

**EUROPEAN COUNCIL
STOCKHOLM**

**CONCLUSIONS
OF THE PRESIDENCY**

23 - 24 March 2001

1. The European Council met in Stockholm on 23 and 24 March for its first Annual Spring Meeting on economic and social questions. At the start of proceedings an exchange of views was conducted with the President of the European Parliament, Mrs. Nicole Fontaine, on the main topics for discussion.

PART I

I. THE STOCKHOLM PRIORITIES – FULL EMPLOYMENT IN A COMPETITIVE UNION

2. The Stockholm European Council focussed on how to modernise the European model and attain the Union's strategic goal for the next decade decided at Lisbon: *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*. There was full agreement that economic reform, employment and social policies are mutually reinforcing. Decisions taken must be implemented rapidly and new impetus given to areas where progress has been slow. The open method of coordination was highlighted as an important tool for progress, taking due account of the principles of subsidiarity and proportionality.
3. The Stockholm European Council:
 - addressed the demographic challenge of an ageing population of which people of working age constitute an ever smaller part;
 - discussed how to create more and better jobs, accelerate economic reform, modernise the European social model and harness new technologies;
 - issued strategic guidance for the Broad Economic Policy Guidelines in order to achieve sustained growth and stable macroeconomic conditions;
 - agreed to improve procedures so that the European Council's Spring meeting will become the focal point for an annual review of economic and social questions. In this context, the Göteborg European Council in June will take account in this review of the generally agreed objective of sustainability;
 - agreed to develop ways and means of actively involving the candidate countries in the goals and procedures of the Lisbon strategy.

II. THE GENERAL CONTEXT

The economic outlook

4. The Union's economic performance has improved considerably over recent years. In its fourth year of recovery, the Union enjoyed economic growth of about 3.5 per cent in 2000 and 2.5 million jobs were created. More than two-thirds of the jobs were taken up by women. Unemployment has fallen to its lowest level since 1991. This shows that reform efforts in the Union are paying off. Enlargement will create new opportunities for growth and employment, both in candidate countries and Member States.
5. The international economic environment has recently become less supportive. However, economic fundamentals in the Union remain sound. Price stability has been maintained and sound public finances have been restored. The Union is therefore in a position to rely more on its own strength. Determined implementation of reforms and a balanced macro-economic policy mix should make it possible to continue to achieve growth averaging around 3 per cent over the medium term. Achieving this is indispensable for meeting the employment targets set at Lisbon and the demographic challenges ahead. This is not a time for complacency.
6. In 282 days euro notes and coins will be introduced. The benefits of monetary union will be more visible – an important symbol for enhanced economic integration. The European Council urges governments, banks and businesses to finalise their preparations to ensure the best possible transition to the new currency.

The demographic challenge

7. The number of retired women and men will increase rapidly, while the share of working-age population will start to diminish by 2010. This will create substantial pressure on social welfare systems, in particular pensions, health care systems and care of the elderly. The Union and Member States are acting now by defining new approaches in policy areas set out below. The coming decade offers an opportunity to address the demographic challenge by raising employment rates, reducing public debt and adapting social protection systems, including pension systems.

III. MORE AND BETTER JOBS

Towards full employment

8. The Union and the Member States are fully committed to the goal of full employment and see it as an important way of meeting the challenge of the ageing population. The average EU-wide employment rate targets to be reached by 2010 mean that steady progress has to be made over the period. Increasing employment rates demands active employment policies as foreseen in the European Employment Strategy, implementation of which needs to be strengthened.
9. The European Council:
 - has agreed to set intermediate targets for employment rates across the Union as a whole for January 2005 of 67% overall and 57% for women and accordingly invites Member States to consider setting in their National Employment Plans intermediate employment targets taking due account of their particular national and regional circumstances;
 - has agreed to set an EU target for increasing the average EU employment rate among older women and men (55-64) to 50 % by 2010;
 - calls upon the Council and the Commission to report jointly, in time for the Spring European Council in 2002, on how to increase labour force participation and promote active ageing. The report should pay special attention to the need to reduce bottlenecks in the labour market and reduce the informal economy and disincentives in tax and benefit systems for men and women to take up jobs;
 - invites the Council and the Commission to develop indicators on the provision of care facilities for children and other dependants and on family benefit systems by 2002.

Education, training and skills

10. Improving basic skills, particularly IT and digital skills, is a top priority to make the Union the most competitive and dynamic knowledge-based economy in the world. This priority includes education policies and lifelong learning as well as overcoming the present shortfall in the recruitment of scientific and technical staff.

11. A knowledge-based economy necessitates a strong general education in order to further support labour mobility and lifelong learning. The Council and the Commission will present a report to the Spring European Council in 2002 containing a detailed work programme on the follow-up of the objectives of education and training systems, including an assessment of their achievement in the framework of the open method of coordination and in a worldwide perspective; special attention must be given to ways and means of encouraging young people, especially women, in scientific and technical studies as well as ensuring the long-term recruitment of qualified teachers in these fields.

