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Subject: *Preparation of the Council ("Competitiveness") of 10-11 October 2012*
European Industrial Policy

- a) Communication from the Commission on Industrial Policy Communication update: A contribution to growth and economic recovery
 - b) Communication from the Commission on the Strategy for the sustainable competitiveness of the construction sector and its enterprises
 - c) Commission Communication on Cultural and creative sectors for creative growth in the EU
 - Presentation by the Commission
 - Exchange of views
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I. INTRODUCTION

A strong industrial base is essential for a wealthy and economically successful Europe and is vital to stimulate economic recovery. Moreover, industry is needed to improve economy-wide energy- and resource-efficiency in the face of global resource scarcities and can help provide solutions to other societal challenges. EU industry remains a world leader in key sectors (e.g. automotive, aeronautics, engineering, pharmaceuticals) and exports have proved remarkably resilient throughout the economic crisis. However, the crisis has also had a severe impact on the real economy: 3 million jobs have been lost in industry and although industrial production has recovered since 2009, it remains about 10% below pre-crisis levels.

This calls for urgent action to reignite growth and job creation in industry and to refine the EU's crisis response by focusing policy attention on four specific bottleneck- and weakness areas, which have been exposed by the economic crisis.

Industrial Policy Communication update: A contribution to growth and economic recovery

The update of the Europe 2020 Industrial Policy Flagship forwards actions to speed up the economic recovery and underpin growth and job creation in the EU. It aims at strengthening Europe's industrial competitiveness and facilitating the transition to a low-carbon and resource efficient economy by focusing on four priority areas, which need urgent attention as a result of the economic crisis:

- stimulate investments into innovative and new technologies;
- allow EU companies to derive maximum benefit from the Internal Market and international markets;
- improve access to finance;
- increase investment into people and skills.

The aim is to lay the foundations for a new industrial revolution in Europe as announced by President Barroso in his State of the Union speech.

The 2010 Industrial Policy flagship defined a long-term programme to increase the competitiveness of EU industry. Its implementation is well underway and the objectives and instruments defined remain fully valid.

The pillars for a reinforced EU industrial policy

The European Commission proposes a series of new actions for 2012 and 2013:

- To stimulate new investments, speed up the adoption of new technologies and boost resource efficiency six priority action lines have been identified where dedicated taskforces will define detailed roadmaps to facilitate the rolling out of new markets. The focus will be on:
 - i) Markets for advanced manufacturing technologies for clean production
 - ii) Sustainable industrial and construction policy and raw materials
 - iii) Clean vehicles
 - iv) Bio-based product markets
 - v) Markets for key enabling technologies
 - vi) Smart grids

- To offer a better market environment for EU companies in both the Internal Market and in global markets, a second group of actions is proposed. The entrepreneurship action plan will make the Internal Market more dynamic especially in the new digital market place. An in-depth review of the Internal Market for goods will simplify and render the Internal Market for goods more efficient and predictable. The protection of intellectual property rights, especially for SMEs, will be reinforced in the Internal Market and abroad. Further actions will strengthen the competitive position of EU firms as sellers of goods and services in foreign markets as well as buyers of key inputs such as energy and raw materials.

- Investment and innovation are not possible without adequate access to finance. Public resources have already been mobilised to sustain investment in innovation, especially by SMEs. However, the necessary investments to increase Europe's competitiveness cannot rely on public sector funding alone and the updated strategy therefore proposes a series of actions to improve companies' access to funding and capital markets. Towards this direction cooperation with the EIB and the EIF will be pursued to ensure the implementation of more efficient and effective financial instruments.
- Measures to increase investment in human capital and skills are central to the success of a modern industrial policy. The Communication therefore sets out policies aimed at job creation, which are needed to foster quality transitions in the labour market and to equip the labour force with the necessary skills to cope with industrial transformations.

The updated strategy proposes a new approach to industrial policy with a more proactive stance by public authorities and develops the "integrated" nature of our industrial policy reflected in the close intertwined relationships between cohesion, research, innovation, energy, environmental and skills and human capital policies and instruments.

