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PRESSE 14  
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## OUTCOME OF THE COUNCIL MEETING

3604th Council meeting

### Competitiveness (Internal Market, Industry, Research and Space)

Brussels, 12 March 2018

President **Emil Karanikolov**  
Minister of Economy of Bulgaria

# P R E S S

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's internet site (<http://www.consilium.europa.eu>).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's internet site or may be obtained from the Press Office.

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## **ITEMS DEBATED**

### **INDUSTRY**

#### **Future of EU industrial policy**

The Council held a debate on industrial policy and adopted [conclusions on a future EU industrial policy strategy](#).

The conclusions call on the Commission to develop a forward-looking EU industrial strategy with a focus on 2030 and beyond, to enhance competitiveness, growth and innovation in Europe.

The strategy should be supported by an action plan with concrete measures to achieve tangible results. It should provide industry with long-term predictability in order to stimulate investments.

During the debate, which was based on a [presidency document](#), ministers identified a number of elements that should be part of the future strategy.

These elements are reflected in the text of the conclusions and include:

- initiatives to stimulate new and emerging sectors with high growth potential and sectors facing economic change
- support for companies and SMEs in their digital transformation
- continued focus on innovation and new technologies and more effective investments in research and development
- further development of clusters and public-private partnerships to facilitate the emergence of new value chains
- support for Important Projects of Common European Interest
- smart use of public procurement policies
- implementation of dedicated policies to help SMEs, start-ups and scale-ups to grow
- addressing the lack of sector-specific skills
- promotion of a robust trade policy to foster a global level playing field
- systematic mainstreaming of industrial policy across all EU policy areas, taking into account European environmental and social standards
- reduction of unnecessary regulatory burdens

The chairman of the European Round Table of Industrialists, Benoît Potier, presented the views of industrial sectors.

On 13 September 2017, the Commission published a communication on "Investing in a smart, innovative and sustainable Industry: A renewed EU Industrial Policy Strategy", accompanied by a list of next steps on key actions ([12202/17](#) and [12202/17 ADD1](#)).

The Council welcomed the communication as an important signal and a useful first step towards developing a future-oriented EU industrial strategy. However, the majority of member states considered that the communication lacks a sufficiently strategic and long-term approach.

– *Industry Days*

The Council took note of information from the Commission on the outcome of the "[Industry Days](#)" held in Brussels on 22 and 23 February 2018, and on the first meeting of the High Level Industrial Roundtable that took place in the margins of that event.

The High Level Industrial Roundtable gathers representatives of industry, social partners and civil society. It is expected to contribute to the development of the future EU industrial strategy.

## **INTERNAL MARKET**

### **Digitalisation of the EU economy: European semester 2018**

Following a presentation by the Commission on the state of the digital economy, the Council exchanged views on the digitalisation of the EU economy, in the context of the European semester cycle.

The debate was introduced by a [presidency document](#) which highlighted that there are big disparities between the member states in many areas of the digital economy. In addition, in many sectors in the field of digitalisation Europe lags behind other major world economies like the US, Japan, South Korea and increasingly China.

The document suggests stepping up efforts to make collective progress in the digital single market.

Ministers outlined the need for adequate policies, actions and investments at European and national level to reap the full potential benefits of the digital revolution and to accompany the transition.

There was broad consensus on the need to better link funding decisions to priorities and to structural reforms in order to create an inclusive digital society.

Among the priorities for promoting the digital transformation, the following were mentioned:

- uptake of digitisation by industry
- further development of European digital platforms and digital innovation hubs
- implementing policies addressing the shortage of digital skills
- increasing support for knowledge transfer and open data policies
- tackling the lack of diversified financing sources for companies in Europe
- speeding up the expansion of digital infrastructures and broadband networks
- increasing cooperation between enterprises, research centres and academic institutions

The European semester spans the first six months of each year. During this cycle, the member states align their budgetary and economic policies with the objectives and rules agreed at EU level.

The "[Digital Day 2018](#)", which will take place in Brussels on 10 April, will provide an opportunity to further explore joint commitments related to the digital future of Europe in order to encourage investments in digital technologies and infrastructures.