Mobility of workers in new open European labour markets

12. The modernisation of labour markets and labour mobility need to be encouraged to allow greater adaptability to change by breaking down existing barriers.
13. To that end:
- the Recommendation on mobility of students, persons undergoing training, young volunteers, teachers and trainers should be adopted by June 2001, and Member States should implement in parallel the mobility action plan;
 - the Commission will work with national and local governments, employment services and other relevant actors, to assess before the end of the year the feasibility of establishing a one-stop European mobility information site, in particular by providing employment services with a Europe-wide database on jobs, curricula vitae and learning opportunities.
14. In addition an in-depth discussion will take place at the Laeken European Council in 2001 on immigration, migration and asylum within the framework of the Tampere follow up. In this connection, due attention should be given to the position of third country nationals legally residing in the Union.
15. The Commission will create a high-level task force on skills and mobility, drawing on expertise from business, education and the social partners, to examine the characteristics and barriers within the European labour market, paying special attention to the need for ICT skills. On this basis, the Commission intends to present for the 2002 Spring European Council an Action Plan for developing and opening up new European labour markets, as well as specific proposals for a more uniform, transparent and flexible regime of recognition of qualifications and periods of study, as well as on the portability of supplementary pensions, without prejudice to the coherence of Member States' tax systems.

IV. ACCELERATING ECONOMIC REFORM

Exploiting the potential of the internal market

16. Well-functioning markets are vital for increasing consumer benefits and creating an entrepreneurial environment. The success of earlier reforms, with falling costs and better choice and quality of products delivered, provides a strong incentive for further progress. The creation of an effectively functioning internal market in services is one of Europe's highest priorities. In this context it is important to ensure that the specific situation of services of general interest are duly taken into account in accordance with the guidelines identified in the declaration approved by the Nice European Council, such as universal service, safety, continuity and security of provision. The European Council invites the Council and the Commission to implement these guidelines. Moreover, this must go hand in hand with a framework for developing effective cross-border markets supported by adequate infrastructure capacity.
17. The European Council, taking account of all the above factors:
 - urges Member States to accord high priority to transposing internal market directives into national law, aiming at an interim transposition target of 98.5 % for the 2002 Spring Council;
 - welcomes the Commission's intention to present a proposal in 2002 tackling the barriers identified in the internal market for services on the basis of the ongoing evaluation of those barriers;
 - notes the Commission's proposals on gas and electricity and invites the Council to examine them as soon as possible. It endorses the objective of opening markets in these sectors, taking into account the requirement to satisfy user needs and the need for transparency in the market through appropriate regulatory instruments. The question of timetables for the electricity and gas markets will be considered in order to implement the objective of market-opening in these sectors as soon as possible. The Commission is asked to evaluate the situation in these sectors, in its report to the Spring European Council in 2002 in order to enable further steps to be taken. The Commission will ensure that the provisions of the Treaty and in particular Articles 85 and 86, will be fully observed and the implementation of those decisions could create no distortions of competition. On that basis, the Commission will also ensure that these enterprises which still benefit from a monopoly situation on their national market will not unduly benefit from that situation;
 - reaffirms its intention to create the Single European Sky and expects to make further progress on this issue in time for the Göteborg European Council in June;

- notes the Commission's intention to present by June 2001 a comprehensive proposal to revise the rules on airport slot allocations;
- takes note of the Commission's intention to present no later than December 2001 a second package of measures on the opening up of domestic rail freight and passenger markets;
- urges the Council, on the basis of work already undertaken to attain the objectives set out in the Lisbon conclusions, to agree a common position and, together with the European Parliament, adopt before the end of 2001 the directive on postal services;
- the Commission, in cooperation with all relevant bodies, will present a strategy for regulatory simplification and quality before the end of 2001.

Financial services and risk capital

18. Rapid implementation of the Financial Services Action Plan is of utmost importance. To achieve this, the legislative process must be speeded up. The regulation of securities markets needs to be sufficiently flexible to be able to respond to market developments, while recognising the need for transparency and legal certainty. In addition, investment and innovation need to be supported by an enhanced supply of risk capital.
19. The European Council:
 - approves the resolution on more effective securities market regulation (see Annex I) and considers that it constitutes a good platform for effective cooperation between the Commission, the Council and the European Parliament in this area;
 - asks for full implementation of the Financial Services Action Plan by 2005, with every effort made by all parties concerned to achieve an integrated securities market by the end of 2003 by giving priority to securities markets legislation provided for in the plan, including those steps endorsed in the report by the Committee of Wise Men on the Regulation of the European Securities Markets;
 - endorses the objective of a well functioning risk capital market by 2003 through implementation of the Risk Capital Action Plan.

Encouraging effective competition

20. The level of state aids in the European Union must be reduced and the system made more transparent.

21. To that effect:

- the Council and the European Parliament are invited to adopt procurement rules before the end of the year;
- Member States should demonstrate a downward trend in State aid in relation to GDP by 2003, taking into account the need to redirect aid toward horizontal objectives of common interest, including cohesion objectives;
- the Commission will ensure that a publicly accessible State aids register and Scoreboard are available on line by July 2001 and will clarify how state aid rules will be applied to measures designed to promote risk capital to improve the financial environment for SMEs.

