



**COUNCIL OF
THE EUROPEAN UNION**



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PRESS RELEASE

2769th Council meeting

Competitiveness (Internal Market, Industry and Research)

Brussels, 4 December 2006

President

Mr Mauri PEKKARINEN
Minister of Trade and Industry of Finland

P R E S S

Main Results of the Council

*The Council adopted conclusions on strategic priorities for **innovation** action at EU level.
The Council also adopted its common position on simplification of nominal quantities for pre-packed products.*

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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.
- The documents whose 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 abovementioned Council Internet site or may be obtained from the Press Office.

PARTICIPANTS

The Governments of the Member States and the European Commission were represented as follows:

Belgium:

Mr Marc VERWILGHEN

Minister for Economic Affairs, Energy, Foreign Trade and Scientific Policy

Czech Republic:

Mr Robert SZURMAN

Deputy Minister, Ministry of Industry and Trade

Denmark:

Mr Bendt BENDTSEN

Minister for Economic Affairs, Trade and Industry

Germany:

Ms Brigitte ZYPRIES
Mr Joachim WUERMELING

Federal Minister for Justice
State Secretary, Federal Ministry of Economic Affairs and Technology

Estonia:

Mr Tiit NABER

Deputy Permanent Representative

Greece:

Mr Spyros EFSTATHOPOULOS
Mr Ioannis ICONOMOU

Special secretary, Ministry of Development
Secretary-general, Ministry of Development

Spain:

Mr Alberto NAVARRO

State Secretary for the European Union

France:

Mr François LOOS

Minister with responsibility for Industry

Ireland:

Mr Michael AHERN

Minister of State at the Department of Enterprise, Trade and Employment (with special responsibility for Trade and Commerce)

Italy:

Mr Luigi NICOLAIS

Minister for Reform and Innovation in Public Administration

Cyprus:

Mr Efstathios HAMBOULLAS

Permanent Secretary or Director, Department of Public Works, Ministry for Communications and Works

Latvia:

Mr Kaspars GERHARDS

State Secretary, Ministry of Economic Affairs

Lithuania:

Mr Vytautas NAVICKAS

Minister for the Economy

Luxembourg:

Mr Jeannot KRECKÉ

Minister for Economic Affairs and Foreign Trade,
Minister for Sport

Hungary:

Mr Géza EGYED

State Secretary (with special responsibility), Ministry of Economic Affairs and Transport

Malta:

Ms Theresa CUTAJAR

Deputy Permanent Representative

Netherlands:

Ms Karien van GENNIP

Minister for Foreign Trade

Austria:

Mr Martin BARTENSTEIN

Federal Minister for Economic Affairs and Labour

Poland:

Mr Marcin KOROLEC

Deputy Minister for Economic Affairs, Deputy State Secretary, Ministry of Economic Affairs

Portugal:

Mr Hugo SOBRAL

Mertens Group

Slovenia:

Mr Andrej VIZJAK

Minister for the Economy

Slovakia:

Mr Jozef HABÁNIK

State Secretary at the Ministry of Education

Finland:

Mr Mauri PEKKARINEN

Minister for Trade and Industry

Mr Antti PAASIVIRTA

Political State Secretary, Ministry of Trade and Industry

Sweden:

Mr Sten TOLGFORS

Minister for Foreign Trade

Mr Jöran HÄGGLUND

State Secretary, Ministry for Enterprise and Energy

United Kingdom:

Mr Malcolm WICKS

Minister of State for Energy

Commission:

Mr Günter VERHEUGEN

Vice President

Mr Markos KYPRIANOU

Member

Mr Charlie MCCREEVY

Member

Mr László KOVÁCS

Member

.....

The Governments of the Acceding States were represented as follows:

Bulgaria:

Ms Nina RADEVA

Deputy Minister for Economy and Energy

Romania:

Mr Anton ANTON

President, ANCS

ITEMS DEBATED

COMMUNITY CUSTOMS CODE

The Council held a policy debate on a proposal for modernizing the Community customs code with a view to providing political guidance for further work (14776/1/06).

