of the initial Council report on health care and care for the elderly and invites the Commission and the Council to examine more thoroughly the questions of accessibility, quality and financial sustainability in time for the Spring 2003 European Council.

26. The European Council stresses the importance of the declaration made at the Council (Employment and Social Policy) on the subject of violence against women.

### **PRIORITY ACTION**

27. The European Council has identified three broad areas which require specific impetus in view of their central role in the completion of a genuinely common economic area and the pursuit of the Union's long term objectives. In the present circumstances, the European Council considers that they can also make an important contribution to economic recovery.

**Active policies towards full employment: more and better jobs**

28. Full employment in the European Union is the core of the Lisbon Strategy and the essential goal of economic and social policies, which requires the creation of more and better jobs. It is therefore necessary to continue paying special attention to the reforms of employment and labour market policies.
29. The European Council welcomes the holding of the Social Summit prior to the Spring European Council, and the adoption by the social partners of a joint framework for action for the lifelong development of competence and qualifications. The European Council urges the Social Partners to place their strategies in the various territorial (European, national, regional and local) and sectoral spheres at the service of the Lisbon Strategy and Objectives and to that end to produce an annual report on their efforts both at national level, in the Employment Plans, and at European level, to be submitted directly to the Social Summit.

The multiannual programme which they will submit in December 2002 should already include that contribution, particularly with regard to the adaptability of businesses in matters such as collective bargaining, wage moderation, improved productivity, lifelong training, new technologies and the flexible organisation of work.

***A reinforced Employment Strategy***

30. The Luxembourg Employment Strategy has proved its worth. The 2002 mid-term review of the Strategy must build on its achievements, and incorporate the targets and goals agreed at Lisbon. In this regard, the Strategy must:
- be simplified, in particular by reducing the number of guidelines, without undermining their effectiveness;
  - align the time frame with the Lisbon deadline of 2010, including an intermediate evaluation in 2006 to monitor achievement of the Stockholm intermediate objectives, as defined by subsequent European Councils;

- reinforce the role and responsibility of social partners in implementation and monitoring of the guidelines.
31. The revised Employment Strategy should focus on raising the employment rate by promoting employability and by removing obstacles and disincentives to taking up or remaining in a job, while preserving high protection standards of the European social model. As indicated in the report on labour force participation, a strong interaction between social partners and public authorities is needed, and in particular a priority focus on lifelong learning, quality in work and gender equality.
32. In terms of current employment policies, inter alia:
- where Member States pursue tax cuts, priority should be given to reducing the tax burden on low-wage earners;
  - tax and benefit systems should be adapted to make work pay and encourage the search for jobs. Members should pursue a review of aspects such as conditionality of benefits, eligibility, duration, the replacement rate, the availability of in-work benefits, the use of tax credits, administrative systems and management rigour;
  - in order to guarantee the EU's competitiveness and to improve employment across skills and geographical areas, it is crucial that national labour institutions and collective bargaining systems, respecting the autonomy of social partners, take into account the relationship between wage developments and labour market conditions, thereby allowing evolution of wages according to productivity developments and skills differentials;
  - in order to strike a proper balance between flexibility and security, Member States, in line with national practice, are invited to review employment contract regulations, and where appropriate costs, with a view to promoting more jobs;

- Member States should remove disincentives to female labour force participation and strive, taking into account the demand for childcare facilities and in line with national patterns of provision, to provide childcare by 2010 to at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years of age;
- early retirement incentives for individuals and the introduction of early retirement schemes by companies should be reduced. Efforts should be stepped up to increase opportunities for older workers to remain in the labour market, for instance, through flexible and gradual retirement formulas and guaranteeing real access to lifelong learning. A progressive increase of about 5 years in the effective average age at which people stop working in the European Union should be sought by 2010. Progress in this field will be analysed annually before every Spring European Council.

### ***Promoting Skills and Mobility in the European Union***

33. The European Council welcomes the Commission Action Plan to remove the barriers within European labour markets by 2005, and calls on the Council to take the necessary steps to put into practice the proposed measures. Priority should be given to:
- in accordance with the Action Plan adopted at Nice, putting into place the legal conditions required to ensure genuine mobility for all those involved in education, research and innovation;
  - lowering regulatory and administrative barriers to professional recognition as well as other barriers resulting from failure to recognise formal qualifications and non-formal learning taking into account the paragraph on education below;
  - ensuring that all citizens, and in particular groups such as unemployed women, are well equipped with basic qualifications, especially those linked with ICTs;

- increasing where appropriate the transferability of social security rights, including pensions, across the European Union. In this context, the European Council asks for work to be pursued as a matter of urgency, on the basis of the parameters agreed at the Laeken European Council, on the reform of Regulation (EEC) No 1408/71 on the coordination of social security systems, so that the new Regulation can be adopted before the end of 2003.

34. Concrete steps are needed. In this regard, the European Council has decided that:

- a European Health Insurance Card will replace the current paper forms needed for health treatment in another Member State. The Commission will present a proposal to that effect before the Spring European Council in 2003. Such a card will simplify procedures, but will not change existing rights and obligations;
- a one-stop European Job Mobility Information Web Site, in close cooperation with the Member States, will be established, with a view to its full operability by the end of 2003, at the latest.

## **Connecting European Economies**

### *Financial markets*

35. Only through an integrated and efficient European capital market will consumers and business alike reap the full benefits of the euro. Competitive financial markets will lead to increased choice and lower prices for consumers and investors, with appropriate levels of protection.

The European Council therefore:

- welcomes the agreement on the Lamfalussy proposals and urges their immediate implementation;

- reaffirms its strong commitment to implementing the Financial Services Action Plan (FSAP) and achieving fully integrated securities and risk capital markets by 2003 and financial services markets by 2005;
- asks the Council and the European Parliament to adopt as early as possible in 2002 the proposed Directives on collateral, market abuse, insurance intermediaries, distance marketing of financial services, financial conglomerates, prospectuses and occupational pension funds and the international accounting standards Regulation.

### ***Integrating European Energy, Transport and Communications Networks***

36. Powerful and integrated energy and transport networks are the backbone of the European internal market. Further market opening, appropriate regulation, improved use of existing networks and completion of missing links will increase efficiency and competition, and ensure an adequate level of quality, as well as reduced congestion and thus enhanced sustainability.
37. In the field of **energy** the European Council:
- welcomes the first Commission report on the effective opening of the internal market for gas and electricity, agreed in Stockholm. It calls on the Commission to update it annually before every Spring European Council so that effective progress can be assessed;
  - urges the Council and the European Parliament to adopt as early as possible in 2002 the pending proposals for the final stage of the market opening of electricity and gas, including:
    - = freedom of choice of supplier for all European non-household consumers as of 2004 for electricity and for gas. This will amount to at least 60% of the total market;

- = in the light of experience and at a date before the Spring European Council in 2003, a decision on further measures taking into account the definition of public service obligations, security of supply and in particular the protection of remote areas and of the most vulnerable groups in the population;
  - = separation of transmission and distribution from production and supply;
  - = non-discriminatory access for consumers and producers to the network, based on transparent and published tariffs;
  - = establishment in every Member State of a regulatory function, within the appropriate regulatory framework, with a view to ensuring in particular effective control of the tariff-setting conditions;
- 
- urges the Council to reach as early as possible in 2002 an agreement for a tariff-setting system for cross-border transactions in electricity, including congestion management, based on the principles of non-discrimination, transparency and simplicity;
  - agrees the target for Member States of a level of electricity interconnections equivalent to at least 10% of their installed production capacity by 2005. Financing requirements should be met mainly by the enterprises involved;
  - urges the adoption by December 2002 of the revision of the guidelines and accompanying financial rules on Trans-European Energy Networks (TEN), and notes the intention of the Commission to present the report on the security of supplies based on the results of the debate generated by the Commission's Green Paper on Security of Energy Supplies, with a view to its next meeting in Seville;
  - invites the Commission and the Council to analyse for the Spring European Council in 2006 the global performance of the European internal energy market, in particular the degree of transposition of the regulatory framework, and its effects on consumer protection, infrastructure investments, effective integration of markets and interconnections, competition and environment.



38. In the field of **transport**, the European Council:
- welcomes the progress on GALILEO and asks the Council (Transport) at its meeting in March to take the necessary decisions regarding both the funding and launching of this programme and the setting-up of the Joint Undertaking, in cooperation with the European Space Agency;
  - noting the importance of the Community accession to EUROCONTROL, calls for work to be pursued actively before the end of 2002 on the package of Commission proposals so that the decisions can be taken to bring about a Single Sky in 2004; furthermore, decisions on the proposed rules on airport slot allocation should be taken by the end of 2002;
  - on the basis of a report by the Commission on the operation of the first railway package, calls on the Council to pursue work on the second package, which includes, inter alia, interoperability and high safety standards;
  - calls for the adoption by December 2002 of pending proposals on port services and public services contracts;
  - requests the Council and the European Parliament to adopt, by December 2002, the revision of the guidelines and the accompanying financial rules on Trans-European Transport Networks (TEN), including new priority projects identified by the Commission, with a view to improving transport conditions with a high level of safety throughout the European Union and to reducing bottlenecks in regions such as, among others, the Alps, the Pyrenees and the Baltic Sea.
39. In the field of communications, the adoption of the new telecoms package means that the same rules will apply to all converging technologies, creating more competition and a level playing field in Europe. Member States are asked to ensure full implementation of the new communications regulatory package by May 2003; in addition, the Directive on data protection should be adopted rapidly.

40. Further progress is needed. For the next phase, the European Council:
- attaches priority to the widespread availability and use of broadband networks throughout the Union by 2005 and the development of Internet protocol IPv6;
  - calls on the Commission to draw up a comprehensive *eEurope* 2005 Action Plan, to be presented in advance of the Seville European Council, focusing on the abovementioned priorities and the security of networks and information, *eGovernment*, *eLearning*, *eHealth* and *eBusiness*;
  - calls on Member States to ensure that, by the end of 2003, the ratio of internet-connected PCs to pupils is brought down across the European Union to one for every fifteen pupils.
41. Technological convergence affords all business and citizens new opportunities for access to the Information Society. Digital television and third-generation mobile communications (3G) will play a key role in providing widespread access to interactive services.

