



**COUNCIL OF
THE EUROPEAN UNION**



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

*2945th COMPETITIVENESS
(Internal market, Industry and Research)
Council meeting
Brussels, 28 May 2009*

The Council adopted the following conclusions:

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1. EMPHASIZES the key role of industry for the European economy and the need to continue to react promptly to the present economic recession with a coherent and coordinated set of short-, medium- and long-term initiatives ensuring the competitiveness of the 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; the importance of SMEs should be respected and considered when setting up framework conditions for European industry;

P R E S S

3. RECALLS the European Economic Recovery Plan¹ and the measures agreed by the European Council on 11 and 12 December 2008², the implementation report of 5 March 2009³, the Community part of which was agreed by the 2009 Spring European Council⁴, and the 2009 Spring European Council conclusions⁵;
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 market⁶; a fully open and operational internal market is a prerequisite for the recovery and future growth of European industry;
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 2009⁷. The Conference concluded that the crisis has highlighted 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 the European Union and on the wider international scene;
6. Achieving a knowledge-based, safe and sustainable 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 2009, the Council INVITES the Commission to evaluate the results of the existing industrial policy initiatives and to continue the on-going dialogue with industry in order to formulate a long-term industrial policy for the European Union, also reflecting the results of the existing industrial policy initiatives, while also speeding up the transition to a safe and sustainable low-carbon economy building upon the roadmap included in the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan⁸;
7. TAKES NOTE OF progress made in the implementation of the recommendations in the 2007 mid-term review of industrial policy⁹ and of subsequent horizontal and sectoral initiatives, and RECALLS the importance of a balanced horizontal and sectoral approach to the future European industrial policy;

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.

⁵ Brussels European Council 19/20 March 2009 - Presidency Conclusions (doc. 7880/09).

⁶ 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).

⁷ See http://ec.europa.eu/enterprise/newsroom/cf/itemshortdetail.cfm?item_id=2029.

⁸ 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).

⁹ 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).

8. WELCOMES the Communication from the Commission of 20 November 2008 entitled The raw materials initiative – Meeting our critical needs for growth and jobs in Europe¹⁰ and STRESSES the importance for the European Union to have an EU policy framework that facilitates trade and supply of critical raw materials;

WELCOMES the Final Report of the High Level Group on the Competitiveness of the European Chemicals Industry¹¹, which outlines a long-term strategy for the competitiveness and sustainable growth of the chemicals industry;

WELCOMES the Report of the Electra Team¹² and INVITES the Commission to respond to the Conclusions set out in this Report as soon as possible;

WELCOMES the CARS 21 Mid-term Review and its conclusions from October 2008¹³ 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 the Competitiveness of the Agro-Food Industry¹⁴ and LOOKS FORWARD to the Action Plan announced by the Commission and plans for a follow-up expected in July 2009 setting out a forward looking and holistic approach and covering the following areas: agricultural and environmental policy, internal market for food, operation of the food chain, research and innovation, and trade policy and exports;

9. TAKES NOTE OF the findings of the European Competitiveness Report 2008¹⁵, the 2008 European Innovation Scoreboard¹⁶ and recent Eurostat publications concerning the decline in industrial production.

¹⁰ 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).

¹¹ The Final Report is available at http://ec.europa.eu/enterprise/chemicals/hlg/hlg2/pdf_docs/final_report/hlg_final_020309.pdf.

¹² The Report is available at http://ec.europa.eu/enterprise/electr_equipment/electrreport.pdf.

¹³ The Conclusions and the Report of the High Level Group that carried out the mid-term review are available at

http://ec.europa.eu/enterprise/automotive/pagesbackground/competitiveness/cars21_mtr_report.pdf.

¹⁴ I.e. the Report on the Competitiveness of the European Agro-Food Industry (17 March 2009; available at

http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=2604&use_rservice_id=1&request.id=0) and the Final Recommendations (17 March 2009; available at http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=2605&use_rservice_id=1&request.id=0).

¹⁵ Communication from the Commission on the European Competitiveness Report 2008 (doc. 16978/08).

¹⁶ See http://www.proinno-europe.eu/EIS2008/website/docs/EIS_2008_Final_report.pdf.