At the end of the debate, the President summed up the main points raised:

"1. The Single Window

Delegations generally supported the creation of Single Window services, bringing together administrations involved in import and export of goods, and considered that these matters should be pushed forward both at a technical and a political level.

During the discussion, many delegations emphasized that:

- customs authorities should have a leading or coordinating role in the development and operation of the Single Window;
- the implementation of the Single Window should be gradual;
- the Commission should play an active role as a coordinator between the Member States and between its services and the Member States;
- the Commission should follow-up this initiative and regularly report on progress achieved.

2. Centralised Customs Clearance

Delegations broadly supported Centralised Customs Clearance as a key instrument for the simplification and modernization of the Customs Union, offering important benefits for the competitiveness of EU businesses.

However, the President noted that the implementation of this concept would require further work, in particular on the distribution of national shares of own resources and the VAT aspects, in order to find solutions to these politically important issues.

In addition, some delegations stressed that an enhanced use of self-assessment in customs procedures should be closely looked at.

3. Customs Representation

Delegations acknowledged that the conditions for Customs Representation should be compatible with the principles of the Internal Market. The Presidency took note of the fact that a detailed overall solution to this issue would require further discussion."

The Commission adopted a year ago a proposal (*15380/05*) for a draft regulation laying down new general rules and customs procedures applicable to goods traded between the Community and third countries. The regulation is intended to replace the current Community customs code, which dates back to 1992, in order to adapt it to changes in the environment in which international trade is conducted. It addresses issues concerning the requirements of an electronic environment, the simplification of administrative procedures and the changing nature of the tasks performed by the customs authorities.

INNOVATION POLICY AND COMPETITIVENESS - Council conclusions

The Council held a policy debate on a broad-based innovation strategy for the EU and adopted the following conclusions to be forwarded to the December European Council for endorsement:

"A BROAD-BASED INNOVATION STRATEGY:

STRATEGIC PRIORITIES FOR INNOVATION ACTION AT EU LEVEL

Innovation plays a critically important role in Europe's ability to respond effectively to the challenges and opportunities of the global economy as well as to other major challenges, such as climate change. All forms of innovation, including non-technological innovation must be taken into account. In this context, the Council recalls the request of the Spring European Council 2006 for the establishment of a broad-based innovation strategy, the conclusions of the report of the independent high-level expert group chaired by Esko Aho on "Creating an innovative Europe" of January 2006¹ and the consensus of Heads of State or Government reached in Lahti to take a strategic approach to innovation with a strong focus on a number of key actions. The Council welcomes the Commission Communication "Putting knowledge into practice: a broad-based innovation strategy for the EU"² and the Commission's Communication "An innovation-friendly, modern Europe"³. The Council considers that:

- support for innovation is **an essential part of the Lisbon Strategy for Growth and Jobs**, and it merits an ongoing position on the EU's competitiveness agenda
- public policies should be designed in a way that creates a strong incentive for innovation. Innovation policy should be best understood as a set of instruments. These aim at improving access to financing in support of innovation, at creating an innovation friendly regulatory environment and demand for innovation as well as at reinforcing the activities of institutions relevant for innovation, including the links between research institutions and industry;

¹ http://www.europa.eu.int/invest-in-research/action/2006_ahogroup_en.htm.

² Doc. 12940/06 COMPET 239 RECH 219 EDUC 171 ECOFUN 293 SOC 411 ENV 468
ENER 211 TELECOM 81 MI 164 IND 64 MAP 13.

³ Doc. 14065/06.

