



Brussels, 8 March 2011

Background¹
COMPETITIVENESS COUNCIL
Brussels, 9 and 10 March 2011

The Council session is scheduled for one and a half days under the chair of Mr **Zoltán Cséfalvay**, Minister of State for Strategic Affairs of Hungary.

On Wednesday afternoon 9 March (starting at 14.30), the Council will examine and adopt conclusions on the mid-term **evaluation of the 7th research framework programme**. Within the framework of the "Innovation Union" strategy, the Council will adopt conclusions on the preparations for the launch of a pilot **innovation partnership on active and healthy ageing**.

On Thursday 10 March (starting at 9.30), the Council will exchange views on the "**Single Market Act**". The Single Market Act is a two-year plan of 50 initiatives aimed at ensuring continuous optimisation of the internal market and stimulating employment and economic growth. Afterwards the Council will adopt conclusions on the **services sector**.

On the same day, at a public session, the Council will be called upon to authorise the start of an enhanced cooperation between EU member states with a view to creating a **single patent**, which will be valid throughout the territories of the participating member states. Industry ministers will also debate on a set of draft conclusions concerning raw materials and commodity markets.

Furthermore, the Council will hold debates on the Europe 2020 **strategy for growth and jobs** in relation to the Commission's "**Annual Growth Survey**", which marks the start of a new cycle of economic governance in the EU, with the aim to provide with an input to the European spring summit on 24 and 25 March.

Ministerial working lunches will be devoted to the common strategic framework for research and innovation and to the review of the Small Business Act.

Press conferences will be organised at the end of the meetings.

Press conferences and public deliberations can be followed by video streaming:

<http://video.consilium.europa.eu/>

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¹ This note has been drawn up under the responsibility of the press office.

Preparation for the economic spring EU summit: the Annual Growth Survey

In separate sessions, Industry and Research ministers will debate on the Annual Growth Survey - European semester.

On 12 January the Commission adopted a communication on the "Annual Growth Survey: advancing the EU's comprehensive response to the crisis"², which provides the basis for the European Semester under the Europe 2020 strategy for growth and jobs.

The European Semester makes part of a new governance architecture that was approved by the member states on 7 September 2010. It is a six-month period every year during which the member states' budgetary and structural policies will be reviewed to detect any inconsistencies and emerging imbalances. The aim is to reinforce coordination while major budgetary decisions are still under preparation.

In a new monitoring cycle, the European Council each March will identify the main economic challenges facing the EU and give strategic advice on policies. Taking this guidance into account, the member states will present their medium-term budgetary strategies in their stability and convergence programmes. At the same time, they will draw up national reform programmes setting out the action to be undertaken to strengthen their policies in several areas. These programmes are due to be issued simultaneously in April.

The European Semester starts with the Annual Growth Survey, an analysis of the progress on the Europe 2020 targets.

The EU Presidency has decided to have relevant sectoral Councils to discuss the issue from their specific points of view. It is the Presidency's intention to consolidate the input from all relevant Council deliberations in preparation for the spring European Council on 24 and 25 March.

On 9 March, Research ministers will be invited to elaborate along the following topics ([6828/11](#)):

1. Structural reforms in the areas of education, research, innovation and entrepreneurship that can boost private investment into research and innovation.
2. The follow up in finalising the National Reform Programmes as regards innovation.

The next day, Industry ministers will be invited to elaborate along the following topics ([6750/11](#)):

1. Linkages between industrial competitiveness and the five headline goals of the Europe 2020 strategy.
2. Assessment of the Annual Growth Survey and most urgent measures to be taken in the field of industrial competitiveness.
3. EU initiatives that can best contribute to the implementation of the Europe 2020 strategy and the role of the Competitiveness Council in implementing and monitoring them.

² http://ec.europa.eu/europe2020/tools/monitoring/annual_growth_survey_2011/index_en.htm

Evaluation of the Seventh framework programme for research (FP7)

The Council is due to adopt conclusions on the interim evaluation of the EU's Seventh framework programme (FP7) for research activities (2007-2013), including its risk-sharing finance facility.

As provided for in the decision establishing the FP7, groups of independent experts submitted in the course of 2010 two reports³ covering :

- the quality of implementation and management of research activities under way, as well as progress towards their objectives; and
- the functioning of the Risk-Sharing Finance Facility (RSFF), on the basis of which the Council and the European Parliament have to decide on the release of up to € 500 million for the period 2011 to 2013.

The conclusions will take into account the Commission's response to the recommendations drawn up in both reports ([6525/11](#)), as well as the outcome of the high level conference organised by the EU presidency on 24 and 25 February in Budapest, Hungary, on the mid-term review of the FP7⁴.

