

9039/03 (Presse 124)

**PROVISIONAL VERSION**

2505th Council meeting

**- COMPETITIVENESS -**

**(Internal Market, Industry and Research)**

Brussels, 13 May 2003

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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://ue.eu.int>.*
- *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 above mentioned Council Internet site or may be obtained from the Press Office.*

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**PARTICIPANTS**

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

**Belgium :**

Mr Eric TOMAS

Minister of the Brussels Capital Regional Government, with responsibility for Employment, Economic Affairs, Energy and Housing

Mr Dirk VAN MECHELEN

Flemish Minister for Finance and the Budget, Innovation, the Media and Regional Planning

**Denmark :**

Mr Bendt BENDTSEN

Minister for Economic Affairs, Trade and Industry

**Germany :**

Ms Edelgard BULMAHN

Federal Minister for Education and Research

Mr Georg Wilhelm ADAMOWITSCH

State Secretary, Federal Ministry of Economic Affairs and Labour

**Greece :**

Mr Apostolos TSOCHATZOPOULOS

Minister for Development

**Spain :**

Mr Josep PIQUE I CAMPS

Minister for Science and Technology

Mr Pedro MORENÉS EULATE

State Secretary for Science and Technology Policy

**France :**

Ms Nicole FONTAINE

Minister attached to the Minister for Economic Affairs, Finance and Industry, with responsibility for Industry

Ms Claudie HAIGNERÉ

Minister attached to the Minister for Youth, Education and Research, with responsibility for Research and New Technology

**Ireland :**

Ms Mary HARNEY

Tánaiste (Deputy Prime Minister) and Minister for Enterprise, Trade and Employment

**Italy :**

Mr Antonio MARZANO

Minister for Production Activities

**Luxembourg :**

Mr Henri GRETHEN

Minister for Economic Affairs

**Netherlands :**

Mr Henne J.J. SCHUWER

Deputy Permanent Representative

**Austria :**

Mr Helmut KUKACKA

State Secretary, Federal Ministry of Transport, Innovation and Technology

**Portugal :**

Mr Jose PINTO PAIXÃO

Secretary of State of Science and Higher Education

Mr Franquelim ALVES

Assistant Secretary of State to the Minister for Economic Affairs

**Finland :**

Mr Mauri PEKKARINEN

Minister for Trade and Industry

**Sweden :**

Ms Ingrid HJELT AF TROLLE

Deputy Permanent Representative

**United Kingdom :**

Mr Alan JOHNSON

Minister of State for Employment Relations, Industry and the Regions

\* \* \*

**Commission :**

Mr Mario MONTI

Member

Mr Erkki LIIKANEN

Member

Mr Philippe BUSQUIN

Member

**The Governments of the Acceding States were represented as follows:**

**Czech Republic :**

Mr Miroslav SOMOL

Deputy Minister, Ministry for Industry and Trade

**Estonia :**

Mr Meelis ATONEN

Minister for Economic Affairs and Communications

**Cyprus :**

Mr George LILLIKAS

Minister for Commerce, Industry and Tourism

**Latvia :**

Mr Juris LUJĀNS

Minister for Economic Affairs

**Lithuania :**

Mr Nerijus EIDUKEVICIUS

Vice-Minister for Economy

**Hungary :**

Mr Bálint MAGYAR

Minister for Education

**Malta:**

Mr Tony ABELA

Parliamentary Secretary, Ministry of Finance and Economic Affairs

**Poland :**

Mr Michael KLEIBER

Minister for Science

**Slovakia :**

Mr Martin FRONC

Minister for Education

**Slovenia :**

Mr Tea PETRIN

Minister for Economy

## **ITEMS DEBATED**

### **INDUSTRIAL AND INNOVATION POLICY**

After an introduction to the two Commission's Communications by Commissioner Liikanen "Industrial Policy in an enlarged Europe" and "Innovation Policy : updating the Union's approach in the context of the Lisbon Strategy", the Council proceeded to an exchange of views on innovation policy and adopted the two sets of Conclusions below :

– ***INDUSTRIAL COMPETITIVENESS IN AN ENLARGED EUROPE - Council conclusions***

"THE COUNCIL OF THE EUROPEAN UNION,

#### **1. RECALLING:**

- the Conclusions of the Lisbon European Council on the strategy for making the EU the world's most competitive and dynamic knowledge-based economy, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010 and the further elaboration of this strategy by the Stockholm, Gothenburg and Barcelona European Councils;
- the Conclusions of the Barcelona Council which agreed that overall spending on R&D and innovation in the Union should be increased with the aim of approaching 3% of GDP by 2010;
- the Conclusions of the Seville European Council which welcomed the Action Plan for simplifying and improving the regulatory environment;
- the Conclusions of the Copenhagen European Council concerning enlargement;
- the Council Conclusions of 3 March 2003 on the promotion of entrepreneurship and small firms;<sup>2</sup>
- the contribution of the Competitiveness Council to the Spring European Council 2003 adopted on 3 March 2003;<sup>1</sup>
- the Conclusions of the Brussels European Council of 20 and 21 March 2003, which noted that in boosting European competitiveness, a new approach to industrial policy will be important.

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<sup>2</sup> doc. 7576/03 ECO 44 IND 42 MI 58.