The European Council accordingly:

- calls upon the Commission and the Member States to foster the use of open platforms to provide freedom of choice to citizens for access to applications and services of the Information Society, notably through digital television, 3G mobile and other platforms that technological convergence may provide in the future; and to sustain their efforts towards the introduction of 3G mobile communications;
- invites the Commission to present at the Seville European Council a comprehensive analysis of remaining barriers to: the achievement of widespread access to new services and applications of the information society through open platforms in digital television and 3G mobile communications, the full roll-out of 3G mobile communications, the development of *eCommerce* and *eGovernment* and the role that national electronic identification and authentication systems could play in this context.

### ***Quality public services***

42. The integration of European networks and the opening of utility markets should take full account of the importance of quality public services. In this regard, the European Council underlines the importance for citizens, and for territorial and social cohesion, of access to services of general economic interest. In this context, the European Council asks the Commission to:

- present its communication on evaluation methodology at the May Council and report to the Seville European Council on the state of work on the guidelines for State aids and if necessary propose a block exemption regulation in this area;
- continue its examination with a view to consolidating and specifying the principles on services of general economic interest, which underlie Article 16 of the Treaty, in a proposal for a framework directive, while respecting the specificities of the different sectors involved and taking into account the provisions of Article 86 of the Treaty. The Commission will present a report by the end of the year.

### **A competitive economy based on knowledge**

#### ***Education***

43. The European Council welcomes the agreement on the detailed Work Programme for 2010 for education and training systems. The European Council sets the objective of making these educative and training systems a world quality reference by 2010. It agrees that the three basic principles to inspire this Programme shall be: improved quality, facilitation of universal access, and opening-up to the wider world.

It invites the Council and the Commission to report to the Spring European Council in 2004 on its effective implementation.

44. The European Council calls for further action in this field:
- to introduce instruments to ensure the transparency of diplomas and qualifications (ECTS, diploma and certificate supplements, European CV) and closer cooperation with regard to university degrees in the context of the Sorbonne-Bologna-Prague process prior to the Berlin meeting in 2003; similar action should be promoted in the area of vocational training;
  - to improve the mastery of basic skills, in particular by teaching at least two foreign languages from a very early age: establishment of a linguistic competence indicator in 2003; development of digital literacy: generalisation of an Internet and computer user's certificate for secondary school pupils;
  - the European Council calls on the Commission to undertake a feasibility study to identify options for helping secondary schools to establish or enhance an internet twinning link with a partner school elsewhere in Europe, and report back to the Seville European Council in June;
  - to promote the European dimension in education and its integration into pupils' basic skills by 2004.
45. The European Council welcomes the Commission's Communication on "Making a European Area for Lifelong Learning a Reality" and invites the Council to adopt a resolution on Lifelong Learning before the European Council in Seville, taking into account the European Employment Strategy.

### ***Research and frontier technologies***

46. The European Council again calls on the Council and the European Parliament to adopt the 6th Research Framework Programme (FP6) and its legal instruments by June 2002.

47. In order to close the gap between the EU and its major competitors, there must be a significant boost of the overall R&D and innovation effort in the Union, with a particular emphasis on frontier technologies. The European Council therefore:
- agrees that overall spending on R&D and innovation in the Union should be increased with the aim of approaching 3% of GDP by 2010. Two-thirds of this new investment should come from the private sector;
  - notes the Commission's intention to propose measures in Spring 2003 to better integrate innovation into a European Knowledge Area, with the aim of improving the use of intellectual property rights across Europe, further developing and strengthening private investment and the use of risk capital in research and increasing networking between business and the science base;
  - reaffirms the importance of the Community Patent and invites the Council to reach a common political approach at its meeting in May. The Community Patent must be an efficient and flexible instrument obtainable by businesses at an affordable cost, while complying with the principles of legal certainty and non-discrimination between Member States and ensuring a high level of quality.
48. Frontier technologies are a key factor for future growth. The European Council asks the Council to examine before June 2002 the Commission's communication "Life Sciences and Biotechnology – a strategy for Europe". It asks the Council and the Commission to develop measures and a timetable which enable Community businesses to exploit the potential of biotechnology while taking due account of the precautionary principle and meeting ethical and social concerns. The Commission is invited to report on progress in advance of the Spring European Council 2003.

## **IMPROVING WORKING METHODS**

### **Beyond Barcelona**

49. The European Council urges the Council and the Commission to streamline the relevant processes: the focus must be on action for implementation, rather than on the annual elaboration of guidelines. With a view to the European Council giving the key political impetus to the actions crucial to the achievement of the Union's long-term objectives, it has decided that the calendars for the adoption of the Broad Economic Policy Guidelines and of the annual Employment Package should be synchronised as soon as feasible.

Thus, at its Spring meeting, the European Council will review and, where necessary, adjust the Community's economic, social and environment policies as a whole.

---

# **PART II**

## **THE FUTURE OF EUROPE**

50. The Heads of State or Government welcomed the start of the proceedings of the Convention on the Future of Europe and will hold an initial discussion at their meeting in Seville on the basis of a report by its Chairman Mr Valéry GISCARD d'ESTAING.
51. The Members of the European Council heard a presentation by the Council Secretary-General, Mr Javier SOLANA, of his report on improving the way in which the Council operates and the reforms suggested for making it more efficient and ensuring greater transparency of the legislative process. The European Council instructed the Presidency, in close cooperation with the Council Secretary-General, to make all appropriate contacts on that basis with the members of the European Council and with the correspondents they nominate, with a view to submitting a report at the Seville meeting proposing specific measures for adoption. The report will be examined by the General Affairs Council in the context of preparations for the European Council in Seville.

## **EURO-MEDITERRANEAN FINANCIAL COOPERATION**

52. The European Council reiterates the crucial importance of the Mediterranean region and its determination to develop the Euro-Mediterranean partnership . In this connection, it welcomes the decision by the ECOFIN Council on a reinforced Euro-Mediterranean Investment Facility within the EIB, complemented by the Euro-Mediterranean Partnership arrangement and an EIB representative office located in the area. On the basis of an evaluation of the Facility's performance, and taking into account the outcome of consultations with our Barcelona Process partners, a decision on the incorporation of an EIB majority-owned subsidiary dedicated to our Mediterranean partner countries will be considered and taken one year after the launching of the Facility.



## **THE NORTHERN DIMENSION**

53. The European Council invites the Council, the Member States, the Commission and the EIB to combine their efforts to find rapidly solutions to the present financial and technical problems which prevent the full implementation of the conclusions of the Göteborg European Council on the Northern Dimension Environmental Partnership.

## **U.S. MEASURES ON STEEL**

54. The European Council has taken note with great concern of the measures introduced by the U.S. in the steel sector, which are not in conformity with WTO rules and which are against the spirit of the common aim of further liberalising world trade as agreed on in Doha. It fully supports the Commission's intention of pursuing consultations under WTO agreements and of initiating a procedure for possible Community safeguard measures.

## **RATIFICATION OF THE TREATY OF NICE**

55. The Irish Prime Minister outlined his Government's approach to the ratification of the Nice Treaty which is due to be completed by all Member States by the end of 2002 in order to allow enlargement to proceed as planned.

The European Council welcomed the approach outlined and reiterated its willingness to contribute in every possible way to supporting the Irish Government in this process and agreed to come back to the issue at its next meeting in Seville.

## **GIBRALTAR**

56. The European Council welcomes the decision of the UK and Spain to relaunch the Brussels Process on Gibraltar, established in November 1984; underlines the EU's support for both Governments' commitment to overcoming their differences over Gibraltar, and to conclude a comprehensive agreement before the summer; and invites the Commission to explore possible ways in which the EU could underpin any agreement reached.

## **WESTERN BALKANS**

57. The Western Balkans remains vital for the stability and security of Europe. The European Council reiterates the commitments it undertook in Feira in June 2000.

## **SERBIA AND MONTENEGRO**

58. The European Council welcomes the agreement reached on 14 March in Belgrade between Serbian and Montenegrin leaders on the principle of a single constitutional arrangement for Serbia and Montenegro. It expresses its appreciation for the facilitation work of the SG/HR Javier Solana to this end. It considers this agreement that consolidates a state union a decisive element in the realisation of the European perspective of Serbia and Montenegro, and an important contribution towards the stability of the region.
59. The European Council notes the commitment of both sides to achieving a common internal market including a common customs and trade policy. The EU expects both Republics to contribute fully to the achievement of these objectives. The EU is ready to support these efforts in the context of the Stabilisation and Association Process. The EU will continue to offer advice and assistance and will regularly monitor the progress achieved. The Union further expects both Republics to work together in order to ensure the functioning of the common institutions.
60. The Union will under the SAP continue its economic assistance in conformity with its existing policy of conditionality. In determining the level and the beneficiaries of this assistance, the Union will take full account of progress achieved in each Republic, including the contribution of each Republic to the effective functioning of the common state and the achievement of European standards.

## **FORMER YUGOSLAV REPUBLIC OF MACEDONIA**

61. The European Council recalls the central role of the European Union in the process of stabilisation, reconciliation and reconstruction in the Former Yugoslav Republic of Macedonia. In this context, the European Council expresses the European Union's availability to take responsibility, following elections in FYROM and at the request of its Government, for an operation to follow that currently undertaken by NATO in FYROM, on the understanding that the permanent arrangements on EU-NATO cooperation ("Berlin plus") would be in place by then. To this end, the European Council requests the relevant political and military bodies of the Council to develop as of now, in consultation with NATO, the options to enable the European Union to take the appropriate decisions.
62. The European Council stresses the importance of achieving permanent arrangements between the European Union and NATO at the earliest possible date. To this end it also asks the Presidency together with the High Representative to make appropriate high-level contacts to ensure a positive outcome.

## **MIDDLE EAST**

63. The European Council adopted the declaration of Barcelona on the Middle East in Annex.

## **ZIMBABWE**

64. The European Union, noting that the Government of Zimbabwe prevented EU observers from monitoring the election, and noting the damning conclusions of the reports of the Commonwealth observers team and of the SADC Parliamentary Forum, believes that these elections cannot be judged as either free or fair. The European Union condemns the manner in which the elections were organised by the Government of Zimbabwe.
65. The European Union congratulates the people of Zimbabwe on the civil and democratic will shown during the voting in the presidential election.

