

2001st Council meeting

– INDUSTRY –

Luxembourg, 24 April 1997

President:

Mr Hans WIJERS

Minister for Economic Affairs of the Kingdom of The
Netherlands

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ITEMS ADOPTED WITHOUT DISCUSSION

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

Belgium:

Mr Jos CHABERT
Minister for Finance, Budget, Civil Service and External Relations of the Government of the Brussels Capital Region

Denmark:

Mr Jan TRØJBORG
Minister for Trade and Industry

Germany:

Mr Günter REXRODT
Federal Minister for Economic Affairs

Greece:

Ms Vassiliki PAPANDREOU
Minister for Development

Spain:

Mr José PIQUE i CAMPS
Minister for Industry and Energy

France:

Mr Frank BOROTRA
Minister for Industry, Post and Telecommunications

Ireland:

Mr Richard BRUTON
Minister for Enterprise and Employment

Italy:

Mr Pierluigi BERSANI
Minister for Industry and for Craft Trades

Luxembourg:

Mr Robert GOEBBELS
Minister for Economic Affairs, Public Works and Energy

Netherlands:

Mr Hans WIJERS
Minister for Economic Affairs

Austria:

Ms Judith GEBETSROITHNER
Deputy Permanent Representative

Portugal:

Mr José PENEDOS
State Secretary for Industry and Energy

Finland:

Mr Antti KALLIOMÄKI
Minister for Trade and Industry

Sweden:

Mr Anders SUNDSTRÖM

Minister of Industry and Commerce

United Kingdom:

Mr David BOSTOCK

Deputy Permanent Representative

Commission :

Mr Martin BANGEMANN

Member

Mr Mario MONTI

Member

Mr Karel VAN MIERT

Member

COMPETITIVENESS

The Council held a first and comprehensive debate on the competitiveness of European Industry. The discussions concentrated on the themes of **benchmarking** and **innovation** as well as on the new **Internal Market action plan** due to be presented at the Amsterdam European Council.

Further to the conclusions adopted by the Industry Council on 14 November 1996, which called on the Commission to "bring forward to the next Industry Council, proposals for developing the use of benchmarking as a tool to improve competitiveness of European Industry" and to the Dublin European Council's request "that there should be regular monitoring and evaluation of the Union's competitiveness against world best practice", Commissioner BANGEMANN presented a new communication titled "Benchmarking of the competitiveness of European Industry".

This document announces a series of initiatives including the establishment of a high level consultative group charged with setting out the guidelines and priorities for benchmarking and selecting pilot projects aimed at encouraging the exchange of experience and best practice.

The Commissioner also stressed the importance of innovation not only as far as research is concerned (the "First Action Plan for Innovation in Europe" will be on the agenda of the Research Council on 15 May 1997), but also in the market place.

Ministers welcomed the opportunity to hold such a debate which several qualified as essential and which marks a departure from the mainly sectoral questions traditionally figuring on the Industry Council's agenda. They agreed that the Industry Council needs to be more active in this area and unanimously adopted the following conclusions on organisation of work concerning competitiveness of European Industry :

- "1. The competitiveness of European industry provides the foundation for growth, creating jobs and raising living standards. European competitiveness should be a regular issue on the agenda of the Industry Council. The Industry Council should seek to ensure that all aspects of competitiveness will be taken into account in the Council.*
- 2. Because of its importance for the future prosperity of Europe in an environment characterised by ever stronger international competition, there is a need to raise overall political interest in competitiveness. Notwithstanding industry's own responsibility in this context, both Member States and the Commission must increase their awareness of the impact that their actions can have on competitiveness. The Industry Council must assume its role in promoting the competitiveness of European industry.*

