



**COUNCIL OF
THE EUROPEAN UNION**



12586/05 (Presse 245)

PROVISIONAL VERSION

PRESS RELEASE

2681st Council Meeting

Competitiveness (Internal Market, Industry and Research)

Luxembourg, 11 October 2005

Presidents **The Rt Hon Alan JOHNSON**, Secretary of State for Trade
and Industry
Lord SAINSBURY of TURVILLE
Parliamentary Under-Secretary of State, Minister for Science
and Innovation

of the United Kingdom

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Main Results of the Council

The Council held a policy debate on some key aspects of the UK Presidency compromise text on REACH with a view to reaching a political agreement at the Competitiveness Council on 28/29 November.

Without discussion, the Council adopted at first reading a directive aimed at improving safety of pedestrians by laying down technical requirements on frontal protection systems in motor vehicles.

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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 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 Benoit CEREXHE

Minister of the Brussels Capital Regional Government, with responsibility for Employment, Economic Affairs, Scientific Research, Fire Prevention and Emergency Medical Aid

Ms Marie-Dominique SIMONET

Minister for Research, New Technologies and External Relations (Walloon Region)

Czech Republic:

Mr Martin JAHN

Deputy Prime Minister for Economic Affairs

Mr Petr KOLÁŘ

Deputy Minister for Foreign Affairs with responsibility for Bilateral Relations

Denmark:

Mr Bendt BENDTSEN

Minister for Economic Affairs, Trade and Industry

Ms Connie HEDEGAARD

Minister for the Environment and for Nordic Cooperation

Mr Uffe TOUDAHL PEDERSEN

State Secretary, Ministry for Science, Technology and Development

Germany:

Mr Georg Wilhelm ADAMOWITSCH

State Secretary, Federal Ministry of Economic Affairs and Labour

Mr Rainer BAAKE

State Secretary, Federal Ministry of the Environment, Nature Conservation and Reactor Safety

Mr Wolf-Michael CATENHUSEN

State Secretary, Federal Ministry of Education and Research

Estonia:

Mr Tiit NABER

Deputy Permanent Representative

Greece:

Mr Dimitrios SIOUFAS

Minister for Development

Mr George MERGOS

General Secretary, Ministry of National Economy and Finance

Spain:

Mr José MONTILLA AGUILERA

Minister for Industry, Tourism and Trade

Ms María Jesús SANSEGUNDO GÓMES DE CADIÑANOS

Minister for Education and Science

Mr Alberto NAVARRO GONZÁLEZ

State Secretary for the European Union

France:

Mr François GOULARD

Minister with responsibility for Higher Education and Research

Mr François LOOS

Minister with responsibility for Industry

Ireland:

Mr Micheál MARTIN

Minister for Enterprise, Trade and Employment

Italy:

Mr Alesandro PIGNATTI

Deputy Permanent Representative

Cyprus:

Mr Andreas PETRONDAS

Permanent Secretary, Ministry of Commerce, Industry and Tourism

Latvia:

Mr Dzintars ZAKIS

Parliamentary Secretary, Ministry of Economics

Lithuania:

Mr Nerijus EIDUKEVIČIUS

Deputy Minister for the Economy

Luxembourg:

Mr Jeannot KRECKÉ

Ms Octavie MODERT

Minister for Economic Affairs and Foreign Trade,
Minister for Sport
State Secretary for Relations with Parliament, State
Secretary for Agriculture, Viticulture and Rural
Development, State Secretary for Culture, Higher
Education and Research

Hungary:

Mr Etele BARÁTH

Mr Miklós BODA

Minister without portfolio responsible for European
Affairs
State Secretary for Research and Technology

Malta:

Mr Censu GALEA

Minister for Competitiveness and Communications

Netherlands:

Ms Karien van GENNIP

Ms Maria van der HOEVEN

Minister for Foreign Trade
Minister for Education, Culture and Science

Austria:

Mr Martin BARTENSTEIN

Ms Elisabeth GEHRER

Federal Minister for Economic Affairs and Labour
Federal Minister for Education, Science and Culture

Poland:

Mr Piotr RUTKOWSKI

Mr Michal KLEIBER

Deputy State Secretary, Ministry of Economic Affairs and
Labour
Minister for Science and Information Technology

Portugal:

Mr Manuel PINHO

Mr José MARIANO GAGO

Minister for Economic Affairs and Innovation
Minister for Science, Technology and Higher Education

Slovenia:

