



**COUNCIL OF
THE EUROPEAN UNION**



14155/05 (Presse 287)

PRESS RELEASE

2694th Council Meeting

Competitiveness (Internal Market, Industry and Research)

Brussels, 28-29 November 2005

Presidents

Rt Hon Alan Johnson MP,
Secretary of State for Trade and Industry,
Lord Sainsbury of Turville,
Parliamentary Under-Secretary of State, Minister for Science
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Main Results of the Council

The Council approved a partial general approach on the EU's 7th framework programmes for **research and technological development**: EC (2007-2013) and Euratom (2007-2011). The programmes' budgets will be established once agreement has been reached on the EU's budgetary framework for the 2007-13 period.

It adopted conclusions on **research and innovation** and on the "**better regulation**" initiative, as well as orientations, endorsed at the third Space Council (EU and European Space Agency), on **global monitoring for environment and security**.

The Council also adopted, without discussion, a regulation setting a new tariff rate for **banana** imports.

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 - The documents whose references are given in the text are available on the Council's Internet site <http://ue.eu.int>.
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PARTICIPANTS

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

Belgium:

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

Ms Marie-Dominique SIMONET

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

Mr Benoit CEREXHE

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

Czech Republic:

Mr Martin JAHN

Deputy Prime Minister for Economic Affairs

Mr Petr KOLÁŘ

Deputy Minister for Education, Youth and Sports

Denmark:

Ms Connie HEDEGAARD

Minister for the Environment and for Nordic Cooperation

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Mr Bendt BENDTSEN

Minister for Economic Affairs, Trade and Industry

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State Secretary, Federal Ministry of Education and Research

Mr Georg Wilhelm ADAMOWITSCH

State Secretary, Federal Ministry of Economic Affairs and Labour

Estonia:

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Mr Claudio SCAJOLA

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Mr Guido POSSA

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Minister for Education and Science

Mr Kaspars GERHARDS

State Secretary, Ministry of Economic Affairs

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Mr Raimundas MOCKELIŪNAS

Minister for the Economy
Deputy Minister for Education and Science

Luxembourg:

Mr François BILTGEN

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

Ms Octavie MODERT

Mr Jeannot KRECKÉ

Hungary:

Mr Etele BARÁTH

Minister without portfolio responsible for European Affairs
State Secretary

Mr Miklós BODA

Malta:

Mr Censu GALEA

Minister for Competitiveness and Communications

Netherlands:

Mr Laurens Jan BRINKHORST

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Minister for Economic Affairs
Minister for Education, Culture and Science
Minister for Foreign Trade

Austria:

Ms Elisabeth GEHRER

Mr Martin BARTENSTEIN

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

Poland:

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Minister for Economic Affairs
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Minister for Science, Technology and Higher Education
State Secretary for Trade, Services and Consumer Protection

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Ms Andrijana STARINA KOSEM

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

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Mr Martin FRONC

Mr László POMOTHY

Minister for Education
State Secretary at the Ministry of the Economy

Finland:

Mr Mauri PEKKARINEN

Minister for Trade and Industry

Sweden:

Mr Leif PAGROTSKY

Mr Thomas ÖSTROS

Minister for Education, Research and Culture
Minister for Industry

United Kingdom:

Mr Alan JOHNSON

Lord SAINSBURY of TURVILLE

Mr Barry GARDINER

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

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Mr Günter VERHEUGEN
Mr Stavros DIMAS
Mr Janez POTOČNIK
Mr Markos KYPRIANOU
Mr Charlie McCREEVY

Vice-President
Member
Member
Member
Member

The Governments of the acceding States were represented as follows:

Bulgaria:

Ms Ekaterina VITKOVA
Ms Nina RADEVA

Deputy Minister for Education and Science
Deputy Minister for Economy and Energy

Romania:

Mr Anton ANTON
Mr Zsolt BOGOS
Mr Adrian CIOCANEA

State Secretary at the Ministry of Education and Research
State Secretary
State Secretary

ITEMS DEBATED

7TH RESEARCH FRAMEWORK PROGRAMME

The Council approved, by a large majority, a partial general approach¹ on the 7th Framework Programmes (FP7) for research and technological development: EC (2007-2013) and Euratom (2007-2011).

The partial general approach will provide a basis for future discussions following the opinion of the European Parliament and in the light of the results reached on the EU's financial perspectives for 2007-2013.

The Council debate took place on the basis of a compromise text established by the presidency. It focused on the following issues:

- adequate support for small and medium-sized enterprises participation in research projects;
- implementation arrangements for the future European research council.

FP7 is intended as an important tool for implementing 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 detailed modalities for implementation of FP7 are set out in specific programmes and in rules for participation, to be discussed in detail by the Council.

¹ A "partial general approach" is a way of fixing Council discussions on non-budgetary elements that are linked to the pending negotiation on the EU 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.