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10. UNDERLINES that maintaining a competitive and strong industrial base in Europe requires favourable, stable and predictable framework conditions promoting excellence, innovation and sustainability, conditions in which businesses can operate and invest. Such conditions should be developed in close dialogue with stakeholders, in particular with the relevant industrial sectors. All policy measures on a national and a European level must respect better-regulation and internal-market principles, and should seek to avoid redundancies and bring about synergies;
11. Having said the above, ENCOURAGES the Commission, the European Parliament 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-effectiveness analyses, including non-regulation options, should be carried out for all new legislative and important non-legislative proposals having significant impacts on businesses, and their substantial amendments, where possible. Impact assessments should reflect the current economic situation and, where relevant, take into account specific situations existing in Member States 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 legislation on SMEs. Businesses should be given adequate time to adapt to new requirements before new legislation is introduced;
12. POINTS OUT that, with a view to preserving and enhancing the competitiveness of European industry and improving the conditions for investment in Europe, compliance with new requirements should not cause excessive costs to businesses in all policy areas. Otherwise, such costs could lead to "production leakage"¹⁷, notably in the present economic crisis;
13. ACKNOWLEDGES the fact that industry and the services sector are increasingly intertwined¹⁸ and that professional, business and product-accompanying services are of large and ever growing importance for many industrial sectors. For this reason, the full and timely implementation of the Services Directive¹⁹ and making further improvements to the functioning of the internal market for services are crucial for industry;

¹⁷ "Production leakage" refers in this context to possible delocalisation of industrial production outside the EU as a result of a wide range of factors and excessive costs arising from for example social, administrative or environmental requirements and refers to a possible loss of attractiveness for future investments.

¹⁸ 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).

¹⁹ Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market (OJ L 376 of 27.12.2006).

14. 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 economic crisis on the real economy and strengthening it, both now and in the long term. Therefore, existing barriers for businesses should be removed as soon as possible. Member States and the Commission should ensure effective implementation and enforcement of existing internal market rules and should ensure non-discrimination by treating goods and services from other Member States in accordance with EU rules and principles. Internal market principles and competition rules should be seen as an integral part of a successful, forward-looking industrial policy;
15. EMPHASIZES, in the spirit of the official communiqué on a Global plan for recovery and reform issued at the close of the G20 London Summit that was held on 2 April 2009²⁰, that the economic downturn can also be seen as an opportunity for early global leadership in new innovative solutions and for investing in the competitiveness of the European economy to facilitate its transition to a knowledge-based, safe and sustainable, renewable-energy focused, energy-efficient and low-carbon economy;

Therefore Member States should maintain or increase the volume, the effectiveness and the efficiency of public investment in research and development (R&D) and in innovation. European industry should also be encouraged to keep or increase its R&D investments in order to enhance its long-term competitiveness. It should not reduce its R&D spending as a means of cutting costs during the present economic crisis. Community and Member State policies should underpin all possible forms of innovation, strengthen the enforcement of intellectual property rights and facilitate technology and knowledge transfers for the benefit of businesses, especially SMEs; in this regard, the Council WELCOMES the highly practical recommendations of the best practice expert group on “Strengthening the IPR enforcement of EU industry and SMEs” concerning the need for better support to SMEs on intellectual property presented at the conference on 24 April 2009;

16. POINTS OUT that it is of particular importance to maintain strong R&D investments in high-tech industries in Europe. They provide the most important manufacturing sectors with indispensable technologies. The Council LOOKS FORWARD to the Commission's initiative to develop a pro-active policy for enabling high-tech industries;
17. EMPHASIZES that standardisation should go hand in hand with innovation and that standardisation is crucial for increasing the market uptake of new technologies and innovative products, as well as for the interoperability of old and new technologies and products;

²⁰ The text is available at <http://www.londonsummit.gov.uk/resources/en/news/15766232/communique-020409>.

