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From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	Europe 2020 strategy: Mid-term review - Policy debate

Delivering Economic Growth - Food for thought: Themes for discussion in the industry and internal market part of the Competitiveness Council

Introduction

Against the backdrop of the economic and financial crisis, the EU must continue to make every effort to deliver a strong, well-integrated Single Market and strengthen industrial competitiveness with an agenda that supports competitiveness, growth and jobs in Europe. With this in mind, it is important to take measures that remain sufficiently flexible in order to adapt to possible future changes, and to ensure clear, concrete objectives in order to achieve sufficient growth levels.

The review of the Europe 2020 strategy represents an opportunity, not only to support our recovery from the economic crisis, but to continue that trajectory into supporting renewed industrial competitiveness and growth. Its re-launch will bring with it the potential to further complement and add value to the existing and on-going work of both the European Commission and the Member States.

The Presidency would like therefore to encourage a strategy, i.e. a New ‘Approach to the Internal Market’ (new AIM, as announced in the Italian Presidency program “EUROPE - A fresh start”). Within this context, the Presidency encourages Member States to highlight target areas where action may be needed to further develop the single market and possible measures to be taken (e.g. review of EU legislation, soft law, peer reviews), in order to help find common ground on a set of measures to increase Europe’s economic integration.

Prioritising the re-launch of the Europe2020 Strategy

In this scenario, the Italian Presidency believes that the Europe 2020 Strategy, which is the EU’s main over-arching growth strategy, should deliver two main objectives, considered crucial to the economic and competitiveness agenda:

- i) better alignment of the real and financial economies and
- ii) strengthening the integration of the Single Market and Industrial Competitiveness priorities within the European Semester.

Europe 2020: Smart, Sustainable, and Inclusive Economy

The Europe 2020 Strategy builds on the lessons drawn from the Lisbon Strategy for growth and jobs which was adopted in 2000 as the EU’s medium to long-term growth strategy. It is also the starting point for the European Semester that has since become the overall framework for coordination and convergence of Member States’ policies.

In March 2014, the European Commission launched the first steps towards a Mid-Term Review of the Europe 2020 strategy through a Communication, ‘Taking Stock of the EU 2020 strategy for smart, sustainable and inclusive growth’¹, followed by a public consultation launched in May 2014 and aimed at bringing together evidence on the Strategy’s progress so far from all interested stakeholders. According to the Commission, the main aim is to draw lessons from the first four years of the strategy and to ensure it acts as an effective tool for jobs and growth in the post-economic crisis period. As the EU’s main growth strategy, it intends to make the EU a smart (through investments in education, research and innovation), sustainable (through a move towards a low-carbon economy) and inclusive (emphasis on job creation and poverty reduction) economy. As Commission President Barroso emphasised in his State of the Union address, this will only be achieved through developing a strong dynamic industrial base. The March 2014 European Council² stressed the need for a strong and competitive industrial base, in terms of both production and investment, as a key driver of economic growth and jobs. Industrial competitiveness concerns should be systematically mainstreamed across all EU policy areas and be part of impact assessments in view of getting a stronger industrial base for our economy.

The Commission has noted ‘mixed progress’ so far in achieving initial targets, and recognised that more must be done if these are to be achieved. The Presidency believes that more focus should be given to the actual drivers for growth, besides the targets, in terms of smart, sustainable and socially inclusive growth. The economic crisis has meant reduced efforts and investment by Member States towards achieving the goals set; the Commission notes that only few indicators are likely to be reached, such as those on climate and energy. It is essential therefore that collectively the EU, including Member States, continue to make every effort in achieving targets.

Improving Governance

Central to improving the Europe 2020 Strategy is to ensure better governance, with the aim of a closer coordination of EU policies and further strengthening of the Single Market and industrial competitiveness dimension.

¹ Doc. 6713/14

² Doc. EUCO 7/14

The European Semester is now the main framework which oversees the governance process for economic policy coordination. However, it would be advisable to better coordinate in its proceedings the setting of objectives and targets of the EU growth strategy. Review of this process – and its governance - could therefore be explored in order to ensure a more effective balance of priorities between fiscal elements and the growth and competitiveness agenda.

The Single Market deserves a stronger reflection in the EU 2020 Strategy, to take into account the need to deepen the Single Market in services, networks and the digital economy and to allow growth and employment opportunities to be unlocked and exploited.

Another important element is the ‘industrial policy’ component of a post-crisis strategy for growth which underpins the three aims of the Europe 2020 Strategy: smart, sustainable and inclusive.

Relevant aspects of both Single Market and industrial competitiveness are also considered by other Council formations without a direct dialogue or engagement with the competent Council formation (Competitiveness). A lack of coordination risks therefore to negatively impact on the competitiveness agenda.

Taking the New Approach to the Internal Market mentioned above and strengthening the mainstreaming of industrial competitiveness, considering some of the aspects highlighted in this paragraph, would help to set a longer-term strategic agenda. We look forward to discussing these and other ideas with Member States.

Roadmap

The Italian Presidency wishes to work with Member States to support the Commission’s Europe 2020 Mid-Term Review, recognising that Europe 2020 is pivotal to bringing together different EU policies. This is intended to complement and add value to the existing and on-going work of the European Commission and Member States. This initiative was launched by the Presidency at the General Affairs Council in July 2014. We support a gradual, inclusive approach which seeks the views of Member States.

Practically, the Presidency will do this through the organisation of debates in several Council formations, targeting a wider range of sectors/policies which are not currently foreseen in the Europe 2020 Strategy. The Strategy adopted five headline targets in 2010 on employment, education, social inclusion, research and development and climate/energy, but the review is now an opportunity to assess these priorities and the potential of other policy areas.

It is important to highlight that although these targets focus on important areas, they may only show part of the picture.

For the Single Market an outstanding amount of work has been done, building on the key initiatives of SMA I and SMA II. In line with the Strategic Agenda for the Union in Times of Change set by the June 2014 European Council, there is a clear need to further action to fully exploit the potential of the single market in all its dimensions.

Delegations are invited to highlight possible specific priorities and tools to achieve these goals.

The intended outcome is to produce a summary in December in the General Affairs Council, as a contribution to the European Council, to be possibly conveyed to the European Commission ahead of its proposals for the Mid-Term Review in Spring 2015.

We hope that Member States will take the opportunity to respond to the questions set in each Council which has the overall objective of better improving and setting the direction of the EU 2020 Strategy.

QUESTIONS

In the light of the overall context described above, the Presidency invites the Council (Competitiveness – Internal Market and Industry part) on 25 September 2014 to address the following questions:

- Do Ministers think that the Europe 2020 strategy has made a difference and has been implemented effectively at EU, national and local levels? What were the main hurdles? How can we improve the effectiveness of policy measures to achieve the 2020 targets?

- Is there a need for simplification/streamlining of the process/methods and how? How could the strategy best be linked to other policies/processes in the area under competence of the Competitiveness formation of the Council?
 - How can the Europe 2020 Strategy be made more effective in terms of promoting economic growth? What areas and/or instruments should be emphasized or activated to this end (including the financing aspect) ensuring there is a proper alignment between objectives and instruments to achieve them?
 - How could competitiveness monitoring be better streamlined? How could a stronger synergy between the works of Competitiveness and ECOFIN formations of the Council be achieved when addressing horizontal features concerning real economy?
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