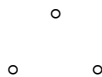


Much has been achieved over the past 18 months to improve our economic governance and tackle the economic and financial crisis. We have taken important decisions, as set out in these conclusions, which need to be swiftly and vigorously implemented.

We agreed that the measures with the most potential to boost growth and jobs should be given priority. The Member States taking part in the Euro Plus Pact agreed to take more specific and measurable commitments and in particular to advance work as regards employment.

We set orientations for the further development of energy policy, as regards completing the internal market, enhancing energy efficiency, developing infrastructure, ensuring coherence in the EU's external relations, and enhancing nuclear safety and security.

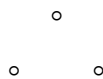
In addition, the European Council welcomed the signing of the Accession Treaty with Croatia and took decisions on the EU's enlargement process regarding Serbia and Montenegro.



I. ECONOMIC POLICY

1. Recognising the worsening economic and financial situation, the European Council discussed ongoing efforts to lift Europe out of the crisis. The European Union's new economic governance, as set out in paragraph 3, must be fully implemented with a view to building confidence in the strength of the European economy. Structural reforms and fiscal consolidation efforts must continue to lay the ground for a return to sustainable growth and thus help improve confidence in the short run. Measures are also required to help restore normal lending to the economy whilst avoiding both excessive risk-taking and excessive deleveraging, as agreed on 26 October 2011.
2. Recalling the key priority areas for growth it identified in October 2011, in particular the Single Market Act, the Digital Single Market and the reduction of the overall regulatory burden for SMEs and microenterprises, the European Council stressed the need to swiftly adopt the measures with the most potential to boost growth and jobs. It therefore supports the principle of a fast-track programme and invites the Council and the European Parliament to give particular priority to the speedy examination of the proposals identified by the Commission, including in its Annual Growth Survey, as having substantial growth potential. It endorses the actions proposed by the Commission in its report on minimising regulatory burdens for SMEs.

3. The 2012 Annual Growth Survey constitutes an excellent basis for the launch of the next European Semester, which will be the first to see the recently strengthened economic governance being implemented, including the new procedure for monitoring and correcting macroeconomic imbalances. The Spring European Council will review progress and adopt the required guidance. There is an urgent need to focus on implementation, especially in the light of uneven progress made this year in progressing towards the targets set in the Europe 2020 Strategy and in implementing the country-specific recommendations.



4. The Heads of State or Government of the Member States taking part in the Euro Plus Pact reviewed progress made in implementing their commitments at national level. They agreed on the need to more thoroughly assess, in March 2012, national efforts to reach the objectives of the Pact. They also agreed to take more specific and measurable commitments in each of the areas covered by the Pact and to report on progress in their National Reform Programmes. The new economic governance must be supplemented by improved monitoring of employment and social policies, particularly those which can have an impact on macro-economic stability and economic growth, in line with the Council conclusions of 1 December.

5. Informed by the report of the President of the Council (EPSCO) and by the Annual Growth Survey, the Heads of State or Government held an initial exchange of views on best practices as regards their employment policies and agreed on the particular need to fully mobilise labour for growth. While structural reforms must be vigorously pursued, targeted measures are urgently needed at both national and European level for the most vulnerable groups, in particular the young unemployed. Enhanced activation policies should be complemented by efforts to upgrade skills, notably by adjusting education and training systems to labour market needs. Promoting employment and business opportunities for those entering the labour market as well as considering new balanced flexicurity policies could significantly contribute to improving labour market prospects for young people.

6. They welcomed the reports from the Finance Ministers of the participating Member States and from the Commission on progress made in structured discussions on the coordination of tax policy issues. This work will be pursued in line with the Euro Plus Pact, focusing on areas where more ambitious activities can be envisaged. Particular attention should be paid to how tax policy can support economic policy coordination and contribute to fiscal consolidation and growth. The Finance Ministers and the Commission will report on progress in June 2012.

II. ENERGY

7. The Presidency's report demonstrates that important progress has been made in pursuing the orientations set by the February 2011 European Council on completing the internal market by 2014, enhancing energy efficiency, developing infrastructure and ensuring consistency and coherence in the EU's external relations. In this context, the European Council welcomes the agreement of the Memorandum of Understanding on North-South Interconnections in Central-Eastern Europe. In particular, the following points require urgent progress:

- full and speedy implementation of the internal market legislation by Member States in full compliance with the agreed deadlines;
- no EU Member State should remain isolated from the European gas and electricity networks after 2015 or see its energy security jeopardised by lack of the appropriate connections;
- early agreement on the proposal on energy efficiency, which should establish an ambitious and flexible framework in line with the 20% target for 2020 as agreed by the June 2010 European Council;
- early agreement on the proposal on energy infrastructure;
- implementation of the Council conclusions of 24 November 2011 for enhanced coherence and coordination of EU external energy policy, ensuring inter alia that agreements with key supplier and transit countries are fully consistent with EU internal market legislation.;

- agreement on the low-carbon 2050 strategy and thorough consideration of the forthcoming energy roadmap to 2050 which will provide a detailed analysis on long-term action in the energy sector and other related sectors.
8. Progress has been made on the safety review of EU nuclear power plants. The credibility of the EU nuclear safety system will be further enhanced by the continued development of the nuclear regulatory framework. Work on nuclear security in the EU will be pursued on the basis of the interim report on nuclear security.
9. Recalling its conclusions of March 2011, the European Council calls for:
- full and timely implementation of the Directives on nuclear safety and on responsible and safe management of spent fuel and radioactive waste;
 - continued priority to be given to the extensive review of nuclear safety , taking account of the Commission communication of 23 November, and to the delivery of the final report on the stress tests by June 2012;
 - intensified efforts to associate all EU neighbouring countries fully with the safety stress test process and to improve the nuclear safety framework both in the EU and internationally;
 - continued work on nuclear security measures in the EU and its neighbourhood and delivery of the final report by June 2012.