**2. WELCOMES** the Commission's Communication on "Industrial Policy in an Enlarged Europe"<sup>3</sup>, which stresses the importance of the contribution of industry to competitiveness.

**3. RECOGNISES:**

- that the slowdown in productivity growth in the EU presents a challenge to attaining the goals of the Lisbon strategy and requires effective action to be taken in response;
- the opportunities and the challenges in the industrial sector, arising from the enlargement of the European Union, as well as those resulting in particular from technological and organisational change, new societal demands and globalisation, including increased competition in world markets; also recognising different global framework conditions;
- the vital role industry has to play in implementing the objectives defined at the Lisbon European Council and in the framework of the European Union's strategy for sustainable development;
- the need to re-examine industrial competitiveness policy, reflected in various Council Resolutions and Conclusions and/or in several Commission Papers and Communications, with a view to adapting it to current circumstances, as part of the Council's horizontal role in ensuring an integrated approach to the enhancement of competitiveness and growth.

**4. EMPHASISES:**

- that industrial policy is horizontal in nature and involves the application of enterprise policy instruments. It aims at securing framework conditions favourable to industrial competitiveness, while taking into account the specific needs and characteristics of individual sectors;
- that the coherence between the different Community policies requires that the balance between the three pillars of sustainable development -economic, social and environmental- is such that competitiveness is improved;
- that an effective industrial policy implies the search for the appropriate balance between the different objectives of Community policies that have an impact on the competitiveness of industry;
- the importance of actively pursuing efforts to develop knowledge, innovation and entrepreneurship as key factors affecting industrial competitiveness;
- that due attention should be given to the needs of small firms in the conception and application of industrial policy;
- the interdependence of industry and services and their importance for EU competitiveness, bearing in mind the specific needs of SMEs;

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<sup>3</sup> Doc. 5078/03 IND 1 ECO 2 - COM(2002) 714 final.

- that a high level of social cohesion, training and education, are core aspects of the knowledge economy as well as of competitiveness;
- the importance of competition policy in reinforcing global industrial competitiveness, while ensuring complementarity and synergies between competition and industrial policy;
- the importance of the early implementation of the action plan on risk capital along the EU;
- the importance of ensuring the full implementation of the internal market, including for services, for the creation and development of businesses in Europe;
- that a well developed infrastructure and integrated energy, transport and telecommunications networks are essential for the good functioning of the internal market and for competitiveness, in particular in view of enlargement. In this respect the targets set by the Barcelona European Council must be fully met, taking due account of services of general interest;
- that the frameworks, institutions and instruments, necessary to the business environment and for industry are in place and function efficiently;
- the need to encourage enterprises, to make effective use of information and communication technologies, new management techniques and manpower training to improve substantially productivity, and to invest more in R&D and innovation.

**5. INVITES THE MEMBER STATES AND ACCEDING COUNTRIES TO:**

- contribute actively, through their instruments of industrial policy, to implementing the objectives of the Lisbon strategy and the sustainable development strategy;
- strive to improve the coherence between different national and regional policies having an impact on industrial competitiveness;
- apply, where appropriate, the principle of "think small first" when designing new or reviewing existing legal instruments;
- contribute to increasing the competitiveness of European industry by undertaking systematic impact assessment taking into account national practices and legal systems, as well as consultation on future legislation, notably by ensuring full involvement of stakeholders;
- ensure that innovation and research are encouraged by facilitating and stimulating the emergence of innovative clusters and networks, thus contributing to industrial competitiveness and to the improvement of the environment for entrepreneurship;
- take all necessary steps to ensure a sustained and measurable improvement in the way the internal market function, in particular by speeding up the transposition of relevant Community legislation;
- continue their efforts to enforce competition policy and to reduce the overall level of state aid and redirect it towards horizontal objectives of common interest, including cohesion objectives, and *inter alia*, R&D and innovation.



**6. INVITES THE COMMISSION TO:**

- intensify the work on a new approach to industrial policy;
- report, on a regular basis, on the progress and especially on the means of improving the integration of different Community policies having an impact on industrial competitiveness;
- pursue its work on the action plan "Simplifying and improving the regulatory environment", integrating the concept "think small first" and improving regulation affecting competitiveness, including the New Approach to product policy and developing European standards, and to assess, where appropriate, the use of alternatives to legislation to avoid excessive administrative burdens;
- continue developing the extended impact assessment and systematic consultation of interested parties on all major proposed EU legislation to ensure a balanced approach to the policies affecting the competitiveness of enterprises and to ensure that European enterprises operate on a level playing field in the global economy;
- inform the Council as early as possible about proposals which will be subject to an extended impact assessment and, when available, about the results thereof, thus facilitating the identification of those proposals considered likely to have a substantial effect on competitiveness;
- examine the competitiveness of industrial sectors, currently subject to important competitive challenges and propose, if necessary, any useful initiatives to improve their competitiveness, keeping in mind the SME dimension;
- examine the operating environment for emerging industries in order to stimulate economic activity and new global leadership based on emerging technologies;
- analyse the needs and specific characteristics of industry and the impact of enlargement on competitiveness and take account of the findings when proposing new initiatives;
- examine in the wider context of the Commission's Services strategy, the contribution of services to the competitiveness of European industry.