- the role of general framework conditions for innovation is crucial, in particular for SMEs. A **Single Market, competition** and a **regulatory framework** based on clear and consistent rules constitute the prerequisites for a broad-based innovation strategy. A strong commitment to fully enforcing and developing the Single Market rules is therefore instrumental. This needs to be carefully followed up in the Commission's Single Market Review. Furthermore, the EU competition rules support innovation as they help increase firms' incentive to innovate. A full commitment to the implementation of the Better Regulation agenda is also required;
- within the framework of the Lisbon National Reform Programmes, the specific circumstances in Member States call for **comprehensive, yet tailored, innovation policy measures at national level**. These should cover, inter alia, education, research, entrepreneurship and promotion of innovation culture. In particular, education systems at all appropriate levels will have to respond to new challenges in ensuring that there is sufficient availability of key skills to support innovation;
- the Community financing in support of innovation (notably the Seventh Framework Programme for Research and the Competitiveness and Innovation Framework Programme (2007-2013)) and the specific innovation support initiatives (e.g. Europe INNOVA, PRO INNO Europe, including the initiative for a Cluster Alliance, i2010, etc.) financed by the Commission are important elements of the broad-based innovation strategy. The Council invites all Member States to actively engage with the work under these programmes in order to realise their full potential;
- innovation policy typically addresses horizontal issues, consisting of various public policies, thus requiring **effective governance**. The Commission is invited, in cooperation with all relevant bodies at all levels (EU, national, regional and local), to further strengthen the coherence and synergy of its different policies, stakeholder involvement as well as monitoring systems that contribute to fostering innovation, in particular with a view to avoiding overlaps and inconsistencies, notably by using the Open Method of Co-ordination (OMC);
- a common view on innovation enhances the Union's **external competitiveness** and helps position the Union as the global leader in terms of reaping the new opportunities brought by globalisation and technological change. Developing synergies between the Union and third countries in the field of innovation policy could also help improve a global level playing field;

- the newly adopted **Community Framework for State aid for R&D and innovation** should enable Member States to better target their existing support budgets to innovation activities in a coherent manner. This should make it easier for European enterprises to face globalised competition and avoid creating unnecessary bureaucratic burdens. Overall, the Commission will closely monitor the experience gained with the new framework;

The Council notes

- the publication of the Commission's Communication providing voluntary guidance on issues of transnational interest, including the design, use and evaluation of tax incentives for R&D, while fully recognising Member State competence for national tax policy.

Strategic Priorities for innovation action at EU level

In view of the above, the Council stresses that efficient support for innovation is an integral part of the Lisbon Process; thus joint action is required at European level. Therefore, implementation of a broad-based innovation strategy necessitates defining **the following strategic priorities** at EU level:

1. Intellectual Property Rights – IPR

An effective IPR framework at European level is essential for innovation. The Council therefore welcomes the Commission's intention to present, in the course of 2007, a comprehensive IPR Strategy. The Council stresses the need for such a strategy covering all forms of IPR and ensuring synergy with other policies. Regarding patents, the Council invites the Commission to present its Communication on patents, which will be based on ongoing consultations, as soon as possible. The Council will respond to the Commission's initiatives in due course.

2. Creating a pro-active standard-setting policy

Standards can be decisive for the commercial success, in helping to aggregate demand for innovation activity. Ensuring interoperability is also important in order to avoid increasing multiple standards that would further fragment the Single Market. The current European standardisation system has to adapt to the needs of fast-moving markets, especially, in services and high-technology products. The Union should also be more active in influencing global standardisation systems.

The Council stresses the need to enhance the European standard–setting systems. The Commission should work out by September 2007, based on on-going efforts and in consultation with the industry, including SMEs, and all other relevant stakeholders, proposals for action to be taken by appropriate bodies, for reforming and streamlining the system. Attention should be paid in particular to reassessing the working methods and the overall resources of the standardisation organisations as well as to analysing the role of standardisation in research and new fields of technology. The Council invites the Commission and Member States to investigate how to further integrate standardisation aspects into European and national RTD projects. The Commission is also invited to report on ways to reinforce the uptake of standards. The Council will return to this topic by November 2007 to take stock of progress, and decide on the next steps.

3. Making public procurement work for innovation

The Council recognizes the great potential in making use of public procurement in stimulating innovation; in particular for SMEs that need an improved access to public procurement procedures. The key challenge is to create more awareness and put into use the new methods that have been brought about by the modernised and simplified EU's public procurement regulatory framework. The Council, therefore, looks forward to the Commission's guidance, expected by December 2006, on how the EU rules on public procurement can be used to stimulate innovation ⁴.