66. The European Union expresses its concern about ongoing threats to the civil and political rights of senior members of the opposition party in Zimbabwe, and resolves to monitor developments closely. The European Union will maintain its humanitarian assistance to the people of Zimbabwe and will consider possible additional targeted measures against its Government.
67. The European Council has decided to dispatch a high level troika in the near future to confer with countries of the SADC region about the European Union concerns regarding Zimbabwe on the basis of their common commitment to the rule of law and democracy.

## **ANGOLA**

68. The European Council expresses its satisfaction at the announcement of the cessation of the hostilities in Angola by the Government on 13 March with a view to achieving a global cease-fire in the country. The European Council also welcomes the intention of the authorities to permit the political reorganisation of UNITA and the election of its new leadership. It encourages the parties to implement fully the provisions of the Lusaka Protocol through a political dialogue under the aegis of the United Nations in order to promote lasting peace and stability in Angola. To cope with the severe humanitarian situation affecting a large part of the Angolan population, the European Council asks the Angolan authorities to facilitate humanitarian activities by international organisations, churches and NGOs.

## **DEMOCRATIC REPUBLIC OF CONGO**

69. The European Council expresses its concern at the evolution of the situation in the Democratic Republic of Congo and regrets the damaging effects on the evolution of the inter-Congolese dialogue now underway.

## **NIGERIA**

70. The European Union is deeply concerned by information received on the potential stoning of a woman in Nigeria. It urges the Nigerian authorities to fully respect human rights and human dignity with particular reference to women.

**DECLARATION OF BARCELONA ON THE MIDDLE EAST**

1. The Middle East is in the grip of an extremely grave crisis. The European Union calls on both sides to take immediate and effective action to stop the bloodshed. There is no military solution to this conflict. Peace and security can only be achieved through negotiations.
2. To find a way out of the present situation it is essential to address the security, political and economic aspects as inseparable and interdependent elements of a single process. There is a need to restore a sound political perspective and to implement in parallel political and security measures in a mutually reinforcing way. The European Council warmly welcomes the adoption of UNSC resolution 1397, which reflects the strong commitment of the international community in this regard.
3. This Resolution must be urgently implemented, in particular the demand for an immediate cessation of all acts of violence, including all acts of terror, provocation, incitement and destruction; and the call for the Israeli and Palestinian sides and their leaders to cooperate in the implementation of the Tenet Plan and the Mitchell Report recommendations with the aim of resuming negotiations on a political settlement.
4. The indiscriminate terrorist attacks over the past weeks killing and injuring innocent civilians must be condemned. As the legitimate authority, the Palestinian Authority bears the full responsibility for fighting terrorism with all the legitimate means at its disposal. Its capacity to do so must not be weakened. Israel, notwithstanding its right to fight terrorism, must immediately withdraw its military forces from areas placed under the control of the PA, stop extra-judicial executions, lift the closures and restrictions, freeze settlements and respect international law. Both parties must respect international human rights standards. The use of excessive force cannot be justified. The actions against medical and humanitarian institutions and personnel are absolutely unacceptable. They must be able to fully perform their function.

5. Taking note of the decision by the Government of Israel to release Palestinian Authority President Arafat from his confinement in Ramallah, the European Council demands that all remaining restrictions on his freedom of movement be immediately lifted.
6. The European Council welcomes the decision of the US President to send Special Envoy Zinni back to the region. The European Union, notably through the EUSR Ambassador Moratinos, is ready to combine its efforts with him, with the Special Envoy of the Russian Federation and with the UN Special Coordinator.
7. The European Council remains convinced that a third party monitoring mechanism would help both parties to pursue their efforts to that end and urges them to consider proposals to accept observers. The European Union and the Member States are prepared to participate in such a mechanism.
8. The European Union is determined to play its role together with the parties, the countries in the region, the US, the UN and Russia in the pursuit of a solution, based on UNSC Resolutions 242, 338 and 1397 and on the principles of the Madrid Conference, Oslo and subsequent agreements, which would allow two states, Israel and Palestine, to live in peace and security and play their full part in the region. The High Representative, Javier Solana, will continue his regular consultations with all international actors involved.
9. On the Israeli-Palestinian conflict, the overall objective is two-fold: the creation of a democratic, viable and independent State of Palestine, bringing to an end the occupation of 1967, and the right of Israel to live within safe and secure boundaries, guaranteed by the commitment of the international community, and in particular the Arab countries.
10. The European Council welcomes the recent initiative of Crown Prince Abdullah of Saudi Arabia, which is based on the concept of full normalisation and full withdrawal in accordance with UN resolutions, and offers a unique opportunity to be seized in the interest of a just, lasting and comprehensive solution to the Arab-Israeli conflict. It looks to the forthcoming Summit of the Arab League in Beirut to take this forward and to the Government and people of Israel to respond positively.

11. The European Council recognises and praises those who continue to work tirelessly for peace within the peace camps of Israeli and Palestinian society and supports the direct contacts and dialogue that both parties are conducting.
  
12. Following on its present effort, the European Union will make a full and substantial economic contribution to peace-building in the region, with the aim of improving the living conditions of the Palestinian people, of consolidating and supporting the PA, of strengthening the economic basis of the future State of Palestine and of promoting development and regional economic integration. In this perspective, the European Union stands ready to contribute to the reconstruction of the Palestinian economy as an integral part of regional development.
  
13. The European Union remains convinced that, in order to be durable, peace in the Middle East must be comprehensive.

---

**BARCELONA EUROPEAN COUNCIL**  
**15 AND 16 MARCH 2002**

**PART III**

**Contributions to the deliberations**



## **TABLE OF CONTENTS**

<b>Economic and Financial Affairs Council .....</b>	<b>33</b>
<b>Employment and Social Policy Council .....</b>	<b>44</b>
<b>Internal Market, Consumer Affairs and Tourism Council.....</b>	<b>50</b>
<b>Environment Council .....</b>	<b>58</b>
<b>List of supporting reports/reports submitted to the European Council.....</b>	<b>71</b>

# ECONOMIC AND FINANCIAL AFFAIRS

5 March 2002

## Key Issues Paper on the 2002 Broad Economic Policy Guidelines

### I. INTRODUCTION

1. The EU has a well-defined **economic policy strategy** based on growth- and stability-oriented macroeconomic policies and continuous progress in economic reform. It allows to respond flexibly to changing economic conditions in the short run whilst safeguarding and strengthening the productive capacity of the economy over the medium term.
2. The successful launch of the **euro notes and coins** marks the final step towards European Monetary Union, bringing into being a monetary area of over 300 million people. The euro stands as an important contribution to the stability of the international monetary system and the world economy, while acting as a spur to deeper integration and the idea of "more Europe".
3. The euro's circulation will speed up the integration of Euro area economies, and contribute to create new investment opportunities, increased growth and stronger job creation. The advance towards fuller integration and interdependence also demands the reinforcement and continued implementation of the EU's economic policy strategy.
4. The Barcelona European Council must work to strengthen the operational bases of Economic and Monetary Union and the completion of the internal market. The goal is a **coordinated response** which stresses clear national responsibilities in laying the groundwork for Europe's medium- and long-term growth. Now more than ever, economic policy **messages** must be **clear, unequivocal and backed by forceful implementation**. Commitment is essential to ensure that a sustained recovery takes hold. This means, ultimately, giving credibility and impetus to the economic reform drive begun in Lisbon and developed in Stockholm and safeguarding the credibility of the macroeconomic framework.

5. The **BEPGs** are at the centre of economic policy coordination in the European Union. They must be concise, concentrate on the main challenges facing the Union, with particular focus on the Euro area, where coordination is most needed, and help to ensure that measures adopted in all Community economic coordination processes are consistent with it.

## II. ECONOMIC SETTING AND OUTLOOK

6. The current **economic context** is one of an incipient global recovery after the steep decline in 2001. Some leading indicators are starting to signal that the economic situation is stabilising and signs that economic activity is poised to firm have become more prevalent. However, uncertainty persists about the timing, scale and robustness of recovery, and downside risks remain.
7. The **macroeconomic policy response to the slowdown** has been swift and decisive. The monetary authorities have reduced interest rates, in the absence of prospective inflation pressures, while fiscal policy has played its role through the functioning of the automatic stabilisers which contribute importantly to cushioning fluctuations in output growth. The rapid response of economic policy, sound fundamentals, and a restoration of confidence provide a **platform for recovery**. The prospects for a sustained recovery need to be enhanced by taking structural reform measures so to increase the potential for growth.

## III. THE ECONOMIC POLICY STRATEGY OF THE EUROPEAN UNION

### 1. Macroeconomic policy

8. The Euro area is a monetary union working under a single and independent monetary policy and decentralised but coordinated fiscal policies. There is a need, therefore, to make further progress to:
  - improve **monitoring and evaluation of Euro area economic trends**. This means more work to improve and harmonise the methodologies used to draw up Euro area statistics and indicators.

- conduct a **systematic analysis of the area's policy-mix** in order to assess the implications of monetary and fiscal policies on the Euro area economic developments including inflation, wage developments, investment as well as euro exchange rates.
- reinforce existing economic, in particular fiscal, policy coordination mechanisms within the Eurogroup.

9. The coordination of fiscal policies is anchored on a commitment to the budgetary stability and the rules of the game agreed in the **Stability and Growth Pact**. Member States will maintain or respect the medium-term budgetary objective of close to balance or in surplus by 2004 at the latest.

Automatic stabilisers should be allowed to play symmetrically, both in upturns and in downturns, provided the 3% of GDP limit is not breached in downturns. This means in particular that in expansionary phases growth dividends should be fully reaped.

Member States could make use of discretionary policy only if they have created the necessary room for manoeuvre.

10. More effort and coordination is required concerning the long-term **quality and sustainability** of public finances:

- **quality** means achieving the appropriate structure of government revenues and expenditures to ensure sound and sustainable public finances while raising the potential growth of Union economies. In this light, tax and spending reforms must aim at creating the conditions to foster employment and investment, while adhering to the medium-term objective of a budgetary position close-to-balance-or-in-surplus.
- **sustainability** demands a multi-disciplinary strategy which can address the impact of population ageing, including health care needs, while ensuring the long-term solvency of European public accounts. The strategy should be built upon further reductions of public debt, increases in employment rates and reforms of pension systems themselves.