18. With a view to a swift response to the present economic crisis, SUPPORTS the European Economic Recovery Plan where this points out that Member States and EU Institutions, acting together, should take urgent measures to improve energy efficiency. Therefore, INVITES the Commission to present concrete implementing programmes for the public-private partnerships proposed in the European Economic Recovery Plan²¹ (the "European energy-efficient buildings" initiative, the "European green cars" initiative and the "Factories of the future" initiative) by mid-2009 at the latest;
19. STRESSES that the restructuring should be facilitated, while encouraging industry that this is carried out in a socially responsible way. The primary responsibility for restructuring remains with industry itself. The challenge of restructuring 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 crisis does not lead to a loss of human capital and skills through appropriate initiatives to encourage and update skills, which are key elements to the future competitiveness and growth of industry;
20. REAFFIRMS that protectionist measures, both within and outside the European Union, whether taken by European industry or by its trading partners, will only exacerbate the economic crisis and endanger future prosperity. Therefore the European Union gives high priority to avoiding any such measures, in the spirit of the communiqué issued at the close of the G20 London Summit . Europe should remain open to its trading partners and should continue to press for open access to third markets, including through multilateral and bilateral agreements, the promotion of regulatory cooperation and convergence and through the worldwide introduction of international standards, taking forward a level playing field for European industry on world markets. The European Union should use all its trade instruments to ensure increasingly open markets, which should lead to reciprocal benefits;
21. UNDERSTANDS the urgent need of businesses, especially SMEs, to limit the impacts of the current situation on the financial markets and reduce their financing gap. The measures that are currently being undertaken to recapitalise 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. Moreover, more effective use should be made of the instruments of the EIB Group and of the Structural Funds, including the effective rollout of measures targeting SMEs²². Various financial means from Community programmes are also available to help industry to finance long-term investments as well as R&D and innovation projects;

²¹ 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.

²² Council Conclusions on "Think Small First – A Small Business Act for Europe" (doc. 16788/08), adopted Competitiveness Council of 1-2 December 2008.

22. ACKNOWLEDGES the fact that the 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 energy consumption and the use of raw materials, removing trade barriers to improve the supply of raw materials, improving energy- and resources-efficiency and achieving a greater use of renewable energy sources and secondary raw materials should be the guiding principles for European industry;
23. Concerning non-energy raw materials, 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;
24. CALLS ON the Commission, Member States and stakeholders to act together swiftly, particularly in the following areas:
- the identification of critical non-energy raw materials for European industry, in cooperation with the Raw Materials Supply Group²³; the Council considers the list of critical raw materials established by the Commission²⁴ as a preliminary selection and INVITES the Council and the Commission to come back to this with a view to agreeing this 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 sustainable land use planning and administrative conditions for exploration and extraction;
 - enhancing the efficient use of resources and the use of recycled, waste and secondary raw materials; stimulating innovation and R&D to increase resource efficiency and the reduction of dependency on critical resources, in line with the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan;
 - improving sustainable access to raw materials in third countries; the Council UNDERLINES the importance of open and well-functioning raw material markets as distortions on these markets put key industrial sectors in Europe at a competitive disadvantage; the Council INVITES the Commission to swiftly implement the trade actions arising from the Communication through promoting international rules on sustainable access to raw materials, taking action to challenge illegitimate measures by third countries and ensuring that trade policy instruments are systematically and coherently applied;

²³ See http://ec.europa.eu/enterprise/non_energy_extractive_industries/docs/fiches_raw_materials_supply_group.pdf.

²⁴ See the Annexes to the Commission staff working document accompanying the 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 ADD 1).

- concentrating more on "raw materials diplomacy", the Council INVITES the Commission to reinforce the dialogue with all relevant third countries and raise the issue in all appropriate trade and other fora; it also INVITES the Commission and Member States to give adequate consideration to the opportunities provided by projects undertaken in the context of development cooperation; the specific situation of poor developing countries has to be taken into consideration.

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

The Council not only agrees on the above-mentioned horizontal measures targeting all industrial sectors, but also agrees on conclusions on specific industrial sectors, given the recently concluded work on these sector by various high level groups. At the same time, the Council acknowledges that the focused and coordinated measures to support the sectors mentioned here may be extended to cover other sectors of economy facing the consequences of the economic crisis and therefore WELCOMES the Commission's regular monitoring of the situation in industrial sectors that will assist in developing appropriate policies in the context of the European Economic Recovery Plan.

