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Subject: Draft Council conclusions: An integrated approach to a competitive and sustainable industrial policy in the European Union

Delegations will find attached a revised Presidency text of the draft Council conclusions on an integrated approach to a competitive and sustainable industrial policy in the European Union.

Draft Council conclusions

An integrated approach to a competitive and sustainable industrial policy in the European Union

THE COUNCIL

1. EMPHASISES the key role of industry for the European economy and the need to continue to react swiftly to the present economic recession with a coherent set of short-, medium- and long-term initiatives ensuring the competitiveness of European economy as a whole in a sustainable way; the initiatives taken by the European Union and Member States will bring maximum benefits if they are in line with the medium- and long-term objectives of the Lisbon Strategy;
2. ACKNOWLEDGES the fact that small and medium sized enterprises (SMEs) are the backbone of the European economy and the importance of SMEs should be respected and considered when setting up framework conditions for European industry;
3. RECALLS the European Economic Recovery Plan ¹, agreed on by the European Council on 11 and 12 December 2008 ², and the implementation report presented on 5 March 2009³, the Community part of which was agreed on by the 2009 Spring European Council ⁴, and the 2009 Spring European Council conclusions;

¹ Communication from the Commission to the European Council - A European Economic Recovery Plan (doc. 16097/08).

² Brussels European Council, 11 and 12 December 2008 - Presidency Conclusions (doc. 17271/1/08 REV 1), par. 9.

³ Communication for the Spring European Council: Driving European Recovery - Volume 1 (doc. 7084/09).

⁴ Brussels European Council 19/20 March 2009 - Presidency Conclusions (doc. 7880/09), par. 8.

4. STRESSES that the temporary and targeted support measures by Member States must fully comply with the prevailing State aid rules and must not distort the internal market⁵;
5. TAKES DUE NOTE OF the outcome of the discussions on the future industrial policy at the "Industrial Competitiveness – Challenges, Opportunities and the Role of Policy in Difficult Times" conference held in Brussels on 17 March 2009. This Conference concluded that the crisis has demonstrated the importance of a strong and competitive industrial base in the European Union and the need for coherent and coordinated policy responses to the crisis both within EU and internationally;
6. TAKES NOTE OF progress made in the implementation of the recommendations in the 2007 mid-term review of industrial policy⁶ and of subsequent horizontal and sectoral initiatives, and RECALLS the importance of a balanced horizontal and sectoral approach to the future European industrial policy;
7. WELCOMES the Communication from the Commission of 20 November 2008 entitled The raw materials initiative – Meeting our critical needs for growth and jobs in Europe⁷;

WELCOMES the Final Report of the High Level Group on the Competitiveness of the European Chemicals Industry⁸, which outlines a long-term strategy to spawn the competitiveness and sustainable growth of the chemicals industry;

⁵ Communication from the Commission - Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis (2009/C 16/01) (OJ C 16 of 22.1.2009, p.1)

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Mid-Term review of Industrial Policy - A contribution to the EU's growth and jobs strategy (doc. 11686/07).

⁷ Communication from the Commission to the European Parliament and the Council - The raw materials initiative - Meeting our critical needs for growth and jobs in Europe (doc. 16053/08).

⁸ The Final Report is available at http://ec.europa.eu/enterprise/chemicals/hlg/hlg2/pdf_docs/final_report/hlg_final_020309.pdf.

WELCOMES the Report of the Electra Team ⁹ and INVITES the Commission to respond to this work as soon as possible;

WELCOMES the CARS 21 Mid-term Review and its conclusions from October 2008 as a policy framework for ensuring the long-term competitiveness of the automotive sector. The main findings of the Mid-term Review should continue to shape future decisions, particularly with regard to better regulation, impact assessment and predictability;

WELCOMES the work of the High Level Group on Agro-Food and LOOKS FORWARD to the Action Plan and plans for follow-up expected for July 2009;

8. TAKES NOTE OF the findings of the European Competitiveness Report 2008 ¹⁰ and the 2008 European Innovation Scoreboard ¹¹;

THE COUNCIL THEREFORE

9. UNDERLINES that maintaining a competitive and strong industrial base in Europe requires stable and predictable framework conditions promoting excellence, innovation and sustainability, in which businesses can operate and invest. These conditions should be developed in close dialogue with stakeholders, in particular the relevant industrial sectors. All policy measures on national and European level must respect better regulation and internal market principles and should seek to avoid redundancies and develop synergies;

⁹ The Report is available at http://ec.europa.eu/enterprise/electr_equipment/electrareport.pdf.

¹⁰ Communication from the Commission on the European Competitiveness Report 2008 (doc. 16978/08).