Taxation issues

22. The European Council asks the Council to pursue its work in line with the Feira and Nice European Council conclusions to reach an agreement on the tax package as a whole as soon as possible, and no later than by the end of 2002, according to the parallel timetable for the various parts of the package.

Fostering entrepreneurship

23. Entrepreneurship is one of the pillars of the European employment strategy. National action plans as well as Union frameworks such as the multiannual programme for enterprise and entrepreneurship, the charter for small enterprises, micro credits, exchanges of best practices and benchmarking enterprise policy are important instruments helping to create a more favourable environment for business in Europe. Businesses and citizens need a regulatory environment which is clear, simple, effective and workable in a rapidly changing global marketplace. This means consultation on proposed regulation, assessment of the impact of regulations as well as the introduction of schemes for codification and recasting of European legislation and legislation review systems. The public sector should increase efficiency and reduce red tape in order to enhance the productive and innovative capacity of our economies, and i.e. reduce statistical requirements to the core questions of European policy making.
24. Member States and the Commission are requested to improve the quality, timeliness and availability of statistical information necessary for benchmarking in commonly agreed areas of crucial importance for enterprise policy. Moreover, the Commission is invited to reflect on the use of quantitative targets in enterprise policy.

V. MODERNISING THE EUROPEAN SOCIAL MODEL

25. A dynamic Union should consist of active welfare states. Well designed and functioning welfare systems should be seen as productive factors by offering security in change. This requires continuous modernisation of the European social model on the basis of the European Social Agenda adopted at Nice which constitutes a framework for social policies for the coming five years.

Improving quality in work

26. Regaining full employment not only involves focusing on more jobs, but also on better jobs. Increased efforts should be made to promote a good working environment for all including equal opportunities for the disabled, gender equality, good and flexible work organisation permitting better reconciliation of working and personal life, lifelong learning, health and safety at work, employee involvement and diversity in working life.
27. To that end:
- Member States and the Council, each within their respective competence, will define common approaches to maintaining and improving the quality of work which should be included as a general objective in the 2002 employment guidelines;
 - the Council together with the Commission will develop indicators on quality in work and will make quantitative indicators more accurate, to be presented in time for the Laeken European Council in 2001;
 - the Council, in codecision with the European Parliament, will complete work by the end of the year on updating existing legislation on implementing the principle of equal treatment of men and women as regards access to employment, vocational training and promotion and working conditions;
 - the Council together with the Commission will develop indicators to ensure that there are no discriminatory pay differentials between men and women.

Promoting social inclusion

28. The fight against social exclusion is of utmost importance for the Union. Paid employment for women and men offers the best safeguard against poverty and social exclusion. Those who are unable to work are, however, entitled to effective social protection and should be able to play an active part in society. Active labour market policies promote social inclusion, which combines the pursuit of social objectives with the sustainability of public finances.

Priority should be given by Member States to implementing National Action Plans on combating poverty and social exclusion in order to progress on the basis of the common objectives agreed in Nice, assessed by commonly agreed indicators.

29. The European Council invites the Council and the European Parliament to agree in the course of 2001 on the proposal for a social inclusion programme, and asks the Council to improve monitoring of action in this field by agreeing on indicators for combating social exclusion by the end of the year.

Role of the social partners in managing change

30. The importance of the contribution and commitment of the social partners was underlined during the exchange of views with the Troika on 22 March. The committed and active involvement of the social partners is essential not only for assessing progress towards the Union's strategic goal, but also in implementing the ongoing reform, the success of which requires commitment from employers and workers at the grass roots. To contribute to this aim, the European Council has endorsed the setting up as soon as possible of the European Observatory for Industrial Change as part of the Dublin Foundation. The European Council would welcome a positive outcome to current negotiations between the social partners on temporary agency work and teleworking.

Corporate social responsibility

31. The European Council welcomes the initiatives taken by businesses to promote corporate social responsibility. The Commission has announced its intention to present in June 2001 a Green Paper on corporate social responsibility and to encourage a wide exchange of ideas with a view to promoting further initiatives in this area.

Safe and sustainable social protection systems

32. The ageing society calls for clear strategies for ensuring the adequacy of pension systems as well as of health care systems and care of the elderly, while at the same time maintaining sustainability of public finances and inter-generational solidarity. Where appropriate, the potential of the open method of coordination should be used to the full, particularly in the field of pensions, taking due account of the principle of subsidiarity. These strategies will be facilitated by the parallel effort to increase labour market participation, productivity and mobility.

33. Based on the technical work undertaken at expert level and taking into account all of the above factors, the European Council:
- asks the Council to present the outcome of the study by the Social Protection Committee that takes into account the work being done by the Economic Policy Committee on the sustainability of pensions systems in time for the Göteborg European Council;
 - notes the Commission's intention to present a communication on the quality and sustainability of pensions in the light of demographic change. It mandates the Social Protection Committee and the Economic Policy Committee to prepare a report for the Council in view of the Spring European Council 2002. A progress report should be submitted by December 2001;
 - invites the Council, by the end of 2001, in the light of a review of options, to agree parameters for the modernisation of Regulation 1408/71 on coordination of social security systems, to enable the Council and the European Parliament to press ahead with its adoption.

