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Subject: *Preparation of the Council ("Competitiveness") of 30 November - 1 December 2015*

Competitiveness check-up: Economic developments and mainstreaming of competitiveness across all policy areas

- *Presentation by the Commission*
- *Presentation of the Presidency's report on mainstreaming competitiveness*
- *Exchange of views*

INTRODUCTION

The March 2014 European Council stated that the EU needs a strong and competitive industrial base as a key driver for economic growth and jobs, in terms of both production and investment.

To achieve this objective the European Council stressed the need to take into account industrial competitiveness concerns across all areas of EU policy or, in other words, to **mainstream competitiveness**.¹

¹ Doc. EUCO 7/1/14 of 21 March 2014

The call of the **European Council** was taken up by the Italian, Latvian and Luxembourg Trio Presidencies (second half 2014 – end 2015), who made it one of the top priorities of their joint work programme.²

Building on the work carried out under the Italian and Latvian Presidencies, the Luxembourg Presidency used the last six months to put in practice some innovations to further facilitate the practical implementation of competitiveness mainstreaming in the Competitiveness formation of the Council (hereafter the Competitiveness Council).

The Luxembourg Presidency focused in particular on the following two strands of work:

- The introduction of **new working methods** intended to facilitate the implementation of mainstreaming while improving the functioning of the Competitiveness Council, such as the launching of the “Competitiveness Check-up”, the establishment of a “Presidency mainstreaming list” covering the most important ongoing and future proposals that may have a significant impact on competitiveness, as well as the organisation of joint working party meetings between different areas of expertise to encourage an integrated approach to competitiveness.
- The in-depth analysis of a series of **substantive issues relating to EU competitiveness** - such as improving the investment climate in the EU, strengthening the competitiveness of energy intensive industries, improving the functioning of the Single Market and the overall quality of the regulatory framework, and better taking into account the needs of SMEs³ - in order to identify possible bottlenecks and priorities for action.

The Presidency approached its work from the angle of **identifying European added value** by focusing on actions at EU level that can bring tangible benefits for citizens and businesses, in particular SMEs.

² Doc. 11258/14

³ A detailed overview of issues is provided in the body of the report.

On the basis of the work carried out in this context, the aim of the report in the annex is to take stock of progress achieved and to provide an overview of the work carried out under Luxembourg Presidency.

It also puts forward recommendations as to how competitiveness mainstreaming could be further improved in the future, and which can be summarised as follows:

- High priority should be given to further promoting an **integrated approach to competitiveness** within the Competitiveness Council and between Council formations.
- The Competitiveness Council should exploit and further develop the **Presidency mainstreaming list** and the **Competitiveness Check-up** as monitoring tools for competitiveness mainstreaming and for improving the functioning of the Competitiveness Council. These tools should help the Council to fulfil its mandate and to react in a timely manner to important issues concerning the real economy.
- **Mainstreaming** should also be **implemented at national level** through appropriate coordination efforts. The mainstreaming list can be helpful in this respect.
- The governance of large political processes linked to competitiveness, such as the **Digital Single Market** and the **Single Market Strategy**, should be strengthened, and the Competitiveness Council should actively assume its role.
- The Commission should provide more detailed information regarding the **timing and content of specific actions planned by the Commission** to deepen competitiveness mainstreaming, both as regards horizontal and sector-specific measures.
- The **High Level Group on Competitiveness and Growth** should be involved in the preparation and further analysis of mainstreaming issues, and it should continue monitoring the **implementation of Council conclusions**.

The Luxembourg Presidency invites future Presidencies and the Commission to build on the findings of this report and to consider following up on them.

IMPLEMENTATION OF COMPETITIVENESS MAINSTREAMING**STATE OF PLAY AND PERSPECTIVES****PRESIDENCY REPORT****I. MANDATE OF THE COMPETITIVENESS COUNCIL**

The systematic taking into consideration of competitiveness is not a new idea in the Council. When it was set up in 2002, the Competitiveness Council was meant to play the role of a strategic observatory of competitiveness.⁴

Some months after its creation, the Competitiveness Council was given a broad mandate by the March 2003 European Council to be “*effectively consulted within the Council’s decision-making processes on proposals considered likely to have substantial effects on competitiveness, alongside the responsibility of all Council formations to assess the impact of their work field.*”⁵

At the same time, the European Council stated that the Competitiveness Council “*must actively assume its horizontal role of enhancing competitiveness and growth (...), reviewing on a regular basis both horizontal and sectoral issues.*”⁶

II. IMPROVING THE FUNCTIONING OF THE COMPETITIVENESS COUNCIL

The Competitiveness Council has consistently struggled to live up to this role and there has been consensus regarding the need for developing new working methods to improve its effectiveness.