The Council will return to this issue by November 2007 to discuss the Commission's response and to decide on eventual further action.

4. Launching Joint Technology Initiatives (JTI's)

The industry-led European Technology Platforms have been in existence since 2003, bringing together businesses, the research community and civil society as well as involving public authorities. To foster European co-operation on specific technologies further and with a view to establishing European leadership in future strategic technologies, it is now time to make progress on the launch of the Joint Technology Initiatives (JTI's) as described in the Seventh Research Framework Programme. This includes examples of areas where JTI's could have particular relevance: hydrogen and fuel cells, aeronautics and air transport, innovative medicines, nano-electronics, embedded computing systems and global monitoring for environment and security. The Commission is intending to submit a roadmap establishing the process that will lead to the presentation of JTI proposals.

⁴ In the form of a specific handbook.

The Council invites the Commission in this context to make, by February 2007, proposals for the setting up of Joint Technology Initiatives that have reached an appropriate stage of preparedness. The Council will undertake to make a decision on those proposals as early as possible. Proposals on other areas should follow as soon as possible. The Council also urges in this context industry to make appropriate commitments for financing of the JTI's while ensuring that participation in projects is open to a wide range of participants throughout Europe, in particular SMEs. The allocation of Community funding by the Joint Technology Initiatives will take place on the basis of the Framework Programme principles of excellence and competition.

5. Boosting innovation and growth in lead markets

The EU needs a focussed strategy to bring to market innovative products and services in promising areas. Lead markets can be a solution to this challenge: they are about creating conducive frameworks for innovation in specific areas of the economy where European firms could have a globally leading role, but where due to reasons related to e.g. burdensome regulation and systemic failures in policy and legislative coherence, this potential remains currently unrealised. A concerted and prospective approach to public intervention, involving, as appropriate, actions e.g. in the areas of product market regulation, standardisation, IPR and public procurement as well as removing legal obstacles could play an instrumental role. This could help strengthen the demand side of innovation thereby setting the right conditions for innovation-driven lead markets to emerge and develop in Europe.

The Council welcomes the Commission's intention to consult stakeholders on the barriers for lead markets. The Council invites the Commission to present during 2007 an initiative on lead markets, based on a broad stakeholder consultation for defining a valid approach for fostering emergence of markets with high economic and societal value. This would include identifying areas where concerted action through key policy instruments and framework conditions, coherent and coordinated policy making by relevant public authorities as well as enhanced cooperation between key stakeholders can speed up market development, without interfering with competitive forces. Potential for lead markets could be assessed, inter alia, in areas such as low carbon technologies, eco-innovation, e-health, intelligent transport systems, digital content, energy efficiency, bioenergy/biotechnology, nano-technology, satellite navigation and earth observation, security, ICT and marine technologies, including mineral resources. The Council will undertake to conclude the discussions on the initiative by February 2008.

6. Enhancing closer co-operation between higher education, research and business

The Council stresses the vital role of higher education and lifelong learning in supporting innovation. The Council supports the conclusion of the Commission's Communication "Delivering on the Modernisation Agenda for Universities" that universities in Europe⁵ must be reformed and modernised. It also agrees that the priority areas for reform are improving governance, developing new partnerships with business, increasing and diversifying sources of funding and extending opportunities for higher education and lifelong learning to support the innovation capacity of the labour force. The uptake of research results⁶ and the mobility of researchers, including more scholarships for S&T students, are important elements in the cooperation between research and business. The Council therefore considers knowledge transfer to be a strong feature of the Seventh Framework Programme and an important criterion for the overall evaluation of the programme.

At EU level, the initiative for the European Institute of Technology has the potential to show the way for modern and effective co-operation among universities, research institutes and businesses. The Council welcomes the Commission's proposal on the establishment of the EIT. The Commission is invited to clarify the outstanding issues, in particular, the budgetary implications of establishing the EIT. The Council will endeavour to conclude the discussions on the proposal in co-decision with the European Parliament in good time with a view to having the EIT operational as soon as possible in the context of the Lisbon process.

