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NOTE

From: Presidency
To: Permanent Representatives Committee/Council
Subject: Mainstreaming Industrial Competitiveness
– Policy debate
Presidency paper

Objective

In its call for a European ‘Industrial Renaissance’,¹ the Commission has acknowledged an urgent need to re-focus its strategic approach, prioritizing urgent competitiveness-oriented reforms to ensure that all EU policy areas promote the growth, investment, and employment needed to fully emerge from the economic crisis. The European Council Conclusions of March 2014² underlined that *"industrial competitiveness concerns should be systematically mainstreamed across all EU policy areas and be part of impact assessments in view of getting a stronger industrial base for our economy"*, and that *"this should go together with competitiveness proofing"*. Furthermore the European Council invited the Commission to present a roadmap for taking work forward on the

¹ Doc. 5489/14.

² Doc. EUCO 7/1/14 REV 1.

European 'Industrial Renaissance'. The Presidency believes that the Council in its Competitiveness formation has to play an important and effective role in mainstreaming industrial competitiveness across all EU policy areas, a role which has already been foreseen and attributed by the European Council to the Competitiveness Council when establishing this Council formation in 2002. The European Council Conclusions of March 2003³ emphasized that the new Competitiveness Council must actively assume its horizontal role of enhancing competitiveness and growth in the framework of an integrated strategy for competitiveness to be developed by the Commission, reviewing on a regular basis both horizontal and sectoral issues.

In order to support the effort to secure a stronger industrial base for Europe's economy and having regard to the strategic agenda for the Union in times of change, as set out by the European Council in June 2014⁴, Ministers are invited to highlight the key horizontal and sectoral issues where action is needed to support competitiveness mainstreaming in order to enhance competitiveness and growth across the Union and to adopt Council Conclusions on that subject. This should allow the Competitiveness Council to convey a strong political message to Member States and the EU institutions, in particular the Commission, at the beginning of a new policy cycle about the importance of policy and governance changes to support the real economy as a lever for growth, jobs and prosperity.

1. General Considerations related to Industrial Competitiveness

The Mid-Term Review of EU 2020, the main strategy for growth, has the potential to accelerate our emergence from the economic crisis by promoting entrepreneurship and job creation, aligning the real and financial economies and emphasizing Single Market and Industrial Competitiveness priorities within the European Semester. To this end, all priorities set by the June 2014 European Council Conclusions as central to such competitiveness-oriented reform have to be achieved.⁵

³ Doc 8410/03.

⁴ Doc. EUCO 79/14, Annex I.

⁵ Doc. EUCO 79/14.

Although some of the initial EU 2020 targets have been met, the Commission recognizes that the crisis has impeded progress in some areas, highlighting the need to focus on the *drivers* of long term growth. A key pillar of the EU 2020 strategy with central importance for the revitalization of the EU economy, is industrialization. An overarching target, set at an overall share of 20% manufacturing contribution to European GDP by 2020, would underpin the political commitment for the shared objective of achieving the necessary 'Industrial Renaissance', allowing each to benefit from increased growth and jobs at national level, while reversing the decline in EU industrial value creation.

The refocused strategy should promote industrial competitiveness through an emphasis on the industrial value chain, while underlining the importance of sector-focused initiatives in creating optimal competitiveness framework conditions, and of using sector-specific analyses to underpin Smart Specialisation, key enabling technologies (KETs), clusters and innovation-promoting strategies. The new Commission is encouraged to focus on competitiveness aspects, while providing guidance on revitalizing the international dimension of competitiveness, adding value to products and services, and safeguarding specific areas of EU industrial excellence.

2. Mainstreaming Industrial Competitiveness

Creating a stronger industrial base for Europe's economy, as acknowledged by both the Commission and the March 2014 **European Council**, demands a systematic mainstreaming of industrial competitiveness across all EU policy areas, while improving the tools for its monitoring, including at the sectoral level.

Integrating industrial competitiveness into EU legislation impact assessments will require a full use of modern regulatory instruments, such as the streamlining of tools, an early involvement of stakeholders, a clear framework for impact analysis, making use of relevant methods including cost-benefits analysis, published guidelines on ex post evaluation of policies and measuring the cumulative impacts of EU legislation on specific sectors.

This would allow Member States to better assess the actual impact of legislative proposals which may adversely affect EU competitiveness and to raise these issues at the Council in its Competitiveness formation. In this perspective, the regular analytical work done by the Commission, notably via its European Competitiveness Report and the Report on Member States Performance, could allow a more systematic monitoring of the competitiveness of European industry, which the Council could regularly examine. The Commission Work Programme and Roadmap for 2015 could focus on those initiatives enhancing competitiveness and innovation, while reflecting on industrial competitiveness mainstreaming, by building on the specific expertise of European industry, and in particular of SMEs.

3. Governance Issues – the Role of the Competitiveness Council and of the COMPCRO HLG

An effective post-crisis EU 2020 strategy demands competitiveness-oriented governance. The competitiveness agenda requires that the Council in its Competitiveness formation adopts a more strategically-focused mandate and a direct involvement in all important competitiveness aspects, thereby assuming its horizontal role which has been foreseen by the European Council in enhancing competitiveness and growth. Ways to enhance its capacity could include more input to the European Semester and regular debates about the implementation of mainstreaming. More effective governance mechanisms for managing and monitoring mainstreaming and structural reforms in the competitiveness and real economy areas are also needed, such as providing the COMPCRO HLG with a more efficient structure, in order to effectively contribute to the work of COREPER - which remains responsible for the preparation of all Council meetings in accordance with Article 16 paragraph 7 TEU - and a revised multiannual work programme to enable its more consistent support of the Council in monitoring and mainstreaming industrial competitiveness across all relevant EU policy initiatives, starting with those based on Articles 114 and 173 of the Treaty.

QUESTIONS

Ministers are invited to debate the issues outlined in this paper and to focus in particular on the following questions:

- How do Ministers think the EU 2020 targets could be most effectively re-focused to increase jobs and growth? What would be the impact of introducing a 20% target for industry? What more could be done to increase the level of industrialisation and reverse the decline in value creation across the EU?
 - How can effective mainstreaming of all EU policies having an impact on industrial competitiveness be ensured?
 - How do Ministers think that the Competitiveness Council and the High Level Group COMPCRO could be reoriented towards adopting a more strategic role and a mandate to mainstream all relevant proposals with substantial effects on competitiveness?
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