Mr Janez MOŽINA

Ms Andrijana STARINA KOSEM

State Secretary at the Ministry of Higher Education,
Science and Technology
State Secretary at the Ministry of the Economy

Slovakia:

Mr László POMOTHY

State Secretary at the Ministry of Economy

Finland:

Mr Mauri PEKKARINEN

Minister for Trade and Industry

Sweden:

Mr Thomas ÖSTROS

Mr Leif PAGROTSKY

Minister for Industry
Minister for Education, Research and Culture

United Kingdom:

Mr Alan JOHNSON

Mr Lord SAINSBURY of TURVILLE

Secretary of State for Trade and Industry
Parliamentary Under-Secretary of State, Minister for
Science and Innovation

Commission:

Mr Günter VERHEUGEN

Mr Stavros DIMAS

Mr Janez POTOČNIK

Ms Neelie KROES

Mr Charlie McCREEVY

Vice-President

Member

Member

Member

Member

The Governments of the Acceding States were represented as follows:

Bulgaria:

Mr Roumen OVCHAROV
Ms Ekaterina VITKOVA

Minister for Economy and Energy
Deputy Minister for Science and Education

Romania:

Mr Ioan-Codrut SERES
Mr Anton ANTON

Minister for Economy and Trade
State Secretary for Research

ITEMS DEBATED

IMPLEMENTATION OF LEGISLATION - INTERNAL MARKET SCOREBOARD

The Council took note of the information provided by the Commissioner for Internal Market Charlie Mc Creevy on the 2005 Internal Market Scoreboard¹. The Council noted with satisfaction that, compared to last year, considerable progress has been achieved in transposing internal market directives into national legislation in most Member States but that nevertheless continued efforts are needed to reach the target of a transposition deficit of not more than 1,5 percent set by the European Council. The Competitiveness Council will continue to monitor developments closely through its preparatory bodies and on the basis of information from the Commission.

The Internal Market Scoreboard examines the records of Member States in ensuring that the conditions are there for the internal market to function well. It does so by first examining how quickly and how well each of the Member States transposes internal market directives into national law and highlighting the number of infringement proceedings initiated by the Commission against each Member State. It also reports on the transposition records of the national standards organisations and on price dispersion as it is a good indicator of how the internal market is functioning in practice.

¹ SEC (2005) 937

BETTER REGULATION

The Council took note of a Presidency progress report on ongoing actions regarding the "Better Regulation" agenda. The report gives a short account of work in progress as regards the use of impact assessments in the legislative process, simplification of legislation, screening of pending legislative proposals, the Commission's pilot project on a methodology to measure administrative costs and consultation of stakeholders. The Council will return to this issue at its meeting on 28-29 November.

The Council was also informed by Vice president Verheugen on the latest developments of the Commission Communication "Better regulation for growth and jobs in the EU" adopted in March 2005 including information on the screening activities and the upcoming simplification Communication.

The UK Presidency has put this topic on the top of its priorities and organised an in-depth discussion on this issue at the informal meeting of Competitiveness Ministers and Vice president Verheugen in Cardiff on 11 and 12 July.

¹ COM (2005)97, published 16 March 2005.

REACH

On the basis of a report from the Presidency, the Council held a policy debate on a number of key aspects of the draft Regulation for the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and establishing a European Chemicals Agency. The issues discussed related to information requirements at registration of chemicals and data sharing among registrants. In the light of the debate, the Council instructed the Permanent Representatives Committee to examine the issues discussed in more detail with a view to preparing for a political agreement on REACH at the next session of the Competitiveness Council at the end of November 2005.

At the end of the debate the President made the following summing-up:

"Overall, the Presidency is encouraged by the positive response to the compromise proposal and the constructive contribution of all delegations. This debate has taken us an important step closer to achieving agreement on this dossier at our next meeting in November.

I would like to make the following concluding remarks:

With regard to the registration of substances between 1 and 10 tonnes, it seems to the Presidency that there is broad support for a targeted approach to information requirements as proposed by the Presidency including additional information in Annex V.

Some delegations have expressed a preference for the approach only to apply to existing substances.

It appears to the Presidency that a significant number of delegations are in favour of a system in which the requirement for determining whether further information is to be provided is kept with the registrant.

The Presidency notes that this approach would not preclude that the Agency could be involved in assisting industry decisions.

Regarding the registration of substances between 10 and 100 tonnes, it appears to the Presidency that there is broad consensus that the Presidency's proposal to reduce the information requirements is appropriate, though some delegations signalled an openness to consider the possibility of exposure-based waiving of information in this tonnage range.

