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Subject : Key Issues Paper 2009 - contribution from the Competitiveness Council to the  
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Delegations will find attached the Key Issues Paper 2009 as adopted by the Competitiveness Council on 5 March 2009 with a view to its forwarding to the Spring European Council 2009 for endorsement.

## Responding pro-actively to the economic downturn

### Introduction

1. Confronted with an international financial crisis and an exceptionally strong economic downturn, the European Union and Member States are showing their determination to act in a concerted, ambitious and comprehensive manner in order to restore confidence and the growth path, as demonstrated by the European Economic Recovery Plan agreed by the European Council in December 2008. In this context, the European Union and Member States should take **short-term** measures in response to their specific circumstances and reflecting their different scope for action within a common and co-ordinated framework.
2. The short-term measures should improve the economic conditions for business and should also be in line with the **medium- and long-term** objectives of the Lisbon Strategy. These measures should also contribute to the creation of more jobs. The Council broadly welcomes the Lisbon Package submitted by the European Commission. In this respect, the Community Lisbon Programme is welcomed as a valuable tool. In the annex to the present document, the Council (Competitiveness and ECOFIN) presents its views on the Commission's Implementation Report for the Community Lisbon Programme 2008-2010.
3. In a manner that is coherent with our long-term goal to achieve sustainable growth and jobs, concrete measures need to be undertaken in order to stave off the threat of persisting recession and for the EU economy to emerge stronger and more competitive from the current downturn. Rapid and determined actions are needed, in particular on the following **five axes**: removing barriers and achieving a fully operational and modern internal market, reducing administrative burdens, improving framework conditions for industry with special focus on SMEs and innovation, stepping up and improving the quality of investment into knowledge, education and research, and focussing on the external dimension of competitiveness.

4. A clear commitment in the spirit of joint ownership to continue implementing **Lisbon structural reforms beyond 2010** is necessary in order to boost confidence among citizens and businesses. Achieving sustainable growth and jobs should remain the central objective for the renewed strategy as currently being assessed by the National Lisbon Coordinators as a contribution to an assessment of the strategy. The micro-economic elements of the Lisbon Strategy need to be brought closely together in a well-defined “Competitiveness Agenda” that would be complementary and mutually reinforcing with other aspects of the Strategy. While strengthening the overall partnership approach, governance of the process should be streamlined, the reporting burden for Member States should be kept as lean as possible and a limited number of concrete "smart" (i.e. specific, measurable, achievable, relevant and timed) targets should be set following careful analysis and taking into account the diversity of Member States. The identification and promotion of "best practices" among Member States should be enhanced. Communication with stakeholders and citizens should also be improved in order to stimulate public debate in Europe and to explain EU reforms, policies and measures.

## **Recommendations**

### **I. A fully functioning internal market without barriers**

5. The Council endorses the need to achieve an open, flexible and fully functioning internal market by **removing existing barriers to fundamental freedoms and avoiding the creation of new ones**, in order to allow citizens and companies, in particular SMEs, to take full advantage of the opportunities of the internal market, so that they can grow and operate across borders as they do in their domestic markets. In this way, the internal market will continue to be an attractive place for investments. The Council calls for the effective follow-up of the Single Market Review.

Clear, simple, coherent and efficient rules should be in line with better-regulation principles and should be properly designed, applied and enforced. All new measures, legislative or otherwise, should be designed in such a way that they facilitate market access for SMEs, in particular in case they generate compliance costs. Market monitoring and the Consumer Market Scoreboard are important tools, inter alia for identifying barriers to the internal market, and for prioritising action where benefits to citizens and businesses are greatest. Close cooperation between the Commission and Member States is important. Member States who have not yet achieved the 1% transposition deficit target need to increase their efforts.

