



**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 26 November 2013
(OR. en)**

16560/13

**IND 346
COMPET 857
MI 1059
EDUC 445
ENER 545
RECH 565
ECOFIN 1040**

NOTE

From: Permanent Representatives Committee (Part I)

To: Council

No. prev. doc.: 15970/13 IND 312 COMPET 796 MI 994 EDUC 427 ENER 507 RECH 517
ECOFIN 999

Subject: Contribution to the European Semester and upcoming European Council meetings
- Policy debate
(b) European Industrial Policy
- Adoption of Council conclusions

1. On 14 October 2013, the Presidency presented draft conclusions on European Industrial Policy, to the Working Party on Competitiveness and Growth. The Working Party further discussed the draft conclusions on 28 October, 5 and 12 November 2013. Discussions in Coreper on 20 November 2013 resulted in a general consensus on the text but still with some reservations from delegations.

In comparison with the previous document (15970/13), the new text is indicated in **bold** and deletions in ~~striketrough~~.

2. List of reservations :

- On changes introduced at Coreper level, PL has a scrutiny reservation;
- Paragraph 8 : HU has a reservation while RO and BG have scrutiny reservations on the addition introduced in the second sentence of the paragraph.

3. The Council is invited to examine the outstanding issues mentioned under 2. with a view to the adoption of these conclusions at its meeting on 2-3 December 2013.

Draft Council Conclusions on European Industrial Policy

In its conclusions of 27-28 June 2013 the European Council recognised "the vital importance of a strong European industrial base as an essential building block of the EU's growth and competitiveness agenda" and "called for a broad horizontal and coherent approach for a modern European industrial policy accompanying structural change and economic renewal" . On the basis of the invitation of the European Council, with the view to its February 2014 discussion on industrial competitiveness and policy,

"THE COUNCIL OF THE EUROPEAN UNION":

1. CALLS on the European Council to endorse the Competitiveness Council conclusions adopted since the 2012 Industrial Policy Communication as a first step for the implementation of policy actions at EU and Member States level to improve the industrial competitiveness of the EU.
2. STRESSES the need for increase in the dynamics of European economy. EXPRESSES concerns at the recent slowdown in productivity growth as well as the contribution of manufacturing to EU GDP in 2012; TAKES NOTE of the Commission's intention to see the share of industry at the level of as much as 20% of GDP by 2020. ACKNOWLEDGES that Member States have made progress in improving financial stability, business environment, exports and sustainability; UNDERLINES that an ambitious and active Industrial policy is a key element of the EU recovery strategy and therefore STRESSES the need for ambitious actions of Member States and the EU to allow industry to improve its competitiveness; REITERATES in this respect the need to continue an ambitious implementation of 2010 and 2012 Communications on the EU Industrial Policy;

3. STRESSES the need to provide a **stable and predictable competitive framework** for European industry that enhances productivity growth in manufacturing and services: a fully and efficiently functioning Single Market, growth- and innovation-friendly regulatory environment, cost-effective, sustainable and secure supply of energy and raw materials, reinforced and efficient support to innovation and creativity, appropriate skills, improved access to finance and external markets;
4. RECOMMENDS exploiting existing policy coordination tools to develop a comprehensive approach between EU level and Member States' industrial policies; and CALLS for the greater exploitation of synergies and coherence between all relevant EU and national policies; WELCOMES in this context the assessment provided in 2013 European Competitiveness Report and the 2013 report on Member States Competitiveness and policies; CALLS on the Commission to extend the scope of its annual reports to assess on how industrial competitiveness dimension is integrated into all relevant EU policy areas; In this context, CALLS on the Commission to take these issues into account in its forthcoming work to enhance industrial competitiveness and LOOKS FORWARD to the presentation by the Commission of its industrial policy package to promote, and create the policy framework for investment in the competitiveness and modernisation of European industry and related services, acknowledging their contribution to growth and jobs; This will be a strong basis for an ambitious agreement at the European Council;
5. EXPRESSES concern at the slowdown in trade within the Single Market; CALLS ON the EU and Member States to take steps to help SMEs exploit the opportunities offered by the Single Market; HIGHLIGHTS the need to complete the Digital Single Market by 2015. RECALLS the importance of business-related services, including knowledge-based services and creative services, for creating value and strengthening the competitiveness of EU industry; UNDERLINES that remaining unjustified or disproportionate barriers need to be removed to improve the functioning of the internal market for such services, using all relevant instruments including, where appropriate, harmonization as well as mutual recognition; ANTICIPATES that such regulatory reform will also improve the export potential of goods and services.

6. ACKNOWLEDGES the contribution that all industrial sectors can make to the European economy and ENCOURAGES therefore the implementation of sectoral initiatives by the Commission;
7. CALLS for further streamlining of legislation and removing unnecessary regulatory burden in order to stimulate a more **growth-friendly regulatory environment**, while fostering competitiveness and job creation, ~~and~~ taking into account all relevant public interests **and referring to the Council Conclusions on smart regulation**; WELCOMES in this regard the Commission's efforts in pursuing the smart regulation agenda and in particular its REFIT programme; UNDERLINES the need for a more systematic and in-depth assessment of the impacts on sectoral competitiveness of proposed legislation, available at an early stage of the legislative process; CALLS on the Commission to ensure this through a more consistent use of its Impact Assessment Guidelines and their complementary toolkit on competitiveness proofing as well as through its strengthened approach to ex post evaluation; WELCOMES in this respect the Commission's initiative to explore possible methodologies for cumulative cost assessment; CALLS on Member States to apply smart regulation tools - in particular to assess the impact on sectoral competitiveness and SMEs both ex ante and ex post when preparing national legislation;
8. EXPRESSES concerns on the negative impact of the **high costs of energy** on EU industrial competitiveness compared to its main competitors; UNDERLINES the need to secure an uninterrupted supply of energy and raw materials at affordable and competitive prices and costs, **bearing in mind the primary role of a well-functioning and effective market** and in this context, stresses the importance of domestic resources, while recognising Member State choices of energy mix; REAFFIRMS the need to complete the internal energy market by 2014 and develop interconnections so as to put an end to any isolation of Member States by 2015; CALLS for the vigorous implementation of the Third Energy Package and actions on empowerment of consumers in retail markets, as well as financing and development of cross-border and national energy infrastructure.

