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# Europe's Economy in the Age of Globalisation

Achievements of the 2007 German Presidency of the Council of the EU in the Field of Economic Policy

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## Foreword

“Europe: Succeeding Together” was the motto which guided the German Presidency of the Council of the European Union.

At the end of our Presidency we can conclude that, together with the other member states and the European Commission, and in close cooperation with the European Parliament, we have proved that this is true and that we have been able to achieve much. The results of the German EU Presidency, in particular in the field of economic policy, are manifest: We have taken concrete decisions that will have a positive effect on **growth and employment** in Europe. These also demonstrate that the EU is able to master the **challenges** posed by **globalisation**.

The framework conditions for strengthening the **competitiveness** of European companies have been improved.

We have set ambitious targets for **reducing bureaucracy**.

We have come a good step closer to completing the **single market** in a large number of sectors. And we have given the European Commission a number of issues to consider when conducting its comprehensive review of the single market. First and foremost is the task of making the EU’s single market fit for global competition.

We have also launched central elements of the new EU **trade strategy** “Global Europe”, which will improve access for European companies to third markets.

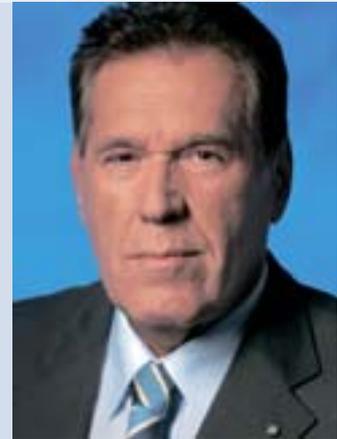
**Energy policy and climate protection** have been combined for the first time in an integrated strategy to reduce greenhouse gas emissions and energy consumption and increase the share of renewable energies.

This has allowed us to meet a concern that is very close to the hearts of Europe’s citizens.

For bringing the EU closer to the **peoples of Europe** and ensuring they are able to appreciate the **tangible advantages of EU membership** was a personal concern of mine for the German Presidency – and it will remain so in future!

I am therefore particularly pleased that we have succeeded in **lowering charges for cross-frontier mobile phone calls** with the Roaming Regulation.

A considerable number of dossiers were completed, and in many others considerable progress was



made. This will provide the next chairs of the so-called Three Presidencies with a solid platform on which to build.

We pass on the Presidency at a time when growth and employment are developing well. We are experiencing an **economic upturn** across a broad front that has also led to clear progress in combating unemployment. The Community is expecting economic growth of 2.9% in 2007, and this should continue at a similar rate in the following years. In the last three years (2005-2007) 8.3 million net new jobs have been created in the EU.

The economic successes are also due to the fact that **structural reforms** to increase growth and employment are now unleashing their full effect during the economic upturn.

I therefore expressly welcome the fact that in March in the European Council the EU member states strengthened their commitment to using the improving macroeconomic situation to **step up the pace of reform** and thereby improve Europe’s position in the global market place even further.

I will devote all my energy to achieving this in future as well.

A handwritten signature in black ink, appearing to read "Michael Glos". The signature is fluid and cursive, written over a light blue background.

Michael Glos  
Federal Minister of Economics and Technology

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## Economic Policy During the 2007 German EU Presidency



*Informal Competitiveness Council, Würzburg, 27.04.2007*

For its Presidency of the Council of the European Union, Germany set itself the target of ensuring that Europe punches its weight in the globalised world of today. This requires an economically strong and dynamic Europe.

The Federal Ministry of Economics and Technology (BMWi) has made its contribution to this. Firstly, through the **joint coordination of the Presidency** by the Federal Chancellor's Office, the German Foreign Office and the BMWi; and secondly through the work of those council formations in Brussels which are tended to by the BMWi. For this reason, both the Competitiveness Council and the Councils of Ministers of Energy and Telecommunications, as well as the meeting of Trade Ministers were chaired by Federal Minister Michael Glos. This enabled the economic and technology policy agenda of this Presidency to be fully implemented.

**The aim of our EU Presidency** in the area of economic policy was:

- ▶ to extend an efficient and effective **single market**
- ▶ to improve the **competitiveness** of Europe's companies
- ▶ to develop a secure, environmentally-friendly and competitive **energy supply** for Europe and
- ▶ to boost **trade** and Europe's competitiveness globally.