6. Strengthening competition throughout the economy and in particular in the European Union network industries,(in particular energy, transport and telecommunications), should be urgently pursued in order to improve market access and to ensure more competitive pricing, greater choice and accessibility for the consumers, as well as high quality. Strengthening network interconnection throughout the whole European Union should be a priority, including the connection of the most isolated markets. Completion of the internal market for **energy and electronic communication** is essential. In the case of gas and electricity markets, greater competition and diversification would lead to a more efficient use of energy and assist the European Union in responding more effectively to the challenges of climate change and energy security.
7. The implementation of the **Services Directive** offers a major opportunity to move towards a truly integrated internal market by removing obstacles to cross-border trade, facilitating market access for SMEs and widening choice for consumers. Member States should ensure that appropriate arrangements, including resources, are in place for the full implementation of the Services Directive by the December-2009 deadline. Efforts should be stepped up in particular to complete the review and modernisation of Member States legislation and to set up fully functional "Points of Single Contact". The Commission and Member States are invited to make the necessary preparations to ensure that a useful and efficient process of "mutual evaluation" of Member States' legislation is in place in 2010.

8. Administrative cooperation is a substantial factor in building mutual trust and improving the application of the internal-market rules. The **Internal Market Information System (IMI)** represents a key tool for overcoming the obstacles to effective cooperation between Member States administrations (such as language barriers, differences in the organization of public administration, etc.) as demonstrated by the successful pilot project on professional qualifications. Member States should ensure that appropriate arrangements, including resources, are in place for: full application of the IMI in the framework of the Services Directive with particular emphasis placed on training and awareness-raising; implementation of the Goods Package; and further development of information and problem-solving tools such as SOLVIT.
  
9. The **EU internal market in retailing** is still not fully operational. The Council welcomes the intention of the Commission to adopt in 2009 a market monitoring report on the functioning of this key sector. The implementation of the Services Directive should significantly improve the current situation. Particular attention should be given to the proposed Directive on Consumer Rights, which should lead to improved functioning of the internal market to the benefit of consumers and businesses, in particular SMEs. Efforts should be pursued to increase confidence of consumers and businesses in the internal market. Focussing on eliminating factors that make business-to-consumers cross-border transactions more difficult is essential for boosting performance of the internal market.
  
10. **Five years after** launching the fifth enlargement, evidence shows that the European Union as a whole benefits from enlargement, including economically. Remaining transitional arrangements creating market distortions should be eliminated as soon as possible in accordance with the Treaties.

## **II. Putting into effect the Action Programme on reduction of administrative burden on businesses**

11. The Council stresses that **efforts should be fostered** in all areas of better regulation, by thoroughly assessing the relevant impacts, including specificities of the Member States, of new proposals, by simplifying existing legislation and by reducing the administrative burden on businesses in a tangible way. The Council calls upon the Commission to continue giving priority to making new simplification proposals. Rapid adoption by the Council and the European Parliament of more than fifty simplification proposals that are still pending is a priority.
  
12. The need to regulate better in the interest of enhanced competitiveness is becoming ever more important in difficult economic times. As businesses are struggling in the face of the economic downturn, reducing their administrative costs is necessary for facilitating the conditions for businesses, most importantly for SMEs, which are disproportionately affected. As the Action Programme on reduction of administrative burden has reached **a decisive phase**, the Council welcomes the work taken forward by the Commission so far, in particular on measurement of the administrative burdens imposed on businesses, the first package of reduction proposals which is estimated by the Commission to provide for a potential of 30 billion euros in savings, the Commission's intention to present all remaining proposals before the end of its mandate and the proposed extension of the Action Programme as presented by the Commission in its Third Strategic Review of Better Regulation. It calls for further steps to be taken by the Commission to ensure a timely delivery of results.

13. The Council calls for this work to progress quickly and for enhanced Community efforts from all Community institutions to guarantee achieving the agreed **25% reduction of administrative burdens** arising from EU legislation with the aim of some impacts felt by business by 2010, and impacts across all key sectors by 2012 at the latest. In order to achieve this the Council invites the Commission to use a variety of methods including *inter alia* an indicative timetable for bringing forward concrete proposals for reduction in the next few months and joint working between institutions with support from the High Level Group of Independent Stakeholders towards rapid adoption. The Council welcomes the establishment by the Commission of sectoral reduction figures in two areas (taxation and company law) and the Commission's intention to identify before the end of its mandate the contribution that each baseline sector will make to the overall 25% reduction.
14. The Council stresses the importance of **regular monitoring** of progress on the Action Programme and invites the Commission to report annually to the Spring European Council on its implementation as well as on significant changes in administrative burdens. It notes furthermore that progress in reducing administrative burdens would be undermined by additional administrative costs resulting from new legislative proposals. The Commission should therefore assess the potential administrative burdens resulting from new proposals that are adopted in order to ensure that administrative costs are kept to the minimum that is necessary for new policy initiatives.
- For this purpose, the Council recalls the need to address regularly and effectively the assessment of administrative burdens in the Commission's impact assessments for new proposals, in particular for SMEs, and welcomes in this respect the increased emphasis on this aspect including strengthened quantification of administrative burdens in the Commission's revised impact-assessment guidelines.