VI. HARNESSING NEW TECHNOLOGIES

34. The strategy for an integrated approach to economic and social development includes promoting new technologies by strengthening the Community research and development policy and making particular efforts in new technologies, especially biotechnology.

eEurope

35. The shift to a knowledge-based economy is of crucial importance for competitiveness and growth and for building a more inclusive society. Despite real progress since Lisbon in the take-up and use of the Internet by businesses, schools and citizens, Europeans are not yet fully using its potential in key areas such as public services, *egovernment* or *ecommerce*. Wireless Internet and third-generation mobile communication systems will extend that potential. However, the success of the knowledge society also depends on high levels of digital literacy and on creating conditions in areas such as network security and data protection and privacy, in which people have confidence in using new services.
36. To that end:
- the telecoms package should be adopted as soon as possible this year in order to offer the sector a level playing field in which rules are applied in a harmonised manner across the Union;

- the Commission will work together with the Council towards a supportive policy framework for third-generation mobile communications within the Union, including agreement on a regulatory framework for radio spectrum policy as well as broadband networks. The Commission is also invited to examine the effect of third-generation licensing on European competitiveness and the advancement of the ICT field;
 - the Commission will work together with the Council in order to contribute to an enabling environment for wireless Europe by ensuring a high level of research effort for future wireless technologies, encouraging a gradual roll-out of next generation Internet (IPv6), and securing the right conditions for the creation of European multilingual content for wireless services;
 - legislation on the distance marketing of financial services, the application of VAT to electronic commerce and the use of electronic invoicing for VAT purposes will be adopted before the end of the year;
 - the Council will take the necessary measures together with the Commission to ensure that the .EU top-level domain is available to users as soon as possible;
 - the Council together with the Commission will develop a comprehensive strategy on security of electronic networks including practical implementing action. This should be presented in time for the Göteborg European Council.
37. Furthermore, the Commission has announced its intention to propose before the end of the year additional targets for connecting schools to the Internet, to present a communication promoting on-line dispute resolution systems and to support eSchola, a Europe-wide action to promote the use of new technologies and develop online school twinning. The European Council notes the interest shown by candidate States in eEurope 2002 and looks forward to the Action Plan they will present at the Göteborg European Council setting out how they will embrace these objectives.

Research and innovation

38. Europe must do more to harness research, finance and business talent to ensure that European ideas reach the European market place first. The Sixth Research Framework Programme should therefore make full use of the new instruments among others for promoting a network 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.

39. To that end:
- the Council is invited to adopt in codecision with the European Parliament the sixth Community Research Framework Programme by June 2002;
 - the Council is invited to examine a specific strategy for mobility within the European Research Area on the basis of the proposal announced by the Commission;
 - the Council is invited to consider ways in which Member States' ideas for, and experience of, boosting R&D through economic incentives could be shared;
 - the EIB is invited to further step up its support for R&D activities.
40. The Commission intends to present by June 2001 the first European Innovation Scoreboard. Before the end of the year it will present proposals to promote a more interactive dialogue with the public on issues of science and technology, the first results of benchmarking of research in the EU and a map of research excellence, as well as renewing the framework for State aid for research.
41. The European Council welcomes the continued implementation of the EIB's Innovation 2000 Initiative and, in particular, the commitment to extend it to candidate countries.
42. The European Council recalls the importance of launching the Galileo satellite navigation programme without delay. In conformity with the Cologne and Nice conclusions, the private sector is required to take up the challenge with regard to participation in and financing of the project through a binding commitment for the deployment phase. The European Council notes that the private sector is ready to supplement the public budgets for the development phase. The European Council invites the Council to define the arrangements necessary for launching the next phase of the project, including establishing a single and efficient management structure before the end of 2001, be it a joint undertaking under Article 171 of the Treaty, an agency or any other suitable body.

Frontier technologies, especially biotechnology

43. The ability of EU businesses to embrace technologies will depend on factors such as research, entrepreneurship, a regulatory framework encouraging innovation and risk-taking, including community wide industrial property protection at globally competitive costs, and the availability of willing investors, particularly at an early stage.
44. To that end:
- the European Council expresses its concern at the lack of progress on the Community patent and the utility model and urges the Council and the Commission to speed up work in accordance with the Lisbon and Feira conclusions and in full compliance with the existing legislative framework;

- the Commission, together with the Council, will examine measures required to utilise the full potential of biotechnology and strengthen the European biotechnology sector's competitiveness in order to match leading competitors while ensuring that those developments occur in a manner which is healthy and safe for consumers and the environment, and consistent with common fundamental values and ethical principles.