RESEARCH AND INNOVATION, GROWTH AND EMPLOYMENT - Council conclusions

The Council adopted the following conclusions:

"THE COUNCIL OF THE EUROPEAN UNION,

1. RECALLING the relaunch of the Lisbon Strategy by the Spring European Council 2005, and notably the conclusions concerning the central role of research and innovation for sustainable long-term growth and employment¹, which endorsed the Council conclusions on these key issues for European competitiveness²;
2. NOTING the recent Commission communications relating to the implementation of the Lisbon strategy³, in particular "More Research and Innovation – Investing for Growth and Employment: A Common Approach (2005-2007)"⁴; and taking into account the Council Resolution of 22 September 2003 on "Investing in research for European growth and competitiveness"⁵;
3. UNDERLINES the critical importance of improving Europe's research, technology transfer and innovation performance in the interests of global competitiveness, increased growth and employment, in particular by mobilising the potential for scientific, technological and innovative excellence throughout the European Union;
4. STRESSES the need, at all levels, Community, national and regional, to mobilise more public and private sector funds to achieve the Barcelona investment target of 3% of Community GDP for research, with two thirds of the investment to come from the business sector, as well as to support an improved performance in innovation, particularly amongst SMEs;

¹ Presidency conclusions, European Council Brussels, 22 and 23 March 2005, Doc. 7619/1/05.

² Contribution of the Council to the Spring European Council 2005, Doc. 7134/05.

³ Commission Communications: "Common Actions for Growth and Employment: the Community Lisbon Programme", 11618/05 - COM(2005) 330; "Implementing the Community Lisbon Programme: A Policy framework to strengthen EU manufacturing – Towards a more integrated approach for industrial policy" 13143/05 – COM(2005) 474 + ADD 1 + ADD 2 + ADD 3; "Consultation document on State Aid for Innovation", 12695/05 – COM(2005) 436.

⁴ Commission Communication: "More Research and Innovation – Investing for Growth and Employment: A Common Approach (2005-2007)", 13606/05 – COM(2005) 488 + ADD 1.

⁵ OJ C 250 (18.10.2003); p.2-3.

5. STRESSES the need for improving interaction between policy areas and for more transnational cooperation, which is the key to better exploiting the European research and innovation potential by allowing to team up the best talents, facilitating policy design by learning from good practice and creating synergies and critical mass among national and regional efforts for more research and innovation;

TO SUPPORT THESE EFFORTS, THE COUNCIL:

6. WELCOMES the integrated approach to research and innovation proposed by the Commission, drawing on a broad range of policy areas and instruments;
7. RECOGNIZES the need for a coherent approach on the European and national level for policies to address, on a voluntary basis, issues of common interest while respecting the specific priorities of Member States;
8. ACKNOWLEDGES the potential of the proposed multi-annual EC support programmes, in particular the Seventh Framework Programme for Research, Technological Development and Demonstration Activities (FP7) and the Competitiveness and Innovation Framework Programme (CIP), to foster research and innovation, notably through leveraging public and private resources;
9. STRESSES the need to improve the access of enterprises to finance, especially that of SMEs, using a range of instruments, including cooperation with the European Investment Bank Group;
10. NOTES THE COMMISSION'S INTENTION TO:
 - Provide guidance to promote an optimal use of R&D tax incentives;
 - Develop the information system on national research policies (ERAWATCH) and the European Trend Chart on Innovation as well as to establish a European Industrial Research and Innovation Monitoring System;
 - Issue a “handbook” for better use of public procurement to stimulate the development and deployment of new technologies;
 - Analyse National Reform Programmes from the angle of research investment targets and research and innovation policy developments.
 - Encourage the creation of a new European innovation prize.

11. INVITES MEMBER STATES AND THE COMMISSION TO

- Intensify their efforts to identify and address regulatory obstacles to new technologies and innovation. A useful input to these efforts could be provided by the INNOVA initiative, the European Technology Platforms and EUREKA;
- Strengthen information and support services on intellectual property, especially for SMEs, support patent authorities increasing their cooperation across borders and pursue work to improve the accessibility and efficiency of Europe's patent system;
- Explore ways to develop the potential of philanthropy as a source of funding for research.
- Improve the mobility and the career perspectives for researchers across the EU;

12. INVITES MEMBER STATES TO

- Develop and implement initiatives to stimulate research and innovation as part of the National Reform Programmes;
- Participate in the open coordination of research and innovation policies and make use of these processes to enhance the quality and consistency of their actions, particularly on issues of common European interest, making optimal use of CREST as a policy learning platform for research policy;
- Make use of the opportunities provided by the "OMC Net" and "INNO Net" schemes to develop joint policy initiatives;
- Promote cooperation among national and other research and innovation programmes and agencies, for example through the use of the ERA-NET and PRO INNO schemes;
- Make use of the structural funds, where appropriate, to support the development of research and innovation in their regions;
- Further re-deploy State Aid towards research and innovation;

13. INVITES THE COMMISSION TO

- Pursue its integrated approach to research and innovation policies from the perspective of identifying efficient policy-mixes;

- Facilitate the structural funds' financing of the development of research and innovation in the regions, where appropriate;
- Review the Community Framework for State Aid for Research and Development to better reflect the Community's policy priorities and the need for a more research and innovation- friendly system;
- Propose voluntary guidelines for improving co-operation between public research organisations and industry;
- Propose a strategy for the promotion of innovative services;
- Report to the Council and the European Parliament by the end of 2007 on the outcome of the efforts undertaken at both EU and national levels."