Our Presidency therefore took up core elements of the renewed **Lisbon Strategy** and advanced them with a view to promoting growth and employment.

The following sections **list** what the Federal Government achieved during its EU Presidency for the citizens and businesses of Europe.

## I. Strengthening the EU Single Market

This year we look back on fifteen years of the single market. In the analysis it presented to the heads of state and government at the Spring European Council, the European Commission identified globalisation as the main challenge to the **single market of the 21st century**. It is therefore right that the European Commission has been requested to present a comprehensive review of the single market in the second half of 2007 and assess the extent to which the EU's single market of today can meet the challenges facing the single market of tomorrow.

### Preparing A New Single Market Strategy

The European Council, building on preparatory work by the Competitiveness Council, therefore emphasised that a smoothly functioning single market is at the core of the Lisbon Strategy for Growth and Employment. In addition, a further strengthening of its four freedoms (free movement of goods, freedom to provide services, free movement of workers and of capital) is important for improving the international competitiveness of the EU.

On the challenges facing a **single market in global competition** the EU Economics Ministers agreed at the informal meeting of the Competitiveness Council in Würzburg on 26-28 April that the Community's excellent position as an attractive **location for investment** can only be maintained and improved by further efforts to make labour markets more flexible, by better regulation, and through greater investment in research and development. The European Commission was also asked to examine whether the present EU **state aids** regime offers the Community sufficient support in the context of competition between international business locations.

### Facilitating the Trade in Goods

One of the German Presidency's aims was to **facilitate the trade in goods** within the single market. Many of the goods traded within the EU are still subject to different national rules or oversight procedures that increase costs for companies. Under the German Presidency, and based on proposals put forward by

the European Commission in mid-February, intensive discussions were held on strengthening and improving the **principle of mutual recognition** of non-harmonised products (for which no EU rules exist) and **improving and harmonising the certification and market supervision of harmonised products (the so-called New Approach)**.

The German Presidency achieved agreement on important points of both European Commission proposals.

Both dossiers will now be handed on to the Portuguese Presidency with the aim of achieving a rapid agreement at first reading between Council and Parliament following deliberations in the European Parliament (see box p. 7).

### Enhancing Legal Provisions with respect to Public Procurement

In addition, substantial improvements were achieved in strengthening the legal position of bidders against illegal contract awards by public authorities (**revision of the public procurement remedies directives**). This will benefit German companies, for instance when tendering for public contracts in other European countries. But it will also benefit all European taxpayers, as providing effective legal remedies is the best way of ensuring that European rules on public procurement are observed.

### Strengthening Consumers' Interests

Since the 1970s the EU has set rules on the packaging of a large number of products, such as house paints, fish fingers and toothpaste. A new directive, approved by the Council and the Parliament, now abolishes rules fixing nominal quantities in which pre-packaged goods can be sold. Under the new rules, binding EU package sizes only exist in relation to wine, champagne and spirits. However, transition periods of up to 6 years are envisaged for certain foodstuffs, such as milk, sugar and coffee, in order to make it easier for producers and consumers to adjust. This new **pre-packaging directive** is a good example of how it proved possible to reduce bureaucracy and improve law-making at the European level under the German Presidency. Both consumers and producers

- ▶ If a member state opposes the marketing of a non-harmonised product from another member state then it – and not the company – must produce good reasons to prove that this marketing contravenes its national rules. All information on this system of mutual recognition and national rules and regulations is to be made available through product information points. And although further details still need to be settled in the **regulation on mutual recognition**, essential points were able to be clarified under the German Presidency.
- ▶ In relation to the trade in harmonised goods, the German Presidency concentrated on the **draft regulation on certification and market supervision**, as there is urgent need for action at the European level here. High standards of uniform market supervision will help to protect the European consumer, while a harmonised certification system will offer EU companies better sales opportunities on world markets as well. Here too, agreement between member states on important questions of principle was largely achieved.

will equally benefit, as unnecessary rules will be scrapped, competition will be strengthened and in future more package sizes will be available to meet consumers' many different needs.