### **25th anniversary of the single market: the way forward**

As 2018 marks 25 years since the completion of the single market, the Bulgarian presidency proposed a public debate on the way forward for the single market.

Ministers and the Commission focused on current and future challenges and perspectives for the single market and on possible ways to address them, with a particular focus on services, enforcement and digitalisation.

The debate was based on a Commission presentation and a [presidency document](#).

The large majority of delegations stressed the importance of implementing the initiatives contained in the various EU strategies such as the digital single market, the Energy Union, the capital markets union and the goods package, as a way to consolidate and further deepen the single market.

Many referred to concentrating efforts to address difficulties caused by artificial administrative barriers in several areas of the internal market, the application of different rules in non-harmonised sectors and poor implementation of mutual recognition principles.

A number of delegations asked for the Commission to carry out an analysis the state of enforcement and application of the internal market rules.

Finally, it was deemed essential to better explain citizens and businesses what the single market implies in terms of benefits, at both domestic and cross-border levels, and how they can influence its development.

The single European market entered into force on 1 January 1993.

For 25 years now, European citizens and businesses have been enjoying the benefits of a common market, which abolished internal barriers to allow the free circulation of goods, persons, services and capital.

This open market has generated considerable economic growth and guaranteed welfare, and continues to offer a promising future for people and companies within the European Union's 28 member states, as well as the four European Free Trade Association (EFTA) countries.

The single market offers important economic opportunities to companies, SMEs and professionals in terms of economies of scale, stronger competition, lower transaction costs and better allocation of resources since they can operate at a larger scale and tap into the vast EU market where common European rules and standards replaced whole sets of individual national technical and quality standards.

It also creates important benefits for EU citizens and consumers, be it in terms of greater choice, high quality standards for products and services and lower prices, or in terms of mobility for work or leisure.

In spite of the countless advantages already provided to 500 million citizens, the single market has a long way to go before reaching its highest potential, given that in many areas there are still disparities between the national laws and a lack of appropriate harmonisation.

### **Restrictions in services markets: competitiveness check-up**

The Commission gave a presentation on the costs resulting from undue restrictions in services markets with the aim of identifying these costs and assessing the benefits that may result from removing them.

During the competitiveness check-up session, ministers also took note of a presentation by the chair of the High Level Group on Competitiveness, Ulrich Schuh, on the outcome of preparatory discussions.

Undue restrictions in market services have a negative impact on the performance of manufacturing sectors using those services and hinder their productivity.



In addition to cross-sectoral effects, restrictions on services in one national market may also have undesirable spill-over effects on services and manufacturing sectors in other EU countries.

The Commission stressed the need to further analyse ways to remove those restrictions to increase productivity gains in manufacturing sectors.

The need to lift artificial regulatory barriers in the retail sector was also outlined, in particular those affecting establishment and operation across the internal market.

Accounting for 4.5% of GDP and 8.6% of total employment, the retail sector has a considerable weight in the overall productivity performance of the member states. Another significant feature of the retail sector is its position at the end of the value chain.

Following the progress in the establishment of the single market for goods, attention has increasingly focused on the integration of services markets. This has put the spotlight on the elimination of obstacles and barriers resulting from structural, regulatory or behavioural interventions and activities by public and private players.

## ANY OTHER BUSINESS

### – *New deal for consumers*

At an informal working lunch, ministers were updated by the Commission on the state of preparations to launch the "New deal for consumers".

This new legislative package, which is expected to be released next April, aims to ensure a higher level of protection for consumers and traders, to increase trust and help the development of cross-border e-commerce in the internal market.

Ministers provided preliminary input on the upcoming proposals.

On 13 September 2017, the Commission announced the launch of a "New deal for consumers" building on the findings of a "fitness check" of EU consumer and marketing law and of the evaluation of the [Consumer Rights Directive](#), published in May 2017.

### – *Scientific integrity, public policy and better regulation - High-level conference*

The presidency briefed ministers on the outcome of the conference on "[Scientific Integrity, Public Policy and Better Regulation](#)" which took place in Brussels on 20 February 2018.