## 2. Structural reform policy

### 2.1. Product Market Reforms

11. Measures to liberalise, open up, integrate and build competition in European goods and services markets contribute to a truly flexible productive system, able to direct resources where they can be most profitably employed and so boost production, employment, income and welfare. This conviction is shared by all EU Member States and is the spirit behind the ambitious economic reform agenda set by the Lisbon summit.
  
12. National economic reforms can be made more effective through coordination and their speeding-up to the level of best performers. A synchronous structural reform policy, consistently applied, provides the following advantages:
  - it equips Economic and Monetary Union to cope with external shocks, enhancing the flexibility of markets.
  
  - the harnessing of major synergies.
  
  - an optimal allocation of resources, based on commonly undertaken liberalisation steps.
  
  - the avoidance of bottlenecks and disruption in services.
  
  - the assurance that European operators are competing on an equal footing.

In addition, it is important to improve the tax environment by enhancing cooperation between Member States in curbing harmful tax regimes and tackling fiscal fraud.

## Reforms in network industries

13. Good progress has been made towards liberalising network industries, but there is still a long way to go:
- **liberalisation advances** have not progressed in parallel in Member States .
  - the possibilities for intra-community trade are limited: **entry barriers** to national markets remain, little headway has been made regarding **interconnections**, and exchanges between Member States are generally few and far between.
14. The sectors most urgently in need of new reform measures are energy and transport. Liberalising strategies must distinguish between two clearly differentiated aspects: interconnection and effective liberalisation. These liberalising strategies must also take into account that these network industries fulfill general interest missions. In this respect, well-designed regulations are essential.

### A. Interconnection infrastructure

Electricity and gas:

- agree timetabled physical interconnection objectives between Member States networks at the Spring Summit sufficient to mark a material advance towards the single energy market. and set the appropriate framework to enable the development of relevant infrastructure. Financing requirements should be mainly met by the enterprises involved.
- guarantee equal access of third parties to the networks.

Air transport:

- actively pursue work relative to initiatives aiming at creating a single european sky before 2004, remembering also the importance of the Community participation to Eurocontrol.

Trans- European networks:

- Actively consider the measures contained in the legislative package approved by the Commission on 20 December, including proposals for the development of infrastructure projects and changes to the financing systems of Trans – European Networks subject to budgetary constraints.

## **B. Effective liberalisation**

Electricity and gas:

- set an ambitious calendar at the Spring Summit for [corporate] <sup>1</sup> access to free supplier choice.

Rail transport:

- actively take into consideration the "second railway package" aimed at phasing in competition in service delivery, based on an assessment of the firsts one.

## **C. Services of general interest**

The liberalisation of markets should ensure effective competition and compliance with services of general interest obligations (equality of access, continuity of services, security for users). These obligations may be imposed, but in no case should they lead to market distortions. In the respect of the Treaty rules, Member States remain free to define services of general interest and the way to organise them.

---

<sup>1</sup> **Note from the Presidency:** The Council was not unanimous on the wording of the sentence on effective energy liberalisation.

## **Improvement in the entrepreneurial environment**

15. Real, effective competition in markets is a cornerstone of the economic reform process. Competition provides the discipline and the incentive to secure greater economic efficiency and strengthen the competitiveness of the European Union.

Hence the importance of enhancing the capacity of **competition authorities**, to adapt to changes in the economic structure of the European Union in an increasingly globalised World.

16. Less and better-targeted state aid is a key part of this effective competition across the European Union. To this end, the Union reaffirms the commitment of the Member States to reduce state aid as a percentage of GDP by 2003, seek to eliminate aid with the greatest distortive effects (in terms of competition), reorient it to more horizontal and shared objectives, including cohesion objectives, and target it at clearly identified market failures.

It also restates the need for both Commission and Member States to make the system more transparent.

17. **Entrepreneurship** should be encouraged by reducing administrative and legal barriers to the barest minimum. Benchmarks should be determined which shorten the time required for SME set-up, and an action plan will be laid down to improve and simplify the regulatory environment, in line with the conclusions of the Mandelkern Report. The European Charter for Small Enterprises should be further implemented. In addition, it is important to improve the tax environment for business.
18. Good **corporate governance** is key for economic efficiency. Its impact on improvements in enterprise management, confidence, investment and capital flows are well known. The Council encourages Member States to take steps to guarantee transparency of management and accounting and to protect shareholders and other stakeholders.



19. **Community directive transposition and effective implementation** must be stepped up, in accordance with the conclusions of the Stockholm European Council. The achievement of a genuine Internal Market requires more rapid progress in integrating services markets, a further opening-up of public procurement, a wider application of the mutual recognition principle and a speeding-up of the work on product standards.

## 2.2. Capital markets and financial services reforms

20. Reforms should seek above all to hasten the **integration of financial markets**, and to reach the full benefits of an efficient channelling of saving, by reducing the costs of accessing capital to encourage investment in the EU. At the centre of these efforts is the Financial Services Action Plan, whose component measures must be written into legislation by 2005, with every effort made by all parties concerned to achieve an integrated securities market by the end of 2003. In this context there is also a need to enhance the efficiency of cross-border clearing and settlement arrangements at the European level.
21. The way to integrate financial markets is to combine mutual recognition in legal matters, applying the country-of-origin principle, with harmonisation of the rules of conduct essential for investor protection. The following deadlines are called for:
- to be approved by the Council and the European Parliament in 2002:
    - the Directive on market abuse.
    - the Directive on the use of collateral.
    - the Regulation providing for the adoption of international accounting standards in the EU.
    - the Directive on insurance intermediaries.
    - the draft Directive on prospectuses.
    - the draft Directive on financial conglomerates.
    - the draft Directive on occupational pension funds.
  - complete and approve the draft Directives to be presented by the Commission on take-over bids, and on the upgrades of regular reporting requirements, and the investment services directive.

22. **Risk capital** is another priority on the agenda. The Risk Capital Action Plan milestones should be brought forward by 2003 in order to dismantle remaining barriers to the creation of a genuine European risk capital market.
23. The effectiveness of these initiatives will hinge on a **speedier legislative procedure**, by implementing the reform proposals of the Lamfalussy Report.

### 2.3. Labour market reform

24. Policy action should focus on modernising the labour market in order to support the process of employment creation. The EU has set itself demanding objectives and much remains to be done: **increase labour supply**, assure that unit labour costs are compatible with the **ongoing competitiveness** of Europe's economies and supportive of an increase in labour demand, and achieve a **better match between labour supply and demand**.
25. The job creation capacity of the European economy has significantly improved in these past few years, allowing large inroads to be made into the unemployment rate. The growth spurt of the second half of the 1990s, the progress made in certain aspects of labour market functioning, the coordination of economic policies and moderate wage developments were instrumental in causing this change. The Council notes the **progress** made in the following categories:
- **active labour market policies**. The approach taken has been a preventive one, focusing on the employability of collectives constrained from entering the labour market, particularly due to low skills. Efforts should be continued. At the same time, an evaluation should take place with a view to better targeting these policies.
  - a **reduction in the tax burden on labour**. The EU as a whole has reduced tax disincentives to work, with special regard to lower-skilled occupations.

26. However, **efforts must continue** in the following areas:

- **tax measures**, with a view to increasing labour demand and labour market participation.
- **benefit systems** to make work pay and promote the job-search process in order to keep claimants clear of poverty and unemployment traps. Candidates for reform would be: the conditionality of benefits, eligibility, duration, the replacement rate, the availability of in-work benefits, the use of tax credits, administrative systems and management rigour.
- **wage formation systems**. In order to guarantee the EU's competitiveness and to improve employment across skills and geographical areas, it is crucial that labour institutions and collective bargaining systems take into account the relationship between wage developments and labour market conditions, thereby allowing greater differentiation of wages according to productivity developments and skills differentials.
- **improvement in labour market efficiency**. Situations frequently arise where high unemployment rates coincide with labour shortages. Among the best means to ensure an optimal fit of supply with demand is by increasing the occupational and geographical mobility of workers, for example, improving transparency and recognition methods between systems of vocational education, and increasing the schooling of the present labour force to enhance knowledge society skills. Education and training systems play an important role in increasing labour market efficiency.
- **active ageing**. Early retirement incentives should be discouraged and efforts should be stepped up to increase opportunities for older workers in the labour market, for instance, legislating partial retirement formulas.
- barriers and disincentives for **female labour force participation** by, inter alia, improving the provision of childcare facilities.
- **labour legislation**. To assess the costs attached to the formulation and termination of employment contracts, with a view to strike a proper balance between flexibility and social protection.

27. The key elements outlined above should be addressed in both the Broad Economic Policy Guidelines and the Employment Guidelines, while taking due account of other issues that arise in the context of the review of the Luxembourg Process.

### **3. The information and knowledge economy**

28. Further efforts should be put behind the **e-Europe initiative**. The development of the broadband network should be speeded up by further encouraging competition in local telecommunication networks.
29. **Research & Development and Innovation** is a key driver for the knowledge-based society. Efforts to promote R&D and innovation, business R&D in particular, need to be strengthened through an integrated strategy, including increased competition on product markets, better access to risk capital, a better protection of intellectual property rights, and improved networking and technology diffusion.
30. **New basic skills and teaching methods** to prepare the present school generation to the knowledge society have to be further developed.

### **4. Sustainable development**

31. Growth today must in no event jeopardise the growth possibilities of future generations. Economic, social and environmental considerations should all have a say in the economic policy design and coordination of Member States and the European Union. The Council strongly suggests the use of market instruments in the EU's Sustainable Development Strategy.
32. Following up on the Göteborg European Council conclusions, efforts should be made to get prices right so that they better reflect the true social costs of different activities.
33. To promote sustainability, policy needs to become more coherent. In this context it is essential that ex-ante impact assessments of policies are performed.
34. It is necessary to agree an appropriate framework for energy tax at European level, in parallel with progress in agreeing the realisation of the internal market for energy.