#### Cheaper Mobile Phone Calls from Abroad

After difficult negotiations in Council and with the European Parliament, the German Presidency succeeded in passing the **Roaming Regulation**. This has

paved the way for the lowering of the cost of mobile phone calls from other EU countries. The regulation was published in the EU's Official Journal on 29 June and came into force one day later, thereby ensuring that European consumers are able to benefit from lower charges this summer. The regulation obliges mobile phone operators to introduce a so-called Euro rate that will apply in all 27 EU member states. In the first year, this will have a maximum upper charge of



*Informal Meeting of the EU Ministers responsible for Telecommunications Policy at the CEBIT in Hannover, 15.03.2007*



Federal Ministers Tiefensee and Glos at the press conference of the EU-G8 Summit “Energy efficiency: Shaping Tomorrow’s World”, Berlin, 20-21.04.2007



Support programme at the Informal Meeting of EU Tourism Ministers, Potsdam, 16.05.2007



Opening Ceremony at the Meeting of Telecommunications Ministers, Berlin, 16.05.2007

0.49 euros for calls made and 0.24 euros for calls received. In the second and third years, these upper limits will be lowered to 0.46/0.43 and 0.22/0.19 respectively. The wholesale charges between network operators are set at a maximum of 0.30 euros in the first year and 0.28 and 0.26 euros in the second and third years respectively.

In addition to the euro rate, all other rates will still be allowed. This particularly simple approach, stemming from a German initiative, will offer effective protection for consumers, avoids bureaucracy and provides operators extensive freedom to set rates in a way that fosters healthy competition.

**Advancing the Liberalisation of Postal Services**

The German Presidency can also look back on good progress made in discussions on the full liberalisation of the European market for postal services. In ministerial negotiations at the Telecommunications Council on 7 June 2007 it became clear that the principle of liberalisation is not being questioned by any member state. The Member States did nonetheless express different views on the date that full liberalisation should come into effect. Some member states also felt that issues concerning the calculation of the costs of universal services and the functioning of the corresponding financing instruments required clarifi-

cation. Discussions on this are likely to be continued under the Portuguese Presidency. These will need to take account of the fact that the current directive will expire at the end of 2008 unless agreement is reached, and that from then on the exclusive national rights enjoyed by some postal services enterprises will have to be justified to the European Commission.

**Greater Discipline in Transposing Directives**

The German Presidency succeeded in obtaining the commitment of member states to improving their performance in meeting the deadlines for the implementation of EU directives into national law. At present, more than 1% of all relevant directives are not normally implemented on time. This is to be reduced in stages to at most 1% by 2009. This measure represents an important step in making the Community’s single market more efficient, creating an equal competitive environment for companies throughout the EU and guaranteeing civil rights.



*CEBIT ahead of the Informal Competitiveness Ministers, 15.03.2007*

*Vice-president of the European Commission Günter Verheugen und Federal Minister of Economics and Technology Michael Glos at the Informal Competitiveness Council in Würzburg*

*Launch Event marking the start of the new EU Structural Funds Programme, Hof, 09.05.2007*

## II. Improving the Competitiveness of Europe's Companies

Making companies more competitive means further improving the framework conditions for industry and the services sector, especially for small and medium sized enterprises.

To this end the German Presidency:

- ▶ developed political guidelines consisting of horizontal and sectoral initiatives in order to continue the European Commission's **industry and technology policy** programme
- ▶ identified potential growth areas in the **services sector**, especially in the tourism industry
- ▶ prepared the ground for an even better consideration of the concerns of **small and medium sized enterprises (SMEs)**
- ▶ laid the foundation stone for a European **space programme** and
- ▶ adopted new initiatives on **better regulation and reducing administrative burdens**.

## Developing Guidelines for an Industry and Technology Policy Programme

On 21-22 May 2007 the Competitiveness Council agreed on the outlines of further work to be done by the European Commission in relation to European industry policy. The Council thereby underlined the **great importance of industry policy** as a **key element** in the economic policy agenda of Europe, especially in view of the aims of the Lisbon Strategy.

The work of the high-ranking group on the automotive industry, **CARS 21**, was praised as a pioneering initiative in industry policy. The Council called on the Commission to pursue the integrated approach to reducing CO<sub>2</sub> emissions from automotives favoured by the high-ranking group, and to ensure that the proposals on the implementation of the emission targets have as neutral an effect on competition as possible.