One of the key messages of the conference was that the design and evaluation of EU policies and legislation must be transparent and based on solid evidence, and must be backed by citizens and stakeholders, in order to effectively support the EU competitiveness.

### – *Barriers for scale-ups in state aid rules*

The Council took note of the concerns of the Belgian delegation, supported by some other delegations, regarding [barriers for scale-ups](#) in state aid rules.

They requested clarifications from the Commission on possible barriers in the state aid rules that may appear as an unwanted side-effect of the definition of "undertaking in difficulty".

The Commission stressed that the common purpose of both the member states and the Commission is to facilitate the growth of companies and scale-ups. It committed to further examining possible inconsistencies so as to have better basis for future discussions.

The Commission's 2016 '[Start-up and Scale-up initiative](#)', promotes the removal of barriers to scaling up in the single market and the creation of better opportunities for access to finance and skills.

– ***Plastics***

The Commission presented the recent [EU plastics strategy](#).

This strategy, which was announced on 6 January 2018, is a part of the transition towards a circular economy. It aims to protect the environment from plastic pollution whilst fostering growth and innovation.

On 5 March 2018, ministers for environment had a first discussion on the strategy. They focused on approaches to promote a substantial increase in the use of recycled plastics.

– ***REACH system for chemicals***

The Commission presented the latest [review of the REACH regulation](#) (regulation 1907/2006 on the registration, evaluation, authorisation and restriction of chemicals).

The review assesses whether REACH is fit for purpose, and its contribution to the protection of human health and the environment. It also presents possible improvements in implementation to render the REACH system more efficient.

The [REACH regulation](#) includes the obligation for a review every five years to monitor progress towards the REACH objectives.

## **OTHER ITEMS APPROVED**

### **INTELLECTUAL PROPERTY**

#### **Enforcement of intellectual property rights**

The Council adopted [conclusions on the enforcement of intellectual property \(IP\) rights](#) in the EU.

The conclusions address the [Commission's package on IP](#), which is intended to better protect intellectual property rights, promote innovation and adapt the system to the digital era, in particular to internet use.

The package was published on 29 November 2017 and is made up of:

- a communication on “A balanced IP enforcement system responding to today’s societal challenges”
- a communication on “Guidance on certain aspects of directive 2004/48/EC on the enforcement of IP rights” and a report on the evaluation of this directive
- a communication on “Setting out the EU approach to Standard Essential Patents”
- a report on the functioning of the memorandum of understanding on the sale of counterfeit goods via the internet.

### **INTERNAL MARKET**

#### **EU-funded loan guarantee instruments**

The Council adopted [conclusions on EU-funded loan guarantee instruments](#).

The conclusions address the [European Court of Auditors report](#) entitled "EU-funded loan guarantee instruments: positive results but better targeting of beneficiaries and coordination with national schemes needed", which was published on 7 December 2017.

The report examined whether EU loan guarantees have supported smaller businesses’ growth and innovation by enabling them to access finance.

Among other things, the report found that the loan guarantee facility has helped beneficiary companies grow more in terms of total assets, sales, wage bills and productivity. However, the InnovFin SME guarantee facility failed to focus on companies carrying out innovation activities with a high potential for excellence.

The report also contains a number of recommendations to the European Commission to better target the guarantees at viable businesses lacking access to finance and on more innovative businesses. Moreover, it emphasises the importance of cost-effectiveness since similar instruments already exist in the member states.

The conclusions urge the Commission to take these recommendations into account when proposing successor programmes, and thereby ensure the reinforcement, better targeting and broader uptake in all member states of those instruments that are particularly addressed to smaller businesses.

### **Construction products - Anchor devices**

The Council decided not to object to a Commission decision on the system to assess and verify constancy of performance of anchor devices used for construction works and intended to prevent persons from falling from a height, pursuant to [regulation 305/2011 on the marketing of construction products](#) (5690/18 and 5690/18 ADD1).

The Commission decision is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force unless the European Parliament objects.