## EMPLOYMENT AND SOCIAL POLICY

(7 March 2002)

1. The Barcelona European Council will be the second spring summit developing the mandates established at the European Councils of Lisbon, Feira, Nice, Stockholm, Göteborg and Laeken to fulfil the European Union's strategic goal for the coming years: "to become 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".
2. The Barcelona European Council will also be charged with assessing progress in the application of the European Social Agenda approved at Nice.
3. The Employment and Social Policy Council on 7 March 2002 takes a very positive view of the achievements of the European Employment Strategy since it was launched in 1997, and the validity of that process has been confirmed both in times of economic expansion and in less favourable circumstances.
4. The Employment and Social Policy Council likewise views very positively the progress made in developing the open method of coordination for the purpose of ensuring the long-term sustainability of pension systems, with a view to final confirmation of the method by the Barcelona European Council.
5. The Presidency considers that the Council:
  - takes a very positive view of the Commission's Summary Report and confirms that it is necessary to strengthen the equilibrium, coherence, **coordination and synchronisation between the social and economic dimensions** in the Lisbon Strategy framework, through the instruments used in each of those dimensions, along the lines put forward by the Employment and Social Protection Committees in their Opinions.

This coordination should apply particularly in the Broad Economic Policy Guidelines process and the European Employment Strategy process, with a view to improving coherence between the two processes. To this end, it will be necessary to synchronise timetables, whilst maintaining the independence of each process, and for the spring European Council to direct each of these in a coherent and balanced manner. The European Council will therefore establish the political priorities that should be followed by the various Council configurations.

The Council is agreed that in the case of the European Employment Strategy it is not necessary to establish objectives other than those set out in a general way at Lisbon and that therefore the new European Employment Strategy will have to be implemented until 2010, with an intermediate assessment in 2006. The process needs simplification, but not watering down, and in particular it needs fewer employment guidelines. Taking account of the results of the current assessment, the new Strategy will incorporate all the positive aspects of the Luxembourg process which have made it possible for all Member States to progress in establishing joint policies and objectives, while taking account of their specific characteristics.

- Holds that **full employment** is the essential goal of economic and social policies, which requires the creation of more and better jobs. It is therefore necessary to continue paying particular attention to the reforms of employment and labour market policies. In this context, it is essential to eliminate barriers to entry into the labour market and to promote active employment policies, maintaining a preventive approach and individualised attention to the unemployed to prevent them from falling into long-term unemployment and to improve their employability.

Emphasises that to achieve the objectives set in Lisbon, the European Employment Strategy will have to pay special attention to the challenges facing the EU in the long term, especially the challenges of ageing. The European Employment Strategy should enable everybody to have an opportunity to take part in working life. At the same time, it will have to contribute to creating a dynamic and effective labour market in which motivated and trained workers can have high-quality and high-productivity jobs. Thus, the Strategy will have to give adequate consideration both to policies which improve both the supply and demand of work.

It is therefore necessary to make progress with the modernisation and reform of the labour market, to strengthen our social protection systems so that they both afford those in need with such protection and provide initiatives for participation in working life, to support lifelong learning in order to secure a knowledge-based society and to promote policies which stimulate, rather than impede, job creation by entrepreneurs.

- Stresses the importance of job **quality**. Quality, which must not create new red tape in the labour market, will make possible higher employment levels. The objective of creating better jobs thus complements and reinforces that of creating more jobs.
- Emphasises the need to strengthen the role of the **social partners** in modernising the organisation of work, improving its **quality**, vocational training and access to and durability of employment. The social partners share responsibility for finding a balance between flexibility and security in employment and making it possible for enterprises to be adaptable. They must above all play the principal role in anticipating and managing change and achieving the balance which will safeguard the way enterprises operate as well as the interests of workers. The setting up of the Social Summit constitutes an essential step forward in achieving this objective. The contributions made by the social partners in this forum will undoubtedly prove a highly valuable instrument for further exploring appropriate ways of strengthening their participation in the EES.

Reaffirms the need to strengthen social integration and the **fight against exclusion**, in line with the conclusions of the Nice European Council, since, notwithstanding the multidisciplinary nature of the phenomenon, the best instrument for inclusion is employment, so that it is essential that employment services and social services work together in such a way that both mechanisms improve the employability of the socially excluded. Employment is always preferable to unemployment, but it must meet certain minimum conditions and offer opportunities for progress in work.

Emphasises the importance of the Community Strategy for combating exclusion and of the adoption by the Member States of National Plans. Similarly urges the Employment and Social Protection Committees to continue working towards the adoption of specific objectives to reduce social exclusion, taking account of the indicators adopted at Laeken and the multi-faceted nature of the phenomenon of exclusion.

- Likewise confirms the importance of implementing the Social Protection strategy as regards the quality and viability of **pensions**, which supports the reform of pension systems, in the framework of the **open method of coordination**, with the aim of safeguarding the capacity of systems to fulfil their social objectives, ensuring financial sustainability, and adapting their capacity to meet the new needs of society. To fulfil these objectives, it considers the **common objectives** and the **working method** developed with a view to their confirmation by the **European Council in Barcelona** to be very valuable and useful.
  - It draws attention to the need to continue to work for **equality between men and women** by developing measures to make it easier for women to enter and remain in the labour market, and by avoiding discrimination. In this context, it is important to increase the number of measures directed at reconciling family life and working life, particularly through the creation of services caring for children and other dependents. It also supports the need to establish an integrated and multi-disciplinary approach in order to eradicate all forms of violence against women with the cooperation of all the policy sectors involved.
6. The Presidency notes that the Council welcomes the progress achieved in developing the **Social Policy Agenda**, and stresses the importance of the initiatives set up in the past twelve months.
  7. The Presidency notes that the Council welcomes the content of the **Action Plan on Mobility and Skills** and is agreed on the importance of the three challenges of the Plan: (a) to improve job mobility; (b) to promote geographical mobility; and (c) to establish adequate channels of information on work and training opportunities in the EU. To this end, it stresses the need to develop and recognise qualifications and skills, including those acquired informally, invest in human resources, pursue efforts to ensure lifelong learning and modernise Public Employment Services, particularly the EURES network.
  8. The Presidency shares the Council's interest in the importance of lifelong learning in helping people enter and remain in the labour market and progress in their working lives, in particular the role which training systems provided in a genuine working environment can play to that end.



9. The Presidency observes that the Council stresses the need to increase **participation in the labour market for all and to encourage older workers to stay active voluntarily** in response to the challenge of ageing. The social partners must play an essential role in determining the necessary policies. At the same time, it stresses that early retirement must cease to be the immediate response to the problems of restructuring enterprises. Opportunities must be given to older workers to keep their jobs, since flexible work organisation formulas (part time and teleworking among others) and the guarantee of lifelong learning are tools that can help make those opportunities a reality.

Likewise, it confirms that the Council is adopting the joint report by the Commission and the Council on "increasing labour-force participation and promoting active ageing".

10. As an essential complement to the above-mentioned employment measures, the Presidency stresses the importance of reforms to Member States' pension systems with a view to **creating a gradual and flexible approach to retirement**, encouraging a voluntary raising of the true retirement age in keeping with the reality of longer life expectancy, facilitating a gradual transition from full activity to retirement and promoting the active participation of older people in public, social and cultural life so as to achieve the objective of **active ageing**.
11. The Presidency emphasises the importance of the agreement achieved in the conciliation process in relation to the Decision on **incentive measures in the field of employment** for the future development of the European Employment Strategy in the Lisbon framework, and stresses the will of the institutions to make information on the Strategy's results more transparent and accessible to the citizens of Europe and to those groups most concerned, with particular attention to its regional and local dimensions.
12. The Presidency notes that the Council endorses the joint Report by the Social Protection Committee and the Economic Policy Committee on the principles on health care and care for the elderly, so that everyone can be guaranteed access to quality health care, the transparency and quality of health care systems is improved, and the reform process that has begun continues, with the aim of making the rate of cost increases compatible with improvement in the quality of public finance, thus making it possible to ensure that health care is adequately funded, with the necessary cooperation and participation of all actors involved.

To this end, the Council is agreed on the need to initiate and to develop cooperation between the Member States over 2002 and 2003, on areas in which to exchange best practices and information, once they are identified, and to discuss common challenges at European level, which could lead to the creation of added value in achieving the objectives of the Lisbon Strategy.

# **INTERNAL MARKET, CONSUMER AFFAIRS AND TOURISM**

*1 March 2002*

In the context of the new strategic goal for the European Union defined by the Lisbon European Council and as the contribution of the Internal Market, Consumer Affairs and Tourism Council to the forthcoming Barcelona European Council;

welcoming the progress which has already been achieved with economic reforms in terms of market opening and lower prices for consumers whilst preserving the universal service and quality dimensions of services of general interest;

noting, however, that in the present economic conditions it is important to give a new impetus to product market reforms, particularly in those areas where progress has been slow, building on the stability resulting from the successful introduction of the euro, in order to achieve the objectives set out by the Lisbon European Council;

emphasising the need to strengthen the confidence of business and consumers in markets, goods and services;

recalling that the proper functioning of the internal market needs to contribute to the objectives set out in the Treaty of promoting the overall harmonious and sustainable development of the Community and of strengthening the horizontal integration of economic, social and territorial cohesion;

stressing the importance of well-functioning markets in view of the approaching enlargement of the European Union;

recalling its contribution to the Göteborg European Council regarding a strategy for the integration of sustainable development and environmental protection into internal market policies <sup>1</sup>;

---

<sup>1</sup> 8970/01 MI 82 ENV 237.

recalling the internal market aspects included in the 2001 Broad Economic Policy Guidelines;

with reference to the forthcoming review and update of the Commission's Strategy for the internal market;

drawing on the analysis of the annual reports of the Member States and the Commission on the functioning of product and capital markets within the framework of the Cardiff process;

developing its contribution of 31 January 2002 on key issues for the 2002 Broad Economic Policy Guidelines in the area of the internal market <sup>1</sup>, and considering the relevant aspects of the internal market issues included in the Commission's Communication to the Spring European Council in Barcelona "The Lisbon strategy – Making change happen" <sup>2</sup>;

THE COUNCIL HAS ADOPTED THE FOLLOWING CONCLUSIONS:

**Creating optimum conditions for business**

1. The Internal Market, Consumer Affairs and Tourism Council stresses the need to take decisive action to deliver the reform agenda agreed upon by successive European Councils in order to further improve the internal market as a dynamic environment for business.
2. Member States should pursue their efforts to reduce the overall level of **State aid**, in particular ad hoc aid, and redirect it towards horizontal objectives of common interest including economic and social cohesion. To this end, the Commission is encouraged to continue to provide regular information through the State Aids Register and Scoreboard.
3. Modernisation of the **competition rules** should be actively pursued with a view to approval by the Council of the proposal to that effect by the end of this year. Competition rules need to be applied coherently by the Commission and by effective, independent national competition authorities.