VII. THE BROAD ECONOMIC POLICY GUIDELINES

45. The Broad Economic Policy Guidelines are at the centre of economic policy coordination and provide the framework for overall policy orientations. The European Council endorses the views set out in the Key Issues Paper on the Broad Economic Policy Guidelines and welcomes the report on the contributions of public finances to growth and employment. The European Council invites the ECOFIN Council and the Commission to take due account of the Stockholm European Council conclusions when preparing the draft for the 2001 Broad Economic Policy Guidelines.
46. The less favourable external economic environment will influence growth also in the Union. However, the EU economy stands stronger than in the past. Budgetary policies should continue to be geared to achieving public finances close to balance or in surplus. Furthermore, they should be guided by the need to avoid policies that lead to exacerbated swings in economic activity and unsustainable structural balances. This is supporting price stability and allowing monetary conditions conducive to economic growth and continued employment creation.
47. The Council should regularly review the long-term sustainability of public finances, including the expected strains caused by the demographic changes ahead. This should be done both under the guidelines and in the context of stability and convergence programmes. Higher employment rates must be promoted, especially for women and older workers. Ambitious policies to reduce the debt burden at a faster pace should be pursued to ensure fiscal sustainability. Public pensions, health care and programmes providing care for the elderly should be reviewed, and when necessary reformed by Member States, while upholding inter-generational solidarity.
48. The forthcoming guidelines should also integrate the promotion of sustainable development.
49. The European Council notes the need to make further progress in harmonising available economic statistics.

VIII. FROM STOCKHOLM TO GÖTEBORG: CONTINUING TO IMPROVE THE PROCESS

50. Lisbon has successfully integrated economic and social matters. The sustainable development strategy, including the environmental dimension, to be adopted at the Göteborg European Council in June will complete and build on the political commitment under the Lisbon strategy. All dimensions of sustainable development should be reviewed in the context of the annual Spring European Council.
51. The European Council will accordingly review at its Spring meeting in 2002:
- progress in integrating the sustainable development aims into the Lisbon strategy;
 - the contribution that the environment technology sector can make to promoting growth and employment.
52. The European Council asks the Commission in its evaluation of the Luxembourg process to examine the possibility of improving coordination of this process with the preparatory work leading to its Spring meeting. Also aiming at streamlining procedures, the European Council endorses the Commission's intention to ensure that its annual synthesis report integrates the main elements of the other contributions, including those emerging from requests for joint Council and Commission reports to be presented to the Spring European Council. This synthesis report, including the scoreboard on the follow-up of the Social Agenda, will be made available by the end of January at the latest and will constitute the principal basis for the Council's preparatory work. For its part, in order to ensure consistency, the European Council will concentrate its guidance and political impetus on economic and social matters at its Spring meeting.

PART II

IX. SITUATION IN THE AGRICULTURAL SECTOR

53. The European Council expresses its concern about the severity of the situation in the agricultural sector and its solidarity with farmers and others in rural communities. It welcomes and stresses the importance of effective cooperation among national authorities and endorses the thorough measures being taken by the Council, the Commission and the Member States. It is determined to contain and ultimately eradicate foot-and-mouth disease and BSE. What has occurred underlines the importance of having a food chain which is safe and sustainable in order to restore consumer confidence. It urges third countries to lift measures taken which are not proportionate to either the extent of the problem or to the precautionary principle. The European Council stresses that Community measures need to respect the financial perspective.

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54. The European Council invites the Council and the European Parliament to ensure that the decision on the establishment of a European Food Authority is taken before the end of this year.

X. EXTERNAL RELATIONS

Russia

55. The presence of President Putin in Stockholm was a demonstration of the importance of the Union's strategic partnership with Russia. This partnership should be further developed to make full use of the Partnership and Cooperation Agreement and in accordance with the Union's Common Strategy. The dialogue in the field of energy is on track. The potential of the Northern Dimension was recognised in this context. The European Council welcomes the Commission's communication on Kaliningrad as a very useful basis for consultations on this subject. It agrees also to develop the political and security dialogue with Russia. The extensive reform programme to modernise the Russian economy and improve conditions for trade and investment was discussed with President Putin. The Union will continue to support such reforms which will also benefit from the new opportunities for cooperation between the Union and Russia as a result of the Union's strategic objective agreed at Lisbon.
56. The European Council underlines that a genuine partnership must be based on common values. It reiterates its strong concerns over the situation in Chechnya and stresses the need for a political solution of the conflict as a matter of urgency.
57. WTO accession is essential for integrating Russia further into the world economy and promoting a favourable investment climate in Russia. The European Union supports Russia in its efforts to meet the necessary requirements for WTO membership and it expects Russia to undertake fully the necessary commitments. It looks forward to the high-level conference on Russia and the WTO under the auspices of the Presidency and the Commission in Moscow on 30 March.
58. To promote a continued development in economic and trade relations with Russia, the European Council reaffirms the need for appropriate measures to urgently resolve longstanding trade disputes, notably concerning Trans-Siberian overflights.
59. The European Council agrees that the Union should open up EIB lending for selected environmental projects, according to the specific criteria decided by the Council.
60. The European Council welcomes the significant progress achieved in the negotiation of the Agreement on the Multilateral Nuclear Environmental Programme in the Russian Federation and calls on the parties concerned to intensify their efforts to conclude the Agreement by the EU-Russia Summit in mid-May.

61. The European Council welcomes the upcoming 300th anniversary of St Petersburg, "Russia's window to Europe". The Union is willing to contribute to the celebrations, which will represent an excellent opportunity to highlight the close links, past and present, between Russia and the Member States of the European Union.