III. ENLARGEMENT

10. The European Council endorses the Council conclusions of 5 December 2011 on Enlargement and the Stabilisation and Association Process and recalls its conclusions of December 2006, which form the basis for a renewed consensus on enlargement.

11. Today's signing of the Accession Treaty with **Croatia** marks an important moment for European integration. Pending the successful conclusion of ratification procedures, the European Council looks forward to welcoming Croatia as a new member as of 1 July 2013. Croatia will now participate in the proceedings of the European Council, the Council and its preparatory bodies as active observer.

12. The European Council welcomes the Commission's assessment of the good progress made by **Montenegro**, which has achieved satisfactory results overall. With a view to opening accession negotiations with Montenegro in June 2012, the European Council tasks the Council with examining Montenegro's progress in the implementation of reforms, with a particular focus on the area of rule of law and fundamental rights, especially the fight against corruption and organised crime, on the basis of a report to be presented by the Commission in the first half of 2012. It invites the Commission to present without delay a proposal for a framework for negotiations with Montenegro in line with its December 2006 conclusions and established practice, also incorporating the new approach proposed by the Commission as regards the chapters on the judiciary and fundamental rights, and justice, freedom and security. The Commission is, in this context, also invited to initiate the process of analytical examination of the *acquis communautaire* with Montenegro on the above-mentioned chapters.

13. The European Council notes the considerable progress **Serbia** has made towards fulfilling the political criteria set by the Copenhagen European Council and the Stabilisation and Association Process requirements and that a fully satisfactory level has been reached in its cooperation with ICTY. It welcomes the fact that Serbia has re-engaged in the Belgrade-Pristina dialogue and is moving forward with the implementation of agreements in good faith and it welcomes too the Agreement on IBM. With a view to granting Serbia the status of candidate country, the European Council tasks the Council with examining and confirming whether Serbia has continued to show credible commitment and has achieved further progress in moving forward with the implementation in good faith of agreements reached in the dialogue, including on IBM, has reached an agreement on inclusive regional cooperation and has actively cooperated to enable EULEX and KFOR to execute their mandates. In the light of its examination, the Council will take a decision in February 2012 on granting Serbia candidate status, to be confirmed by the March European Council.

IV. OTHER ITEMS

14. Recalling the Council conclusions of 5 December on enlargement, with regard to Turkish statements and threats, the European Council expresses serious concern and calls for full respect for the role of the Presidency of the Council, which is a fundamental institutional feature of the EU provided for in the Treaty.
15. Recalling its discussions of June and October 2011, the European Council notes that all the legal conditions have been met for a decision to be taken in favour of the accession of Bulgaria and Romania accession to the **Schengen** area. It calls on the Council to adopt this decision as soon as possible. If necessary, the European Council will return to this issue at its March 2012 meeting.
16. Recalling its conclusions of 23 October 2011 and endorsing the Council conclusions of 1 December, the European Council reiterates its serious and deepening concerns over the nature of **Iran's** nuclear programme, as reflected in the latest IAEA report, and the failure of Iran to meet its international obligations. The European Council welcomes the agreement reached at the Council to designate 180 new entities and individuals directly linked to the nuclear programme. It invites the Council to proceed with its work on extending the scope of EU restrictive measures and broadening existing sanctions by examining additional measures against Iran as a priority and to adopt these measures no later than its next session. The European Council reaffirms the long-standing commitment of the European Union to work for a diplomatic solution of the Iranian nuclear issue in accordance with the dual track approach.
17. The European Council stands united in condemning the attacks on the UK Government's diplomatic compounds in Iran, and deplores the Iranian Government's failure to meet its international responsibilities to protect diplomatic staff and property under the Vienna Convention.

18. The European Council remains deeply concerned by the continued use of military force by the **Syrian** regime and the repression of the Syrian people. Endorsing the Council conclusions of 1 December 2011, the European Council confirms its support for the efforts of the League of Arab States and calls on the Syrian regime to comply fully with the Arab Plan of Action. It re-emphasises the urgent need for all members of the UN Security Council to assume their responsibilities in relation to the situation in Syria.

19. The European Council welcomes the results of the International **Afghanistan** Conference held in Bonn on 5 December 2011 and reaffirms its commitment to a consistent long-term engagement of the European Union with Afghanistan beyond 2014.

20. The European Council welcomes the intensive preparatory work carried out during this semester on the future **Multiannual Financial Framework** and takes note of the report submitted by the Presidency. It calls on the incoming Presidency to press ahead with work aimed at developing a basis for the final stage of negotiations, to be discussed at the European Council in June 2012. It reiterates its invitation to the institutions to cooperate to ensure the adoption of the Multiannual Financial Framework by the end of 2012.