HIGHLIGHTS that energy efficiency measures can make a contribution to mitigating current trends in energy prices and costs. CALLS on the Commission to present an analysis of the composition and drivers of energy prices and costs in Member States, by the end of 2013, with a particular focus on the impact on SMEs and energy intensive industries, and looking more widely at the EU's competitiveness vis-à-vis its global economic counterparts; WELCOMES in this respect the measures included in the Commission's Steel Action Plan to facilitate the uptake of promising new technologies; CALLS for an integrated approach with regard to the future proposals of the Commission on 2030 framework for climate and energy policies, taking into account the three pillars of the energy policy;

9. EMPHASISES the need to boost **public and private investments**, in line with the Commission Communication on "A Stronger European industry for growth and economic recovery" of 10 October 2012; WELCOMES in this regard the mobilisation of further European resources in connection with the new "Investment plan"¹ to support SMEs and boost the financing of the economy; REITERATES the need to define the practical modalities for the combined use of COSME, Horizon 2020 and Structural Funds in order to support and strengthen entrepreneurship, research, development and innovation contribution to Europe's competitiveness; STRESSES the potentialities of increasingly strategic and targeted lending of the European Investment Bank to innovation and industrial transformation projects, notably in manufacturing and related services;

¹ EUCO 104/2/13 REV 2 (European Council Conclusions 27-28 June 2013)

10. ACKNOWLEDGES that economic benefits of **research, development and innovation** are generated by the successful, broad and timely commercialisation of research results, and therefore, STRESSES the importance of effective and efficient public support to innovation and close-to-market activities (pilot and demonstration projects bridging the gap between research and market) in line with State aid guidelines, and of ensuring, where appropriate, combined EU and Member states funding including for the implementation of the six priority areas identified in the Commission Communication on "a Stronger European Industry for Growth and Economic Recovery"² and of the strategy for Key Enabling Technologies; CALLS upon the Commission to ensure that Horizon 2020 activities include an appropriate mix of both research and close-to-market activities; RECALLS the important role of creativity, non-technological innovation and European standards for industrial competitiveness and WELCOMES in that context the action plan on design-driven innovation; REITERATES the need for a demand- and user-driven approach in innovation policies, including green and sustainable innovation and the reinforcement of pre-commercial procurement, procurement of innovative solutions, and development of standards. INVITES the Commission to issue practical guidance on how the new public procurement Directives can facilitate the procurement of innovative solutions so that public procurement can help bring innovation to the market and promoting the exchange of both EU and Member States practices to encourage innovation in public sector;
11. CALLS on Member States to strengthen and support cooperation between education, research, training and business, **addressing skills mismatches** and promoting apprenticeships, RECOGNISES the importance of further promoting and investing in entrepreneurship education, and INVITES the Commission and the Member States to fully implement the Entrepreneurship 2020 action plan;

² 15168/12

12. REITERATES the need to **restore normal lending** to the real economy to facilitate the financing of investments and improve access to finance for SMEs; INVITES the Commission to identify the bottlenecks created by the fragmentation of the financial markets; STRESSES the importance to create favourable framework conditions for venture capital, business angel networks, crowd-funding and other financial instruments, **including through the modernisation of the relevant State Aid rules**;
- ~~13. CALLS for the modernisation of the relevant State Aid rules and CALLS on Commission to carry out new research into subsidies granted outside the EU;~~
14. RECOGNISES the growing importance of global supply and value chains, and CALLS on the Commission and Member States to facilitate enterprises' efforts in pursuing high value tasks in the global specialisation; EMPHASISES the importance of clusters and networks as a key element of smart specialisation strategies and as a platform for the promotion of cooperation, innovation and networking among enterprises and other stakeholders; ACKNOWLEDGES their positive contribution to the growth of SMEs and the EU industry;
15. CALLS for the efforts to be stepped up in support of further internationalisation of SMEs; and in this context, INVITES the Commission to work closely with Member States; STRESSES that a stronger focus has to be put on the presence of European firms in non-EU markets. SUPPORTS an ambitious trade negotiations agenda ~~striving for~~ **promoting** free, **fair and open** trade **whilst asserting its interests in a spirit of reciprocity and mutual benefit** and enhancing Europe's place in global value chains; STRESSES the need to ensure that the use of the Trade Defence Instruments effectively addresses the practices of unfair competition, which undermines the competitive position of European businesses; **RECALLS the utmost importance to fight all forms of protectionism, including as regards non-tariff trade barriers**; **CALLS on the Commission to explore the possibility of carrying out research into subsidies granted outside the EU**;

16. INVITES the High Level Group on Competitiveness and Growth to further assist the Council in annually assessing the progress made by the Member States and the EU in the implementation of relevant structural reforms within the European Semester; INVITES the Network of SME Envoys to report on a regular basis on the implementation of the Small Business Act to the Council as appropriate.
-