EUROPEAN SPACE POLICY

The third meeting of the "Space Council"¹ was held between the Council of the EU and the Council of the European Space Agency (ESA). It was jointly chaired by Lord Sainsbury of Turville, president-in-office of the EU Council, and by Mr G-W. Adamowitsch, representing the ESA Council.

The Council adopted the following orientations², endorsed by the Space Council, on global monitoring for environment and security (GMES):

"The objective of GMES is to provide, on a sustained basis, reliable and timely information related to environmental and security issues in support of public policy makers' needs.

The third joint and concomitant meeting of the Council of the European Union and of the Council of the European Space Agency at ministerial level ("Space Council") notes the Communication of the Commission, drafted after consultation within the Joint Secretariat and with other stakeholders.

1. On overall strategy, the "Space Council":
 - a. Reaffirms the strategic dimension of GMES, which should be user-driven and service-oriented, meeting initially public sector needs through services delivered in the most efficient way, where possible by the private sector;
 - b. Recalls the importance of maintaining a European autonomous Earth Observation capacity supporting political decision making;
 - c. Recalls the importance of the international dimension of GMES – its status as the main European contribution to GEOSS and the need to develop partnerships;
 - d. Recognises the positive results of the cooperation between the EU, ESA and their Member States in the initial phase of GMES, and recommends that this cooperation continues to play a key and visible role in the overall management of GMES;

¹ A framework agreement between the EU and the European Space Agency, in force since May 2004, provides a common basis for developing a European space policy. The agreement establishes regular joint and concomitant meetings of the Council of the EU and of the ESA Council at ministerial level, within a "Space Council", for coordinating and facilitating cooperative activities.

² Orientations are agreed by consensus between the two organisations and formally adopted by each organisation according to its own internal procedures.

- e. Supports a phased approach for the implementation of GMES based on clearly identified priorities, starting with the development of three fast-track services on Emergency Response, Land Monitoring, and Marine Services due to begin their pilot phase as operational services by 2008, with other services to be developed and validated in due time;
 - f. Agrees that, correspondingly, a management structure for GMES has to be progressively developed and welcomes the Commission's intention to set-up an internal GMES organisational structure as the next step in this process;
 - g. Welcomes the ESA proposal for the development of the space component of GMES and the corresponding Programme Declaration adopted by participating States on September 28 last which includes the development of the first mission of the GMES space component.
2. The Roles and Responsibilities of the EU and ESA, have been identified in the orientations of the second meeting of 'Space Council' and remain valid. Consistent with these, the "Space Council".
- a. Notes the Commission's current intention, in view of GMES being an EU-led initiative, to allocate a substantial majority of FP 7 funding which is earmarked for space to fund GMES and, from this allocation, to fund both GMES services and a significant proportion of the budget for the GMES Space Component until 2013, once the FP 7 funding has been approved;
 - b. Requests the Council and the European Parliament to explore possible further funding sources in the Community-budget enabling the Community to finance operational costs of GMES services;
 - c. Notes that a confirmation point will occur for the ESA programme in the 2008 timeframe, taking into account the decision on EC funding for GMES and the further consolidation of user requirements for the next phase of GMES;
 - d. Further underlines that it is essential that this ESA Programme continues to be developed in a way that is demonstrably coherent with the emerging user requirements being aggregated by EC. The continuity of data necessary to the establishment of GMES services on an operational basis needs to be provided making the best use of existing and planned European satellite and in-situ systems;

3. On Implementation, the "Space Council"

- a. Confirms the need to develop a comprehensive programme plan, addressing an overall GMES architecture, including the interrelationship between the components, and consolidating user requirements, costs & benefits and the financial resources necessary for the implementation of a phased operational GMES system. It also confirms the need of outlining, in close liaison between EC, ESA and their Member States, the policy to be followed for accessing the information produced by GMES services. This should be prepared as soon as possible in order to be available after the EU Member States have reached agreement on the Financial Perspectives;
- b. Requests that best use of existing and planned satellite and in-situ systems on European and national level is being made in order to efficiently ensure the continuity of data necessary to the establishment of operational GMES services and to avoid duplication;
- c. Welcomes the establishment and the mandate of a group of experts, involving Member States, EC, ESA and other organisations, to evaluate the most appropriate structure for the longer-term governance and implementation of GMES;
- d. Invites those Member States, which already possess or are in the process of building up assets and capacities which could be valuable for GMES, including those existing in other European agencies and organisations such as EUMETSAT, to make their capacities available to the GMES services under appropriate conditions."