**7. INVITES THE MEMBER STATES, ACCEDING COUNTRIES AND THE COMMISSION TO:**

- exchange on a regular basis information on their respective industrial and competitiveness policies and build on the use of the Best Procedure to identify critical factors and propose policy recommendations;
- examine ways of developing synergies and, by focussing on concrete implementation, improve the exchange of information and best practice in the different domains relating to industrial policy, taking into account national and regional specificities, and applying an open method of co-ordination, which includes a peer review process, on a voluntary basis;
- establish, within the context of the Council's ongoing work on an integrated strategy for competitiveness, a roadmap on the concrete ways in which industrial policy can contribute to achieving the Lisbon objectives, particularly in the framework of a sustainable development strategy, and monitor progress."

– ***STRENGTHENING EUROPEAN INNOVATION POLICY - Council conclusions***

"THE COUNCIL OF THE EUROPEAN UNION

**1. RECALLING:**

- the Conclusions of the Lisbon European Council on the strategy for making the EU the world's most competitive and dynamic knowledge-based economy, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010 and the further elaboration of this strategy by the Stockholm, Gothenburg and Barcelona European Councils;
- the Council Conclusions of 5 December 2000 on innovation as a factor for competitiveness<sup>4</sup>;
- the Conclusions of the Barcelona European Council which called for a significant boost of the overall R&D and innovation effort in the Union ;
- the conclusions of the Copenhagen European Council concerning enlargement;
- the Council Conclusions of 3 March 2003 on the promotion of entrepreneurship and small firms;
- the contribution of the Competitiveness Council to the Spring European Council 2003 adopted on 3 March 2003 <sup>5</sup>;
- the Conclusions of the Brussels European Council of 20 and 21 March 2003, giving priority to innovation and entrepreneurship and stressing the need for Europe to do more to turn ideas into real value-added.

**2. WELCOMES:**

- the Commission's Communication on "Innovation policy: updating the Union's approach in the context of the Lisbon strategy"<sup>6</sup> which stresses the multi-dimensional nature of the innovation phenomenon;
- the Commission's intention to increase its efforts to foster a European Innovation Policy that contributes to strengthening European competitiveness and progress towards a knowledge-based economy.

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<sup>4</sup> Doc. 14000/00 PRESSE 466.

<sup>5</sup> Doc. 7031/03 POLGEN 12 COMPET 6 RECH 34.

<sup>6</sup> Doc. 7501/03 ECOFIN 89 MI 57 RECH 38 IND 40 EDUC 47 REGIO 2.

**3. RECOGNISES THAT:**

- innovative activity driven, *inter alia*, by a high level of competition between enterprises is a key factor in stimulating productivity growth and competitiveness;
- innovative activities and technological breakthroughs are key factors to achieve sustainable development;
- the full scope and importance of the innovation phenomenon requires developing a better understanding of the drivers of innovation in the European context;
- enlargement has the potential to change significantly the Union's innovation performance thus creating new opportunities and challenges;
- the EU needs to improve the environment for innovation in order to close the gap with its major trading partners;
- enterprises are at the heart of the innovation process, and innovation policy must have positive effects on their behaviour, capabilities and operating environment;
- innovation policy should form part of a coherent framework of policies for developing the competitiveness of European enterprises;
- innovation policy should, where appropriate, be complemented by a sectoral dimension, *inter alia* in relation with specific technologies;
- access to finance is a prerequisite for creating favourable conditions for innovative enterprises, in particular for small firms; the Innovation Initiatives of the European Investment Bank could play an important role towards this aim;
- the 6th RTD Framework Programme and the development of the European Research Area (ERA), including improved synergies with European initiatives and coordinated joint efforts such as Eureka, must play an important role in encouraging and stimulating innovation;
- frontier and leading edge technologies and technologies of a strategic nature, such as space technology, advanced information and communication technology, biotechnology and defence and security related R&D could play an important role in stimulating innovation and competitiveness;
- the exchange of good practice and experience within the Union, as well as the reduction of obstacles to innovation, could contribute to increasing the innovation performance of the Union as a whole in order to meet the Lisbon objectives;
- the Common political approach adopted by the Council on 3 March 2003 gives strong impetus to the Community patent, which is of crucial importance for the protection of intellectual property and to stimulate innovation.

**4. EMPHASISES THAT:**

- innovation goes beyond technological innovation and can take many other forms, such as through the development of new business concepts, new means of distribution, marketing or design and through organisational or presentational change;

- the speed and efficiency of the spreading of innovation through the economy is critical to productivity, economic growth and job creation; advanced electronic communications are a powerful engine within the Information Society which contributes to the momentum of this process;
- enterprises must be considered as central to innovation in Europe and small firms should benefit from improved business support services facilitating access to technical, financial and legal information and advice;
- the emergence of new firms such as new technology based firms (NTBFs) and spin-offs, such as those arising from universities and private knowledge-based companies, is a strong force for innovation in many sectors and that it is these firms which often have strong potential for growth;
- R&D and technology transfer are essential for long-term economic growth, while recognising that they must be accompanied by measures to facilitate the successful exploitation of results, such as prototyping, testing and adaptation, engineering, reengineering and demonstration;
- well-functioning co-operation between the science sector and industry is one of the major factors facilitating innovation in enterprises;
- business investment in R&D and innovation in the Union should be increased, moving towards the Barcelona objective of approaching 3% of GDP ;
- measures supporting the creation of framework conditions such as highly competitive markets, well-functioning capital markets, including seed and venture capital, sophisticated consumer demand and a supportive regulatory environment are conducive to innovation;
- joint public and private partnerships in particular in R&D, including through the use of support infrastructures, such as science parks and business incubators, contribute to the effectiveness of public investments in innovation;
- flexible, mobile and skilled human resources are required for innovation and that the quality of education and training, including vocational training, must be improved in order to move towards a knowledge-based economy.