They will focus on the main political subjects, which include:

- *on the FP7 evaluation:*

- to advance in the Innovation Union strategy objectives ([17165/10](#));
- to develop and implement high quality research infrastructures;
- the level of funding for research;
- the need for appropriate articulation of the new innovation strategy;
- the simplification and efficient use of research instruments;
- the balance of funding measures in FP7 and future research programmes;
- the steps to increase female participation;
- to increase participation of those EU member states with lower participation in the FP7;
- the international cooperation.

The expert group puts forward three key issues of excellence, competitiveness and societal objectives to the research agenda, and priorities for the next FP that are in line with the broad orientations set out in the Innovation Union strategy.

To this regard, the Commission has launched a wide public consultation on the future research and innovation funding programmes ([6528/11](#)).

- *on the Risk-Sharing Finance Facility evaluation:*

In its conclusions, the Council is expected to agree to the release of the second tranche of € 500 million of FP7 funding to the RSFF for the years 2011 to 2013, also supported by the Commission and recommended by the experts group.

³ http://ec.europa.eu/research/evaluations/index_en.cfm

⁴ http://www.eu2011.hu/files/bveu/documents/FP7_press_release_20110225_0.pdf

The RSFF was developed at the request of the EU Council in December 2005, which asked the Commission and the European Investment Bank (EIB) to propose a financing facility with risk-sharing elements for the support of additional investments in research by pooling up to € 2 billion (€ 1 billion from FP7 and € 1 billion from EIB's own resources) in order to cover potential losses on loans provided by the EIB and/or its financial intermediaries.

The RSFF objective is to leverage around € 10 billion of loans research and innovation activities implemented by private companies or public institutions with a higher financial risk profile. The EU financial contribution is broken-down in two parts: a tranche of € 500 million for the period 2007-2010; and a possible second tranche of € 500 million for the period 2011-2013, subject to the interim evaluation.

European Innovation Partnership on "Active and healthy ageing"

The Council will adopt conclusions on the preparations for a pilot European Innovation Partnership on "Active and healthy ageing" ([6911/11](#)).

The European Innovation Partnerships (EIPs) are at the core of the Europe 2020 flagship initiative "Innovation Union" ([14035/10](#)), as stated in the conclusions adopted by the Council on 26 November 2010 ([17165/10](#)).

EIPs are a new approach to European research and innovation intended to tackle common societal challenges. EIPs should bring together all relevant actors at EU, national and regional levels, across policy areas and industrial sectors, in order to:

- (i) step up research and development efforts;
- (ii) coordinate investments in demonstration and pilots;
- (iii) anticipate any necessary regulation and standards; and
- (iv) mobilise demand, in particular through better coordinated public procurement to ensure that innovative products are quickly brought to market.

Active and healthy ageing was identified as a major societal challenge for the future.

The overarching goal of the partnership is to increase the average life expectancy for Europeans by 2020, while ensuring that people can also live healthier and more active. Its importance has been reinforced in the European Council conclusions of 4 February 2011 ([2/11](#)).

The launch of an EIP on active and healthy ageing as a pilot case will allow to test the performance of this new concept for possible future EIPs.

Single Market Act

The Council will hold a debate on the "Single Market Act" (SMA), a two-year plan (2011-2012) of 50 initiatives aimed at ensuring continuous optimisation of the internal market and contributing to the successful implementation of the Europe 2020 objectives on stimulating employment and economic growth ([13977/1/10](#)).

In particular the Presidency will invite delegations to express views on how to define the priority actions and on the role of the SMA for achieving the goals of the Europe 2020 strategy in the most effective way.

Before the debate, Commissioner Barnier is expected to give an overview on the main findings of a public consultation conducted by the Commission until end February 2011. The Commission is expected to present a revised SMA taking in the light of outcome of the public consultation.

On 10 December 2010, the Council adopted conclusions on the SMA⁵ committing its member states to define the priority measures that should be in place before the end of 2012 in order to facilitate access to the single market, support businesses, encourage growth and help to create jobs.

The conclusions also endorsed the general approach of the SMA, submitted by the Commission in October 2010, according to which the single market must rest upon a strong economic and social basis with a view to build a highly competitive economy.

In particular, the conclusions focused on the business and citizens' concerns that prevent them from taking full benefit of the advantages of the single market; the use of tools to develop new sources of growth in both services and industrial sectors; the European international competitiveness and the design of a new collective pattern to ensure a successful relaunch of the internal market.

Services directive: implementation and mutual evaluation process

The Council will be invited to adopt conclusions on the better functioning of the single market in the services sector based on the key findings of the mutual evaluation process of the Services directive.