⁴ Through a merger of the former “Industry”, “Internal Market” and “Research” Council formations.

⁵ Doc. 8410/03

⁶ Ibid.

In September 2014, under Italian Presidency, the Competitiveness Council decided to “*carry out in a more structured and more systematic manner its mandate to examine all relevant proposals that have substantial effects on competitiveness*”, and to “*hold regular debates about the implementation of industrial competitiveness mainstreaming* [called for by the March 2014 European Council],⁷ based on information to be provided by the Commission.”⁸

The following concrete steps were subsequently taken to improve the operational functioning of the Competitiveness Council.

i) The Competitiveness Check-up

With the strong support of both the Member States and the Commission, the Luxembourg Presidency put in place a new working method to strengthen the strategic role of the Competitiveness Council: the Competitiveness Check-up (hereafter the Check-up).

The aim of the Check-up is to allow Ministers to put forward priorities and to respond to urgent issues and developments in all areas of relevance to the core business of the Competitiveness Council: the real economy.

The Check-up takes the format of an open debate between Ministers and the Commission at the beginning of each Competitiveness Council meeting. In terms of outcomes and follow-up, it is meant to take stock of the current situation, to identify priorities for further work – in the Council and its preparatory bodies – and also to contribute to strengthening coordination on important issues at national level.

Besides content issues, the Check-up also constitutes a tool for improving the dynamic of Competitiveness Council meetings by making them more spontaneous and interactive.

A first Check-up was carried out at the 1 October 2015 meeting of the Competitiveness Council. It was built on two main elements:

⁷ Ibid.

⁸ Doc. 13338/14

- a) A presentation by the Commission on key indicators regarding competitiveness and market integration, such as trade integration of goods and services, and the latest trends in FDI and investment. During the presentation one particular area of interest was highlighted: the link between environmental policy and better regulation and, more generally, the need to ensure that the regulatory framework is predictable, clear and consistent.
- b) The Presidency mainstreaming list: an informal Presidency non-paper that provides an indicative and non-exhaustive overview of current and upcoming EU initiatives that are likely to have a significant impact on competitiveness, including initiatives falling within the remit of other Council formations. To facilitate the Competitiveness Council's monitoring role regarding the integrity and the well-functioning of the Internal Market, initiatives with an Internal Market legal basis (Article 114 TFEU) are pointed out specifically on the list.

The Check-up generated a substantive and open debate on the main priorities for competitiveness mainstreaming identified by Ministers. Regarding the issue of regulatory efficiency it also helped to illustrate that there is not necessarily a direct link between the level of ambition of legislation and the regulatory burden it creates, i.e. that it is possible to aim for a high level of ambition while keeping regulatory burden at a minimum.

The following suggestions for improvement were raised and subsequently taken into account in view of future Check-up discussions:

- A stronger focus should be put on micro-economic analysis, based on the latest available data, as well as on comparison between EU competitiveness and third countries (the “international dimension”).
- There should be a clearer distinction between the debate on the Check-up presentation given by the Commission and the Presidency mainstreaming list.
- The mainstreaming list should not be discussed in its entirety. Instead the Presidency should choose one or two issues for in-depth consideration at each Council meeting.

- The Presidency mainstreaming list can serve as a useful monitoring tool of the most important files with relevance for competitiveness. Member States may also use the list for the purposes of internal coordination within their national administrations.
- A more structured approach should be considered as regards the issues and indicators to be examined at each Council meeting.

ii) **High Level Working Group Competitiveness and Growth**

Under Italian Presidency, the High Level Working Group on Competitiveness and Growth (hereafter the HLG) was formally set up as a working party under the remit of Coreper I.⁹

The mandate of the HLG is to provide support to the Competitiveness Council, including as regards the monitoring and mainstreaming of competitiveness.