¹¹ http://www.proinno-europe.eu/EIS2008/website/docs/EIS_2008_Final_report.pdf.

10. Therefore ENCOURAGES the Commission and Member States to speed up work aimed at simplifying legislation and reducing administrative burdens for industry and businesses. Thorough quantified and integrated impact assessments and cost analyses, including non-regulation options, should be carried out for every new legislative proposal in order to avoid undermining the global competitiveness of industry. Bearing in mind the “Think Small First” principle, special attention should be given to the impact of new legislative proposals on SMEs. Businesses should be given adequate time to adapt to new requirements before new legislation is introduced. Compliance with new requirements should avoid additional excessive costs to businesses, in particular in the area of environmental protection and climate change, as this overall regulatory burden could lead to “production leakage”, notably in the light of the present economic crisis;
11. ACKNOWLEDGES the fact that industry and the services sector are increasingly intertwined¹² and those professional, business and product-accompanying services are of large and growing importance for many industrial sectors. For this reason, the full and timely implementation of the Services Directive and making further improvements to the functioning of the internal market for services are crucial for industry;
12. BELIEVES that a fully functioning internal market is a cornerstone of the EU. It must be a strong home market for European industry that also provides benefits for consumers. An open and fully functioning internal market without barriers plays a key role in cushioning the impacts of the downturn on the real economy and strengthening it in the immediate and longer terms. Therefore existing barriers for businesses should be removed as soon as possible. Member States should ensure non-discrimination by treating goods and services from other Member States in accordance with EU rules and principles. Internal market principles should be seen as an integral part of a successful, forward-looking industrial policy;

¹² Study on Industrial Policy and Services, Final Report (carried out for the European Commission, Directorate-General Enterprise & Industry, by ECORYS Netherlands and IDEA Consult (Rotterdam, 5 November 2008) (http://ec.europa.eu/enterprise/enterprise_policy/industry/doc/industrial_policy_and_services_Part1.pdf).

13. EMPHASISES that the economic downturn should also be seen as an opportunity for early global leadership in new innovative solutions and for investing into the future competitiveness of the European economy by facilitating its transition to a knowledge-based, sustainable, energy-efficient and low-carbon economy. Therefore, the European Union should maintain or increase the volume of its public investment in research and development (R&D) and in innovation. European companies should also be encouraged to keep or increase their investments in R&D in order to enhance their long-term competitiveness, and not reduce R&D spending as a means of cutting costs during the present economic downturn. Community and Member State policies should underpin all possible forms of innovation and facilitating technology transfers covering all types of business, especially small and medium sized enterprises (SMEs);
14. It is of particular importance to maintain strong research and development in high-tech industries in Europe. They provide the most important manufacturing sectors with indispensable technologies. The Council WELCOMES the Commission's initiative to develop a proactive policy for high-tech industries;
15. EMPHASISES that standardisation needs to play a stronger role in support of innovation and that this is important for increasing the market uptake of new, especially energy efficient, technologies and innovated products and for interoperability of older and new technologies and products;
16. With a view to a swift response to the present economic crisis, SUPPORTS the points of the EU Recovery Plan relating to the need for Member States and EU Institutions to take urgent measures to improve the energy efficiency. Therefore INVITES the Commission to present concrete implementing programmes for the public-private partnerships proposed in the European Economic Recovery Plan ¹³ (the "European energy-efficient buildings" initiative and the "Factories of the future" initiative) by mid-2009 at the latest;

¹³ As endorsed by the European Council on 11 and 12 December 2008. Cf. Brussels European Council 11 and 12 December 2008: Presidency Conclusions (doc. 17271/1/08 REV 1), par. 24.

17. STRESSES that restructuring should be facilitated, while encouraging industry that this is carried out in a socially responsible way. These challenges can be turned into opportunities if they are correctly managed in close cooperation with social partners. In particular, a qualified and skilled workforce is a key condition for industrial competitiveness. The Commission and Member States should work together to ensure that the current economic downturn does not lead to the loss of human capital and skills, which are key elements to the future competitiveness and growth of industry;
18. REAFFIRMS that protectionist measures within and outside the European Union, whether by ourselves or our trading partners, would only exacerbate the economic downturn and endanger future prosperity. Therefore the EU gives high priority to avoiding any such measures, in the spirit of the G20 declaration of November 2008. Europe should remain open to its trading partners and should continue to press for an open access to third markets including through promotion of regulatory cooperation and convergence and the worldwide introduction of world-class standards with a view to promoting European industry on world markets. The EU should use all of its trade instruments to ensure increasingly open markets, which should lead to reciprocal benefits;
19. With a view to limiting the impacts of the current situation on the financial markets and reducing the "liquidity gap" for businesses and especially SMEs, Member States should set an example by focusing on long-term benefits in the case of further financing of projects, for example eco-innovation. More effective use should be made of the EIB Group instruments and of Structural Funds, including the effective roll out of measures targeting SMEs.¹⁴ Various financial means from Community programmes are also available to help industry to finance long-term investments and R&D and innovation projects. The measures that are currently being undertaken to rescue banks, as well as measures that are planned with the same aim, should seek to encourage banks to resume their normal lending activities and to finance needs of businesses, including working capital; Member States can play an important role by providing guarantees and by using other available instruments;