### III. Improving the framework conditions for industry, with special focus on innovation and SME competitiveness

15. Member States should improve the **framework conditions** for industry in order to maintain a strong industrial base and increase their capacity to cope with the economic and financial downturn and facilitate business access to finance. They should continue to pursue the structural reforms of the Lisbon Strategy. Businesses need a stable, favourable and predictable regulatory environment that provides both legal certainty and the necessary flexibility for growth and jobs when adopting new regulatory requirements, implementing internal-market legislation and ensuring the application of state-aid rules. Increased state-aid flexibility should help Member States to achieve these aims and should not be abused nor distort competition.<sup>1</sup>
16. Application of the principles enshrined in the **Small Business Act for Europe** will help to restore confidence by putting the “Think Small First” principle, entrepreneurship and competitiveness at the forefront of society. A timely implementation of the measures contained in the Small Business Act Action Plan, adopted by the Competitiveness Council in December 2008, is crucial to help SMEs to cope with the present tough market conditions.

Member States should report on the implementation of SBA measures in their Progress Reports to the National Reform Programmes, and the Commission should do the same in its Implementation Reports to Community Lisbon Programme. In this context, work on the European Private Company Statute should be actively pursued. The Commission should implement an "SME test" on all proposals affecting business, in line with the impact assessment guidelines.

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<sup>1</sup> Temporary framework for State Aid measures to support access to finance in current financial and economic crisis (2009/C 16/01).

17. In view of the present credit crisis, ensuring an **easy and timely access to finance** for businesses, especially SMEs, is a key priority. The Council encourages credit institutions and banks not to restrict the availability of credits for all kinds of businesses with viable propositions. The Council welcomes the measures taken by the EIB Group to mitigate the current financial and economic crisis, in particular increased lending to SMEs and mid-caps. The Council invites the Commission, together with the EIB Group, to explore and present ahead of the Spring European Council how the use of the instruments of the EIB can be improved in terms of rapid availability and project assessment. It emphasises the role that Member States can play in facilitating SME loans and loan guarantees, including by the use of Structural Funds. At the occasion of the planned mid-term review of the 7th Research Framework Programme and on the basis of the interim evaluation of the Competitiveness and Innovation Framework Programme (CIP), the Council invites the Commission to consider how businesses could benefit more rapidly from these important European instruments.
18. The Council notes the need for **increased and more effective funding for investment and infrastructure**, both in response to the short-term economic crisis and in order to increase medium- and long-term productivity. It takes note of the proposals to simplify procedures and speed-up implementation of the Cohesion policy programmes co-financed by the Structural and Cohesion Funds and takes note of the proposal by the Commission to bring forward specific projects to modernise Europe's infrastructure.

19. Innovative and sustainable technologies are ways to promote the competitiveness of EU businesses on the global market and to move Europe towards an eco-efficient knowledge economy. Reducing the energy dependency of the European Union, enhancing measures for improving **energy efficiency** and embarking on a cost-effective emissions-reduction strategy using appropriate economic incentives should lead to increased long-term competitiveness, economic growth and job creation. In this context, the Council takes note of the proposed private-public partnerships on Green Cars, European Energy-efficient Buildings, and Factories for the Future, while emphasising the importance of ensuring a proper balance between the interests of the Community, industry and research institutes. The Council also urges the Commission to move forward with these initiatives before mid-2009. In the same timeframe, the Council stresses the need for improving the industry's access to finance and invites the Commission to examine and present possible options how to encourage in a coordinated manner European car-fleet renewal in order to reduce CO<sub>2</sub> emissions and fuel consumption and to increase safety, for example in the area of vehicle recovery and recycling, based on the analysis of the situation and current practices in Member States, and respecting that cars should remain accessible for different consumer groups . The Council also encourages further progress in the implementation of the Strategic Energy Technology (SET) action plan, particular promoting widespread use of information technology solutions in the energy sector.
20. The Commission and Member States should work together in conjunction with businesses to promote the availability and quality of **skilled workers and vocational education and training**, including training for entrepreneurship, technical education and natural sciences. In this context, the Commission is invited to consider how the interventions from the European Globalisation Fund could be used in an improved and less time-consuming way and be further focussed on re-training and up-skilling schemes. The Council recalls the importance of corporate social responsibility.