* * *

The Space Council held also an exchange of views on international cooperation on the basis of a discussion paper tabled jointly by the EU and ESA presidencies (14499/1/05). The main issues put forward for debate were the following:

- the need to develop an overall cooperation strategy;
- EU/ESA roles and responsibilities;
- the financial principles that should apply in funding.

Ministers also heard a report on progress regarding European space policy from Mr Günter Verheugen, European Commission vice-president and ESA director-general Mr Jean-Jacques Dordain.

INDUSTRY POLICY

The Council held an exchange of views on EU industry policy on the basis of a presidency non-paper (14334/05) and the Commission communication "Implementing Community Lisbon Programme: A policy framework to strengthen EU manufacturing - towards a more integrated approach for industrial policy" (13143/05).

The Presidency drew the following conclusions:

- "1. Ministers welcomed the Commission Communication on a new framework for industrial policy and agreed to work closely with the Commission to take forward this important part of the relaunched Lisbon Strategy for growth and employment.
2. Ministers strongly supported the Commission's approach to industrial policy. There was support for both the horizontal and the sectoral initiatives. In-depth analysis of the situation in the new Member States was of particular importance.
3. Ministers stressed that legislative and regulatory burdens should not have an adverse effect on competitiveness. It was important to avoid putting burdens on industry that our competitors outside the EU do not face. Ministers strongly welcomed the Commission's intention to establish a High Level Group to develop a coherent approach to environment, competitiveness and energy and the suggestion that this group should consider the review of the emissions trading scheme.
4. There was agreement on the importance of the manufacturing industry as a generator of new and innovative products. EU industry is competitive, especially in high value-added sectors, but it is important to increase Research and Development and Innovation to ensure that EU industry remains competitive. The need to create a level playing field in terms of international competition was also underlined.
5. Manufacturing and services are strongly and increasingly interlinked in the modern business environment. Ministers supported the need to take account of the specific context of individual sectors and the particular opportunities and challenges they face.
6. Ministers agreed that we cannot avoid structural change, but protectionism is not the answer. It would be important to ensure that policies supported and embraced change, but also supported the workers affected by it.

7. Ministers acknowledged the importance of political commitment at the national level in support of the integrated approach to industry policy to deliver results. They emphasized the role of increased professional/vocational training in order to facilitate structural change and improve key qualifications at all levels.
8. With regard to further steps , the Permanent Representatives' Committee is called upon to monitor progress on the work programme referred to in the communication and report to the Council accordingly."

BETTER REGULATION– *Council conclusions*

The Council held a policy debate on progress made under "Better Regulation" initiative and adopted the following conclusions:

"THE COUNCIL,

STRESSING that an improved regulatory framework in the European Union, at Community and Member State level, is key to delivering growth and jobs;

STRESSING the importance of better regulation to enhance European competitiveness by reducing unnecessary burdens on business and citizens;

REAFFIRMING the importance of simplifying the regulatory framework in accordance with the principles of subsidiarity and proportionality, while respecting the *acquis communautaire*;

RECOGNISING that improving the regulatory framework is a joint responsibility of the EU Institutions and the Member States and the importance of the Interinstitutional Agreement on Better lawmaking as a framework for co-operation between the institutions;

IN THIS CONTEXT RECALLING

- the Council Conclusions on Better Regulation of 6 June 2005;
- the European Council Conclusions of 22-23 March 2005 requesting the Commission and the Council to press ahead with work related to improving the regulatory environment;
- the Council Conclusions on Better Regulation of 25 November 2004.

SIMPLIFICATION OF LEGISLATION

1. WELCOMES the Commission's Communication "Implementing the Community Lisbon Programme: A strategy for the simplification of the regulatory environment"¹ and REAFFIRMS the importance of simplifying the regulatory framework, including the rolling programme which includes legislative proposals for the 15 Council priorities for simplification from November 2004;
2. WELCOMES in particular the approach based on continuous in-depth sectoral assessment and INVITES the Commission to strengthen the links between its sectoral approach to industrial policy² and establishing priorities for the simplification of legislation;
3. In this context, NOTES the work being undertaken in other Council formations, including on the basis of the Communication from the Commission on Simplification and Better Regulation for the Common Agricultural Policy³, the forthcoming Commission Communication on simplification of Fisheries legislation and the Commission working document on "Better Regulation and the Thematic Strategies for the Environment"⁴;
4. CALLS ON the Commission to adopt proposals within the rolling simplification programme according to the timetable set out in the Communication and UNDERTAKES to give high priority to progressing such simplification proposals;
5. INVITES the Commission to update at least on an annual basis on progress made in producing proposals according to the timetable set out in the Communication and on new simplification priorities as a result of on-going stakeholder consultation and input from Member States, to develop the rolling programme; and UNDERLINES that it will continue to take a close interest in simplification, in order to monitor progress, to ensure substantive results are achieved;
6. NOTES the Commission's intention to build on the continuous process of simplification with input from new, more systematic review procedures;
7. RECOGNISES that in some cases, regulations may be more appropriate than directives, in the interests of legal clarity and the smooth operation of the internal market, but that the choice of legal instrument should be decided on a case by case basis, taking full account of subsidiarity and proportionality;

¹ 13976/05 (COM (2005) 535).