3. *An annual debate on competitiveness will be organised within the framework of the Industry Council. The debate will be based upon regular Commission reports on competitiveness, on Member States own reports on this issue as well as contributions from international organisations and industry. It will take into account inter alia the results of benchmarking exercises.*
4. *The Industry Council should play a key role in issues having an impact on competitiveness. The Council should contribute to the definition of the policies affecting the structural environment of companies.
In order to assess the competitiveness of European Industry, the Presidency together with the Commission is asked to look into the possibilities to organise debates in the Industry Council. In this context, when appropriate, a concerted approach within the Council should be worked out.*
5. *Industry can make a valuable contribution to the debate on competitiveness and should be invited to contribute to the Industry Council's deliberations. This implies the opportunity for industry to raise the issue of concrete obstacles and the possibility to make suggestions on how to improve global competitiveness.
The Council considers that the possibility to improve its dialogue with industry should be studied.*
6. *An essential element in the process of improving European competitiveness will be monitoring progress on the achievement of objectives and actions that have been agreed by the Council. This includes, where appropriate, identifying targets and indicative timetables to be met and using benchmarking exercises to evaluate the impact of these actions on competitiveness on a continuous basis."*

Commissioner MONTI presented his institution's ideas as to the action plan it intends to present to the Amsterdam summit in June. The action plan, together with a timetable, would cover all necessary measures that must be taken to ensure that the full potential benefit of the Internal Market is achieved before the beginning of stage 3 of EMU.

This action plan would cover the following four areas :

- making current rules more effective,
- removing existing distortions, in particular fiscal barriers and anti-competitive behaviour,
- eliminating residual sectoral barriers,
- consolidating the social dimension of the Internal Market.

In order to monitor the implementation of the new plan, the Commission would regularly publish a "Single Market Scoreboard".

The Commission is currently seeking the reactions of the Council to these ideas : Industry Ministers were invited by Mr MONTI to provide their comments to the Commission in writing; Internal Market Minister already had a first debate on the matter on 13 March and will discuss it again on 20 May; the Ecofin Council will debate it on 12 May. The Commission will then finalize the new action plan.

INFORMATION AND COMMUNICATION TECHNOLOGIES

Commissioner BANGEMANN presented the Communications on the "Competitiveness of the European Information and Communication Technology (ICT) Industries", "A European Initiative in Electronic Commerce" and the rolling action plan "Europe at the forefront of the Global Information Society".

The first communication proposes actions aimed at improving the competitiveness of the ICT industries and the business environment they operate in. These actions include completing the abolition of trade barriers on all information technology products, improving the process of development of standards, exploiting the potential of European Union enlargement, promoting industrial co-operation, facilitating the emergence of SMEs and focusing on skills upgrading in order to improve industrial performance and employment opportunities.

The communication on "Electronic Commerce" identifies four key areas for action in order to promote this new way of doing business : widespread, affordable access to the infrastructure, products and services needed for electronic commerce through secure and easy-to-use technologies and services and reliable high capacity telecommunications networks; a coherent regulatory structure within the EU, based on Single Market principles; a favourable business environment by promoting relevant skills and raising awareness; a compatible and coherent regulatory framework at the global level.

Having taken note of these presentations and of the comments by various delegations, the Council unanimously adopted the following conclusions on the Competitiveness of the Information and Communication Technology Industries (ICT) :

- "1. Following discussions at the Industry Council of 8 October 1996, a broad debate on the competitiveness of the ICT industries was started involving the Presidency, the Commission, the member States, the industry and experts. This debate confirmed the crucial importance of the ICT industries for the European economy, the creation of new employment, the competitiveness of most industrial and service sectors and the development of the information society.*
- 2. From this analysis it also appears that the European ICT industries, in facing intense global competition, are hampered by a number of disadvantages and difficulties. In order to keep pace with such a dynamic evolving industry, political attention is needed on a number of key policy issues, notably in respect to research and development, standardization processes, internal market completion, support to SME's, education and training, and access to global markets.*