In order to promote continuity, the HLG was given a stable Chairmanship throughout the Italian, Latvian and Luxembourg Trio Presidencies. The Trio jointly appointed the Latvian HLG representative as Chair of the HLG, while Italy and Luxembourg each appointed one Vice-Chair.¹⁰

During the Trio the HLG held in-depth discussions on important mainstreaming issues, including the Energy Union, the Capital Markets Union and the possible setting-up of national “Competitiveness Authorities”.¹¹

Under the Latvian Presidency, the HLG launched a stock-taking exercise regarding the implementation of past conclusions adopted by the Competitiveness Council in order to assess, in a systematic manner, whether the Council, the Commission and the Member States are delivering on their commitments.

⁹ Doc. 15006/14

¹⁰ Furthermore the Italian Vice-Chair was tasked with the special Trio mandate “*to formulate proposals concerning strategies, governance and operational functioning to fully exploit the potential of the HLG in favour of European competitiveness*”.

¹¹ As proposed in the “Five Presidents’ Report” on the completion of the Economic and Monetary Union.

In terms of future improvements it was suggested to strengthen the involvement of the HLG in the preparation and follow-up of non-legislative files on the Council agenda, including on issues identified in the Check-up, and to ensure good coordination between the HLG and the working party on Competitiveness & Growth.

iii) Encouraging interdisciplinary approaches

To promote a more integrated approach to competitiveness, the Presidency encouraged cooperation between different Council working parties dealing with important issues for competitiveness, both within the remit of the Competitiveness Council and between different Council formations.

Several joint meetings have been organised between the Better Regulation and the Industry working parties and between those on Internal Market and Industry.

Joint meetings have also taken place between the Internal market and the Telecommunications working parties (on the Digital Single Market), and the Environment counsellors were invited to participate in an Industry meeting on the competitiveness of energy intensive industries.

In general, the joint meetings were strongly supported by delegations and considered to be a dynamic and effective method for gathering a common understanding between various areas of expertise.

There was also large agreement that the practice of joint meetings should be further exploited under future Presidencies. During discussions some delegations supported the idea of considering the setting up of ad-hoc working parties on big issues with relevance for several Council formations.

III. THEMATIC WORK ON COMPETITIVENESS MAINSTREAMING

The Presidency organised a series of thematic meetings and discussions on important factors of competitiveness to identify the main challenges. This was done mostly in the presence of stakeholders and external experts, who were invited to inform the discussions.

Sections a. to g. below provide an indicative and non-exhaustive overview of this work and of the main messages and results identified by the Presidency.

a. Overall policy approach to competitiveness mainstreaming

In June 2015, Commissioner Bienkowska sent a letter to Competitiveness Ministers on the work the Commission is undertaking to promote industrial competitiveness and its inclusion in all EU policies.

The content of the letter was examined by the Industry working party. Member States welcomed in general the integrated approach set out by the Commission, which highlighted the need to increasingly take into account value chains and to adopt a broader view on industrial policy, including important aspects such as services, digitalisation, better regulation and the internal market.

Many delegations expressed interest in receiving more detailed information regarding the timing and content of specific actions planned by the Commission. A number of delegations also underlined the need for further integrating other EU policies of relevance to EU competitiveness, such as environment and climate policy. The importance of further pursuing specific policies in some industrial sectors and value chains, where required, as a complement to horizontal measures, was also highlighted. Several delegations stressed the need to take specific measures for improving SME competitiveness.

Previously, the Latvian Presidency had put the focus on the measures required to enable the digital transformation of EU industry and, in more general terms, the importance of better taking into account the digital dimension in all EU policies, which should be further followed up during 2016.¹²

b. Competitiveness challenges for energy intensive industries

The competitiveness of energy intensive industries featured among the main priorities of the Luxembourg Presidency. It was examined in light of important policy actions that are currently underway, in particular the Energy Union, the reform proposal of the EU Emissions Trading System (EU ETS), and trade policy considerations. The support provided by the European Fund of Strategic Investments (EFSI) to projects in energy-intensive industries was also looked into.

¹² See doc. 8993/15: “Council conclusions on the digital transformation of European industry”.

The serious challenges faced by the EU steel industry were discussed during an extraordinary meeting of the Competitiveness Council on 9 November 2015. At the meeting, it was agreed to take action in order to improve the global competitiveness of the European steel sector. This should be part of a comprehensive approach aimed at creating competitive framework conditions for energy intensive industries as a whole, including through a predictable and consistent regulatory environment as well as measures to stimulate innovation. Measures to be taken include making full and timely use of the range of EU trade policy instruments to ensure a global level playing field, exploiting the possibilities offered by EFSI and the existing EU State Aid framework as well as making sure that the EU ETS prevents carbon leakage.¹³ As a follow-up, it was decided to organise a special High Level stakeholders' conference, involving the social partners, to review the current situation and consider policy actions.