## **FOREIGN AFFAIRS**

### **Sanctions over actions against Ukraine's territorial integrity**

The Council prolonged the restrictive measures over actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine for a further six months, until 15 September 2018. The measures consist of asset freezes and travel restrictions. They continue to apply to 150 persons and 38 entities.

An assessment of the situation did not justify a change in the sanctions regime. The relevant information and statement of reasons for the listing of these persons and entities were updated as necessary.

## **Sanctions against the Central African Republic**

The Council amended the restrictive measures against the Central African Republic (CAR) to transpose into EU law the modifications made by the UN Security Council Committee in its resolution 2399 (2018) of 30 January 2018. This resolution provides for certain amendments to the exemptions to the arms embargo, as well as to the designation criteria relating to persons and entities subject to restrictive measures.

The sanctions were introduced by the Council in December 2013 after the Council expressed its deep concern regarding the situation in the CAR.

[Council Decision 2013/798/CFSP concerning restrictive measures against the CAR](#)

[The Central African Republic and the EU \(EEAS website\)](#)

## **TRADE**

### **Trade with China**

The Council adopted a decision authorising the opening of negotiations with China on a mutually agreed solution in connection with the WTO dispute regarding measures affecting tariff concessions on certain poultry meat products.

## **BUDGETS**

### **Mobilisation of the European Globalisation Adjustment Fund for Germany**

The Council adopted a decision mobilising €2.2 million under the European Globalisation Adjustment Fund (EGF) to provide support to 646 workers made redundant in one German enterprise operating in the rubber and plastic products manufacturing sector ([6251/18](#)). The redundancies are the result of a continuation of major structural changes in world trade patterns due to globalisation.

The EGF helps workers to find new jobs and develop new skills when they have lost their jobs as a result of changing global trade patterns, e.g. when a large company shuts down or a factory is moved outside the EU, or as a result of the global financial and economic crisis. The help provided by the EGF consists of co-financing measures such as job-search assistance, careers advice, tailor-made training and re-training, mentoring and promoting entrepreneurship. It also provides one-off, time-limited individual support, such as job-search allowances, mobility allowances and allowances for participating in lifelong learning and training activities.

## **REGIONAL DEVELOPMENT**

### **Ex ante conditionalities and performance reserve in cohesion spending**

The Council adopted conclusions on the European Court of Auditors' Special Report No 15/2017 on "Ex ante conditionalities and performance reserve in Cohesion: innovative but not yet effective instruments".

Ex ante conditionalities and performance reserve were introduced for the 2014-2020 programme period in order to make cohesion policy spending more results oriented. Ex ante conditionalities are certain conditions that must be fulfilled before programme implementation. The performance reserve includes funds which are definitively allocated to programmes only in case of good performance in their implementation.

The [special report](#) of the Court of Auditors examined whether these two instruments effectively provided incentives for better cohesion spending by member states.

In its conclusions the Council notes that recent documents and data show a rather positive picture regarding the fulfilment and effectiveness of ex ante conditionalities. Based on recent experiences of member states and findings of the Commission, it deems that ex ante conditionalities have so far proven their added value in effectively stimulating reforms and improving the investment environment for cohesion policy. It considers that the instrument of ex ante conditionalities should be maintained post-2020, but should be further streamlined.

As regards the performance reserve, the Council considers that at the current stage of implementation, it is still difficult to assess its effectiveness. A comprehensive assessment of this instrument should take place after its enforcement in 2019.

[Full text of the Council conclusions](#)

## **ENERGY**

### **Energy labelling of water heaters**

The Council decided not to raise objections to a Commission regulation correcting the Spanish language version of regulation No [812/2013](#) supplementing directive [2010/30/EU](#) with regard to the energy labelling of water heaters, hot water storage tanks and packages of water heater and solar device ([6501/18](#) and [5614/18](#)).

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It now can enter into force unless the European Parliament objects.

## **HEALTH**

### **Food regulation**

The Council decided not to object to a Commission regulation amending previous delegated act. The regulation concerns food intended for infants and young children, food for special medical purposes and total diet replacement for weight control ([5777/18](#) + [5777/18 ADD 1](#)).

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It now can enter into force unless the European Parliament objects.