II. QUESTIONS FOR THE POLICY DEBATE

In the light of the overall context described above, the Presidency invites the Council ("Competitiveness – Industry part") on 11 October 2012 to address the following question:

- Do you agree with the four pillars and the six priority action lines proposed in the update of the industrial policy communication?**

Strategy for the sustainable competitiveness of the construction sector and its enterprises

The European Commission proposes an action plan to promote construction as a driving force for the creation of jobs and sustainable growth in Europe in the short to the mid term, focusing on five key objectives:

- stimulating favourable investment conditions;
- improving the human-capital;
- improving resource efficiency;
- strengthening the internal market; and
- fostering the global competitiveness of EU companies.

It is important to consider that the implementation of the action plan will require a collective and coordinated effort not only at EU level, but also at national level, involving all relevant stakeholders. Several of the proposed measures in the Action Plan will require funding, part of which will come from the EU (for example through the Structural and Cohesion Funds). The Communication puts emphasis on appropriate programmes for repair, maintenance and renovation projects and relevant fiscal and financial instruments and credit mechanisms for renovation pursuing ambitious sustainability targets. In addition, Member States are invited to promote the use of financial engineering mechanisms for small renovation projects with contractual guarantees on building performances as well as the frontloading of Structural Funds for energy-efficient buildings. The Pact on Growth and Jobs adopted by the EU in June offers joint opportunities between the EU, Member States and the European Investment Bank (EIB) to finance investments in a sustainable renovation of existing buildings and infrastructure.

The Commission has proposed setting up a High Level tripartite strategic forum, where all Member States are expected to participate, and the creation of thematic groups in order to provide strategic guidance and to ensure a bottom up initiative from Member States and construction stakeholders.

In the light of the context described above, the Presidency invites the Council on 11 October 2012 to address the following question:

- b. What problems is the construction sector encountering in your country and what measures have already been taken or envisaged to tackle the situation including those measures aiming to help companies to internationalize their activities**

Cultural and creative sectors for growth and jobs in the EU

Cultural and creative sectors (CCS) play an important role in the European culture and contribute to the EU economy by creating growth and jobs. They account for 3.3% of GDP and 3% of total employment in the EU. However, their importance is even greater if one considers other sectors, like fashion and high-end, which rely on cultural and creative input: these two sectors account for 3% of the EU GDP each and employ respectively 5 and 1 million people. Furthermore, they produce significant spill-overs such as innovation, skills development and urban regeneration, while positively impacting other sectors such as tourism or ICT.

The Communication sets out a multi-layered strategy for the CCS, in view to helping them adapt to the changing environment and unleash their potential to contribute to growth. In this context, the Commission invites all levels of policy governance – from the local, the regional, the national up to the EU level – to develop integrated strategies in support of the cultural and creative sectors. Such strategies must involve policies not only in the field of culture, but also in the field of economic affairs, education, industry, tourism, urban and regional development.

For its part, the Commission will promote a modern regulatory environment and facilitate exchanges of good practices and peer learning across the EU. It will also mobilise a wide range of EU financial supports to the benefit of the cultural and creative sectors at various stages of the value chain, focusing on key policy drivers such as skills development, access to financing, promotion of new business models and audience development or access to international markets. To strengthen the competitiveness of fashion and high-end industries, the Commission will review challenges facing them and options for adequate measures. In this context, two Staff Working Documents have recently been published.

With regard to the longer term, the Commission has proposed a new generation of EU funding mechanisms for the period 2014-2020, which provide opportunities to the benefit of the cultural and creative sectors (e.g. Creative Europe).

In the light of the context described above, the Presidency invites the Council on 11 October 2012 to address the following question:

- c. **We need to further recognise the economic significance of cultural and creative sectors and strengthen their role in employment and growth creation as well as in contributing to an environment conducive to innovation. Which kind of initiatives should be promoted as a matter of priority at the EU level in order to achieve these goals**
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