21. The central role of **innovation** in improving Europe's competitiveness in the global economy leads to the necessity to encourage systematically all forms of innovation. The output of the research and innovation process should better respond to market and to user needs. The Council welcomes the Commission's initiative for innovation in services. Amongst other measures to be taken, efforts should be pursued with a view to achieving excellent, world-class European clusters in order to exploit their potential fully. The Commission's Lead Market Initiative is a promising instrument for unlocking the market potential of innovative goods and services in a targeted way. Efforts of the EU to create a Community patent and a Patent Litigation System must be intensified. The implementation of the Commission's Industrial Property Rights Strategy should be pursued. At the same time, the Commission and the Council are invited to launch an in-depth evaluation of the broad-based innovation strategy set up in 2006, leading to the adoption of an ambitious European Innovation Plan in 2009 that encompasses the main technologies of the future, including, inter alia, space technologies and technologies relevant to sustainable development. Space technologies and value-added downstream services offer major opportunities to Europe's innovation, competitiveness and access to global markets, especially for SMEs. In parallel to the development of the GNSS (EGNOS and GALILEO systems) and GMES programmes, the European efforts for developing adequate EU instruments and funding schemes for space related research and for the operations of sustainable space-based applications, as well as the improvement of regulatory framework, have to be pursued.
22. The **specific research and innovation needs**, constraints and opportunities of different types of SMEs need to be better targeted and addressed by appropriate policies at different levels. In this context, the Commission and the Council are invited to explore synergies for promoting coherence between R&D and innovation policies on both EU and on Member State level.
23. Work with a view to extending **broadband networks** should be promoted both at Member State and at European Union level with the aim of providing access to poorly served and high-cost areas where the market cannot deliver, the common indicative goal being a 100 % coverage of broadband internet between 2010 and 2013.

#### **IV. Enhancing the level and the quality of investment into knowledge and research**

24. **Higher, more effective and efficient investments in education**, research and innovation are a key factor for the sustainable long-term growth of a competitive European economy and should remain a high priority, also in the context of the current global economic downturn. The Council re-emphasises the continuing relevance of the Barcelona 3% overall RTD investment target for the European Union, as well as of the national targets, and of creating a favourable climate for research and innovation in Europe. In this context, Member States should in particular continue fostering an increased investment in R&D and innovation by the private sector.
25. **European cooperation within the "knowledge triangle"** needs to be developed to its full potential. To achieve this, Member States should encourage universities, research institutes and industry to step up their cooperation, including the optimal use of intellectual property. For its part, the European Institute for Innovation and Technology (EIT) is expected to play an important role in this context. The process of selection and establishment of the first Knowledge and Innovation Communities (KICs) of the EIT should be accomplished in due time to make them operational in early 2010. At the same time, the free circulation of researchers, knowledge and technology should be promoted in order to establish the "fifth freedom" across the European Research Area (ERA). In this context, the intention of the Commission to launch a screening of relevant Community policies is noted.
26. The role of **frontier-research** needs to be reinforced to contribute to the consolidation of the knowledge base of European competitiveness. In order to guarantee continued scientific excellence and independence, the review of the European Research Council (ERC) structures and mechanisms should also be a priority and should be pursued in close consultation with its Scientific Council, in line with the FP7 Decision.