The Council called on the European Commission to exploit all possible options in order to allow Europe to compete fairly as a **shipbuilding location**, for example through bilateral free trade agreements, agreements within the OECD or initiatives to protect intellectual property rights. The European Commission is also to examine, in co-operation with the European Investment Bank, whether a European system of performance guarantees can be built up in parallel to national systems.



A bus dating from the EU's founding period served as an information booth during events organised by the Federal Ministry of Economics and Technology



Programme from the 4th European Charter Conference for SMEs, Berlin, 04-05.06.2007

With a view to promoting **biotechnology**, the Council asked the European Commission to propose, amongst other things, further steps to realise lead markets and other measures to promote market demand for eco-efficient bio products with positive environmental effects.

In view of the importance of the **information and communications technologies** for growth and competitiveness the European Commission and member states should develop long-term strategies to promote electronic business practices and so-called e-skills in SMEs.

Of future importance for the competitiveness of European industry is **radio frequency identification (RFID)**. The Telecommunications Council is therefore responsible for considering the strategic direction of this technology. RFID is a cross-cutting technology of the future and will have a major impact on many areas of the economy and society in the next few years. Whether by achieving greater efficiency in transport and logistics, quality control in production, comfort in everyday life or patient security – great things are expected of RFID. In Germany alone the share of gross value added influenced by RFID is expected to rise to about 62 billion euros in 2010, compared with 3 billion euros in 2004. At the experts conference on 'RFID: Towards the "Internet of Things"' on 25-26 June 2007 in Berlin, first steps were taken to lay down a common

European overall strategy to exploit the economic and technological potential of RFID and set out a timetable for further political action.

#### Identifying Growth Potential in the Tourist Sector

In view of the dynamic development of other world regions, what needs to be done to secure Europe's competitive position as the Number One Tourist Location? This was the subject of the European Tourism Conference and an informal ministerial meeting on 15-16 May in Berlin and Potsdam. The conference identified promising market sectors in European tourism, such as business travel, co-operation between European cities in marketing art and culture, and tourism for older population groups. The ministers argued in favour of an improvement in framework conditions, e.g. in transport, environmental and tax policy, and discussed best possible marketing strategies.

#### "Think Small First" – Better Consideration of SME Concerns

SMEs are the motors of growth and employment in Europe. Yet they often suffer from bureaucratic burdens, a lack of finance and other difficult conditions. It was therefore of particular concern to the German Presidency to give greater consideration to the principle "Think Small First".

The **European Conference on Crafts Industries** on 16-17 April 2007 in Stuttgart and the **European Charter Conference for Small Companies** on 4-5 June in Berlin made an important contribution to remedying these factors.

The concluding statement of the Craft Industries Conference demands that “the specific character of small firms should be taken into account at every level of political decision-making”. It underlined the problem of a lack of skilled workers. The European Commission will take this into account when revising SME policy at the European level.

Good examples from several EU member states of real improvements in the framework conditions for SMEs were presented at the Charter Conference to enable members to “learn from each other”. The presentations and discussions on “Financing” and “Facilitating the Establishment of a Business” deserve special mention. The Slovenian EU Presidency will take forward the subject of financing at the next Charter Conference, to be held in the first half of 2008.

#### Developing A European Space Policy

Twenty-nine European countries passed a **resolution on European space policy** at the **4<sup>th</sup> Space Council**, held on 22 May 2007 in Brussels. All the major actors - the European Space Agency (ESA), the EU and its member states, and some third countries - agreed on joint aims and priorities. The main focus was on the use of space travel for furthering Europe’s political aims, specifically in relation to environmental supervision, communication, transport and civil contingencies. This resolution on European space policy creates for the first time a common political framework which will help Europe strengthen its position in the global market place. By combining its forces to a greater extent Europe thereby aims to cement its leading role in science and technology and make its industry more competitive.

#### Developing Targets for Reducing Administrative Burdens

Under the German Presidency, the March European Council, following preparations by the Competitiveness Council under the chairmanship of Federal Minister Glos, agreed on a new and ambitious pro-

gramme of action to reduce administrative costs arising from the obligatory provision of information and statistics. It also confirmed and strengthened the initiatives already in place to improve European legislation and simplify and modernise existing EC law. Germany was thus able to achieve an important success in one of the priority areas of its EU Presidency. Agreement has already been reached under the German Presidency in Council and with the European Parliament on the first fast track proposal, which concerns obligatory reporting requirements in company law.

