



LIETUVOS RESPUBLIKOS ŪKIO MINISTERIJA
MINISTRY OF ECONOMY OF THE REPUBLIC OF LITHUANIA

Gedimino pr. 38, LT-01104 Vilnius, Lithuania,
tel.: +370 706 64 845, 706 64 868, fax +370 706 64 762, e-mail kanc@ukmin.lt, <http://www.ukmin.lt>

Mr. Herman van Rompuy
President of the European Council
European Council
Rue de la Loi 175
Brussels B-1048

09-12-2013 No.

Dear President,

I would like to take this opportunity to share the outcome of the discussions held by the Competitiveness Council of Ministers during their latest meeting on 2 December.

The Presidency considered it very important to have a policy debate with a view to providing an input to the European Semester 2014. With regard to the upcoming European Council meetings, following the October European Council's decision to discuss main areas for coordination of economic policies and reforms, the policy debate highlighted the following areas:

- Industrial policy with a specific accent on conditions fostering innovation and better use of the potential of European clusters;
- Energy policy as having major impact on the competitiveness of the European industry, as well as related decisions on climate change and environment;
- Further deepening of the Single Market, which should be ensured through good implementation of the rules especially in the areas of free movement of services and labour and easier access in particular for small companies.
- Digital economy, especially bearing in mind the deadline of January 2015 when the Digital Single Market should become a reality;
- Removing trade barriers to ensure maximum competitiveness gains for European businesses;
- Further efforts to improve access to finance, especially for SMEs.

A number of Member States also stressed the need for more coordination on the Better Regulation agenda.

Three sets of Council conclusions presented by the Presidency were adopted in this respect, namely on European Industrial Policy, on Single Market Policy and on Smart Regulation. These Conclusions respond to latest calls by the European Council and cover an ambitious political

agenda for the Council, while in parallel-calls also on the Commission to contribute with concrete actions.

In this context let me point out some essential elements of the Single Market Policy Conclusions, such as better enforcement of the Single Market rules, stock-taking on the mutual recognition principle as facilitator of cross-border activities of small and medium business, further reforms in the services sector, including concrete deadlines and actions.

Council Conclusions on Smart Regulation emphasize the importance of reducing the overall regulatory burden in a focused way and in particular for micro, small and medium companies, the need to learn from best practices, and to involve the stakeholders in the preparation and implementation of a broad Smart Regulation agenda.

Furthermore, the Conclusions on European Industrial Policy underline the need for a stable and predictable competitive framework for the European industry and stress the importance of restoring normal lending to the real economy, e. g. by removing fragmentation of financial markets in Europe (which undermines access to finance, especially for SMEs) and the importance of investment within Europe, as well as from outside into Europe. Alternative funding mechanisms such as crowd-funding are also mentioned.

These Conclusions emphasize the need to reduce distortions, including in issues related to State aid. They also point out the need for priorities and focus, in order to support the internationalisation of EU enterprises, in particular SMEs and to strengthen their position in the global markets and value chains. This should be done by supporting innovation and research and intensifying the cooperation between business and academia, while investing in lead markets to create world-class clusters, e.g. in the area of Key Enabling Technologies. Moreover, education systems should be adapted to better support the needs in skills of the economies within the European Union.

Finally the Council Conclusions on industrial policy underline the need for a holistic approach of all policies taking into consideration the impact on industrial competitiveness, including addressing the climate and energy policies and the high cost of energy.

I strongly believe that Council Conclusions on Industrial Policy put forward a number of suggestions addressing the main challenges to industrial competitiveness thereby sending a strong message to the February European Council on how to reinforce the industrial competitiveness in Europe.

Moreover, the Competitiveness Council Lunch discussion was devoted to the Defence Industry with a view to providing a contribution on some particular aspects of European defence industry. Member States emphasized the need for a well-functioning defence market based on openness, equal treatment, equal opportunities and transparency for all European suppliers. Ministers agreed that the role of SMEs in the defence supply chain is crucial, since they are an important source of innovation; in this context, Ministers stressed the importance of cluster partnerships and stressed the need to promote the necessary skills identified as essential to the future to

defence industry. In order to ensure a level-playing field, they committed to proper application of the two defence directives on procurement and intra-EU transfers.

Ministers pointed out that an important element of the European Defence Technological and Industrial Base (EDTIB) is to ensure maximum synergies between the civilian and military sectors, with mutual benefits in terms of support for innovation, competitiveness, growth and jobs. The possibilities offered by Horizon 2020 were mentioned by a large number of Ministers and the proposed preparatory action on CSDP-related research was welcomed. They also addressed the importance of certification and standardisation for the EU defence industry, including hybrid standards. It was pointed out that EU efforts should be complementary with those undertaken by NATO.

The Presidency hopes that these elements outlined above could serve as useful contributions to the forthcoming debates at the European Council. We look forward to continue cooperation on these issues.

Yours sincerely,

Evaldas Gustas
Minister of Economy