**5. CONFIRMS** that European innovation policy development requires in particular:

- interaction with other policy areas for improving the environment for innovative enterprises;
- stimulation of greater market dynamism, including the acceptance of new products by customers and the emerging concept of "lead markets";
- public sector involvement resulting from its role as a major user of new products and services (e.g. e-government);
- strengthening the regional dimension of innovation policy, notably by the development of clusters of excellence.

**6. INVITES THE MEMBER STATES AND ACCEDING COUNTRIES TO:**

- build and strengthen innovation strategies, ensuring a well-coordinated approach among national and regional authorities;
- define policy objectives in the field of innovation, reflecting the specificity of their respective innovation systems, and views of the most appropriate route to achieving improved innovation performance;
- create favourable framework conditions that foster innovation and take into account the specificities of small firms;
- improve indicators within the context of an upgraded European innovation scoreboard and to set their own quantitative and/or qualitative targets on a voluntary basis;
- encourage national statistical offices in improving the collection of comparable, up-to-date statistical data of quality in the area of innovation, while taking into account the need not to increase the burden on enterprises when collecting data;
- promote innovation through public authorities as providers of advisory and support services, as implementers of regulatory and administrative rules, and through their role as a major consumer of products and services;
- encourage regional and local authorities in the development of innovation strategies building on specific regional or local strengths and cross-border partnerships involving all relevant actors;
- continue their efforts to improve innovative firms' access to competitively rated finance, and consider the potential for encouraging innovation where appropriate through various forms of policy incentives;
- redirect state aid, as necessary, towards stimulating innovation, bearing in mind the need for a global reduction of state aid.

**7. INVITES THE COMMISSION TO:**

- ensure a well coordinated approach for a European innovation strategy, in particular by improving framework conditions for innovation;
- upgrade the European innovation scoreboard to take account of the multidimensional nature of innovation and increase the coherence of the various policy benchmarking exercises, for example, European innovation scoreboard, enterprise scoreboard, science and technology key figures;
- take into account the impact of its initiatives on the innovation performance of enterprises, in particular small firms;
- strengthen existing procedures and processes enabling Member States and acceding countries to learn from each other's experience in the development and implementation of innovation policy;
- support the creation of an environment conducive to innovation by considering, in particular, when reviewing the Community framework on state aid, the best means of taking into account market failures in generating innovation and its dissemination;

- continue its support for the efforts of Member States' regional authorities in devising innovation policies;
- support acceding countries in rapidly developing their framework for innovation, and extend the European innovation scoreboard to give the same coverage to acceding countries as to the current Member States;
- report regularly on progress in strengthening innovation policy at national and EU level.

**8. INVITES THE MEMBER STATES, ACCEDING COUNTRIES AND THE COMMISSION TO:**

- cooperate in further developing the analysis and discussion of the innovation process, policies and performances;
- ensure appropriate co-ordination of innovation policy, on a voluntary basis, at EU, national and regional levels;
- strengthen existing processes, in the framework of the Trend Chart on Innovation in Europe, enabling Member States to learn from each other's experience in innovation policy development and implementation;
- contribute to promoting innovation in the public sector by promoting training and awareness activities on policies and factors shaping the innovation performance of firms;
- exchange good practices and consider launching initiatives offering, on a voluntary basis, independent evaluations of individual national programs, schemes and support agencies for promotion of innovation;
- intensify their cooperation and create a framework of common objectives for strengthening innovation in the EU, including an assessment mechanism for taking stock of the progress achieved, while respecting the characteristics of national innovation systems and the diversity of national approaches;
- actively engage in the definition of further action required in order to support the Council's work in rapidly progressing towards more favourable conditions in which business can innovate, with a view to contributing effectively to reaching the Lisbon objectives."

**INVESTING IN RESEARCH : AN ACTION PLAN FOR EUROPE**

Following a brief presentation by Commissioner Busquin of the Communication "Investing in Research : An Action Plan for Europe ("3 % Target")", the Council held a preliminary exchange of views on the Communication. It instructed the Permanent Representatives Committee to undertake a more detailed examination of the Commission's Action Plan with a view to the Council returning to this issue at a forthcoming session.

Ministers underlined the importance of a systemic and dynamic approach for investing in research. Discussions centred mainly on issues such as the importance of a public-private partnership in order to achieve a high level of investment in Research and Development (R&D) and priority actions at EU and national level necessary for achieving the 3 % target of investment and the role of the regions in this context. Ministers also commented on the need for sector specific measures and expressed a generally favourable view on a light approach to implementing the open method of co-ordination concerning the 3 % target.

The Commission's communication is to be seen in the general context of the Lisbon economic reform process. It responds, in particular, to the Barcelona European Council conclusions setting a target of 3 % GDP expenditure for research.