---

<sup>1</sup> 5753/02 MI 12 ECOFIN 37.

<sup>2</sup> COM (2002) 14 – 5654/02.

4. Efforts should be intensified with a view to rapid adoption by the Council and the European Parliament of the **public procurement** legislative package. The Council particularly encourages the Commission to pursue work to facilitate SME access to procurement markets.
5. In the light of the high priority which the Council and the Commission attach **to simplifying and improving the regulatory environment**, and taking into account the conclusions of the Laeken European Council, the Council urges the Commission to present its action plan as early as possible in the first half of 2002, taking into account in particular the report of the Mandelkern Group <sup>1</sup>. The Community and the Member States should step up current efforts to simplify and modernise legislation and administrative procedures having an effect on business and consumers at Community, national and regional levels. In addition, legislative acts at both Community and national level should be preceded by a regulatory impact assessment.
6. The elimination of remaining **technical barriers to trade** in the internal market should be pursued more vigorously. A specific scoreboard should be developed which clearly identifies technical barriers still in place and those Member States in which they remain, as well as progress in standardisation work.

With regard to **standardisation**, the Council has adopted separate conclusions on 1 March 2002, bearing in mind the strategic importance of standardisation to the implementation of different Community policies and the need to give urgent consideration to the follow-up to the Commission's report of September 2001 <sup>2</sup>. Particular priority should be given in this context by standards bodies to setting targets with a view to improving their efficiency and to developing a graduated system of new products.

The Commission is invited to present as soon as possible a report on the implementation of the Council Resolution of 28 October 1999 on **mutual recognition** <sup>3</sup> and to reflect on determining those areas in which mutual recognition is more appropriate and those in which harmonisation is more appropriate.

---

<sup>1</sup> 14564/01 MI 195 POLGEN 33.

<sup>2</sup> COM(2001) 527 – 12172/01 MI 139 ECO 255 + COR 1.

<sup>3</sup> OJ C 141, 19.5.2000, p. 5.

7. The Council awaits the report which the Commission will present on the issue of the exhaustion of trade mark rights in response to the European Parliament's Resolution of 5 October 2001.
8. Improving the internal market in **services** is a crucial strategic challenge for the Community. Competition should be reinforced in services sectors, supported by the removal of barriers to cross-border trade and market entry. To this end, the Council urges the Commission to present as soon as possible its promised follow-up to its Communication on an Internal Market Strategy for Services<sup>1</sup> and calls upon Member States to cooperate with the Commission to this end.
9. Further efforts are needed to remove barriers to the **right of establishment** of natural and legal persons and to the **cross-border provision of professional and technical services**. Measures should also be taken to promote improved mobility within the Union. To this end, priority should be given to the proposal for a Directive on the mutual recognition of academic and professional qualifications, which the Commission is expected to present shortly.
10. Full implementation of all internal market legislation is a legal obligation on all Member States and a prerequisite for the proper functioning of the internal market. Although progress has been made towards this goal in recent years, Member States should reinforce their commitment to the complete and timely **transposition of internal market legislation** and to an accelerated reduction of transposition deficits in accordance with the interim transposition target of 98,5% by the time of the Barcelona European Council, as established by Stockholm.

In assessing the results achieved, the Barcelona European Council should consider what further measures need to be taken. The Commission is also invited to pursue vigorously its efforts as the guarantor of correct **application** and effective **enforcement** of Community legislation, including through prompt and effective pursuit of infringement.

---

<sup>1</sup> COM(2000) 888 – 5224/01 MI 3.

## **Building confidence in markets, goods and services**

11. Business and consumer confidence in goods and services and the functioning of markets is an essential prerequisite for the development of business in the internal market. **Consumer confidence in cross-border trade**, including **e-commerce**, will be enhanced by open and accessible markets and should be fostered by strengthening consumer protection, by easier access to information and to appropriate judicial and other redress mechanisms, by ensuring a **high level of quality and safety of goods and services**, and by regular **monitoring of price developments**.
12. Priority should be given to effective follow-up to **the Commission's Green Paper on Consumer Protection** <sup>1</sup>.

Work should be continued on the proposal for a Regulation on sales promotion <sup>2</sup>.

13. With regard to the improvement of the present **problem-solving mechanisms** in order to strengthen confidence of business and consumers in the internal market, the Council has adopted separate conclusions on 1 March 2002 on the "SOLVIT" initiative <sup>3</sup>.
14. Priority should be given to full and timely implementation of the **Action Plan for Financial Services**. The introduction of the euro is an additional reason why it is essential to reduce the cost of and time taken to make cross-border commercial transactions for consumers and businesses. In this context, implementation of the Regulation of the European Parliament and of the Council of 19 December 2001 on cross-border payments in euro <sup>4</sup>, the final adoption of the Directive on the distance marketing of financial services <sup>5</sup> and increasing security in the use of new means of payment are of particular importance.
15. The Council awaits with great interest the Commission's forthcoming proposal on take-over bids.

---

<sup>1</sup> COM(2001) 531 – 12613/01 CONSOM 81 MI 143 ENV 477.

<sup>2</sup> COM(2001) 546 – 12614/01 MI 144 CONSOM 82 CODEC 993.

<sup>3</sup> COM(2001) 702 – MI 193 ECO 363; OJ L 331, 15.12.2001, p. 79.

<sup>4</sup> OJ L 344, 28.12.2001, p. 13.

<sup>5</sup> Council's common position in 12425/1/01 REV 1 CONSOM 79 ECOFIN 257 CODEC 965.

## Utilities and network industries

16. While progress is being made on the **opening to competition of utilities and network industries**, a renewed commitment is called for to implement the reforms agreed at Lisbon in order for the internal market to perform more effectively in key sectors, taking due account of the Council Conclusions on services of general interest adopted on 26 November 2001 <sup>1</sup>.
17. Priority should be given to reaching agreement on the basis of the proposals relating to the opening and further development of **energy markets**, taking into account the requirement to satisfy user needs and the need for transparency in the market through appropriate regulatory instruments with a view to implementing the objective of market-opening in these sectors.
18. Recalling the importance of the accession of the Community to Eurocontrol, work should be pursued actively on the **Single Sky initiatives** which aim at the creation of a Single European Sky by 2004.
19. In accordance with the Conclusions of the Stockholm and Laeken European Councils and following the first horizontal assessment of the market performance **of network industries providing services of general interest** presented by the Commission in the framework of the Cardiff process <sup>2</sup>, the Commission is invited to present further assessments.
20. Action should be taken to ensure effective **interconnection and interoperability**, particularly in the sectors where deficits are identified such as transport and energy. In this context, work on the Commission's proposal on **TENs**, including their financing, should be intensified.

---

<sup>1</sup> 14866/01 MI 200 ECO 372 CONSOM 111.

<sup>2</sup> SEC(2001) 1998 – 15192/01 UEM 86 ECOFIN 397 MI 209 ADD 2.



## Innovation policy

21. Particular emphasis should be placed on **improving access of business, and in particular SMEs, to information and communication technologies** in order to enable them to take full advantage of the opportunities these technologies offer. Recalling the Stockholm European Council Conclusions, the Sixth Research Framework Programme should therefore make full use of the new instruments, among others, for promoting networks of excellence, integrated projects and the joint implementation of national programmes within its focused set of priorities, taking into account inter alia the need to reinforce cohesion and small and medium-sized enterprises.
22. Efforts should continue to **promote innovation, research and development, and entrepreneurship by SMEs in particular** and to improve their access to venture capital, including for business start-ups in high-tech sectors, through timely implementation of the Risk Capital Action Plan. An environment favourable to private sector investment in research and development should be encouraged.
23. Taking into account the Conclusions of several European Councils, work should be continued on the Community patent and utility model. As stated by the Laeken European Council, the **Community patent** should be a flexible instrument involving the least possible cost while complying with the principle of non-discrimination between Member States' undertakings and ensuring a high level of quality.
24. Efforts should also continue to provide a coherent and effective framework for **new technologies**. This will enable Community businesses to exploit the full potential of biotechnology, which is a key sector, while taking due account of the precautionary principle, respecting fundamental values and meeting ethical and social concerns. In this context, the Council welcomes the Commission's recent communication on life sciences and biotechnology.

Further attention should be paid to the contribution that new technologies can make to employment, competitiveness and growth in the Union.

**Review of the methods used in the context of the Cardiff economic reform process**

25. The Council invites the Permanent Representatives Committee to conduct a thorough review of the methods used so far with regard to the internal market aspects of the annual Cardiff exercise and to report to it by September 2002 at the latest.

# **ENVIRONMENT**

*4 March 2002*

## **SUSTAINABLE DEVELOPMENT STRATEGY**

### **I. Global dimension: preparation of the World Summit on Sustainable Development**

(Johannesburg, 26 August – 4 September 2002)

#### **THE COUNCIL OF THE EUROPEAN UNION**

1. REAFFIRMS that sustainable development requires global solutions that integrate the economic, social and environmental dimensions in a balanced way; RECOGNISES that sound policies, democratic institutions, the rule of law and the respect for human rights are preconditions to achieving sustainable development and RECALLS the agreement adopted at the European Council in Göteborg on the development of the European Strategy for Sustainable Development;
2. UNDERLINES the links between and the complementarity of the internal and external dimension of the sustainable development strategy, the commitments to intensify efforts to further increase these interlinkages and REAFFIRMS the need to fully implement the internal dimension agreed in Göteborg as a means to contribute to tackling environmental global problems, taking into account the effects of EU policies on the rest of the world;
3. REAFFIRMS that the EU should play a major role in global efforts to achieve sustainable development at all levels;
4. REITERATES the EU's intention to promote an action-oriented outcome of the World Summit for Sustainable Development and an effective implementation of its results, building on Agenda 21 and, inter alia, on the Doha Development Agenda, on the Monterrey Financing for Development Conference and the internationally agreed development goals and targets, in particular those contained in the Millennium Declaration.