WITH REGARD TO THE CHEMICALS INDUSTRY, THE COUNCIL:

25. UNDERLINES that the chemicals industry is an enabling sector that provides solutions, advanced materials and technologies to the European industry as a whole 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 sustainable production and the use of chemicals and resources in an ecologically sound way;
26. STRESSES that the innovation potential of the chemicals industry should be fully exploited and that there is a need to stimulate innovation as well as R&D in the chemical sector; in this respect, the public sector should help to create favourable conditions for private-sector efforts; RECALLS in this context the lead market initiative²⁵ and the importance of relevant technology platforms;
27. ACKNOWLEDGES the fact that the strength of the European chemicals industry lies in its high degree of integration, connectivity and clustering. There is a need for continued and greater investment in infrastructures, including pipelines and better interoperability of infrastructure systems, on all levels, including European, national and regional levels, in order to improve the logistics and transport networks between clusters so as to enable the sector to cope with increased competitive pressure and to maintain and enhance its competitiveness;
28. AFFIRMS the need to secure reliable, long-term access to oil, natural gas and renewable feedstock and to strengthen the security of supply, respecting Member States' choice of energy mix. Reinforcing the internal market for gas and electricity, in particular through the implementation of the "Internal market with energy" package, is crucial;

²⁵ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - A lead market initiative for Europe (doc. 5121/08).

29. 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 to consider these recommendations as a roadmap for concrete and deliverable activities to be elaborated; INVITES the Commission to pro-actively follow this up and to closely and regularly monitor the competitiveness of the industry and progress made in the implementation of the abovementioned conclusions. The Council also INVITES the Commission to present the first report evaluating the results by the end 2010, in close consultation with stakeholders;
30. ACKNOWLEDGES that the European chemicals industry is critically dependent on open world markets and fair competition and SUPPORTS multilateral and bilateral initiatives for a further liberalisation of trade in this important sector;
31. INVITES the Commission to monitor the implementation of the REACH Regulation²⁶ and its impacts on businesses, especially SMEs, taking into account the current economic situation, and to continue to undertake the necessary preparatory work that will facilitate the future review of the extent to which the objectives of REACH in enhancing competitiveness and innovation and ensuring high levels of protection of human health and the environment have been achieved;
32. INVITES the industry to further develop universal dialogue with stakeholders, communication throughout the whole value chain including the provision of information to consumers on the appropriate handling of chemicals in order to reduce health and environmental risks to a minimum.

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

33. ACKNOWLEDGES the fact that the electrical and electronic industry has a high growth potential and is an enabling sector that 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 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;
34. 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 in 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;

²⁶ Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC (OJ L 396 of 30.12.2006).

35. 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 products and services, and to raise consumer awareness;
36. 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

37. BEARING IN MIND recent developments in this sector that includes the whole value chain, HIGHLIGHTS the importance of the automotive industry for the European economy. This sector creates a large share of the GDP in Member States, it contributes to net exports to global markets, it is important in terms of volume of employment, it is intertwined with other important industrial sectors and it is the largest private European investor in R&D, and EMPHASIZES 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;
38. RECALLS the conclusions of the March 2009 Competitiveness Council on the automotive industry²⁷ and the 2009 Key Issues Paper (which is annexed to the conclusions of the 2009 Spring European Council), including the commitments to help the automotive industry made by Member States, the Commission and the European Investment Bank;
39. 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 States' actions;
40. ACKNOWLEDGES the serious economic 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"²⁸ and the Council conclusions on automotive industry adopted by the Competitiveness Council in March 2009, the Council CONSIDERS that, given the current economic situation in the sector, creating additional burdens for the industry needs to be avoided if possible. New legislative measures need to be taken with utmost caution and should be preceded by thorough impact assessments respecting the current conditions. The Council LOOKS FORWARD to the presentation, by the end of 2009, of a roadmap of planned legislative and non-legislative initiatives that would have a significant impact on the industry;
41. Also ACKNOWLEDGES that vehicle fleet renewal may have significant positive effects on consumer demand, road safety and reaching European environmental targets. The Council STRESSES the need for Member States which have taken or are considering taking demand-side measures for new commercial and other vehicles to take full account of the Commission guidelines for such measures that were produced in the context of passenger cars, and to ensure that any such proposals fully respect the internal market and State aid rules;

²⁷ Draft Council conclusions on the automotive industry (doc. 6227/09).

²⁸ Communication from the Commission — "Responding to the crisis in the European automotive industry" (doc. 7004/09).

42. WELCOMES the initiative of the Commission to continue and to intensify the dialogue in the framework of the CARS 21 initiative 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 progress achieved in implementing the CARS 21 agenda."
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