The Action Plan put forward by the Commission suggests some 50 new actions in research and innovation policies as well as in other policy areas. Many of the actions are geared to making Europe more attractive for private investment in RTD. The main challenge of the Barcelona objective on RTD is the raising of the business contribution to the Gross Expenditure for R&D from 56 % in 1999 to 67 % in 2010, while total GERD/GDP will increase from 1,9 % to 3 %.

**EUROPEAN SPACE POLICY - RESOLUTION**

Following a brief exchange of views at the formal session of the Council, Ministers agreed to adoption of the Council Resolution on the development of an overall European Space Policy as set out below:

"THE COUNCIL

1. RECALLING its conclusions of 10 December 2001,
2. WELCOMING the on-going negotiations with a view to the conclusion of a framework agreement between the European Community and the European Space Agency;
3. NOTING the work of the Convention regarding research, technological development and space;
4. WELCOMES the Green Paper of the European Commission, prepared in co-operation with ESA, and the on-going consultation process launched in order to take into consideration the different positions of Member States and aiming at further developing an overall European Space Policy; NOTES the contributions already made by a significant cross-section of European actors and citizens to the on-going Green Paper consultation; EMPHASIZES the need to address critical questions raised in this document as well as user aspects, so as to promote the long-term interests of the Union;
5. UNDERLINES the continuously increasing importance of cost-effective and affordable space technologies for the European citizens, contributing, *inter alia*, to:
  - the increasing competitiveness of European enterprises by providing them with new opportunities,
  - an emerging knowledge society,
  - the implementation of a wide range of European policies, as well as the relevance of space technologies in the context of the further development of European policies, including the Common Foreign and Security Policy;
6. EMPHASISES the urgency of concrete action at European level, especially against the background of the critical situation in the European space sector, mainly in the launch services and the commercial satellite markets, and with a view to meeting critical milestones, in particular with regard to the GALILEO project and the restructuring of the European launch sector;



7. STRESSES the need for concluding the framework agreement between the Community and ESA, as soon as possible and no later than the end of 2003, in view of the White Paper, as a step towards the further development of an overall European space policy;
8. WELCOMES the Commission's intention to submit to the Council and European Parliament, in co-operation with ESA, a White Paper on Space, setting out the objectives and containing proposals for required actions for a European Space Policy, with a view to a possible European Space Programme;
9. UNDERLINES the importance of international co-operation in space, bearing also in mind the emergence of several new space powers, and invites the Commission, in co-operation with ESA, to step up its efforts to promote co-operation in this field and notes the Commission's intention to organise an international conference;
10. REITERATES that a joint meeting of the Council of the European Union and of the Council of the European Space Agency at Ministerial Level could provide additional new momentum to the joint efforts to develop a European Space Policy, and considers that the second half of 2003 could be an appropriate time for such a meeting."

**TOWARDS AN EU DEFENCE EQUIPMENT POLICY**

Following an introduction by Commissioners Liikanen and Busquin of the Commission's Communication "European Defence - Industrial And Market Issues: Towards An EU Defence Equipment Policy", the Council stressed the importance that an EU Defence Equipment Policy would have in relation to areas covered by the Competitiveness Council, in particular Industry, Innovation and R&D. To this end the Council adopted the conclusions as set out below:

"THE COUNCIL OF THE EUROPEAN UNION

WELCOMES the communication of the Commission "Towards an EU Defence Equipment Policy" as a valuable contribution towards creating the necessary conditions for strengthening the industrial and market situation of European businesses, which are directly or indirectly connected with the defence equipment market, enhancing defence related research and improving international competitiveness of the industries concerned;

RECALLS that the Brussels European Council of 20-21 March 2003 recognised the role that defence and security-related R&D could play in promoting leading-edge technologies and thereby stimulating innovation and competitiveness;

RECOGNISES in particular the importance of putting in place arrangements, which could lead to greater cost-effectiveness, improved harmonisation of standards, and more efficient planning and procurement of defence equipment and RTD, based on technological innovation;

NOTES the Commission's intention to further develop the initiatives identified in pursuit of these objectives and will examine the specific issues raised in the communication in the appropriate bodies of the Council; WELCOMES the Commission's identification of themes for further reflection and stresses the importance that this analysis takes into consideration the contribution that entrepreneurial researchers, start-ups or SMEs can make to the attainment of the Lisbon goals;

WELCOMES the intention of the Commission to present by the end of 2003 a further communication developing more fully its planned preparatory action on security-related research, with reference also to the longer-term perspective;

INVITES the Commission to report on progress made towards the achievement of the objectives set out above by the end of 2003."

**LIFE SCIENCES AND BIOTECHNOLOGY - A STRATEGY FOR EUROPE: PROGRESS REPORT AND FUTURE ORIENTATIONS**

The Council took note of information given by Commissioner Liikanen in his introduction to the Commission's communication "Life sciences and biotechnology - a strategy for Europe: progress report and future lines of approach" and of the comments from Commissioner Busquin on research aspects relating to this strategy.

In the ensuing exchange of views, Member States took the opportunity of indicating priority actions being taken by them, as the strategy is put into place.

In its communication, the Commission sets out the progress made and anticipates emerging issues with regard to its strategy for Europe on life sciences and biotechnology, which it adopted in January 2002. Where further action is needed, the report provides guidelines, makes appropriate recommendations or announces new initiatives. The progress report is a response to a request from the Barcelona European Council in March 2002.