3. *Actions having an important impact on the competitiveness of the ICT industries form a substantial part of policy initiatives already underway in the Union, for example, programmes and initiatives set out in "Europe at the Forefront of the Global Information Society, A Rolling Action Plan", COM(96) 607. Some of these actions could be strengthened and accelerated if it is considered appropriate. Further, the Council welcomes the Commission communication on ICT industries' competitiveness and invites the Commission to continue, in consultation with member States and industry, to analyze these issues and to identify what further specific actions towards ICT industry and what mechanisms for monitoring progress in the implementation of the actions may be needed, by whom and in what time scale.*
4. *Strengthening the competitiveness of European industry requires the rapid implementation of new information and communication applications within businesses and in business transactions. The Council welcomes the communication of the Commission on Electronic Commerce and takes note of the Commission's intention to have a coherent legal framework for Electronic Commerce implemented by the year 2000. The Council will pursue the theme of Electronic Commerce, especially as related to SME's, in one of its future sessions."*

SHIPBUILDING

The Council at its meeting of 14 November 1996 had invited the Commission to submit a working paper on the future of shipbuilding for its April 1997 meeting. *This document, entitled "Shipbuilding policy – options for the future – first reflections", and in particular the options for any future state aid regime in case the OECD agreement should not come into force within a foreseeable future, represented the first shipbuilding item on the Council's agenda.*

Furthermore, the derogations provided for in the "7th Directive on aid for shipbuilding" for certain shipyards under restructuring having expired, the Commission recently submitted a proposal for a Regulation, with the aim of updating the previous derogations so as to enable the Commission to authorize aid programmes in Germany, Greece and Spain respectively. *This was the second shipbuilding point on the Council's agenda.*

After a thorough discussion of these questions, the Council reached the following conclusions :

- "1. *There is a qualified majority in favour of a specific new regime for shipbuilding (Option 3 of the Commission paper "Shipbuilding policy - options for the future - first reflexions"), together with extension of the 7th Directive until the 31.12.1998, with the understanding that the 7th Directive lapses automatically*
 - *as soon as the OECD-Agreement is ratified by the USA,*
 - or*
 - *as soon as a new regime on shipbuilding policy is adopted.*

The Council takes note of the Commissions' intention to take the appropriate steps based on the 7th Directive, if necessary to avoid a legal void.

2. *A qualified majority in the Council approves the Commission proposal for aid to specific shipyards in Germany, Spain and Greece on the following conditions:*
 - *strict monitoring by the Commission on the basis of four inspections and two reports a year;*
 - *the Spanish Government agrees that the ship-yard at Astander will not carry out conversions, as long as it remains in public ownership;*
 - *the Commission will carry out an expertise on Floating Production Storage and Offloading vessels (FPSO's) and will report to the Council on its findings;*
 - *the Commission will continue its efforts to persuade the USA of the necessity to ratify the OECD-Agreement.*
3. *The Council confirms furthermore that it considers itself bound by the standstill provision in the OECD-Agreement."*

The Finnish and Swedish delegations could not support the first paragraph of these conclusions; as to the Regulation which formalizes the approval for aid to the specific shipyards (second paragraph of the conclusions), the Danish, Finnish and Swedish delegations announced that they will vote against , while the United Kingdom delegation intends to abstain on this matter.

The Commission undertook to present the proposal for the new regime referred to in paragraph 1 by the end of September 1997 at the latest.

The Council instructed the Permanent Representatives Committee to finalize the legal texts required to implement these conclusions so that the formal decisions can be taken.

It is recalled that the OECD Agreement relates to normal conditions of competition in the shipbuilding and ship repair industry. It provides for the elimination of all direct aid to shipbuilding, except for social aid relating to the closure of shipyards and research and development aid which are authorized subject to certain ceilings. In September 1996, the Council had decided to prolong, once more, the relevant provisions of Directive 90/684/EEC (seventh Directive) on aid for shipbuilding pending the entry into force of the Agreement or until 31 December 1997 at the latest.