The Services directive, adopted in December 2006, aims at eliminating obstacles to trade in services in the internal market⁶.

The directive provides for a "mutual evaluation process", a mechanism of systematic review based on the results of the screening of national legislation (i.e. the identification, assessment and, when required, modification of requirements affecting service providers) carried out by member states after the implementation period.

In January, the Commission published a report on the results of the mutual evaluation process ([5559/11](#)), including on the progress achieved and on the next practical steps for further contributing to the implementation of the services directive.

The Council conclusions will address the key findings of the results of the mutual evaluation process and consider the way forward, bearing in mind that the services falling under the scope of the Services directive account for around 40% of the EU employment and gross domestic product. Its full implementation will reduce fragmentation of the single market for services and therefore significantly improve its real functioning thus contributing to economic recovery and enhancing the EU's competitiveness.

⁵ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/118409.pdf

⁶ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:376:0036:0068:EN:PDF>

Future EU patent system: enhanced cooperation

On 10 March, during a public session, the Council is expected to authorise the launch of an enhanced cooperation among member states for the creation of a unitary patent title ([5538/11](#) and [6524/11](#)).

The use of an enhanced cooperation has been requested by twenty-five countries with the aim of establishing a single patent that will be valid across the territory of the participating member states. The European Parliament gave its consent for using this procedure on 15 February.

All Member States except Italy and Spain are supportive of the envisaged enhanced cooperation. The main obstacle to agreeing by unanimity on the creation of an EU patent is the number of languages in which the future unitary patent will be valid, hence the recourse to the enhanced cooperation.

The language regime for the future unitary patent system would be based on the language regime of the European Patent Office (EPO)⁷, where the official languages are English, French and German.

Contrary to the already existing European patent, which requires validation of the granted patent separately in each and every member state, as well as a full translation of the patent in the official language(s) of that member state, the unitary patent will be automatically valid throughout the territory of the member states participating in the enhanced cooperation in the EPO language in which it has been granted.

Background

Following ministerial discussions on 11 October and 10 and 25 November 2010, the Belgian Presidency concluded that it is not possible to reach the required unanimity on a language regime for creating a unitary patent system within a reasonable period. Therefore, on 10 December, a number of delegations expressed their interest to move ahead on the basis of an enhanced cooperation (*press release [17668/1/10](#), p. 8*).

The enhanced cooperation is a procedure enshrined in the EU treaty (articles 326 to 334) that allows a group of countries to adopt new common rules when a EU-wide agreement cannot be reached.

⁷ <http://www.epo.org/>

The procedural steps to initiate an enhanced cooperation in the area of unitary patent protection can be listed as follows:

- 1) It is to be used only as a last resort after verifying the impossibility of reaching agreement.
- 2) A request submitted to the Commission by member states wishing to pursue among themselves an initiative blocked at the level of the Union; there must be at least nine countries wishing to participate.
- 3) The Commission assesses whether the request should be accepted. After acceptance, it sends the Council a proposal for authorisation. This proposal must define the scope and objectives of the enhanced cooperation.
- 4) The Council grants authorisation by qualified majority, after obtaining the consent of the European Parliament.
- 5) Once the cooperation has been authorised, all members of the Council may participate in its deliberations, but only the participating countries take part in the votes.
- 6) Enhanced cooperation is open at any time to member states wishing to join in.

On 4 December 2009, the Council adopted conclusions on a "Enhanced patent system in Europe" ([17229/09](#)).

Raw materials and commodity markets

The Council will examine a recent Commission communication on raw materials and commodity markets with a view to adopting conclusions on this subject.

The communication ([5992/11](#)) addresses present and future challenges concerning the supply of raw materials to the EU. The strategy to deal with these challenges builds on three pillars:

- developing a new EU raw materials diplomacy with a view to securing fair and sustainable access to raw materials on international markets;
- fostering technologies for greater investments in Europe's own natural assets; and
- promoting resource efficiency and recycling in order to reduce demand for primary raw materials.

The Council will be invited to endorse this approach by means of conclusions.

The communication also includes a list of 14 raw materials which are considered critical because of the risk of supply shortage and because their particular impact on the economy.

Secondly, the communication looks at developments on global commodity markets, particularly energy and agricultural commodities, and the links between commodity markets and financial markets.

Finally, the communication raises the issue of the increased financial activity on commodity and raw material markets, including its effects on price levels.

In its conclusions of 28 May 2009 ([10082/09](#)), the Council supported the initiative 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 EU, and a lower consumption of primary raw materials by increasing resource efficiency and promoting recycling.