The EU has supported the approach proposed by the Commission as a means of attaining to the Lisbon objective of promoting this high-technology industry because of its potential to create growth and new jobs and benefit a wide range of sectors, while at the same time contributing to sustainable development. On 26 November 2002, the Competitiveness Council adopted conclusions, which included a "roadmap" for Member States and the Commission identifying priority actions, responsibility and timetable for implementation. Together with the Commission's action plan these conclusions have established a framework for developing biotechnology policy Europe-wide. On 21 November 2002, the European Parliament gave positive support to the development of biotechnology in Europe when it adopted, by a large majority, a resolution endorsing the Commission's biotechnology strategy.

**7th REPORT ON THE SITUATION IN THE WORLD SHIPBUILDING INDUSTRY**

The Council took note of information provided by Commissioner Liikanen on the Seventh Report on the situation in world shipbuilding covering market developments in 2002.

The Ministers generally urged the Commission to take a firm position within the WTO so that problems stemming from certain distortions to trade by Korean shipbuilders could be resolved.

It is recalled that Article 12 of Council Regulation (EC) No 1540/98 of 29 June 1998 establishing new rules on aid to shipbuilding requires the Commission to present to the Council a regular report on the market situation and assess whether European yards are affected by anti-competitive practices. Accordingly, the Commission has presented to the Council six previous reports on the Situation in world shipbuilding, outlining the serious difficulties the shipbuilding sector is facing and providing detailed information on the unfair commercial practices of Far Eastern competitors. This seventh report has to be examined in the context of the ongoing difficulties relating to anti-competitiveness procedures and the WTO dispute on settlement proceedings.

**INTERNATIONAL NUCLEAR FUSION ENERGY RESEARCH PROJECT (ITER) -  
PRESIDENCY CONCLUSIONS**

Having heard the views of delegations on the questions of ITER, the Presidency believes that the conclusions, as set out below, are supported by a very large majority of delegations. It notes that the approach on a single site is not shared by one delegation.

The Commission is invited to ensure that the final report on this issue is provided as soon as possible so that the Council can achieve agreement on the candidate site in September 2003, and to submit to the Council proposals concerning the joint implementation of ITER by the end of 2003.

In relation to the present negotiations on ITER, the Presidency

- "1. WELCOMES the Commission's communication "State of progress of the negotiations concerning the ITER international nuclear fusion energy research project".
2. NOTES with satisfaction the fact that the United States and China have joined the negotiations and that other countries have expressed interest in the project.
3. UNDERLINES the importance of basing ITER in Europe, if and when a decision on its construction is taken, and stresses that every effort should be made to maximise the possibilities of ensuring that this takes place; and NOTES the need for an accompanying physics and technology programme, to take full advantage of international collaboration.
4. CONSIDERS, therefore, in order to strengthen the Community's position and to maximise the benefits for the European research activities, that the European candidate site should be identified through a consensual and well defined process.
5. SUPPORTS the Commission's view that this process should involve the establishment of objective criteria, including cost, it being understood that aspects other than purely technical ones should also be taken into account. EMPHASISES that this process should be undertaken by the Commission in close cooperation with the authorities of the Member States, which have submitted site proposals.
6. RECOGNISES that it is essential in this process to call on the necessary expertise and to adopt a tight time schedule to ensure that the analyses are completed during the summer of 2003.
7. WELCOMES the intention of the Commission to ensure that the final report on this issue is provided as soon as possible, so that the Council can achieve agreement on the European candidate site in September 2003; NOTES the Commission's intention to submit to it, by the end of 2003, proposals concerning the joint implementation of ITER."

**ADAPTING E-BUSINESS POLICIES: GO DIGITAL AND THE CHALLENGES AHEAD**

The Council adopted the following conclusions on "Adapting e-Business Policies in a Changing Environment":

"THE COUNCIL OF THE EUROPEAN UNION,

**1. RECALLING:**

- the Conclusions of the Lisbon European Council on the strategy for making the EU the world's most competitive and dynamic knowledge-based economy, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010 and the further elaboration of this strategy by the Stockholm, Gothenburg and Barcelona European Councils;
- the European Charter for Small Enterprises, which calls for the creation of the best possible environment for small enterprises;
- previous Council Conclusions and Resolutions on Entrepreneurship, ICT and e-business as factors for competitiveness<sup>7</sup>, the impact of the e-economy on the competitiveness of European enterprises<sup>8</sup>, a more competitive environment for enterprises<sup>9</sup>, Information and Communication Technologies (ICT) and e-business skills in Europe<sup>10</sup>, and the implementation of the 2005 eEurope Action Plan<sup>11</sup>;
- the Conclusions of the Copenhagen European Council concerning enlargement;
- the Conclusions of the Brussels European Council of 20 and 21 March 2003, which stressed the need for exchanging experience and best practice in the field of e-business.

**2. NOTING THAT:**

- the European Union and the Member States must fulfil their commitments to the timely and effective delivery of reforms across the three pillars of sustainable development - economic, social and environmental, all essential for the Lisbon strategy;
- co-ordinated actions in support of improved usage of Information and Communication Technologies (ICT) in business processes are among the main elements for increasing EU performance in productivity growth;
- the policy focus is shifting from promoting e-commerce to a more holistic view of e-business, deepening the efficient use of ICT, both in internal and external processes of companies.