27. Member States and the Commission are encouraged to take the necessary steps in order to ensure **effective governance of ERA** and fulfil its Vision for 2020<sup>2</sup>. The Ljubljana Process, which aims at a full realisation of ERA, is a central element of the implementation of the Lisbon Agenda in order to achieve more and better coordinated investments in knowledge leading to improved European competitiveness. The five current ERA initiatives (research infrastructures, joint programming, researchers' partnership, international science and technology cooperation and knowledge-sharing) should now be further developed in governance and implementation.
28. A combination of resources from national budgets, Community programmes, EIB instruments and structural funds should lead to the development of **excellent research infrastructures** throughout Europe on a voluntary basis and in full respect of the subsidiarity principle. The implementation of the ESFRI Roadmap and its recent update should be discussed and actively pursued. The further emergence of regional partner facilities should be fostered. The negotiations on the proposal for the legal framework of European Research Infrastructures should be completed as soon as possible.
29. Member States are invited to collaborate within the dedicated configuration of CREST (the High Level Group for Joint Programming) to identify major societal challenges and to address them in the framework of **joint programming**. On this basis, the first proposals for joint programming themes should be actively developed in consultation with all relevant stakeholders so that the Council is able to adopt such initiatives no later than 2010. In order to further develop the ERA, Member States are invited to consider increasing the opening up of their national programmes where relevant.

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<sup>2</sup> Council conclusions of 2 December 2008 on the definition of a "2020 Vision for the European Research Area", doc. 16767/08).

30. Member States and the Commission are also invited to collaborate within the dedicated configuration of CREST ( the Strategic Forum for International S&T Cooperation) to implement the European partnership in the area of **international scientific and technological cooperation with third countries**, which will be an important contribution to the external dimension of ERA and the Lisbon Strategy.
  
31. **Career perspectives and mobility of researchers** should be enhanced through identifying an optimal policy mix between national and Community tools and further developing the skills of all researchers, including supporting-measures to promote and develop training and a balanced circulation of scientific talent and to ensure best possible working conditions also in terms of work-life balance. In addition, interest in research and innovation needs to be stimulated in society, particularly among the young. The continuing increase of human resources in S&T should remain a priority in which a swift implementation of the European partnership for researchers should play a key role. The Council looks to the "Human Resources and Mobility Steering Group" to actively pursue its work in conducting this partnership in a flexible manner.
  
32. The Council invites the Commission to submit in early 2009 to the Council and the European Parliament a proposal to transform the ERA-NET+ "BONUS for the Baltic Sea Science – Network of Funding Agencies" into a joint research programme based on Article 169 of the Treaty. It is also crucial to maintain the momentum on the examination of the current proposal for a European metrology research and development programme (EMRP) with a view to its swift adoption.

33. The **regional research and innovation capacity** needs to be broadened through concrete investment measures, in close coordination with innovation-cluster policy. The complementary use of funding sources from Community programmes such as FP 7 and the CIP as well as EIB's loans granted through the FP7 Risk Sharing Financing Facility (RSFF) with interventions of the Structural Funds as well as contributions from private sources of investment needs to be further encouraged. It is important to allocate an appropriate share of the Structural Funds for R&D and innovation-related investments. This share currently stands, on average, at 25 % of the planned allocations of national and regional cohesion policy programmes for 2007-2013. It should be reported in the annual implementation reports and the national strategy reports that are due in 2009 and 2012.
34. In this context, the **evaluation and monitoring of R&D and innovation activities** need to be strengthened at appropriate levels. Special attention should be paid to the evaluation of quality in results and impacts of national and Community R&D programmes in order to acquire the information, including indicators, for ensuring more efficient and effective investments in R&D and Innovation and their impact on European competitiveness. The exploitation of evaluation results in research management and policy making should also be reinforced. The final ex-post evaluation of FP6 as well as the recommendations of the Court of Auditors concerning this issue should be taken into account while preparing the methodology and terms of reference of FP7 interim evaluation.

## V. External Dimension of Competitiveness

35. The external dimension of competitiveness remains of crucial importance. Open markets, both in the European Union and globally, are crucial to ensure growth and jobs. The current economic downturn should not be an excuse for protectionism. Avoiding the trap of protectionism and overregulation, Europe needs to take full advantage of the new realities of the emerging international economic system, diversify relations and develop new opportunities for mutually beneficial partnerships around the globe. Achieving an ambitious, balanced and comprehensive result in the negotiations on the Doha Round with all WTO members should be a priority. Relations with the BRIC economies and other important actors should be intensified. The EU neighbourhood policy offers important economic potential. The opportunities for strengthening the transatlantic partnership need to be explored at the highest political level and the Transatlantic Economic Council should be fully used to achieve further substantial progress in trans-Atlantic integration. The potential for bilateral Free Trade Agreements should be energetically exploited. The Council welcomes the December 2008 Commission Communication on the external dimension of the Lisbon Strategy, with a main focus on market access and guiding principles for international cooperation in the fields of regulatory convergence and standardisation. The European Union should use all its trade instruments to ensure increasingly open markets, which should lead to reciprocal benefits. The European Union should aim at creating progressively the future fair and integrated global carbon market and avoid increase of heterogeneity of climate policies around the globe by ensuring ambitious and comprehensive deal on climate change at Copenhagen.