The EU looks forward to an outcome of the World Summit on Sustainable Development (WSSD) which contains both global political commitments to sustainable development and partnerships between governments, civil society and the private sector;

5. REAFFIRMS the Göteborg commitment to reach the UN target for official development assistance of 0.7% of GDP as soon as possible and to achieve concrete progress towards reaching this target before the World Summit on Sustainable Development in Johannesburg in 2002 and the Council's undertaking to examine the means and the timeframe for each Member State's achievement of the UN official development aid target of 0,7% of GDP and its commitment to continuing its efforts to improve development cooperation instruments, particularly in the countries affected by crisis or conflict;
6. RECALLS that sustainable development is a primary objective in both our domestic and external policies. Integration of the sustainable dimension in bilateral and multilateral cooperation agreements concluded by the European Union, among others with its neighbouring countries of the Mediterranean region and of Eastern and Central Europe, should be pursued further;
7. STRESSES that for the EU the main challenges in relation to the global dimension of sustainable development are the following:
  - 1) Poverty eradication and promoting social development as well as health,
  - 2) Making globalisation work for sustainable development,
  - 3) Sustainable patterns of production and consumption,
  - 4) Conservation and sustainable management of natural and environmental resources,
  - 5) Strengthening governance for sustainable development at all levels, in particular international environmental governance, including public participation,
  - 6) Means of implementation, including capacity building and technology cooperation;
8. TAKES NOTE of the UN Secretary General's assessment that, while some progress towards sustainable development has been made since the United Nations Conference on Environment and Development (UNCED), progress has been uneven. Sustainable development policies and programmes at all levels have in many respects fallen short of simultaneously serving economic, social and environmental objectives;

9. WELCOMES the submission of the Commission's communication "Towards a Global Partnership for Sustainable Development", which contributes to developing the EU Strategy for Sustainable Development by addressing the Union's contribution to sustainable development at a global level and proposes strategic components for a "Global Deal" at the Johannesburg World Summit. These issues and other contributions of the EU, together with the consideration of sustainable development at the Barcelona European Council in March 2002, on the basis of the Göteborg conclusions, will help prepare the EU's overall approach to sustainable development. The Commission's communication and further EU preparations for WSSD will be addressed in relevant Council formations and conclusions on the global dimension will be submitted to the Sevilla European Council;
10. CONSIDERS that integration and coherence of internal and external policies are indispensable to ensure that the EU's economic, social and environmental objectives are mutually supportive and that the EU effectively contributes to sustainable development at all levels. To this end, and in accordance with the conclusions of the Göteborg European Council, a sustainability impact assessment should be carried out for all major internal and external policy proposals, analysing their economic, social and environmental consequences. Also, the process of adapting key EU policies should be continued;
11. WELCOMES the outcome of PrepCom II in New York, which will serve as a useful starting point for negotiations during PrepCom III. Future work should focus on a coherent and targeted set of priorities, on a balance between the interests of different groups and regions, and on the integration of all three dimensions of sustainable development in each of the issues addressed;
12. STRESSES that the European Union is committed to promoting good governance, including public participation, at all levels. With regard to the environmental dimension, the outcome of the third meeting of UNEP's Governing Council/Global Ministerial Environment Forum (GMEF) in Cartagena (Colombia) should be considered as a useful contribution to the process of international governance in the field of sustainable development. Enhancing UNEP's contribution to WSSD and its follow-up is important in this context;

13. **UNDERLINES** that developed countries, in particular, have responsibilities to assume in order to live up to present and future sustainable development challenges and to assist developing countries in their efforts to achieve sustainable development. At the same time, developing countries' internal policies and an effective contribution of international institutions are vital in this context.

In the run-up to Johannesburg and beyond, the EU commitment to sustainable development will require that important actions be taken, such as inter alia:

- promoting sustainable consumption and production patterns by decoupling economic growth from environmental degradation, taking into account the carrying capacities of ecosystems. This will require an adequate policy framework promoting eco-efficiency as well as capacity building,
- integrating developing countries into the world economic system notably through the implementation of the Doha Development Agenda, and helping to ensure that trade policies and investment flows contribute to sustainable development. Environmentally and socially responsible investments and business practices should be promoted. Sustainable foreign direct investments (FDI) in developing countries and export credits consistent with sustainable development should be encouraged,
- promoting partnerships for sustainable development with international organisations, governments, civil society, private sector and other stakeholders. European non governmental actors, business organisations and public, including local, authorities should be encouraged to contribute to the emergence of such partnerships by sharing their own experiences and promoting joint action with their counterparts in other regions,

- in particular, launching, among others, EU initiatives on: 1) a strategic partnership with the participation of governments and other stakeholders for access to safe drinking water and sanitation and sustainable water resource management based on the principle of integrated river basin management; 2) energy for poverty eradication and sustainable development, with particular emphasis on access to sustainable sources of energy, improved energy efficiency, clean technologies and renewable energy ; 3) ways of giving special attention to Africa, including through the support of its own initiatives such as NEPAD, 4) early ratification of several international instruments (in particular on climate, biosafety, POPs and PIC);

14. CONSIDERS that the implementation of the global dimension should be regularly addressed as an integral part of the EU overall package regarding its Sustainable Development Strategy at the spring meetings of the European Council. The outcome of and the follow-up to the Johannesburg Summit should be specifically considered in due course.

## **II. Environmental dimension**

### **INTRODUCTION**

RECALLING that, in accordance with the strategy for sustainable development adopted at the Gothenburg European Council, the Spring European Councils will review the progress achieved in the implementation of this strategy and give further policy guidance to promote sustainable development; that the Barcelona European Council will start this new policy approach on the basis of a balanced and coordinated analysis of the three dimensions of the strategy (social, economic and environmental) when defining, reviewing, assessing and monitoring the strategic policy orientations of the European Union;

15. STRESSES that continuous action is necessary to progress towards sustainable development and, to this end, UNDERLINES the need to fully implement the Sustainable Development Strategy and its environmental priorities, inter alia through the actions and measures adopted in the Conclusions of the Council of 3 December \* and 12 December 2001 \*\*, as well as to give further guidance in some priority areas for the coming months;

#### **EXTERNAL AND GLOBAL DIMENSION: COMPLETION OF AN OVERALL PACKAGE ON SUSTAINABLE DEVELOPMENT**

16. RECALLING that, pursuant to the Strategy for Sustainable Development, the "road map" submitted by the Council (General Affairs) indicates the importance of adopting an overall package on sustainable development including the internal dimension adopted at Göteborg which will be complemented by the external and global dimension, to be submitted in time as the concrete EU contribution for the preparation of the World Summit on Sustainable Development (August/September 2002);
17. REAFFIRMS the links and the complementarity between the internal and the external dimension with a view to effectively tackling sustainable development at all levels in accordance with the principles of the 1992 declaration of Rio de Janeiro on Environment and Development;

#### **INTEGRATION OF ENVIRONMENTAL CONCERNS INTO SECTORAL POLICIES**

18. REAFFIRMS the importance of continuing and intensifying the process of integrating environmental concerns into sectoral policies as one of the main and complementary processes to achieve sustainable development along with the Strategy for Sustainable Development and the 6th Environment Action Programme; WELCOMES the intention of the Council (ECOFIN and General Affairs) to adopt strategies for the integration of environmental concerns on 5 and 11 March 2002 respectively, as well as the contribution of the Council to the Barcelona European Council on the integration of environmental concerns into the fisheries policy in which a calendar is set up for the adoption of its strategy and provisional indicators before the end of 2002;

---

\* 14589/01 – Environment-related headline indicators for sustainable development.

\*\* 15280/01 – EU strategy for sustainable development: follow-up of the environment-related aspects of the European Council of Gothenburg.



19. **UNDERLINES** the important role of the European Council to establish, to follow-up, and to promote political guidelines for this integration process and **RECALLS** the need to implement immediately and effectively the agreed strategies and to regularly evaluate, follow-up and monitor their implementation in accordance with the deadlines established in those strategies; for this purpose it is considered necessary to further develop indicators which will make it possible to analyse objectively the application of these strategies, as well as to introduce short, medium and long-term objectives and operational timetables;
20. **CONSIDERS** Directive 2001/42 on the assessment of the effects of certain plans and programmes on the environment as one important instrument for the effective achievement of the integration of environmental concerns into other sectors;

## **SYNTHESIS REPORT**

21. **TAKES NOTE** of the Commission report "The Lisbon strategy – making change happen"; Following the guidelines as defined in Gothenburg, **SHARES** the view of the Commission on the need to step from strategy to implementation; **CONSIDERS** that this report does not sufficiently take account of the environmental dimension and **STRESSES** the need for the next edition of this Report to reflect environmental issues in a wider and more extensive manner, in order to establish a new approach to policy making where the three dimensions of Sustainable Development are treated in a more balanced way with a view to their progressive integration and in accordance with the "road map";
22. **REAFFIRMS** the need for sustainability impact assessment as specified in the Göteborg European Council conclusions which should address the major internal and external policies of the EU and **WELCOMES** the intention expressed by the Commission in its communication on simplifying and improving the regulatory environment, submitted in December 2001, as well as in the synthesis report, to come forward with a sustainability impact assessment system to be in place before the end of 2002, and **CALLS ON** the Commission to put this system in place as soon as possible, thereby taking into account the analysis of the three dimensions of Sustainable Development in a balanced way, as well as the relevant provisions of the 6th environmental action programme;