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<sup>7</sup> Doc. 8763/01 LIMITE PV/CONS 23 ENER 62 IND 20

<sup>8</sup> Doc. 9938/02 ECO 210

<sup>9</sup> Doc. 14914/02 ECO 367

<sup>10</sup> Doc. 14538/02 LIMITE TELECOM 54 SOC 543 EDUC 150 MI 264

<sup>11</sup> OJ C 48/2 of 28.02.2003

**3. WELCOMES:**

- the Commission’s Communication on “Adapting e-business policies in a changing environment: The lessons of the Go Digital initiative and the challenges ahead”, calling upon Member States and regions to review their e-business strategies, notably in support of SMEs, to help them adapt to a continuously changing e-business environment, and to adopt voluntary e-business policy targets to accelerate the shift from e-commerce to e-business;
- the Commission's intention to set up a "European e-Business Support Network for SMEs" in order to bring together e-business policy makers at European, national and regional levels to foster the exchange of experience and information;
- the fact that the Commission, in line with the eEurope 2005 Action Plan, is reviewing, in close collaboration with the Member States and in liaison with business representatives, relevant legislation, with the aim of identifying and, where appropriate, removing factors that hinder e-business.

**4. RECOGNISES THAT:**

- widespread take-up and efficient use of ICT in all industries and services, notably SMEs, is critical for the competitiveness of the whole EU economy;
- SMEs face particular difficulties in integrating new technologies and reorganising their business processes, due *inter alia* to a lack of e-business knowledge, especially at managerial level, relatively higher ICT and human capital investment costs compared to larger enterprises and a lack of common e-business standards;
- SMEs differ in their e-business readiness across Member States, acceding countries, regions, and business sectors; and policy actions therefore should be based on sound economic analysis and a clear identification of the challenges to be addressed;
- advanced e-business policies should facilitate SMEs in taking full advantage of ICT in order to re-engineer, automate and streamline business processes;
- e-business policies, wherever appropriate, should be based on clear objectives and a mix of quantitative and/or qualitative targets in order to ensure that they meet the needs of SMEs and facilitate evaluation;
- efficiency of e-business policies would benefit from a better networking, exchange of experience and learning from good practices among Member States and regions;
- the overall e-business environment is changing constantly, setting new e-business policy challenges, such as:
  - to improve the managerial understanding and skills for e-business in SMEs;
  - to promote the availability of SME-friendly e-business solutions;
  - to facilitate effective participation of SMEs in electronic marketplaces and business networks.

**5. UNDERLINES:**

- enterprises' own responsibility for implementing and adopting electronic business processes;
- that economic growth can be increased through development of business-related e-government applications, *inter alia* for public procurement;
- that it is important to facilitate the re-orientation of e-business policies, thus responding to the changing needs of enterprises;
- the need to assist SMEs, in particular, to identify e-business opportunities and to implement successfully their transformation towards e-business by reorganising their business processes in order to make efficient and productive use of ICT;
- the importance of setting ambitious targets at policy level, to facilitate and promote restructuring towards the knowledge economy, as well as specific, measurable, attainable, realistic and time-related (SMART) targets at operational level, for specific SME policies in support of e-business;
- the need to foster dialogue and the exchange of good practice between policy makers in the area of e-business for SMEs;
- the need to narrow and close the e-skills gaps and the need for inclusiveness of the entire available potential labour pool addressing in particular the severe under-representation of women and older employees in the ICT workforce.

**6. INVITES THE MEMBER STATES AND ACCEDING COUNTRIES TO:**

- further complete, on a voluntary basis, at general policy level, the Enterprise Policy Scoreboard, building upon the elements of the “e-business index”, as included in the list of eEurope 2005 benchmarking indicators;
- base specific e-business initiatives in favour of SMEs, at operational level, wherever appropriate, on clear quantitative and/or qualitative targets that serve to measure their practical impact;
- enhance the e-business skills by encouraging SMEs to participate in e-skills related training activities;
- make further efforts to stimulate networking and facilitate a constructive dialogue between SMEs and ICT service providers;
- further facilitate the take-up of ICT and e-business by SMEs, with special emphasis on cross border electronic transactions and a wider usage of broadband and the facilitation of electronic business processes;
- facilitate the participation of SMEs in Internet trading platforms and public electronic procurement by taking appropriate actions to raise awareness and trust in these new trading forms and by increasing the public sector usage of ICT and e-business;
- promote interoperable e-business solutions and e-payment services for cross border transactions, by supporting transnational interoperability test-beds, preferably based on open source software.



**7. INVITES THE COMMISSION TO:**

- facilitate cross border electronic transactions by further supporting the development of European standards for interoperable e-business solutions and multi-lingual exchange of data and by improving legal information for enterprises through European portals;
- ensure the full implementation of the *eEurope* 2005 Action Plan, in particular with respect to the needs of SMEs and their broadband access and use;
- report outcomes of the European e-Business Support Network for SMEs on a regular basis to the *eEurope* Steering Group;
- promote the development of SME-friendly ICT and e-business solutions, inter alia, by facilitating access of SMEs to the 6th RTD Framework Programme;
- consider the possibility to establish an EU network for the information and support to women entrepreneurs in the ICT sector, and promote an EU level awareness initiative;
- report to the Council by end 2004 on the progress made in the various initiatives to support e-business for SMEs and on remaining obstacles for using ICT and e-business services.