World Trade Organisation

62. An open and strong system of multilateral trade rules provides the best basis for enhancing the contribution of external trade to the Union's strategic goal. The Community should pursue its active role in order to achieve consensus on the launch of a new inclusive round of multilateral trade negotiations in the WTO framework at the 4th WTO Ministerial Conference in Doha scheduled for November 2001. This new round should respond to the interests of all WTO members, in particular developing countries, and should be prepared in a transparent and inclusive manner taking into account the need for a dialogue with civil society.

Middle East Peace Process

63. The European Council, recalling its March 1999 declaration at Berlin, reaffirms the Union's determination to make its contribution to peace, stability and future prosperity in the Middle East. As an immediate step, in order to avoid economic and institutional collapse in the Palestinian territories, it calls on other international donors urgently to join the European Union in pledging funding in support of the Palestinian budget. To the same end, Israel must lift closures and pay overdue revenues and the Palestinian Authority must adopt without delay an austerity budget and take effective measures against corruption and towards more democratic transparency.
64. The Union will work with the parties, as well as with the United States and other international actors, in seeking a way forward which will see an end to the violence and the resumption of negotiations for an agreement in the framework of United Nations Security Council Resolutions 242 and 338. To that end, it invites High Representative Javier Solana to remain in close touch with all the parties involved and to report in full association with the Commission at the latest by the Göteborg European Council on how the European Union can play an enhanced role in promoting the resumption of the peace process.

Western Balkans

65. The European Council reiterates the European Union's strong and continued commitment to stability and peace in the region, which remains a strategic priority for the Union. It recalls its firm attachment to the principles of inviolability of borders and territorial integrity of the countries of the region.

66. After meeting President Trajkovski, the European Council adopted a declaration on the situation in the former Yugoslav Republic of Macedonia (see Annex III). It invites the High Representative, Javier Solana, to follow the situation in the region, to stay in close touch with the leaders and, in consultation with the Commission, to make recommendations to the Council.
67. The European Council expresses its appreciation for the readiness of the FRY and Serbian authorities to resolve the conflict in Southern Serbia peacefully and welcomes the start of talks in the framework of the Covic plan to reach a negotiated settlement. The European Council confirms the EU's readiness to assist this process and notes in particular the role played by an increased EUMM presence in the area. In this context the European Council also calls on all parties to undertake real confidence building measures to defuse tensions in the area, including the release of all Kosovo Albanian political prisoners.
68. The European Council calls on Montenegro and the FRY/Serbian authorities to agree on new constitutional arrangements within a federal framework through an open and democratic process in order to contribute to stability in the region.
69. The European Council calls on the new government in Bosnia and Herzegovina to increase its reform efforts in order to fulfil by mid-2001 all the conditions set out in the EU "road map". It underlines that the citizens of Bosnia and Herzegovina can only move towards European integration in the framework of a unified state.
70. Building on the outcome of the Zagreb Summit, which offers to all countries the prospect of accession, the European Council recalls the importance of regional cooperation, including on justice and home affairs matters. It notes in particular the need for concrete action to assist the Balkans in dealing with illegal migration through the region. The Stabilisation and Association Process remains the main instrument to further the process of moving closer to European structures. The European Council recalls also in this regard the important contribution by the Stability Pact, as well as of other regional initiatives.
71. The Council welcomes the progress which is being made across the region in bringing individuals to account for abuses of power and criminal offences which were committed under the cover of previous undemocratic regimes. Living up to the Union's political and economic conditionality is an essential part of the Stabilisation and Association Process. This includes full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY).

Korean peninsula

72. The European Council stands ready to contribute further to reducing tension between the two Koreas and has agreed to enhance the role of the Union in support of peace, security and freedom on the Korean peninsula. It hopes that there will be early results, including through a second inter-Korean Summit and implementation of the Joint Declaration. The President of the European Council will visit Pyongyang and Seoul for talks with Presidents Kim Jong-il and Kim Dae Jung on the full range of issues of concern to them and to the Union in accordance with the four elements adopted by the Council on 20 November 2000.

Climate change

73. The European Council approved the Declaration on climate change in Annex II.

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STOCKHOLM**

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OF THE PRESIDENCY**

23 - 24 March 2001

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ANNEX I

**RESOLUTION OF THE EUROPEAN COUNCIL
ON MORE EFFECTIVE SECURITIES MARKET REGULATION
IN THE EUROPEAN UNION**

STOCKHOLM, 23 MARCH 2001

THE EUROPEAN COUNCIL CONSIDERS THAT:

Financial markets play a crucial role in the overall economy of the European Union. Rapid implementation of the prioritised Financial Services Action Plan is therefore of utmost importance. The creation of a dynamic and efficient European Securities Market is an essential element of this strategy.

Every effort should be made by all parties concerned to implement key steps for achieving an integrated securities market by the end of 2003, including notably the priorities set out in the report by the Committee of Wise Men on the Regulation of European Securities Markets, and recognising also the need for further convergence of supervisory practices and regulatory standards.