At the core of this programme is the new initiative to **reduce administrative burdens**. This is modelled on national initiatives first adopted by the Netherlands and now in place in many member states, including Germany, and builds on the so-called standard costs model. This enables the costs that companies incur



through statutory obligations to provide information and statistics to be quantified and reduced. The European Commission’s figures indicate possible welfare gains over the medium term of 150 billion euros. Based on a programme of action presented by the European Commission in January 2007, the European Council agreed to a reduction target of 25% for administrative burdens stemming from EU law by 2012. It also invited member states to set their own similarly ambitious reduction targets by 2008.

A programme of **immediate actions** is intended to ensure that the planned reduction in costs takes effect as quickly as possible, bringing initial relief to companies in the region of several 100 million euros in 2007. To this end, the European Commission has tabled legislative proposals affecting the areas of company law, agriculture, statistics and food hygiene. Some of these programme's proposals were already able to be adopted during the German Presidency.



Information desk at Hof

Germany also proposed the establishment of a European **independent body on administrative burdens**. The models for this are the "Normenkontrollrat" set up in Germany in summer 2006 and similar bodies in other member states (e.g. ACTAL in the Netherlands). Partly in view of these considerations, the European Commission had already created an internal body within the Commission in November 2006 which reports directly to Commission President Barroso and carries out internal reviews of European Commission impact assessments. The European Commission will appraise both initiatives in good time before the 2008 Spring Summit. The Council will then consider various options, including setting up a group of independent experts to advise the EU institutions in their work to achieving better regulation.

### III. Developing a secure, environmentally-friendly and competitive energy supply for Europe

Energy and climate policy are key challenges of the 21<sup>st</sup> century. On 8-9 March 2007, the European Council debated both issues together and achieved a breakthrough by agreeing an ambitious and far-reaching **integrated European climate and energy policy**. The Council set **ambitious goals for reducing**



Information pillar at Würzburg

**greenhouse gases** with firm targets that underpin Europe's leadership role in global climate protection. It also agreed a comprehensive **European Energy Action Plan**.

EU policy on the global task of climate protection received major flanking support from the **G8 Summit** in Heiligendamm between 6-8 June 2007, where the partners agreed to give serious consideration to at least halving worldwide CO<sub>2</sub> emissions by 2050.

In order to help achieve a global and comprehensive agreement for the period after 2012, the European Council adopted a 2-step approach to setting future EU climate goals. By 2020, the EU will cut its greenhouse gas emissions by 30% as against 1990 provided that other developed countries make comparable emission reduction pledges. As long as a comprehensive international climate protection treaty has not been agreed, the EU will pursue a binding unilateral reduction target of at least 20% by 2020. These

EU climate goals will be achieved on the basis of fair and transparent burden-sharing, which foresees differing emission reduction contributions by individual states taking into account their respective national circumstances. Finally, the European Council highlighted the particular circumstances of energy-intensive industries and stressed the need for cost-effective measures to improve their competitiveness in Europe.

The **Energy Action Plan** for 2007-2009, drafted by the Energy Council under the chairmanship of Federal Minister Glos, sets out for the first time a comprehensive energy policy for Europe. Europe can only prosper economically in future if its energy supply is competitive, secure and environmentally-friendly. This is in the direct interests of European consumers. The plan seeks to achieve a:

- ▶ Greater self-reliance by the EU in energy supply
- ▶ Increased contribution to climate protection from energy supply and use under economically sensible conditions
- ▶ Greater convergence and dynamism of the European internal market for electricity and gas

#### Continuing to develop the internal market for electricity and gas

Under the German Presidency, the EU member states emphasized that Europe needs effective competition with a level playing-field for all. This calls for a variety of measures, including an **effective separation** of grid operation from production and distribution, the removal of barriers to **cross-border trade** and the speedy **connection of new power stations** to the grid in order to increase competition. An **independent mechanism** will be set up that will allow **national regulatory authorities** to co-operate and take decisions on important cross-border issues as well as a **mechanism** for improving co-ordination amongst **transmission grid operators**. The Commission was invited to submit appropriate proposals covering this whole subject area, which are expected in September 2007 (the so-called **third internal market package**).