**8. INVITES THE COMMISSION, MEMBER STATES AND ACCEDING COUNTRIES TO:**

- further analyse and benchmark the progress made in the field of ICT and e-business, based upon the *eEurope* 2005 benchmarking indicators;
- actively engage in the European e-Business Support Network for SMEs, as part of the *eEurope* 2005 Action Plan, bringing together regional, national and European e-business initiatives, with a view to facilitating exchange of experience and agreeing, on a voluntary basis, future policy priorities and targets."

**EC MERGER REGULATION**

The Council took note of the progress report presented by the Presidency in respect of the work carried out on the proposal for a Regulation on the control of concentration between undertakings, the so-called EC Merger Regulation, as well as comments on individual aspects of the proposed Regulation by Commissioner Monti and a number of delegations.

It invited the Permanent Representatives Committee to pursue work on this file with a view to allowing its adoption before the 2004 Spring European Council.

It is recalled that the existing Merger Regulation was adopted in December 1989, removing the need to seek clearance for mergers and acquisitions exceeding certain turnover thresholds in a large number of national regulatory regimes. This Regulation was last amended in 1997, when a second set of lower turnover thresholds, designed to address the problem of 'multiple filings' to national competition authorities was introduced.

**CHEMICAL LEGISLATIVE PACKAGE**

The Council received information from Commissioner Liikanen on the state of play in the preparation of the forthcoming proposals for new Community legislation on chemicals.

Delegations stressed the importance which they attach to the subject and underlined that the future package of legislative proposals should be examined as a matter of priority by all appropriate Council formations.

On 7 May, the Commission presented its ideas on how to overhaul and modernise the existing EU regulatory system for chemicals. The Commission has launched an eight week internet consultation on the draft legislation, which is aimed at replacing over 40 different directives and regulations under current legislation.

The purpose of the internet consultation is to test the workability of the proposals with stakeholders. There are about 1200 pages of legislative text, largely made up of technical annexes, as well as a range of new procedures. The Commission is requesting feedback on the drafts before finalising its proposal.

**OTHER BUSINESS**

- *Scoreboard - State aid (spring 2003 update)*
  
- *32nd Report on competition policy*

The Council took note of two written reports from the Commission concerning the State Aid Scoreboard (spring 2003 update) and the XXXIIth report on competition policy.

**ITEMS APPROVED WITHOUT DEBATE**

**RESEARCH**

**Scientific and Technical Cooperation with the State of Israel**

The Council adopted the Decision approving the signing of the Agreement on the Scientific and Technical Cooperation between the European Community and the State of Israel.

The Agreement aims at facilitating the mutual access of the research entities of both parties to research and development activities in Israel, and to the Community's framework programmes for research and technological development. This Agreement is envisaged for the duration of the EC 6th Framework programme (2002-2006)

By means of this Agreement, Israel shall be associated in the EC 6th Framework programme concerning the participation of undertakings, research centres and universities and for the dissemination of research results. Complementarily, the cooperation between Israel and the European Community may include regular discussions on the orientations and priorities for research policies, discussions on cooperation prospects and development; provision of information concerning the implementation of programmes and research projects and visits and exchanges of research workers.

**HIV/AIDS, malaria and tuberculosis - research and development programme \***

*Public deliberation*

The Council adopted the Decision on the Community participation in a research and development programme aimed at developing new clinical interventions to combat HIV/AIDS, malaria and tuberculosis through a long-term partnership between Europe and the developing countries, undertaken by several Member States. (*Doc 3614/03 and 8545/1/03 REV 1*)

The implementation of this action within the sixth EC research framework programme (2002-2006) is a novelty in itself in the Community research policy because of the first time application of Article 169 ECT pursuant to which the Community is participating in a programme undertaken by several Member States. The vast majority of Member States will be participating in the programme from the beginning, as well as Norway, but the current Decision is equally applicable to any other Member State or a state associated to the framework programme who might wish to join at a later date.

The Community is making a financial contribution of a maximum of 200 million Euros to this programme, which is added to the estimated overall value of another 200 million Euros thanks to the participation of the Member States and to the envisaged additional funds of 200 million Euros from other private and public sources.

The programme can also be seen in the context of the EU programme of action on communicable diseases.

## **TRANSPORT**

### **Aviation - Occurrence reporting in civil aviation**

#### *Public deliberation*

The Council adopted the Directive, in accordance with the joint text established by the Conciliation Committee on 9 April 2003, on occurrence reporting in civil aviation. (*Doc 3619/03*)

The objective of this Directive is to contribute to the improvement of air safety by ensuring that relevant information on safety is reported, collected, stored, protected and disseminated. The sole objective of reporting on operational interruption, defect, fault or other irregular circumstance that has or may have influenced flight safety and that has not resulted in an accident or serious incident, is the prevention of accidents and incidents and not to attribute blame or liability.

## **INTERNAL MARKET**

### **Amounts expressed in euro**

The Council adopted the Directive amending Directive 78/660/EEC on the annual accounts of certain types of companies as regards amounts expressed in euro. Since the fifth five-year period following the adoption of Directive 78/660/EEC ends on 24 July 2003, a review of specific thresholds expressed in euro for the balance sheet total and the net turnover has duly been undertaken, as required by that Directive. In the light of economic and monetary trends in the Community, an increase in the amounts expressed in euro is necessary. (*Doc 7384/03*)