The aid which the Council decided to approve concerns

- an amount of up to GDR 54.525 billion for "Hellenic shipyards" to allow the company to write off the debt accumulated before its delayed privatization;
- operating aid for the period from 1 March 1996 until 31 December 1998 in favour of MTW-Schiffswerft and Volkswerft Stralsund up to a total amount of 333 mio DM and 395 mio DM respectively. These amounts comprise the aid to facilitate the further operation of the yards, social aid, contract-related aid under the "Wettbewerbshilfe" scheme and the aid equivalent of guarantees;
- aid for the restructuring of the publicly-owned yards in Spain up to an amount of 135.028 billion pesetas in the forms of interest payments on loans taken on to cover unpaid previously approved aid, tax credits, and capital injection.

STATE AID

5TH COMMISSION REPORT ON STATE AID

Commissioner VAN MIERT gave an oral presentation of the latest Commission report on state aid in the Community, covering the years 1993 and 1994 (twelve Member States).

He drew the Council's attention to two findings in particular which the Commission is concerned about: the fact that aid to manufacturing was stable by comparison with the preceding period (1990-1993), whereas it had been falling before that, and the sharp increase in the share of aid which goes to one-off measures to assist individual firms.

The Commissioner underlined that steps are needed to counteract the damaging effects of national aid policies on economic cohesion in Europe and to prevent the relocation of companies provoked by higher-than-necessary aid.

CURRENT SITUATION REGARDING POSSIBLE FUTURE COMMISSION PROPOSALS UNDER ARTICLE 94/EC

Commissioner VAN MIERT announced that these proposals would be presented during the Luxembourg Presidency. They concern procedural rules on the one hand, and a regulation which would allow certain categories of aid (for example, aid for environmental purposes, SMEs, training, research or energy saving) to be exempted from the advance notification requirement, on the other hand.

EFFECTS OF THE STRUCTURAL FUNDS ON COMPETITIVENESS IN THE COMMUNITY - NOTE FROM THE DANISH DELEGATION

In a note submitted to the Council, the Danish delegation called for greater attention to be paid to the effects of structural policy and regional State aid on competitive conditions in the Community, the aim being to determine how the structural policy can best assist the least favoured areas without this resulting in plant closures in other parts of the Community. Denmark in particular requested a detailed analysis so as to have a factual basis for a proper debate at a future Council session.

Having taken note of this document and of interventions by the Commission and certain delegations, the Council agreed to invite the Commission to report back at its next session or under the British Presidency.

STEEL INDUSTRY

7th REPORT ON THE MONITORING OF AIDS TO THE STEEL INDUSTRY

The Council took note of a presentation by Commissioner Van Miert of the 7th Commission report on the monitoring of steel aid cases under Article 95 of the ECSC Treaty and the Community Code for aid to the steel industry. According to the Commissioner, this latest report does not show any particular difficulties.

The report is a six-monthly one which the Commission prepares on the basis of data supplied by the Member States concerned in order to monitor closely aid to certain European steel enterprises authorized in 1994 (CSI and Sidenor in Spain, ILVA in Italy, Siderúrgia Nacional in Portugal, EKO Stahl GmbH and Sächsische Edelstahlwerke GmbH in Germany), 1995 (Voest Alpine Erzberg GmbH in Austria) and 1996 (Irish Steel in Ireland).

CONTROL OF CONCENTRATIONS BETWEEN UNDERTAKINGS

The Council reached unanimous political agreement, subject to a United Kingdom parliamentary scrutiny reservation, on amending the Merger Control Regulation 4064/89. Final adoption will take place without further debate at a forthcoming Council session.

The most important new element concerns the treatment of merger cases having a significant cross-border effect but which, because they fall below the current thresholds, are subject to notification to national authorities in each Member State concerned (multiple national filings).

The present situation creates considerable work, costs and also legal uncertainty for enterprises involved in such mergers. This will be changed as the new scheme extends Commission competence to these cases which will be handled by one instance only, the "one-stop-shop".