23. STRESSES the benefit of developing and using more resource efficient and environmentally friendly technologies in a knowledge-based economy in order to generate growth and employment and moving towards sustainable consumption and production patterns and to promote de-coupling of economic growth and use of resources;
24. WELCOMES the intention of the European Commission, as expressed in the synthesis report, following the forthcoming report on environmental technologies, to develop an action plan for tackling obstacles to their take-up;
25. RECALLING that the Göteborg European Council added an environmental dimension to the Lisbon Strategy, CONSIDERS that the EU should become a highly eco-efficient economy and use energy and natural resources in a way that respects the carrying capacity of the environment and therefore stresses the importance of Barcelona's contribution to the delivery of the Sustainable Development Strategy as developed at Göteborg;
26. CALLS upon the Commission to establish a strategy to raise awareness of all actors in relation to environment and sustainable development, including dissemination of the EU strategy in this field;

## **INDICATORS**

27. CONSIDERING that in order to determine the main environmental indicators connected with the Strategy for Sustainable Development, the Council has adopted a list of environment-related headline indicators, which the Commission has included in its synthesis report, and has recommended that a work programme be drawn up for the further development of the open-ended list of indicators, STRESSES the importance of ensuring the coordination between different processes related to the establishment of indicators;
28. REGRETS that the Commission is not in a position to deliver the report on the availability of data and methodologies for the development of new indicators for sustainable development and the work plan proposal requested from the Commission by the Council in its December conclusions; takes note that these will be issued by the Commission in time for the Council (Environment) in October 2002;

29. Recalling the priorities established by the Council \*, CALLS ON the Commission, including EUROSTAT, and on the European Environment Agency and the Member States, to develop the relevant indicators in relation to public health, particularly chemicals, and to sustainable management of natural resources, particularly water, aquatic and land biodiversity and use of resources, so as to enable the Council to adopt in autumn the appropriate set of indicators which are to be taken into account for the future synthesis reports starting from 2003, as well as for the monitoring and evaluation of sustainable development;
30. CALLS UPON the European Council to support improving the balance between the environmental, social and economic indicators to reflect an appropriate balance between the three dimensions of sustainable development;

## **FUTURE GUIDELINES**

### **Sustainable Development Strategies**

31. RECOMMENDS that Member States promote, strengthen and complement the EU Sustainable Development Strategy through the implementation of national sustainable development strategies at the appropriate levels and to encourage local Agenda 21 processes; RECALLS that the European Council and the Council called upon the Member States to draw up their Strategies for Sustainable Development in the framework of wide and appropriate national consultative processes, broad social consensus and to include evaluation and follow-up procedures involving the use of indicators, and ENCOURAGES Member States to complete that work prior to the World Summit on Sustainable Development, ensuring consistency between the EU and Member States level in this respect;
32. EMPHASISES the importance of taking account of sustainability concerns in land use planning policies and spatial and urban planning within national, regional and/or local sustainability strategies;

---

\* See 14589/01.

## **Climate change**

33. WELCOMES the decision taken on the ratification of the Kyoto Protocol on behalf of the European Community, and URGES the Member States to complete their national ratification procedures by June 2002 (so as to enable the Protocol to enter into force before the World Summit on Sustainable Development – August/September 2002);
34. Recalls its conclusions on climate change from 12 December 2001 and URGES the Commission and the Member States to continue examining possible additional common and coordinated policies and measures, striving to reduce greenhouse gas emissions, to those proposed in the first phase of the European Climate Change Programme and to achieve substantial progress on other pending proposals aiming at ensuring compliance with the quantified emission limitation or reduction commitment agreed in accordance with the Kyoto Protocol in order to allow for their timely implementation;
35. CALLS upon the Commission and the Member States to continue to take forward the implementation of Community initiatives contained in the action plan on energy efficiency and of strategies for renewable energy sources;

## **Future priorities in implementing the Sustainable Development Strategy**

36. RECALLS the need, as mentioned in Gothenburg, of decoupling economic growth from transport growth, in particular by a shift from road to rail, water, and public passenger transport as well as source-related measures and clean technologies;
37. CONSIDERS important to study the potential for further progress towards sustainable development, in particular by identifying relevant barriers that may hamper the decoupling of economic growth from resource use;
38. In line with the objective established in the Sustainable Development Strategy of halting biodiversity decline by 2010, and taking account of the 6th Environmental Action Programme as well as of the Convention on Biological Diversity, CONSIDERS that progress on the following issues is a priority:

- Full integration of biodiversity protection and conservation considerations in all relevant sectors and activities, and implementation of the Community biodiversity action plans in the areas of Conservation of Natural Resources, Agriculture, Fisheries and Development and Economic Cooperation, ensuring complementarity between the Community Action Plans and national measures;
- Encouraging the actions necessary to effectively implement the Community policy on biodiversity, including the Community Biodiversity Strategy, particularly through the definitive development of the Natura 2000 network, and the implementation of the necessary technical and financial instruments and measures required for its full implementation and for the protection, outside the Natura 2000 areas, of species protected under the Habitats and Birds Directives;
- Providing measures for promoting access to and fair and equitable sharing the benefits arising from the use of genetic resources and traditional knowledge;
- Developing the necessary additional measures, such as the prevention, control and eradication of invasive alien species which can cause serious damage to biological diversity;
- Adopting and implementing measures to maintain biodiversity in forests and other important ecosystems by establishing international ecological networks;

39. CALLS UPON the Commission to present swiftly its proposal for the ratification of the Biosafety Protocol of Cartagena on behalf of the European Community and URGES the Member States which have not yet done so to complete their national ratification procedures, in order to allow both the Community and the Member States to ratify the Protocol before the World Summit on Sustainable Development (August/September 2002);

40. Considering the importance of taking action at Community level to protect soil resources, the COMMISSION is INVITED to present a communication on the integrated protection of soil quality as the basis for a future Community strategy on soil protection as soon as possible;

41. URGES the Commission to present its White Paper on Integrated Product Policy, the thematic strategy on the sustainable use of resources and the thematic strategy on waste recycling;
42. CONSIDERS important to promote the use of fiscal measures, including a timely and appropriate Community framework for energy taxation, to encourage a switch to more efficient energy use, cleaner energy and transport and to encourage technological innovation;
43. RECALLS the importance it attaches to the priorities identified in the 6<sup>th</sup> Action Programme and the timely development of all measures required;
44. Considering that it is important to promote a shift to more environmentally friendly means and modes of transport as a means of progressing towards sustainable mobility and taking into account regional and local differences within and between Member States and in Candidate Countries, priority should be given to initiatives which promote, where appropriate, infrastructure investment for public transport and for railways, inland waterways, short sea shipping, intermodal operations and effective interconnections in the common transport policy development measures for the period until 2010; TAKES note in this context of the recent presentation by the Commission of its White paper on transport policy;
45. Considering the importance of urban transport in relation to the environment and the quality of life in cities, and its major impact on global environmental aspects such as climate change, TAKES NOTE of the Commission's intention to present a Communication on urban transport policy;
46. INVITES the Commission to develop a strategic approach on the management of technological risks, while considering the social, economic and environmental challenges in relation with the issue of sustainable urban development;
47. Following the conclusions of the European Council in Nice (December 2000) on the precautionary principle, RECALLS the need to clarify arrangements for its application;

### **Candidate countries**

48. As the Commission's synthesis report will include the candidate countries as from 2003, CONSIDERS it important for the candidate countries to take the policies and objectives of the Community's strategic sustainable development policy into account in the period prior to accession, so that their situation is reflected in the synthesis report for 2003;

### **Fostering sustainability**

49. Considering that the achievement of the objectives of the EU Strategy for Sustainable Development in the long term requires periodic initiatives and reviews, and in order to contribute to the annual review to be carried out at the Spring European Council, the Council, in the light of the Commission's synthesis report, the development and implementation of the 6th Environment Action Programme, as well as of the environmental integration process and other appropriate contributions, AGREES to adopt yearly conclusions setting out guidelines on the environmental dimension of the sustainable development strategy for submission to the Spring European Council;
50. The Council notes the intention of the Commission to produce an annual environmental report which could contribute to the work of the Council (Environment) for the preparation phase of the Spring Summit.

**LIST OF SUPPORTING REPORTS/  
REPORTS FOR THE EUROPEAN COUNCIL**

- Communication from the Commission to the Spring European Council in Barcelona: "The Lisbon Strategy – Making Change Happen" (Synthesis report)  
[doc [5654/02](#) ]

*and*

- Commission Staff Working Paper: The Lisbon strategy – Making change happen  
[docs [5654/02 ADD 1 + REV 1 \(fr,de,en\) + ADD 2](#) ]
- Commission report on implementation of the Broad economic policy guidelines for 2001  
[docs [6641/02 + ADD1](#)]
- Commission communication: Review of the introduction of the Euro notes and coins  
[doc [7020/02](#)]
- Economic Policy Committee annual report on structural Reforms 2002  
[doc [6636/02](#)]
- Initial Council report on health care and care for the elderly  
[docs [6361/02 + COR 1 \(en\)](#)]
- Joint Report from the Commission and the Council: "Increasing labour-force participation and promoting active ageing"  
[doc [6707/02](#)]
- Detailed work programme on the follow-up of the objectives of education and training systems in Europe  
[doc [6365/02](#)]
- "Commission Action Plan for skills and mobility  
[doc [6299/02](#)]
- Communication from the Commission: "Making a European Area of Lifelong Learning a Reality  
[doc [14440/01](#)]
- Presidency conclusions on violence against women  
[doc [6994/02](#)]
- Council report on a strategy to integrate environment and sustainable development within economic policies  
[doc [6913/02](#)]



- Communication from the Commission: Scoreboard on implementing the social policy agenda  
[doc [6488/02](#)]
  - Commission Communication: "Life sciences and biotechnology – A strategy for Europe"  
[doc [6415/02](#)]
  - Presidency roadmap on the follow-up to the conclusions of the European Council in Göteborg on the EU Sustainable Development Strategy (SDS)  
[doc [6837/1/02 REV 1](#)]
  - Strategy on environmental integration in the external policies of the General Affairs Council  
[doc [6927/02](#)]
  - Contribution of the Council (Fisheries): Integration of environment and sustainable development in the Common Fisheries Policy  
[doc [6288/02](#)]
  - Draft report from the European Council to the European Parliament on the progress achieved by the European Union in 2001  
[doc [6802/02](#)]
-