To achieve this the legislative process must be speeded up. The regulation of securities markets needs to be sufficiently flexible to be able to respond to market developments and to ensure that the European Union is competitive and can adapt to new market practices and regulatory standards, while respecting the requirements of transparency and legal certainty.

This can and must be achieved whilst fully respecting the Treaty provisions, the prerogatives of the institutions concerned and the current institutional balance.

THE EUROPEAN COUNCIL HAS THEREFORE RESOLVED AS FOLLOWS:

1. The European Council welcomes the report of the Committee of Wise Men on the Regulation of European Securities Markets. The proposed four-level approach (framework principles, implementing measures, co-operation and enforcement) should be implemented to make the regulatory process for European Union securities legislation more effective and transparent, thus improving the quality of the legislative measures proposed. This process should take full account of the conceptual framework of overarching principles set out in the report.
2. The Commission is invited to make use of early, broad and systematic consultation with the institutions and all interested parties in the securities area, in particular strengthening its dialogue with consumers and market practitioners.

The Commission is asked, without prejudice to its right of initiative, to give the Council and the European Parliament an opportunity to comment at an early stage, for the purpose of improving the efficiency of the process, on the distinction between the essential elements and the supplementary and technical provisions.

3. The split between framework principles (level 1) and implementing measures (level 2) should be determined on a case-by-case basis in a clear and transparent way. The split shall be decided by the European Parliament and the Council on the basis of the Commission's proposals. The Commission is invited, when it presents its proposals, to give indications as to what kind of implementing measures is foreseen. All parties would then know in advance the precise scope and purpose of the provisions pertaining to each of those levels. All institutions involved need to respect the basic conditions of the split-level approach.

Level 2 implementing measures should be used more frequently, to ensure that technical provisions can be kept up to date with market and supervisory developments. Deadlines should be set for all stages of level 2 work.

In formulating its proposals, the Commission is invited to consider more frequent use of Regulations where this would both be legally possible and would help to speed up the legislative process. The European Council takes a positive view of the possibility within the co-decision procedure of allowing for speedy adoption of acts (fast track procedure).

4. The European Council welcomes the intention of the Commission immediately to establish a Securities Committee of high level officials from Member States, chaired by the Commission. The Securities Committee, acting in its advisory capacity, should be consulted on policy issues, in particular, but not only, for the kind of measures the Commission might propose at level 1.
5. Subject to specific legislative acts proposed by the Commission and adopted by the European Parliament and the Council, the Securities Committee should also function as a regulatory committee in accordance with the 1999 Decision on comitology to assist the Commission when it takes decisions on implementing measures under Article 202 of the EC Treaty.

The European Parliament will be informed on a regular basis by the Commission of the Securities Committee's proceedings, when this committee is acting under the regulatory procedure, and receive all relevant documents. If the European Parliament resolves that the draft measures submitted by the Commission exceed the implementing powers provided for in the framework legislation, the Commission commits itself to expeditiously re-examine those draft measures, taking the utmost account of the Parliament's position and stating its reasons for the action it intends to take.

The European Council notes that within the framework of the comitology decision of 28 June 1999, the Commission has committed itself, in order to find a balanced solution for those cases of implementing measures in the field of securities markets acknowledged in the light of discussions to be particularly sensitive, to avoid going against predominant views which might emerge within the Council, as to the appropriateness of such measures. This commitment shall not constitute a precedent.

6. The European Council welcomes the intention of the Commission to formally establish an independent Regulators Committee, as proposed in the report of the Committee of Wise Men. It should be chaired by a representative of a national supervisory authority. It should set out its own operational arrangements and maintain close operational links with the Commission and Securities Committee. It will act as an advisory group to assist the Commission in particular in its preparation of draft implementing measures (level 2). Each Member State will designate a senior representative from the competent authorities in the securities field to participate in the meetings of the Regulators Committee.

It should consult extensively, in an open and transparent manner, as set out in the final report of the Committee of Wise Men and should have the confidence of market participants.

National regulators and the Regulators Committee should also play an important role in the transposition process (level 3) by securing more effective co-operation between supervisory authorities, carrying out peer reviews and promoting best practice, so as to ensure more consistent and timely implementation of Community legislation in the Member States.

The European Council welcomes the intention of the Commission and the Member States to strengthen enforcement of Community law (level 4).

7. An inter-institutional monitoring system should be set up to assess the progress made on implementing these proposals to secure a more effective securities market regulatory system, identifying the bottlenecks. Regular reports shall be made to the institutions as part of this monitoring process.
8. The new regulatory structure should be operational from the beginning of 2002 at the latest and there shall be a full and open review in 2004.

ANNEX II**EUROPEAN COUNCIL DECLARATION ON CLIMATE CHANGE**

The European Council, recognising climate change as a global threat to future well-being and economic progress, recalls the necessity of efficient international action to reduce emissions. It reaffirms its strong commitment to the Kyoto Protocol as the basis for such action and expresses its deep concern at the fact that this Protocol is being called into question. The European Council urges all its negotiation partners to engage constructively in reaching agreement on modalities for implementing the Kyoto Protocol and to facilitate a successful outcome of the resumed COP-6, which will create the conditions for ratification and entry into force of the Kyoto Protocol by 2002.