² 13143/05 (COM (2005) 474).

³ COM (2005) 509.

⁴ 12826/05 (COM (2005) 466).

8. RECOGNISES that the New Approach for Technical Harmonisation and the development of European standards are efficient tools for the simplification of EU legislation;
9. NOTES the importance for citizens and business of comprehensible legal texts and the role that codification could play in this context and INVITES the Commission to improve the drafting quality of proposals and NOTES the importance of the quality of drafting throughout the legislative process;
10. WELCOMES the Communication from the Commission on an EU common methodology for assessing administrative costs imposed by legislation¹, on which a separate set of Council conclusions have been adopted² and in this context NOTES the important contribution that such a methodology could play in identifying legislation in need of simplification and providing data on the effect of legislative simplification measures.

SCREENING OF PENDING LEGISLATIVE PROPOSALS

11. WELCOMES the Commission's screening initiative, NOTES the outcome and CALLS on the Commission to continue to monitor pending proposals in terms of their impacts, including economic, social and environmental, with a view to modification, replacement or withdrawal where this would be appropriate.

IMPACT ASSESSMENT

12. WELCOMES the Commission's new impact assessment guidelines³ covering the three pillars of sustainable development, including the strengthened competitiveness dimension and a methodology to measure administrative costs;
13. WELCOMES the Commission's intention to implement these guidelines comprehensively and effectively⁴ and to continue to prepare balanced integrated impact assessments for all major legislative proposals and policy defining documents in its annual work programme;
14. CALLS upon the Commission, while taking full account of subsidiarity, to explore a range of options, drawing on sectoral analyses where available⁵, which could potentially meet the set objectives of a proposal, including non-legislative options and further harmonisation, as appropriate;

¹ 13629/05 (COM (2005) 518).

² 13989/05.

³ SEC (2005) 791.

⁴ 7797/05 (COM (2005) 97) and 5914/05 (COM (2005) 15).

⁵ 13143/05 (COM (2005) 474).

15. CONFIRMS its intention to make full use of Commission impact assessments as a tool to inform political decision making during discussions on individual legislative proposals;
16. LOOKS FORWARD to the comprehensive independent evaluation of the implementation of Commission impact assessment system to be launched early in 2006;
17. WELCOMES the agreement of the three Institutions on the Common Approach to Impact Assessment and UNDERTAKES to embed it into Council work on impact assessment;
18. REAFFIRMS its intention to carry out impact assessments on substantive Council amendments, to be determined by the appropriate Council preparatory bodies, to legislative proposals, with a view to developing best practice, in line with the commitment in the Inter-institutional Agreement on Better law-making, without prejudice to the legislator's capacity to propose amendments.

CONSULTATION

19. REAFFIRMS the importance of transparency in policy making and timely and effective stakeholder consultation, RECOGNISES the efforts made by the Commission so far and WELCOMES the intention to extend the use of sectoral groups, building, for example, on the CARS21 model, to other sectors as set out in the Commission's Industrial Policy Communication¹.

PROGRESS AT MEMBER STATE LEVEL

20. REAFFIRMS the importance of action by the Member States to improve the regulatory framework at national level, in order to deliver growth and jobs;
21. WELCOMES progress in Member States on better regulation as set out in their Lisbon National Reform Programmes and INVITES Member States to continue with their efforts, including through direct stakeholder consultation, simplification of legislation, use of impact assessment and effective transposition of Community legislation, thus actively contributing to the framework conditions which underpin growth and jobs;
22. NOTES the establishment by the Commission of the group of high-level national regulatory experts."

¹ 13143/05 (COM (2005) 474).

– *Impact assessments*

The Council agreed, without discussion, on an inter-institutional common approach to impact assessments aimed at improving the quality of EU legislation.

The common approach seeks to assess the potential impact of legislation that the European Parliament, the Commission and the Council process and adopt, so that decisions are made after giving careful consideration to the available evidence on the impact of legislation, without prejudice to the decision-making role and autonomy of each institution.

Under the common approach, the Commission will, as a general rule, carry out impact assessments on major items of draft legislation, notably those included in its annual legislative programme, and the European Parliament and the Council will examine the Commission's impact assessment along with the Commission's initiative and be responsible for assessing the impacts of their own substantive amendments.

Impact assessments of initiatives and substantive amendments must map out their potential impacts in an integrated and balanced way across their social, economic and environmental dimensions, and be based on accurate, objective and complete information.

The three institutions will publish their impact assessments on the internet.

The common approach will be reviewed after two years in the light of experience.

In December 2003, the three institutions reached an agreement on better law-making. The agreement states that: "Where the codecision procedure applies, the European Parliament and Council may, on the basis of jointly defined criteria and procedures, have impact assessments carried out prior to the adoption of any substantive amendment, either at first reading or at the conciliation stage. As soon as possible after this agreement is adopted, the three institutions will carry out an assessment of their respective experiences and will consider the possibility of establishing a common methodology".