The Council also invites the Commission to present the announced Communication on knowledge transfer, including guidelines for public authorities, public research centres and industry, aimed at enhancing knowledge transfer between the public and private sectors across Europe.

7. Helping innovation in regions

Clustering can be an effective means to strengthen regional innovation by combining competences of industry, research and public authorities. Clusters can be further reinforced through cross-border/trans-national dialogue and sharing of information regarding the most appropriate tools, measures and experiences.

There is also great potential for programming interventions in European regional and cohesion policy programmes to support regional innovation. Programmes financed by the Structural Funds should be more effectively oriented to support research and innovation.

⁵ The term "universities" includes other institutes of higher education in those Member States who recognise them.

⁶ Innovation vouchers are an example of a useful instrument at national level to facilitate knowledge transfer to SMEs.

The Council welcomes the Commission's initiative of the European Cluster Alliance aiming at stimulating practical cooperation between regional governments. The Commission is in this context invited to prepare by April 2007 an analysis on how to promote the trans-national dimension of clusters.

The Council invites the Member States to commit themselves to the achievement of targets in line with the priorities set in the Financial Perspectives 2007-2013 for promoting competitiveness and creating jobs, in particular research and innovation as agreed for the new programming period of cohesion policy. The Commission is also invited to provide expert assistance on using structural funds for promoting innovation. The Council will return to these issues, and consider next steps by November 2007.

8. Developing a policy approach to innovation in services and to non-technological innovation

It is acknowledged that existing EU or national innovation policy instruments do not always adequately take into account the overall importance and specific needs of the services sector, and they regularly fail to acknowledge the need for innovation also in public sector services. There is a need to take a comprehensive look at policies relevant for services and reassess their focus from the viewpoint of service-related and non-technological innovation. In the same way, the role of non-technological innovation is increasingly crucial when faced with strong competition in global markets, especially for SMEs. The Council invites the Commission to prepare by April 2007 an overall assessment on innovation in services evaluating e.g. the related needs for policy adjustments, where appropriate. The Commission is also invited to take into account the various forms of non-technological innovation. The Council will discuss the assessment by June 2007, and decide on eventual next steps.

9. Risk capital markets

The Council, taking into account the recent Commission's Communication⁷ and other relevant work done in this area⁸, invites the Commission to continue its efforts to improve businesses' access to appropriate innovation finance, inter alia, by identifying, in co-operation with the Member States, obstacles to cross-border investment by venture capital funds. The Commission is also invited to study further the conditions for early stage venture capital investment in the EU with a view to future policy initiatives for SMEs. The Commission should prepare a report on the cross-border obstacles and present it to the Council by November 2007. The Council will return to this issue to discuss the Commission's report, and consider next steps.

⁷ Doc. 11216/06 COMPET 189 MI 146 IND 58 ECOFIN 248 - "Financing SME Growth – Adding European Value" COM(2006) 349 final.

⁸ Conclusions by ECOFIN on 10 October 2006 (13547/1/06 REV1).

Implementation of the Strategic Priorities

The Council:

- invites the Commission to integrate these Strategic Priorities as part of the Community Lisbon Programme and to report on their progress as part of its Annual Progress Report, analysing in particular the complementarities between national and EU level action. In this context, special emphasis should be on systemic benchmarking of innovation policies at EU level against those followed elsewhere in the world, including of public funding measures for research, development and innovation;
- will regularly update these Strategic Priorities and monitor their implementation. To this end, it will hold an annual strategic debate on innovation on the basis of the Commission's Annual Progress Report and prepare a contribution to the Spring European Council;
- requests the Permanent Representatives Committee to assign one preparatory body with the co-ordinating task of regularly reviewing progress on innovation policies at EU and Member State level, and contribute to the necessary input for the above strategic debate;
- invites the Member States to continue their efforts on national innovation and research policy and reflect their actions in the national Progress Reports.