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**Views of the ECOFIN and Competitiveness Councils on the Commission's Implementation Report for the Community Lisbon Programme (CLP) 2008-2010**

In 2008 the EU economy was exposed to negative impacts of the global financial turmoil and its strong spill over into the real economy. In response to the exceptionally strong economic slowdown the Council reacted promptly and approved a European Economic Recovery Plan with a number of concrete actions to be taken at Community level.

The Council (ECOFIN and COCOM) considers particularly the increased financing to SMEs by the European Investment Bank and the speeding up and improving of procedures of the European Social Fund and the European Globalisation Adjustment Fund as high priority measures. Priority measures should include investment in R&D, innovation, the energy sector, and infrastructure projects.

The Council (ECOFIN and COCOM) agrees with the Commission's assessment that substantial progress has been made among others by adopting the Climate and Energy Package, the Goods Package and the Small Business Act Action Plan and the renewed Social Agenda. Nonetheless, further efforts and proper and prompt implementation of initiatives are needed inter alia to improve the functioning of the Internal Market and the competitiveness of SMEs, unlock research and innovation potential, strengthen competition notably in the service sector and the network industries, in particular transport, energy, and telecommunications, and further facilitate conditions for open international trade.

In view of an expected further worsening of the economic situation in 2009 the Council (ECOFIN and COCOM) stresses the need to stick firmly to the CLP objectives, which provides a strategic reform agenda for the Community part of the renewed Lisbon Strategy and focus all the more on their implementation.

On the basis of the Commission's report, the Council (ECOFIN and COCOM) assessed the progress in the first year of the Community Lisbon Programme implementation and highlights the following actions within the five priority areas.

## **Investing in people and modernising labour markets**

Work on the **renewed Social Agenda**, adopted in July 2008 by the Commission, will be taken up by the Council in order to enhance employment opportunities, improve access to quality services and ensure solidarity. Further efforts are needed on a priority basis to reduce existing regulatory barriers to labour markets and to promote the development of skills and life-long learning in conjunction with businesses and social partners so that the skill mismatch can be reduced. The procedures of the European Globalisation Adjustment Fund should be improved and speeded up, so that it can intervene more rapidly in key sectors. The Council (ECOFIN and COCOM) also welcomes the presentation of the “New skills for new jobs” initiative.

The implementation of the **European Pact on Asylum and Migration**, adopted in October 2008 with the main aim to define common goals in European immigration policy as well as to identify common means for achieving them, should continue. Both legal and illegal migration, spill-overs, economic and fiscal effects, skills requirements and national competences need to be considered. The Council (ECOFIN and COCOM) supports adoption of the Blue card scheme to attract highly-skilled workers by June 2009.

## **Unlocking business potential, especially of SMEs**

The **Small Business Act Action Plan** endorsed by the Council in December 2008 should help SMEs through the economic downturn by improving access to finance, reducing administrative burden and helping SMEs to benefit from the internal market and increase competitiveness in external markets. The Action Plan should be fully and rapidly implemented at both Community and national levels, respecting the principle of subsidiarity. The Commission should introduce common commencement dates for all new regulations; implement an “SME test” on all proposals affecting business in line with its impact assessment guidelines as soon as possible.

The Council (ECOFIN and COCOM) recalls the importance of further improvement of the access to finance (credit, guarantees, mezzanine financing, etc.) and venture capital for innovative start-ups and for SMEs, bearing in mind consequences of the current financial crisis. There is the need to enhance market access for SMEs, notably through greater use of market and sector monitoring, to identify and tackle barriers to the internal market. Accounting requirements and start-up procedures of business should be significantly simplified and accelerated.