CHEMICALS LEGISLATION: REACH

The Council held a policy debate on a draft regulation on the registration, evaluation, authorisation and restriction of chemicals (Reach). It instructed the permanent representatives committee to examine the remaining outstanding issues with a view to enabling the Council to reach a political agreement at its meeting on 13 December.

The debate was held on the basis of a report from the presidency setting out the main outstanding issues, in the light of the European Parliament's recent opinion in first reading. The president concluded the debate as follows:

"The Presidency notes that there is broad agreement on many of the key issues including registration and evaluation. We discern a high degree of convergence between delegations' positions and a very clear desire to finalise the Council's position at our meeting of 13 December.

The remaining outstanding points are relatively few: principally authorisation and scope.

Authorisation is the part of REACH that deals with the most dangerous chemicals and is, therefore, of particular concern to all of us.

Some delegations would prefer to see the requirements for substituting these chemicals to be further strengthened. In particular, these delegations propose that the availability of suitable alternatives should always be considered in authorisation decisions and, if these are available, an authorisation should not be granted.

On the other hand, several delegations and the Commission consider that, if it can be demonstrated that the risks from the use of some of these chemicals¹ are adequately controlled, then it should be possible for industry to continue using these chemicals under these stringent conditions.

Some delegations stressed the importance of clarity over how the concept of adequate control would apply.

On scope, some delegations are requesting further exemptions from registration for specific substances. The Presidency notes that an early review of the relevant Annexes may provide the best opportunity for this important issue to be resolved."

¹ This does not include PBTs, vPvBs and non-threshold CMRs.

COMPETITIVENESS AND INNOVATION FRAMEWORK PROGRAMME

The Council took note of a progress report on a draft decision establishing a competitiveness and innovation framework programme (CIP) for 2007-2013, and endorsed the approach to issues that it sets out. The Council instructed the permanent representatives committee to use the report as a basis for future discussions (*13814/1/05*).

The report clarifies the complementarities between the CIP and the EU's future 7th framework programme for research and technological development and between the CIP and the EU's structural funds. It also clarifies the role of eco-innovation and articulation of the instruments in the CIP, and sets out the principles for the management and evaluation of the CIP.

The proposal submitted by the Commission in April, brings together several existing specific programmes into a single framework with three sections: entrepreneurship and innovation; information and communications technology policy support; and intelligent energy (*8081/05*).

Pending agreement on the financial perspectives for the 2007-2013 period, the Commission proposed a total financial allocation of more than EUR 4 billion.

SERVICES IN THE INTERNAL MARKET

The Council took note of a report from the presidency and held an exchange of views on a draft directive on services in the internal market, with a view to giving political guidance for future discussions, once the European Parliament has given its opinion (14686/05).

Three key questions were discussed, concerning:

- *The scope of the directive*: dealing with the importance of legal certainty for agreement on a list of derogations valid in all member states, in order to guarantee a harmonised application of the directive.
- *Worker protection*: related to the analysis of the interaction of the directive with standards for worker protection in the member states and the level of harmonisation to be obtained.
- *Free movement of services in the EU*: regarding the possibility to reorganise provisions contained in the draft directive concerning the country of origin principle, with a view to clarifying those provisions that facilitate the free movement of services and those which enable member states to safeguard their key public policy objectives.

At the end of the debate the presidency summarised the outcome of the discussion as follows:

"

- We all recognise the need to wait for the EP Opinion and the Commission revised proposal before taking decisions. But we can express views.
- We recognise that the Working Party has that done very good technical work which is a good basis for further work.
- On scope, there is general agreement that any further exemptions must be clear and concrete so as to give certainty to business. Most delegations want further exemptions (e.g. healthcare, gambling, tax, etc) but the Directive must not be empty. Some Member States want to be able to exclude services of general interest which they will define; other do not support this.
- On worker protection, a majority of Member States do not want the rules in the Posting of Workers Directive to be affected by this Directive. This Directive should be neutral for worker protection. There are differing views as to whether administrative arrangements to enforce the Posting of Workers Directive should be included in this Directive (Articles 24 and 25).

- On Free Movement of Services (also known as Country of origin), everyone agrees that we want to further facilitate free movement of services. We differ on how to do it. It is clear that this area needs more work to find the right balance between free movement of services and the pursuit of legitimate public policy objectives.

Next steps

We need to await the EP's opinion and the Commission's revised proposal. We look forward to both of these early next year and resuming our discussion as soon as possible thereafter."

EUROPEAN CONTRACT LAW - Council conclusions

The Council adopted the following conclusions:

"THE COUNCIL OF THE EUROPEAN UNION,

HAVING REGARD TO

1. The Commission's First Annual Progress Report on European Contract Law and the Acquis Review ¹.

NOTES

2. The outcome of the Conference 'European Contract Law: Better Lawmaking through the Common Frame of Reference', held in London on 26 September 2005.