The Presidency notes a broad consensus towards sharing of all data and joint submission of information for registrants of the same substance provided that further consideration is given to provisions aiming to ensure that companies are able to act in a cost-efficient way and adequate protection of commercial business information."

7TH RESEARCH FRAMEWORK PROGRAMME

On the basis of a Presidency note, the Council held an orientation debate on the sections dealing with "Ideas" and "Capacities" of the Commission proposal for the 7th Framework Programme (FP7) for research and technological development (2007-2013). The other two parts of the proposal, "Cooperation" (collaborative research) and "People" (human resources), were examined in-depth by the Council last June.

In the light of the discussions and taking also into account the work under the Luxembourg Presidency, the Presidency intends to draw up a revised draft text covering the whole Framework Programme proposal as a basis for future work with a view to allowing the Council to reach a partial general approach¹ at its session on 28/29 November.

The new FP7 is aimed at helping to implement one of the EU's priority goals of increasing the potential for economic growth and of strengthening European competitiveness by investing in knowledge, innovation and human capital. The Commission envisages that the bulk of the funds would continue to go to collaborative, applied research as under FP6 but several new elements have been added. The main new actions proposed by the Commission are funding for basic research through a European Research Council run by eminent scientists; support for large-scale public-private partnerships to take forward industrial projects; and funding for new research infrastructures.

It is recalled that the FP7 proposals are to be considered in parallel with the proposal concerning the Competitiveness and Innovation Programme (*doc. 8081/05*) and that detailed modalities for the implementation of the FP7 are set out in the Specific Programmes adopted by the Commission on 21 September 2005. Both the Framework Programme and the Specific Programmes have to be adopted within the Council by qualified majority, as set out in Article 166 of the EC Treaty.

¹ A partial general approach is a way of fixing Council discussions on non-budgetary elements which are linked to the pending negotiation on the financial perspective for the period 2007-2013. It leaves open the possibility of adjusting agreed parts of a proposal should that be necessary following agreement on budgetary amounts.

Other business***– State Aid Action Plan and Innovation***

The Council took note of the presentation by Commissioner Nelly Kroes of the State Aid Action Plan and the Communication on State Aid for Innovation. The Commission launched a public consultation on 7 June 2005 proposing a further move towards less and better targeted state aid, suggestions on how to revise the existing state aid guidelines, a refined economic approach, more effective and transparent procedures and shared state aid responsibilities between the Commission and Member States. The Communication on State Aid for Innovation was adopted by the Commission on 21 September 2005 and is a consultation document aimed at inviting comments from stakeholders before adopting final measures in order to make improvements to EU state aid rules especially in relation to projects encouraging innovation. The Communication sets out a clear methodology for the elaboration of state aid measures for innovation activities. The proposals for innovation aid cover six broad areas: innovative start-ups; risk capital; the integration of innovation into existing rules on state aid for research and development (R&D); innovation intermediaries; training and mobility between university research personnel and SMEs; and poles of excellence for projects of common European interest.

– European Enterprise Awards

The Council took note of the information given by Commission Vice president Günther Verheugen on the introduction of the European Enterprise Awards scheme, which recognizes excellence in promoting entrepreneurship. The scheme will be launched in London on 14 November 2005.

– Commission Communication on industrial policy

The Council took note of the presentation by Commission Vice president Günther Verheugen of the Communication on Industrial policy which was adopted by the Commission on 5 October. It is a successor to previous communications on industrial policy and deals with horizontal as well as sectoral issues and challenges for Europe's industrial competitiveness. The Council intends to have an in depth debate on the communication at a future session.

– *Life Sciences and biotechnology*¹

The Council took note of the information given by Commission Vice president Günther Verheugen on the main findings of the third progress report on Life Sciences and biotechnology adopted on 29 June 2005. In this report, the Commission also sets out the priorities for future actions which will consist firstly, in carrying out an independent study aimed at providing a comprehensive assessment and cost-benefit analysis of the consequences, opportunities and challenges that applications of modern biotechnology present for Europe in terms of economic, social and environmental aspects. Secondly, the Commission will draw on both the study and an in-depth assessment of the progress achieved since 2002 to update the Community Strategy on Life Sciences and Biotechnology in good time for the 2007 Spring European Council.

¹ In January 2002, the Commission adopted a Strategy for Europe on Life Sciences and Biotechnology, consisting of two parts – policy orientations and a 30-point plan to transform policy into action. It sets out what is needed from the Commission and the other European Institutions, while also recommending actions for other public and private stakeholders. The Commission reports regularly on the progress made.