Commission competence will be extended to merger cases which reply to the following criteria :

- (a) the combined aggregate worldwide turnover of all the undertakings concerned is more than ECU 2 500 million;
- (b) in each of at least three Member States, the combined aggregate turnover of all the undertakings concerned is more than ECU 100 million;
- (c) in each of the three Member States included for the purpose of (b), the aggregate turnover of each of at least two of the undertakings concerned is more than ECU 25 million; and
- (d) the aggregate Community-wide turnover of each of at least two of the undertakings concerned is more than ECU 100 million;

unless each of the undertakings concerned achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State.

On the basis of a Commission report and proposal, these thresholds and criteria may be revised by the Council, acting by a qualified majority, three years after the adoption of the Regulation.

The amended regulation also contains some other changes to the current Merger Regulation concerning, for example, the basis for calculating the turnover of credit and financial institutions, as well as amendments intended to clarify and improve the text of the Regulation.

OTHER BUSINESS

Commissioner BANGEMANN briefly presented the following communications : **"European Union action plan : Satellite Communications in the Information society"**, and **"The European Union and Space: Fostering applications, markets and industrial competitiveness"**.

Furthermore, the Commissioner and German Minister REXRODT provided an update on the preparation of the **International Ministerial Conference on "Global Information Networks: Realising the Potential"** which will be held in Bonn, 6-8 July 1997.

OTHER DECISIONS

Adopted without discussion. In the case of legislative acts, votes against and abstentions are indicated. Decisions including statements to which the Council has decided to grant the public access are indicated by asterisks; the statements in question may be obtained from the Press Office.

BUDGET

Adjustment of the financial perspective (1993 – 1999)

The Council signified its agreement to the adjustment of the financial perspective to take account of the conditions of implementation, which was also approved by the European Parliament today.

The adjustment, which was decided on under paragraph 10 of the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure of 29 October 1993, is further to a proposal from the Commission and takes account of the conditions of implementation of the budget in 1996 and of the foreseeable implementation capacity for 1998 of the Structural Funds.

On the basis of that Decision, the ceiling for the Structural Funds (commitment appropriations) under the financial perspective is to be lowered by ECU 500 million in 1998 and raised by ECU 1 045 in 1999 (ECU 500 million transferred from 1998 and ECU 545 million cancelled in 1996). As regards payment appropriations, the overall ceiling is lowered by ECU 300 million in 1998 and raised by the same amount in 1999. In addition, the Cohesion Fund ceiling (commitment appropriations) is raised by ECU 17 million in 1999.

ENVIRONMENT

Programme promoting Non-Governmental Organizations (NGOs)

The Council adopted a common position regarding the Decision on a Community action programme promoting non-governmental organizations primarily active in the field of environmental protection.

The general objective of this programme is to promote the activities of the NGOs at a European level by contributing to the development and implementation of Community environmental policy and legislation. The Commission forwarded the initial proposal to Council by letter in December 1995; it aims at giving a legal basis, and therefore stability to an already existing practice of co-financing NGOs particularly active in this field.

The programme shall start on 1 January 1998 and shall end on 31 December 2001. The financial reference amount for its implementation over this period is ECU 10.6 million. The rate of overall Community assistance shall, in principle, not exceed 50% of the budgeted activities to which this contribution is allocated.

RESEARCH

Fourth framework programme

The Council found that it is not in a position to accept all the amendments voted by the European Parliament to its common position regarding the proposed financial supplement to the 4th Framework Programme for Research and Development. The conciliation committee will therefore be convened, in accordance with the rules governing the co-decision procedure, with a view to reaching an agreement between the two Institutions on this decision.

FISHERIES

Baltic Sea

The Council has adopted a Regulation introducing arrangements for the management of fishing effort in the Baltic Sea. The Regulation lays down the conditions of access to waters and resources, the pursuit of fishing activities and introduces a Community system for special fishing permits. The Regulation will bring to an end the transitional arrangements on access to the Baltic for Finland and Sweden, leading to their full integration in the Common Fisheries Policy.