The proposed reform of the EU ETS was also discussed during an informal ministerial discussion in the margins of the 1 October 2015 meeting of the Competitiveness Council.

The Presidency drew the following key messages from the debate:

- There is a need to ensure a close coordination of the file at national level and to keep the Competitiveness Council informed of the ongoing negotiations.
- It is necessary to make sure that the EU ETS prevents carbon leakage and favours long-term investment in the EU by providing legal certainty and predictability.
- The EU ETS should create the right incentives to encourage and reward the best performers in all energy intensive industries and to stimulate investment in the most innovative and green solutions.

Furthermore, the following were among the main issues raised and may deserve further consideration:

¹³ The Presidency conclusions of the extraordinary Competitiveness Council meeting are available under this link: <http://www.consilium.europa.eu/en/press/press-releases/2015/11/09-compet-presidency-conclusions/>

- The introduction of a harmonised compensation mechanism for indirect carbon costs.
 - Measures to ensure that the risk of carbon leakage is managed efficiently, and in a more targeted way, in order to provide up to 100% free allocations to the most efficient installations in the most exposed sectors, in accordance with the conclusions of the October 2014 European Council.
 - The setting of benchmarks based on the most recent available production data, while also considering the administrative burden for businesses.
 - The need to support low carbon technologies on the basis of the principles of transparency and excellence.
- c. Making use of the better regulation agenda for strengthening the competitiveness of EU businesses, in particular SMEs*

The aim of this work stream was to explore - from a concrete, practical angle - how better regulation tools and procedures can contribute to making sure regulation is fit for purpose and that it delivers the intended outcomes in the most efficient manner, in particular through the perspective of SMEs and micro-enterprises.

Discussions took into account the general context of the Better Regulation Agenda and the REFIT programme. They covered both ex-ante evaluation - impact assessments - and ex-post evaluation tools, in particular cumulative cost assessments and fitness checks.

Specific attention was paid to the way in which the needs of SMEs are taken into account in EU legislation (“Think Small First” principle). In this context, the relevance and the experience so far with specific derogations or lighter regimes for SMEs or micro-enterprises were examined.

Discussions allowed highlighting the following issues in particular:

- The assessment of regulatory impacts - ex-ante and ex-post - is a complex exercise in general and methodologies normally have to be designed and applied on a case by case basis.
- Quantification of impacts (in terms of potential costs, benefits, etc.) is not always possible in a reliable manner. However, such estimations can constitute useful evidence to be taken into account in the decision-making process, among other elements.

- While ex-post evaluations of legislation provide valuable insight of the way regulation works on the ground, they are generally very complex to carry out and intensive in terms of costs and time. Subjects for ex-post evaluation should therefore be chosen carefully and defined precisely.
- There is a need for a more systematic follow-up to the results of ex-post evaluations, such as the cumulative cost assessments on steel and aluminium. Furthermore it was suggested to carry out additional cumulative cost assessments in other manufacturing sectors or in services.
- The need to enhance the REFIT Scoreboard by introducing more quantitative estimates of the effects of the REFIT programme was mentioned.
- Specific derogations or lighter regimes for SMEs or micro-enterprises can be effective in certain areas, although they can also be counter-productive when SMEs look for commercial funding.
- The main aim should remain to deliver clear and simple legislation for all businesses, small and large alike, especially given the overwhelming predominance of SMEs and micro-enterprises in the economy (representing altogether around 98% of EU businesses).
- There can be significant differences between the various types of businesses that qualify as an SME, including micro-enterprises and start-ups, which can have very different needs and expectations regarding regulation, depending on the case.
- Besides evaluating the costs and burdens, it appears important to also take into account the added value and the benefits that EU regulation can deliver for businesses, in particular as regards creating legal certainty and taking away the burden for businesses to comply with 28 different sets of national legislations.

d. Deepening Single Market integration

The smooth functioning of the Single Market, including online, is one of the main competitiveness factors for the EU. It is also one of the only competitiveness factors that remain largely in the EU's hands (as opposed to other areas that are more dependent on the global environment or on national policies): the EU is free to decide on its own Single Market rules and on their level of ambition.

Yet the Single Market remains fragmented in many areas and the EU is still far from fulfilling the goal of enabling European companies and consumers to sell and purchase goods and services anywhere in the EU as easily as on their national markets. All too often they are still facing 28 “mini-markets”.