#### Ensuring security of supply

Security of supply of the EU and of every individual member state needs to be improved, including in a way that is consistent with the concept of solidarity. To this end, a **stronger diversification of energy sources and supply routes** is being sought. Further measures include the development of an effective **crisis response mechanism**, improved transparency of oil market data and a review of EU oil infrastructure and storage facilities.

Co-operation through **regional initiatives** is an important interim step towards a European single market. In the **Pentalateral Energy Forum** in June 2007, a memorandum of understanding was signed on introducing the power-flow-based coupling of energy markets by 1 January 2009 and on regional measures related to security of supply by the governments, regulatory authorities and relevant companies of Germany, France, the Netherlands, Belgium and Luxembourg.

#### Strengthening international energy policy

The member states are looking to speed up the development of a joint strategy ('one voice' for the EU) for energy relations with major supplier, transit and consumer nations. That is why the EU has affirmed its intention of stepping up relations with **Central Asia** and extending cooperation with **China, India, and Brazil** as well as the USA. At the EU-US Summit on 30 April 2007 in Washington, both sides agreed on the great importance of energy efficiency, renewable energies and CO<sub>2</sub> capture and storage (CCS) to contributing to greater security of supply and reducing greenhouse gases. In addition, the **Energy Community** between the EU and the **South-East European states** will be developed further and enlarged beyond the region (possibly including Norway, Turkey, the Ukraine and the Republic of Moldavia). A new energy dialogue with **Africa** is also being envisaged.

Of special significance are secure and stable energy relations with **Russia**. These will be explored in constructive and open dialogue in the context of the desired successor accord to the Partnership and Cooperation Agreement between the EU and Russia. At the **EU-Russia Summit** on 18 May 2007 in Samara, the EU and Russia agreed on the need for close co-operation in numerous areas. Amongst other things, this includes the setting-up of an early-warning mechanism on energy issues between the EU and Russia. This is intended to build confidence and help avert disruptions in oil and gas supply through early consultations.

Further achievements in the past half-year include the starting of negotiations with **Switzerland** on an electricity protocol. This is intended to bring Switzerland more closely into line with the European *acquis* in relation to the opening of line-connected energy markets and cross-border exchange.

As agreed by the European Council in December 2006, the **Network of Energy Security Correspondents** was set up during the German Presidency and held its inaugural meeting on 10 May 2007. This network will work closely with the Commission and member states and compile and analyse information to detect and avert possible energy supply crises.

#### Promoting energy efficiency and renewable energies

The German Council Presidency also made tangible progress in relation to energy efficiency and renewable energies. The member states thus pledged to meet the **20% target of prospective savings** identified by the Commission as measured against the forecasts for 2020. This will require the rapid implementation of priority measures specified in the EU Commission's Action Plan for Energy Efficiency and in the conclusions of the Council of Energy Ministers of 23 November 2006 (energy efficiency in transport, dynamic minimum requirements for energy efficiency in energy-powered equipment, improvements in consumer behaviour in relation to energy efficiency and saving). Moreover, the EU Commission will draw up a proposal for an international energy efficiency agreement.

Europe needs incentives and reliable framework conditions for renewable energies in order to keep and extend its technological lead in this area. The EU can and must take the necessary steps to achieve this. The member states have consequently agreed a binding target of a **20% share of renewable energies** in the overall EU energy mix by 2020. **Biofuels** will be required to make up **10%** of petrol and diesel in the transport sector of the member states by 2020. Individual national goals will be derived from the overall EU goal for renewable energies (electricity, heating and refrigeration, biofuels) with the full involvement of the member states. The aim is a fair and adequate allocation that takes account of national conditions and possibilities. On this basis, the Commission was invited to table a proposal for a comprehensive framework directive on renewable energies in 2007.

#### Further developing energy technologies

The Spring European Council also stressed the importance of research and development as strategic instruments in energy policy and the need to develop these further. It therefore charged the Commission with submitting a concrete Strategic Energy Technology Plan before end 2007 for consideration at the Spring 2008 European Council. A priority in energy research is the development of sustainable power station technologies. The member states and the Commission have been charged with creating the technical, economic and regulatory framework needed to bring CO<sub>2</sub> capture and storage in fossil-fuelled power stations to the market, if possible by 2020. Twelve demonstration projects are also due to be constructed and in operation by 2015.