¹⁴ Council conclusions SBA action plan "Translating intentions into actions".

20. ACKNOWLEDGES the fact that European economy is dependent on a number of energy and non-energy raw materials and STRESSES that the Community should take immediate, coherent and coordinated action across its different policy areas, including industrial policy, since no single instrument is available to deal with raw material challenges. Reducing the use of energy and raw materials, improving energy- and resources-efficiency and achieving a greater use of renewable energy sources and secondary raw materials should be one of the guiding principles for European industry;
21. Concerning the non-energy raw-materials, the Council SUPPORTS the Commission's intention to launch an integrated strategy aimed at ensuring better and undistorted access to raw materials in third countries, better framework conditions for extracting raw materials within the European Union and a lower consumption of primary raw materials by increasing resource efficiency and promoting recycling;
22. CALLS ON the Commission, Member States and stakeholders to act together swiftly, particularly in the following areas:
- identification of critical raw materials for European industry, in cooperation with the Raw Materials Supply Group; the Council considers the list of critical raw materials established by the Commission in the Annex to its Communication as a first preliminary selection and INVITES the Council and the Commission to come back to the issues with a view of agreeing a final list before the end of 2009;
 - improving the framework conditions for exploring and extracting raw materials in the European Union, whilst maintaining a high level of environmental protection; INVITES the Member States and the Commission to exchange best practices in the area of land use planning for mining and administrative conditions for exploration and ENCOURAGES the Commission, together with the Best-practice project group members, to present guidelines for this that are based on such best practices;

- enhancing the efficient use of resources and the use of recycled, waste and secondary raw materials, and stimulating the innovation and R&D for resource efficiency and the substitution of critical resources in line with the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan ¹⁵;
- improving sustainable access to raw materials in third countries; distortions on the global markets for raw material may put key industrial sectors in Europe at a competitive disadvantage and INVITES the Commission and Member States to concentrate more on "raw materials diplomacy" while striving for transparency of supply through open and transparent markets and give adequate consideration to the opportunities provided by projects undertaken in the context of development cooperation with a view to ensuring better access to raw materials ;

The Council WELCOMES the Commission's intention to present a timeframe for measures to implement the recommendations given above by the end of 2010;

23. Achieving a knowledge based low-carbon and resource efficient economy should be a guiding principle for European industrial policy. Bearing in mind the results of the kick-off stakeholders' conference held on 17 March, the Council INVITES the Commission to evaluate the results of the existing industrial policy initiatives and to continue the on-going dialogue to formulate a long-term oriented industrial policy for the European Union, also reflecting the results of the existing industrial policy initiatives, while also speeding up the transition to the low carbon economy through the roadmap included in the Sustainable Industrial Policy and Sustainable Consumption and Production Action Plan;

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¹⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan (doc. 12026/08).

With respect to the above mentioned horizontal measures targeting different sectors of manufacturing industries, the Council agrees on conclusions on several sectors of industry. At the same time, the Council acknowledges that the highly focused and coordinated measures to support the following sectors can be extended to cover other important sectors.

WITH REGARD TO THE CHEMICALS INDUSTRY, THE COUNCIL:

24. UNDERLINES that the chemicals industry is an enabling sector which provides solutions, advanced materials and technologies to the entire European industry and provides sustainable solutions to a number of global environmental problems; the chemicals industry also has an indispensable role to play in the move towards a more sustainable production and the use of resources in an ecologically sound way;
25. STRESSES that the innovation potential of the chemicals industry should be fully exploited and that there is a need to further stimulate innovation as well as research and development in the chemical sector and that the public sector should provide effective support to private sector efforts and RECALLS in this context the importance of the relevant technology platforms;
26. ACKNOWLEDGES the fact that the strength of the European chemicals industry lies in its high degree of integration, connections and clustering. Continued and greater investment into infrastructure, including pipelines and better inter-operability of infrastructure systems is needed on all levels, including European, national and regional to improve the logistics and transport networks between the clusters to enable the sector to cope with increased competitive pressure;
27. AFFIRMS the need to secure reliable, long-term access to oil, natural gas and renewable feedstock and to strengthen the security of supply, while maintaining a sound energy mix. Reinforcing the internal market for gas and electricity namely through the implementation of the “Internal market with energy” package is crucial;