Finally, the Council agrees to submit the Strategic Priorities to the European Council for endorsement".

The Council also took note of:

- a presentation by the Commission on the 2006 Competitiveness report (*15669/06*),
- an oral report by the Presidency on the draft regulation for the establishment of a European Institute of Technology (*14871/06*);
- the state of progress concerning the preparation of proposals for Joint Technology initiatives (*15504/06*).

BETTER REGULATION**a) Commission's strategic review of Better regulation (15510/06)**

The Council took note of the presentation by Mr. Günter Verheugen, Commission Vice-President of the communication adopted by the Commission on 14 November 2006 "A strategic review of Better Regulation in the European Union" (15510/06).

This strategic review, accompanied by separate documents on simplification (15510/06 ADD 1) and administrative costs (15510/06 ADD 2), analyses the progress achieved and maps out the main challenges ahead.

b) Progress report on better regulation under the Finnish Presidency

The Council also took note of a progress report on better regulation prepared by the Finnish Presidency. The report contains a brief review of the progress made in the implementation of Better Regulation principles in the Council's legislative process.

c) Exchange of views

The Council held a public exchange of views on better regulation on the basis of a Presidency questionnaire with a view to giving guidance for future work.

The Council reaffirmed the priority which it attaches to a well-functioning regulatory framework as an important means both to achieve agreed political objectives and to strengthen the competitiveness of European enterprises.

CREDIT AGREEMENTS FOR CONSUMERS

In public deliberation, the Council took note of a progress report on a draft Directive on credit agreements for consumers amending Council Directive 93/13/EC⁹ (15406/06) and also held a brief exchange of views.

This draft Directive aims at harmonising certain aspects of the laws, regulations and administrative procedures of the Member States concerning agreements covering credit for consumers. It establishes the conditions for a genuine internal market while ensuring a high level of consumer protection.

⁹ OJ L 95, 21.4.1993, pp. 29-34.

OTHER BUSINESS

The Council took note of information given by the Presidency and by the Commission on:

- activities in the Pharmaceutical Forum (15842/06);
- the Commission communication on external aspects of competitiveness: "Global Europe: competing in the world" - Council conclusions of 13 November 2006 (13715/06 and 14779/06);
- the EU-US informal economic ministerial meeting;
- the review of the consumer acquis (16077/06);
- the common frame of reference in European contract law (16086/06);
- the review of the timeshare Directive (16088/06);
- the state of play on suspension of import duties on primary aluminium (at the request of the Polish delegation) (15690/06).

* * *

Over lunch, Ministers held an exchange of views on energy efficiency and climate change related to competitiveness aspects.

OTHER ITEMS APPROVED**TRANSPORT****Euro-Mediterranean aviation agreement with Morocco**

The Council adopted a Decision approving the signing and provisional application of the Euro-Mediterranean agreement with Morocco.

The agreement was negotiated by the Commission on the basis of a mandate agreed by the Council in December 2004. It is a continuation of the process of strengthening aviation relations between the EU and its neighbouring countries.

The agreement is aimed at achieving the highest possible degree of regulatory convergence between Morocco and the EU on matters of economic, social and environmental relevance in the aviation sector. In accordance with the degree of regulatory convergence, it provides for a gradual opening of market access between Morocco and the EU, providing substantial opportunities for passengers and industry on both sides. This would result in an unrestricted commercial environment where operators are free to take commercial decisions, and where they operate under the highest standards in the areas of aviation safety, aviation security, environmental and consumer protection.

The signing of the agreement will take place in Brussels on 12 December 2006.

INTERNAL MARKET**Nominal quantities for pre-packed products***

The Council unanimously adopted its common position on a draft Directive laying down rules on nominal quantities for pre-packed products, repealing Council Directives 75/106/EEC and 80/232/EEC, and amending Council Directive 76/211/EEC. Now the Council will send its common position to the European Parliament for a second reading under the codecision procedure.

For more details, see press release *12254/06 (Presse 240)*