The contribution of the first package of proposals to the reduction of existing administrative burdens from EU legislation to the agreed target of 25 % by 2012 is estimated to amount to cost savings of approx. EUR 30 billions. On the EU level, the 11 new Fast Track Actions for **reducing administrative burdens** for businesses had been presented by the Commission in 2008. The Council (ECOFIN and COCOM) invites the Commission to propose new specific reduction measures for each of the 13 key priority areas in the Action Programme. The Commission and the Member States will implement jointly these measures. The Council (ECOFIN and COCOM) considers it a priority to continue this important work to achieve this 25% reduction in administrative burden. The Commission is also invited to complete screening of all existing legislation as early as possible.

A well functioning **Internal Market** without barriers significantly strengthens the resilience and adjustment capacity of the EU economy, and makes it more attractive for investment. In times of the current extraordinary economic downturn, the Council (ECOFIN and COCOM) stresses the significance of open markets, effective competition, and the continued application of state aid rules while respecting the need for speed and flexible action and compliance with the European framework. The Council (ECOFIN and COCOM) notes that significant progress in completion of the Internal Market has been made mainly in the area of goods (the recently adopted Goods Package) and to some extent in the cross-border financial supervision.

With regard to the latter, the Council (ECOFIN and COCOM) considers that further progress is needed on global co-operation of financial supervision and crisis management, improving the flow of credit to businesses, and on strengthening the EU regulatory framework, as regards the accounting rules (IAS regulation), risks from derivatives and credit default swaps, etc. The Council (ECOFIN and COCOM) welcomes the Commission's increased efforts in the field of market monitoring. Further effort is needed to strengthen the enforcement of competition policy, especially in the service sector and the network industries, in particular transport, energy, and telecommunications. Member States should ensure the precise and timely implementation of the Services Directive into their legislation by the December 2009 deadline, including a properly functioning Internal Market Information System (IMI).

### **Investing in knowledge and innovation**

The knowledge triangle of research, education and innovation, should be strengthened by developing the European Research Area (ERA) in order to make the "**fifth freedom**" a reality. The Council (ECOFIN and COCOM) calls on a further development and coordination of the ERA partnership initiatives. Particular attention should be paid to better coordination of national research activities through both the Joint Programming initiative and by establishing pan-European research infrastructures, to the implementation of partnership between the Member States and the Community for international science and technology cooperation, and to the practical implementation of the Partnership on researcher careers and mobility. These measures should be complemented by the effective implementation of the Lead Markets Initiative and by cluster development.

As it is necessary to further improve private sector involvement and the framework conditions for **innovation** in Europe, efforts of the EU to create a Community Patent and a Patent litigation system should be intensified. The Council (ECOFIN and COCOM) should react to the implementation of the broad-based innovation strategy by the end of 2009 and calls on the Commission to present by then its "European Plan for Innovation".

## Energy and Climate Change

The adoption of the **Climate and Energy** Package enables the EU to take the lead and play an active role in forming an ambitious and comprehensive global agreement on further international action to tackle climate change impacts to be reached in Copenhagen later this year. The Council (ECOFIN and COCOM) is committed to contribute to the necessary preparatory steps leading to a successful outcome of such agreement. The Council (ECOFIN and COCOM) also underlines that a well-functioning, competitive, and interconnected internal energy market is fundamental for assuring a sustainable and secure supply of energy. Timely adoption of the internal energy market package remains top priority. The Council (ECOFIN and COCOM) supports the implementation of the Action Plan on Sustainable **Industrial Policy** and Sustainable Consumption and Production. Furthermore, increasing EU energy security, improving energy efficiency and supporting innovative technologies should contribute to enhancing the competitiveness of European businesses.

## External agenda

Policies supporting **free trade** and external openness have shown its positive effects on fostering economic growth, creating jobs, and improving consumer choice and the standards of living worldwide. The current economic downturn should not be an excuse for protectionism. Openness encourages European industry to strengthen innovation and productivity and thus promotes growth. The Council (ECOFIN and COCOM) calls for successful conclusion of the Doha multilateral trade negotiations as soon as possible while negotiating bilaterally with key trading partners. Promoting cooperation and regulatory convergence with major trading partners and increasingly open markets, which should lead to reciprocal benefits, remains a priority.

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