28. INVITES the Commission, Member States and industry to implement the conclusions of the High Level Group on the Competitiveness of the European Chemicals Industry and INVITES the Commission to establish an action plan with a roadmap and concrete deliverables, to closely monitor the development of competitiveness of the industry and progress made in implementing the abovementioned conclusions regularly. The Council also INVITES the Commission to present the first report evaluating the results by the end 2010, in close consultation with stakeholders;
29. INVITES the Commission to monitor the implementation of REACH and its impacts on businesses, especially SMEs, taking into account the current economic situation as well.
30. INVITES the industry to further develop universal communication with stakeholders, especially with consumers on the right handling with chemicals in order to ensure minimum possible risks for health and environment.

WITH REGARD TO THE ELECTRICAL AND ELECTRONIC INDUSTRY, THE COUNCIL:

31. ACKNOWLEDGES the fact that the electrical and electronic industry has a high growth potential and is an enabling sector which could provide advanced technology solutions for significant energy savings for both private homes and industry in the fields of industrial applications, transport, buildings and power generation, intelligent transmission and distribution networks. The industry provides efficient and ecologically-sound technologies that cover the whole product life-cycle and it is therefore a key contributor to achieving the environmental targets of the Lisbon Strategy; at the same time, this should be seen as an opportunity for the industry to be a global leader in technology;
32. ACKNOWLEDGES the fact that innovation and investment in R&D are crucial to the long-term competitiveness of the sector and have a knock-on effect on the competitiveness and energy efficiency of a large number of other sectors. This should be reflected in the ongoing debate on the future of industrial policy and in the evaluation of the broad-based innovation strategy, including the lead market initiative;

33. ENCOURAGES all public bodies to support and facilitate innovation in this key sector by encouraging public procurement to consider energy- and resource-efficient solutions and to raise consumer awareness;
34. INVITES the Commission to report on the implementation of the recommendations made by the Electra Team by the end of 2012.

WITH REGARD TO THE AUTOMOTIVE INDUSTRY, THE COUNCIL

35. BEARING IN MIND recent developments in this sector, HIGHLIGHTS the importance of the automotive industry for the European economy. This sector has a great share in GDP creation and exports, is important in terms of volume of employment, is intertwined with other important industrial sectors and it is the largest European investor in R&D. and STRESSES the fact that the future competitiveness of this sector is vital to a large number of SMEs in the supply chain and in the after-sales market;
36. RECALLS the conclusions of the March 2009 Competitiveness Council on the automotive industry ¹⁶ and the 2009 Key Issues Paper, including the commitments for helping the automotive industry made by Member States, the Commission and the EIB;
37. WELCOMES the initiatives of the Commission to bring together Member States and industry representatives, which clearly shows the advantages of a co-ordinated European response, and INVITES the Commission to follow up on these meetings and continue the exchange of information on Member State actions;

¹⁶ Draft Council conclusions on the automotive industry (doc. 6227/09).

38. ACKNOWLEDGES the serious situation in the automotive sector, including the light- and heavy-duty vehicles. Following the Communication from the Commission entitled “Responding to the crisis in the European automotive industry”¹⁷ and the Council conclusions on automotive industry adopted by the Competitiveness Council in March 2009, which both emphasised the need to avoid creating new burdens for the industry; CONSIDERS that, given the current situation in the sector, new legislative measures need to be avoided. The Council LOOKS FORWARD to the presentation of a roadmap of planned legislative and non-legislative initiatives with a significant impact on the industry, which will be presented by the end of 2009; INSISTS that for all new legislation a thorough impact assessment is prepared;
39. Also ACKNOWLEDGES that vehicle fleet renewal can help to achieve improved competitiveness and environmental performance of the European automotive industry. The Council STRESSES the need for Member States contemplating taking demand-side measures for commercial vehicles to take full account of the Commission guidelines for such measures produced in the context of passenger cars, and to ensure that any such proposals fully respect the subsidiarity principle and the Internal Market and State Aid rules;
40. WELCOMES the initiative of the Commission to continue and to strengthen the CARS 21 dialogue and emphasises the need to deliver concrete results in the context of the CARS 21 initiative; INVITES the Commission to report regularly to the Competitiveness Council on the progress achieved in implementing the CARS 21 agenda.

¹⁷ Communication from the Commission — “Responding to the crisis in the European automotive industry” (doc. 7004/09).