## IV. Boosting Trade and European Competitiveness globally

Europe must strengthen its international competitiveness if it is to survive in the increasingly globalised market place. The main focus of a realignment of EU trade strategy is consequently to improve European industry's access to markets in third countries. Key parts of this new trade strategy, called **Global Europe**, were launched during the Presidency:



Launch Event for the new EU Structural Funds Programme in Hof, EU Commissioner Danuta Hübner, Federal Minister Glos

#### Taking forward the WTO Doha Round

In the area of **multilateral trade policy** (Doha Round), we reinforced our efforts towards finding an agreement amongst the four biggest WTO trading partners, the so-called G4 (EU, Brazil, India, USA) in order to reach a comprehensive and balanced outcome before the end of the Presidency. Yet even at a G4 ministerial meeting in Potsdam at end June, it was not possible to lay the foundations for a comprehensive and balanced compromise. It remains to be seen how the negotiations in Geneva will progress without prior agreement by the G4 on the main substantive issues. The EU's goal remains to reach a substantive agreement as quickly as possible. This will boost world trade and further the integration of developing countries into the world economy.

#### Extending bilateral trade relations

The foundation for further improving access opportunities for German and European enterprises to the Asian growth markets was laid under the German Presidency with the early adoption of the **mandates for bilateral free-trade agreements** with the ASEAN states, India and South Korea. This opened the way for the rapid opening of substantive negotiations. Initial talks have now taken place with the ASEAN countries and Korea. Negotiations are about to begin with India. EU negotiations with the Andean Community on an association treaty, which alongside political dialogue includes as a core component

a free-trade agreement, were opened under the German Presidency and will be concluded swiftly. The opening of negotiations with Central America is imminent.

The free-trade agreements do not represent a rejection by the EU of the multilateral trade system. Instead, they complement this and strengthen the WTO system through far-reaching liberalisation in competition, investments and public procurement.

Agreements reached at the two **transatlantic summits** (EU-USA on 30 April in Washington and EU-Canada on 4 June in Berlin) aim at deeper economic convergence. Their primary focus is on the continued reduction of non-tariff trade barriers by aligning parallel norms and safety standards in the transatlantic market. Priority is given to sectors of particular importance to transatlantic trade, such as for the USA for example automobile manufacture (vehicle safety, biofuels), financial market regulations, protection of intellectual property (particularly in third markets), trade and transport safety, innovation and technology, energy, investments, competition, services and public procurement. A high-level Transatlantic Economic Council (TEC) will be set up to ensure the efficient overall co-ordination of trans-sectoral and sectoral regulatory co-operation. This is expected to become a key body for future cooperation between the USA and the EU. The Council will be chaired by EU



*The youth orchestra EUROPERA at the Launch Event in Hof*

Commission Vice-President Verheugen and U.S. presidential advisor Hubbard.

At the **EU-Japan Summit** on 5 June 2007 in Berlin both sides approved a strategy for stepping up economic co-operation on a broad range of issues. This had been drawn up at a prior round table of business representatives.

#### **Guaranteeing fair and open trade**

In addition, the European Commission's renewed **Market Access Strategy** was also adopted under the German Council Presidency. This will pave the way for closer co-operation between the EU, the member states and business in order to effectively target and dismantle specific trade barriers. Active consultations also took place at a conference in Halle with private-sector stakeholders and EU member states on **Trade Defence Instruments** (e.g. anti-dumping). These aimed at strengthening international competition by safeguarding against unfair trade and subsidy practices.

#### **Ensuring fair competition in export credits**

The German Presidency also pressed successfully for a level playing field in officially supported **export credits** to strengthen the external competitiveness of European enterprises. For instance, the new version of the OECD environmental guidelines for export credits caters for environmental issues whilst also facilitating the effective promotion of exports. A sectoral agreement on export credits for aircraft is close to agreement after prolonged and tough negotiations. This will make an important contribution to ensuring fair competition between Airbus and Boeing.