The deepening of the Single Market, including the Digital Single Market, by removing the substantive “**Cost of Non-Europe**”¹⁴ caused by remaining barriers, has been a key priority of the Presidency.

The benefits of and the need for “good” EU rules that contribute to market integration by removing barriers was highlighted at the informal meeting of Competitiveness Ministers on 20 July 2015 in Luxembourg. Good EU rules bring tangible benefits to businesses, citizens and consumers alike.

Based on the discussions at the informal Council, the Presidency concluded that there is a strong demand among Member States and businesses to make EU legislation more efficient and more focused, and to make use of those regulatory tools that foster market integration and legal certainty, especially by combining targeted harmonisation with mutual recognition in EU legislation.

The Presidency also dealt with the two major initiatives put forward by the Commission to deepen the Single Market: the “Digital Single Market” and the “Single Market” strategies.

On the Digital Single Market, significant work regarding the setting of the main priorities was carried out under Latvian Presidency. In the absence of legislative proposals, which are expected in late 2015 and throughout 2016, the Luxembourg Presidency focused on monitoring ongoing work within the Commission and on analysing in depth some important issues regarding the Commission’s future regulatory approach, in particular as regards online platforms and the sharing economy. To this end joint meetings took place between the Internal Market and Telecommunications working parties.

¹⁴ See report: [http://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/563350/IPOL-EAVA_ET\(2014\)563350_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/563350/IPOL-EAVA_ET(2014)563350_EN.pdf)

Furthermore, the Presidency started work on the Single Market Strategy by examining the main political priorities proposed by the Commission. The report on Single Market Integration and Competitiveness, which sets out the economic evidence supporting the strategy, was examined at a joint meeting between the Internal Market and Industry working parties.

The following issues were identified in particular:

- The Single Market Strategy and its objectives are broadly supported.
- In order to achieve tangible results in terms of growth and job creation, proper coordination between this strategy and the Digital Single Market Strategy should be ensured.
- The concrete initiatives that should flow from the Single Market Strategy, and the Digital Single Market Strategy, should effectively contribute to improving the functioning of the Single Market by removing barriers and creating legal certainty for operators and consumers.
- To ensure consistency and convergence of results it is important to monitor progress in the implementation of the two strategies, and the discussions on specific initiatives, at political level in the Council.
- The merger, into one single document, of the former annual reports on “EU Competitiveness” and “Single Market integration” is strongly welcomed by delegations.
- The integrated report generally provides a good evidence base for assessing the functioning of the Single Market and for identifying policy needs.
- In view of future editions of the report, further efforts are needed to present a more consistent analytical framework by creating a better integration/link between the various components of the report, and by integrating country chapters on the performance of the Member States.
- There is also a strong interest for complementing the existing framework by adding qualitative and quantitative indicators that are reflecting competitiveness and Single Market integration from a business perspective, in particular from an SME perspective.
- In order to achieve high political visibility for the state of Single Market integration, the idea of introducing one (or a limited number of) headline indicator(s) could be further explored.

e. Improving SMEs' access to finance and promoting investment

European SMEs consistently experience difficulties to grow and to scale-up their activities across the Single Market and at international level. Besides regulatory barriers, such as burdensome legislation, procedures at national level, and barriers to cross-border activities,¹⁵ access to finance consistently features among the main concerns of businesses. Therefore it also appears constantly among the top policy priorities at EU level.

Despite the close attention paid to this issue, SMEs continue to experience difficulties and consequently some, particularly high-growth businesses with the most critical financing requirements, decide to relocate their activities to other parts of the world (in particular the US) in order to scale up.

The aim of the Presidency was to gather an overview of the situation in the market in order to assess what the EU can do to improve access to finance.

This involved looking into a range of EU financing instruments relating to competitiveness, including Horizon 2020, COSME,¹⁶ the European Structural and Investment Funds as well as the financing available under the EFSI.¹⁷

Strong emphasis was also put on the need to improve the availability of alternative sources of financing – including capital markets, venture capital and crowdfunding – which are more widely used in other parts of the world and should play a bigger role in providing financing to businesses that struggle to obtain funding, especially SMEs and start-ups. Existing EU financing instruments, such as the EFSI, should play a role in this regard.

¹⁵ Examined in section c. above.