RECALLS

3. Its Resolution of 22 September 2003 ², in which it considered that "community law rules, in particular in the area of contract law, should be consistent and ensure proper transposition into national law. In this context, the Common Frame of Reference ... could contribute to improving the quality and consistency of both existing and future Community legislation in this area". It further considered that "it would be useful to take appropriate and proportionate measures to facilitate the conclusion of cross-border contracts", and that "... the Common Frame of Reference should correspond to the realities of the internal market and, therefore, to the practical needs of economic operators and consumers".
4. The Commission's Communication to the European Parliament and the Council of 11 October 2004 entitled 'European Contract Law and the revision of the acquis: the way forward' ³.

¹ 13056/05.

² OJ C 246, 14.10.2003, p.1.

³ 13802/04.

5. The adoption of Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market (the 'Unfair Commercial Practices Directive'), which for the first time introduces a horizontal duty on businesses not to trade with consumers unfairly, as opposed to the vertical approach hitherto predominant in the consumer acquis.
6. The Commission's Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 25 October 2005 entitled 'Implementing the Community Lisbon programme: A strategy for the simplification of the regulatory environment'¹.

RECOGNISES

7. The unique opportunity afforded by the proposed Review and the introduction of the Unfair Commercial Practices Directive to update and modernise the consumer acquis.
8. The importance of preliminary work, both in the area of contract law for those six Directives² primarily concerned with business-to-consumer contracts, and in gathering evidence as to the functioning of the existing acquis, to the success of the Review.

WELCOMES

9. In this regard, the work done so far on the Common Frame of Reference, particularly the involvement of Member States and stakeholders, and the Commission's commitment, set out in the Annual Progress Report, to adapt the process and conduct of the workshops to respond to the needs of the Council and the European Parliament and of stakeholders.
10. The Commission's repeated reassurance that it does not intend to propose a 'European Civil Code' which would harmonise contract laws of Member States³, and that Member States' differing legal traditions will be fully taken into account.
11. The prioritisation of the Review of the Consumer Acquis as an integral part of the Better Regulation agenda, meaning that those parts of the Common Frame of Reference directly relevant to the Review will be rescheduled and treated at an earlier stage than previously envisaged.

¹ COM(2005) 535.

² Directives 85/577, 90/314, 93/13, 94/47, 97/7, and 99/44.

³ 13802/04, p. 8.

12. The Commission's proposed approach to the consultation of Member States and stakeholders, including consumer and business groups, that will be essential to a successful Review.

EMPHASISES

13. The need for work to focus on practical issues in order to deliver real benefits to consumers and business; in this regard, the need to acknowledge the distinction between business-to-consumer and business-to-business contracts.
14. The need for the Consumer Acquis to be fit for purpose, to protect the legal and economic interests and rights of consumers, to enhance the confidence of the EU's citizens in the Internal Market, and to promote the cross-border provision of goods and services, thus guaranteeing a high level of consumer protection.

INVITES THE COMMISSION

15. To come forward as soon as possible with a timetable, a detailed description of the process, and proposals for updating and modernising the Consumer Acquis and also to reprioritise accordingly the work on the Common Frame of Reference. The Council also looks forward to receiving more information from the Commission on the Review of the Consumer Acquis during 2006.
16. To keep the Council and European Parliament fully informed and consulted about its work in this area, to ensure maximum political engagement.

INVITES THE MEMBER STATES

17. To co-operate with and help the Commission's work on gathering evidence concerning the implementation and functioning of the existing Consumer Acquis.
18. To actively participate in the Commission's work on the Common Frame of Reference and encourage the contributions of stakeholders to the ongoing discussions at EU level."

PROGRAMME OF ACTION ON HEALTH AND CONSUMER PROTECTION

The Council took note of a progress report on a proposal aimed at establishing a programme of Community action in the field of health and consumer protection for 2007-2013.

The Council decided to come back to this issue at a future meeting.

The adoption of the programme is conditional on the budgetary amount that will be decided for the 2007-2013 period in the framework of the financial perspectives, and on the outcome of discussions in the European Parliament.

OTHER BUSINESS

– *Lisbon economic reform strategy*

The Council took note of information provided by the Commission on progress on the re-launched Lisbon economic reform strategy as regards member states' national reform programmes.

– *Development of tourism in Europe after enlargement*

The Council took note of the organisation of a conference on the development of tourism in Europe after enlargement, to be held in Vilnius on 1-2 March 2006.

OTHER ITEMS APPROVED

INTERNAL MARKET

Company law - Public limited liability companies

The Council agreed on a general approach, pending the European Parliament's opinion at first reading, on a draft directive aimed at facilitating and simplifying capital related measures in public limited liability companies (12973/05).

The directive will enable member states, under certain conditions, to eliminate specific reporting requirements; to facilitate changes in share ownership and to provide harmonised legal procedures for creditors in the context of capital reduction.