OTHER ITEMS APPROVED

INTERNAL MARKET

Vehicles - Approval of mechanical components - Re-treaded tyres

The Council agreed on a common approach with a view to adopting decisions on:

- the accession of the EU to the United Nations economic commission for Europe (UNECE) on provisions concerning the approval of mechanical coupling components of combinations of vehicles (11233/05). These provisions are aimed at removing technical barriers to trade in motor vehicles while ensuring a high level of safety;
- authorisations for placing re-treaded tyres on the EU market if they have been manufactured in accordance with the requirements laid down in UN/ECE (9916/05).

Both texts will be forwarded to the European Parliament for its assent.

Vehicles - Frontal protection systems

The Council adopted a directive aimed at improving the safety of pedestrians by laying down technical requirements on frontal protection systems in motor vehicles, by accepting all the amendments voted by the European Parliament at first reading (PE-CONS 3640/05).

The purpose of the directive, which amends directive 70/156/EEC, is to improve pedestrian and vehicle safety through passive measures. It lays down technical requirements for the type-approval of motor vehicles as regards frontal protection systems supplied as original equipment fitted to vehicles or as separate technical units.

Under the new rules, frontal protection systems for motor vehicles of class M₁ (up to 8 persons) and N₁ (goods up to 3,5 tonnes) must comply with testing requirements proving that are designed in a way that improves pedestrian safety and reduces the number of injuries.

The directive, which is part of the European road safety action programme, may be supplemented by national measures to prohibit or restrict the use of frontal protection systems already on the market before its entry into force.

The new provisions will be applicable nine months after publication in the EU Official Journal. They will be reviewed in the light of further research and experience gained during the first four years of application.

EXTERNAL RELATIONS

Mediterranean countries - Extension of the system of cumulation of origin*

The Council approved a set of draft decisions with a view to introducing a pan-Euromediterranean system of cumulation of origin in agreements with third countries.

In order to introduce the new pan-Euro-Mediterranean cumulation of origin, the EU has to replace the protocols on rules of origin attached to the free trade agreements with the following countries: Bulgaria (9528/05), Romania (9532/05), Iceland (9570/05), Norway (9632/05), Switzerland (including Liechtenstein) (9615/05), the Faeroe Islands (9634/05), Turkey (9534/05, 9535/05), Algeria (9525/05), Egypt (9524/05), Israel (9519/05), Jordan (9526/05), Lebanon (9517/05), Morocco (9516/05), Tunisia (9518/05) and the Palestinian Authority of the West Bank and Gaza Strip (9515/05) as well as the protocol on rules of origin attached to the European Economic Area Agreement (9514/05). The draft decisions will be presented for approval to the institutions provided for in each of the agreements concerned.

The main operations needed for updating the protocols consist of:

- rewording articles on cumulation;
- introducing new provisions on certification of origin;
- harmonising provisions concerning the prohibition of drawback of, or exemption from, customs duties;
- harmonising the processing requirements laid down in the protocols for non-originating materials, in order for them to obtain originating status;
- introducing amendments in order to make the provisions of all protocols identical.

The decisions allow for agricultural products originating in Turkey to benefit from the new system of pan-Euro-Mediterranean cumulation of origin, as the differences in tariff preferences granted by the EU to Turkey on the one hand, and to its other European trade partners, on the other hand, have disappeared.

They also enable the Faeroe Islands to be included into the system.

In the case of Syria, the pan-Euro-Mediterranean cumulation of origin has been provided for in the protocol on rules of origin inserted in the Euro-Mediterranean agreement which has been initialled.

A system of "diagonal" cumulation of origin has been put in place in 1997 between the EU, Bulgaria, Poland, Hungary, the Czech Republic, the Slovak Republic, Romania, Lithuania, Latvia, Estonia, Slovenia, Iceland, Liechtenstein, Norway and Switzerland and extended in 1999 to Turkey.

In 2003 EuroMed trade ministers endorsed a new protocol on rules of origin, which allows the extension of the pan-European system of cumulation of origin to the Mediterranean countries. Ministers also requested the partners concerned to take the necessary steps in order to insert the new protocol in their respective agreements.

The conclusion of free trade agreements between Mediterranean countries will enable implementation of the pan-EuroMed cumulation of origin. This system presupposes the existence of preferential relations, and therefore to bring partners substantial benefit, with a view to achieve a fully free trade area in the EuroMed region by the agreed deadline of 2010.