¹⁶ The “Programme for the Competitiveness of Enterprises and small and medium-sized enterprises” (COSME) (2014 - 2020)

¹⁷ The main results of the programmes under the previous financing period (2007-2013) were also looked into.

The following issues were identified in particular:

- A wide range of financing opportunities is available under EU financial instruments, which are generally delivering good results. It would be beneficial, however, to conduct further analysis regarding usage by and impact on SMEs.
- Businesses are often not aware of existing possibilities and national administrations and promotion agencies often struggle to spread the relevant information to the intended target groups. Disseminating information to SMEs is crucial.
- Financial knowledge and awareness should be improved through training and enhanced interconnection between SMEs, financial intermediaries and existing expertise.
- The awareness and the user-friendliness of the central EU financing portal¹⁸ could be further improved by better promoting it, by mobilising SME intermediary organisations, etc.
- There is strong support for putting in place ambitious actions in the context of the Capital Markets Union to give a boost to alternative sources of financing.
- The improvement of access to traditional sources of financing, notably bank loans, remains of great importance as a part of the financial ecosystem, including for traditional, less innovative SMEs for whom alternative sources of financing are of lesser relevance in general.
- There is a need to ensure good coordination between measures at EU level and existing schemes and market conditions in the Member States.

f. Taking into account Value Chains in policy design

International production, trade, and investments are increasingly organised within Global Value Chains (GVCs) in which the different stages of the production process are located across different countries and, in many cases, different continents.

The EU is further ahead of other regions on regional trade integration. The Single Market has made it easier for European firms to benefit from economies of scale and has also reduced transaction costs. In turn, this has also provided a strong basis for EU firms to re-orient themselves towards higher skilled and higher value-added activities. This means that EU firms are already well placed to participate in GVCs, and reap the benefits from the growth in GVCs.

¹⁸ www.access2finance.eu

The objective of the Presidency was to get a better understanding of how value chains work and what they mean for businesses and policymakers – also in light of the letter on competitiveness mainstreaming sent by Commissioner Bienkowska to Competitiveness Ministers (see above), which referred to measures that aim to support the integration of EU firms in European and global value chains.

The following issues were identified in particular:

- The close integration of EU and international value chains raises complex issues which need to be assessed carefully when designing policies at the EU or national levels.
- In general, SMEs can benefit greatly from being directly or indirectly part of GVCs.
- There is a strong consensus on the need to better take into account GVCs in EU policy development. Further efforts should be deployed to get a better understanding of GVCs and their meaning for EU policymakers, including understanding the impacts of possible options right along value chains.
- A high level of market integration is vital for promoting the development of value chains at regional level. The further deepening of the Internal Market is a powerful tool to boost the EU's attractiveness and its share in GVCs.
- There are no “one size fits all” policy solutions for promoting specific strands of activities. Value chains and policy issues need to be assessed on a case-by-case basis.
- There are opportunities for innovation throughout the value chain in ways that go far beyond R&D and include areas such as processes, logistics and service delivery.
- The EU can help bring together parties from different areas to identify synergies between sectors, technologies and processes, which could offer significant economic potential.
- To illustrate the functioning of a GVC, the Presidency explored the example of the aerospace sector. Further analysis of other sectors could be undertaken under future Presidencies.

g. The contribution of clustering and smart specialisation strategies

In the letter sent to Competitiveness Ministers in June 2015 (see above), Commissioner Bienkowska highlighted clusters and smart specialisation strategies as major tools for fostering industrial competitiveness, strategic cooperation across borders and the development of European value chains.

Cluster policies are used in many European regions as a lever for innovation and industrial modernisation. They can be key drivers for smart specialisation strategies in regional and local ecosystems by boosting innovation, technology uptake and knowledge spill-overs. They can also be an important lever for integrating SMEs in innovation processes and in value chains that go beyond regional and national borders.

The objective of the Presidency was to take stock of existing EU policies in this area and to explore ways forward. Discussions gave rise to the following issues in particular:

- The tools put in place by the Commission to facilitate inter-cluster collaborations have been received positively by Member States.
- It is important to maximise the synergies between the various existing tools and policies.
- Due to the large variety of existing measures, it would be beneficial to develop a consistent overview of existing EU policies, and of their effectiveness (results produced so far, existing gaps, etc.).
- Clustering strategies can deliver concrete results by fostering links between industry and services, supporting innovation and entrepreneurship, and involving SMEs in value chains beyond their national borders.