ANNEX III**DECLARATION ON FYROM**

To President Trajkovski and the FYROM government,

- we reaffirm our solidarity with you in the current crisis and urge you to continue to respond with restraint. Every effort should be made to prevent an escalation of military activity. We support the sovereignty and territorial integrity of FYROM and the inviolability of borders in conformity with OSCE principles. We are determined to pursue our efforts collectively and individually in close co-operation with NATO to help the authorities to cope with the present situation. It is essential to strengthen control over the FYROM Kosovo border. We welcome the provision of advice and support by member states including in the security field;
- effective internal political reforms and consolidation of a true multiethnic society are indispensable. We stand ready to assist in this process in FYROM within the framework of the considerable assistance which the European Union is giving already to FYROM. This includes border management projects; support for refugees; help with local government throughout the country, including a municipal - level infrastructure improvement programme; work in the field of minority rights, including substantial contributions to the new south-east Europe University at Tetovo; help with judicial reform and training, including emphasis on minority rights; and help with the forthcoming census.

To the leaders of the ethnic Albanian community in FYROM, we demand your continued commitment to the democratic process, to the renunciation of violence and to dialogue, and urge you to hold to this commitment in pursuing your legitimate aspirations to consolidate FYROM's multiethnic society.

To the Albanian political leaders in Kosovo, we call on you to continue to dissociate yourselves unambiguously from the extremists, to condemn violence unconditionally, and to respect the principle of the inviolability of borders, as the Albanian government has done. We welcome its strong stand.

To all those who defy international legality, you discredit the cause of improving the condition of your people which you claim to promote.

The European Union decided at the Zagreb Summit that FYROM will be the first state of the region to be linked to the European Union through the Stabilisation and Association Agreement which will be signed on 9 April.

The European Union welcomes the adoption of UNSCR 1345. The European Union's objectives are fully reflected in this resolution. At the time when new perspectives for the region are opening up, we reaffirm strongly that there is no future in our Europe for those who follow the path of intolerance, nationalism and violence. The Union will not give assistance to those who take this course. We will only support those who choose clearly peace, democracy reconciliation and regional co-operation.

ANNEX IV**DOCUMENTS SUBMITTED TO THE STOCKHOLM EUROPEAN COUNCIL**

- Commission contribution - Realising the European Union's potential: consolidating and extending the Lisbon strategy, Volume I + Volume II: Structural indicators
(6248/01 + ADD1)
- Final report of the Committee of wise men on European securities regulation
(6554/01)
- Council (ECOFIN) report on more efficient securities market regulation in the European Union)
(7005/01)
- Commission communication on the contribution of public finances to growth and employment: improving quality and sustainability
(5260/01)
- Joint Council (ECOFIN)/Commission report on the contribution of public finances to growth and employment: improving quality and sustainability
(6997/01)
- (ECOFIN) Council report on the Annual Report on Structural Reforms - 2001
(6998/01)
- Council (ECOFIN) report: Short list of structural indicators
(6999/01)
- Commission Communication: Report on the functioning of Community product and capital markets
(5301/01)
- Commission Report on the implementation of the 2000 Broad Economic Policy Guidelines
(6561/01)
- Council (ECOFIN) Key Issues Paper on the 2001 Broad Economic Policy Guidelines
(7001/01)
- Status report by the EIB on the Innovation 2000 Initiative one year after: progress and perspectives in implementation
(6556/01)
- Council (Employment and Social Policy) Presidency conclusions
(6853/01 + REV 1(fr)

- Opinion of the Employment Committee on the Commission Communication: Realising the European Union's potential: consolidating and extending the Lisbon strategy
(6454/01 + ADD1)
- Opinion of the Social Protection Committee on the Commission Communication: Realising the European Union's potential: consolidating and extending the Lisbon strategy
(6455/01 + ADD1 + ADD2)
- The Social Protection Committee's preliminary study on the long-term viability of pensions
(6457/01)
- Commission Communication: – Scoreboard on implementing the social policy agenda
(6452/01)
- Commission Communication on "New European Labour Markets, Open to All, with Access for All"
(6453/01)
- Council (Education) Report on "The concrete future objectives of education and training systems"
(5980/01)
- Council (Internal Market, Consumer Affairs and Tourism) conclusions on internal market aspects of the Cardiff economic reform process
(6704/01)
- Commission Communication: "An Internal Market Strategy for Services"
(5224/01)
- Commission interim report: Improving and simplifying the regulatory environment
(7253/01)
- "eEurope 2002" Action Plan: Approval of the list of supplementary benchmarking indicators
(6782/01)
- Commission communication eEurope 2002: Impact and priorities
(7183/01)
- Commission communication on the Internal market for energy and natural gas
(7218/01)

- Charter for Small Enterprises: Annual implementation report
(7125/01)
 - First Commission report on progress towards build the European Research and Innovation Area
(7254/01)
 - Draft report from the European Council to the European Parliament on the progress achieved by the European Union in 2000
(6879/01 + *COR1*)
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