The directive, which will amend directive 77/91/EEC, seeks to ensure that the capital of a company is maintained in the interest of creditors, while protecting the rights of minority shareholders.

Directive 77/91/EEC, adopted in 1976, coordinates safeguards required for the protection of the interests of members and third parties, national provisions applicable to public limited liability companies in the following areas: formation of companies, minimum share capital requirement, distributions to shareholders, increase and reduction in capital.

RESEARCH

Intelligent manufacturing systems - Renewal of cooperation agreements

The Council adopted a decision authorising the Commission to open negotiations on the renewal of agreements on scientific and technical cooperation in the domain of Intelligent Manufacturing systems with Australia, Canada, Japan, Korea, the United States, Norway and Switzerland.

EXTERNAL RELATIONS

Democratic Republic of Congo – Restrictive measures

The Council adopted a decision imposing restrictive measures against 16 persons and entities that are deemed to have acted in violation of the arms embargo in the Democratic Republic of Congo (DRC). (14096/05)

The decision implements Council common position 2005/440/CFSP of 13 June 2005.¹ The common position itself aims at implementing United Nations security council (UNSC) resolution 1596(2005) by imposing a visa ban to prevent entry into or transit through the EU, and a freeze of funds and economic resources for persons who act in violation of the arms embargo in the DRC. It did not contain a list of names so far, pending a decision by the relevant UN sanctions committee.²

That committee approved, on 1 November 2005, the list of persons and entities subject to the measures imposed by UNSC resolution 1596(2005). Today's Council decision incorporates the list of persons and entities in the annex to common position 2005/440/CFSP.

Ukraine - Destruction of small arms

The Council adopted a decision providing for an EU contribution of EUR 1 million for the destruction of small arms and light weapons and ammunition in Ukraine (13787/05), implementing joint action 2002/589/CFSP of 12 July 2002.

An EU-Ukraine action plan adopted in February 2005 called upon both parties to address threats to security, public health and the environment posed by Ukrainian stockpiles of unused ammunition, including anti-personnel land mines.

¹ OJ L 152 of 15.6.2005, p.22.

² Committee established pursuant to UNSC resolution 1533(2004).

Mauritania - Request for consultations

The Council approved the text of a letter inviting the Mauritanian government to open formal consultations with the EU, following the change of regime in Mauritania, in order to assess the new government's transition programme and with a view to deciding on the continuation of cooperation activities under the ACP-EU cooperation agreement.

The EU condemned the coup d'état carried out in Mauritania on 3 August 2005.

Relations with the United States - Transatlantic economic integration and growth

The Council took note of the state of play in negotiations on an EU-US work programme implementing a joint initiative to enhance transatlantic economic integration and growth.

The draft joint work programme will be presented as a basis for future work at an EU-US economic ministerial meeting to be held on 30 November, with a view to facilitating transatlantic economic integration.

The work programme contains the following elements: promotion of regulatory cooperation; capital markets; money laundering and terrorist financing cooperation; innovation and development of technology; trade, travel and security; energy efficiency; intellectual property rights; investment; competition policy and enforcement; procurement and services.

The EU and the US adopted a declaration on an "initiative to enhance transatlantic economic integration and growth" at their summit on 20 June 2005 (10359/05).

COMMON FOREIGN AND SECURITY POLICY**Combating terrorism – Restrictive measures against certain persons and entities**

The Council updated the list of persons, groups and entities to which the restrictive anti-terrorism measures (freezing of funds and other financial assets or economic resources and police and judicial cooperation between member states) introduced in December 2001 apply. The list was last updated on 17 October 2005 (*see press release 13469/05*).

It adopted two acts to that end:

- a common position updating common position 2001/931/CFSP¹ of 27 December 2001 and repealing common position 2005/725/CFSP;
- a decision implementing regulation (EC) No 2580/2001² on the adoption of specific restrictive measures and repealing decision 2005/722/CFSP.

The updated list is published in Official Journal L 314 of 30 November 2005.

The group "Hizbul Mujahideen" was added to the list.

TRADE POLICY

New EU import tariff for bananas

The Council adopted a regulation setting a new single tariff rate for banana imports with a view to the entry into force of a tariff-only regime as from 1 January 2006, as well as a zero tariff rate quota for bananas originating in ACP countries (*see press release 15120/05*).

The normal tariff rate for banana imported from Most Favoured Nations suppliers will be EUR 176 per tonne.

An annual import quota of 775 000 tonnes subject to a zero-duty rate will be opened for imports of bananas from ACP countries under the ACP-EU partnership agreement, starting from 2006.

TRANSPORT

Agreement on air services with Ukraine

The Council adopted a decision on the signature of the agreement between the EU and Ukraine on certain aspects of air services (*14170/05*).

The agreement is the result of negotiation pursuant to a mandate enabling the Commission to negotiate with any third country with a view to bringing member states' existing bilateral aviation agreements into line with Community law.

¹ OJ L 344, 28.12.2001, p. 93.

² OJ L 344, 28.12.2001, p. 70.