- They can also promote the participation of SMEs in EU programmes, such as Horizon 2020.
- Clustering strategies can play an important role in mobilising private investment in innovative projects, industrial modernisation, etc.
- EU involvement can provide a significant added value in promoting the development and the participation in inter-regional, pan-European clustering projects and smart specialisation strategies.
- The potential for linking together European regions with significantly different levels of development should be explored further.

IV. CONCLUSION AND RECOMMENDATIONS

Competitiveness mainstreaming is about making sure that competitiveness issues are taken into account in EU policy making and in policy coordination at national level, in line with the mandate of the Competitiveness Council. It should be seen as a dynamic and continuous process.

Efforts to mainstream competitiveness are not meant to duplicate or overlap with the work carried out in other Council formations. Mainstreaming is also not intended to call into question the fulfillment of important and legitimate public interest objectives.

Instead, the added value of the Competitiveness Council should be to explore the least burdensome, most efficient and cost-effective ways of reaching the objectives of the Treaty throughout all policies which have a potentially significant impact on competitiveness – both within and outside the remit of the Competitiveness Council – and to improve the consistency of policies affecting competitiveness. The role of the Competitiveness Council should also be to signal competitiveness concerns linked to specific policies or to developments in the real economy.

In doing so, specific attention should be paid to safeguarding the integrity of the Single Market and to actively contribute to its completion. In any case, all proposals based on a Single Market legal basis (Article 114 TFEU) should effectively contribute to the better functioning of the Single Market.

With the strong support of the Member States and the Commission, the Italian, Latvian, and Luxembourg Trio Presidencies have taken a wide range of actions to improve the working methods of the Competitiveness Council and to contribute to competitiveness mainstreaming.

Changes to working methods take time to put in place. It is clear that they need to be tested and improved gradually in order to trigger better and concrete results in a consistent manner. In the medium and long term, an improved governance structure based on the working methods set out in this report should contribute to strengthening the influence of the Competitiveness Council, by providing more substantial contributions to issues with relevance for EU competitiveness.

Based on the experience and the main results drawn from the work described above, the Luxembourg Presidency would like to put forward the recommendations below.

Presidency recommendations on competitiveness mainstreaming

- The **Presidency mainstreaming list** has the potential to become a “monitoring board” of the most important files with relevance for competitiveness. It should be kept up-to-date and serve as a background document for the political process, including coordination efforts at national level. In the future, more detailed information could be included in the list to make it more operational, such as information on the state of play of the various files and initiatives featuring on it, whether and how impact assessments were carried out (in particular regarding competitiveness), etc.
- The **Competitiveness Check-up** has shown its potential as a monitoring tool for competitiveness mainstreaming and for improving the functioning of the Competitiveness Council. The Check-up should be kept as a first agenda point at each meeting of the Competitiveness Council. It should be gradually improved based on experience, including making each discussion more sharply focused and by ensuring a systematic follow-up. As regards its content, the Check-up should each time be closely linked to the issues featuring on the agenda of the respective Competitiveness Council meeting.
- The **High Level Working Group on Competitiveness and Growth** can play an important role in competitiveness mainstreaming. Incoming Presidencies may consider carrying out further in-depth analysis on mainstreaming issues at the HLG, which could then feed into the Council discussions as prepared by Coreper. The HLG could also be involved in the follow-up to the Check-up.
- In more general terms, it is crucial to further promote an **integrated approach to competitiveness** within the Competitiveness Council and between Council formations. The practice of bringing together different perspectives on key topics by organising joint meetings of different working parties can constitute an effective method for gathering a common understanding between various areas of expertise.
- There is also a need to strengthen the governance of large political processes linked to competitiveness, such as the **Digital Single Market** and the **Single Market Strategy**. The Competitiveness Council should actively assume its role and regularly take stock of progress achieved in these strands of work.
- There is a strong demand for more detailed information regarding the **timing and content of specific actions planned by the Commission** to deepen competitiveness mainstreaming, including as regards the **digitalisation of EU industry**.
- The Commission should consider to continue or develop, where required, **specific policies and action plans** in certain sectors and value chains, as a complement to horizontal measures.
- The Council should also continue to monitor the **implementation of Council conclusions** on a regular basis. A large stock-taking exercise was carried out under Latvian Presidency and could be repeated in the course of 2016.

The Luxembourg Presidency invites future Presidencies and the Commission to build on the findings of this report and to consider following up on them.