#### **Strengthening export control – curtailing superfluous bureaucracy**

Discussions on redrafting the EC Dual-Use Regulation began under the German Presidency. This new version is intended to strengthen European export controls of dual-use goods (goods which can be used for both civilian and military purposes) particularly in order to fully comply with the requirements of UN Security Council Resolution 1540 (2204) against the



*EU Commissioner Neelie Kroes and Federal Minister Michael Glos in front of the Residenz in Würzburg*

*Information booth of the Federal Ministry of Economics in Würzburg*

*Federal Minister of Economics Michael Glos at the Informal Competitiveness Council*

proliferation of weapons of mass destruction. This primarily seeks to introduce a provision prohibiting transit and licensing requirements for transactions. The regulations will also be made more transparent and will reduce red-tape on companies and public authorities. The German Presidency has proposed further procedural simplifications through the creation of additional general EU export permits. In discussions, the decisive issues were clarified and closer agreement amongst member states was reached.

#### **Selected informal events during the Presidency**

In addition to the traditional (formal) events held by the Presidency, the Federal Ministry of Economics and Technology highlighted the specific economic and technological priorities of the German EU Presidency with a number of large informal events (see selected examples in the box below):

#### **Selected informal events in the economic policy field**

- ▶ **The Informal Meeting of Trade Ministers** on 11 February 2007 in Brussels dealt with progress made in the Doha Round of the World Trade negotiations and the mandates for free-trade agreements with Asian and Latin American countries. All member states agreed that an ambitious and speedy conclusion to the Doha Round should be sought and the mandates for bilateral and biregional agreements swiftly adopted.
- ▶ **The International Cartel Conference** on 26-27 March 2007 in Munich (“Competition as a Guarantor of a Free Economic and Social Order”) discussed the role of competition for growth and prosperity in Europe. In his keynote address, Federal Minister Glos emphasized the significance of effective competition for the social market economy and cited the energy and postal sectors to underline the advantages and opportunities offered to enterprises and consumers by a consistent open market policy.
- ▶ **The European Standardization Conference** “Innovation and Market Access through Standards” on 26-27 March 2007 brought together strategic contributions from leading figures in European politics, science and industry. Conference participants agreed on the vital contribution technical norms and standards make to open markets, technology transfer and deregulating technical legislation.



- ▶ **The European Conference on Craft Industries** on 16-17 April 2007 in Stuttgart addressed the topic “Challenges for Successful Craft and Small Enterprises in the Single Market”. The final statement by the conference is intended to serve as a guideline for national and European policy on craft industries and SMEs.
- ▶ **The High Level Workshop “Completing the internal market for electricity and gas. Supply security between the free market and regulation”** on 29-30 March 2007 in Berlin: In light of the expected Commission proposals in September on the so-called third internal market package, this sought to identify the measures and objectives needed to meet the goals set by the Spring European Council for the internal market in electricity and gas (enhancing competition, ensuring effective regulation and investments for the benefit of consumers).
- ▶ **The EU-G8 Energy Efficiency Conference “Shaping Tomorrow’s World”** on 20-21 April 2007 in Berlin provided a platform for ministers from the EU, G8 and emerging nations to discuss strategies and goals for improving energy efficiency with international experts. The main focus of the meeting was the EU Commission's Plan of Action for Energy Efficiency and the national energy efficiency action plans of the EU member states.
- ▶ **“Strong Regions: Building Bridges for Europe”** on 9 May 2007 in Hof was the launch event for the EU Structural Funds Programme 2007-2013 and underscored the central role of the European regions in the European Union. Previous successes stories in regional and structural policy were highlighted and future challenges discussed. The city of Hof on the Bavarian-Czech border provided the ideal venue for this event.
- ▶ **The European Tourism Conference** on 15-16 May 2007 in Berlin and Potsdam, entitled “Tourism as a growth engine of the future”, looked at sectors of the European tourism market with exceptional development prospects and factors affecting the further development of this growth industry. After an expert conference in Berlin, the EU tourism ministers discussed in Potsdam how to maintain and extend Europe's position as the world’s No. 1 travel destination.
- ▶ **The European Shipbuilding Conference** on 14-15 June 2007 in Nuremberg initiated a Europe-wide dialogue amongst high-ranking decision-makers from politics and industry on current issues in safeguarding the future viability and competitiveness of European shipbuilding on the world market. The discussion focused on securing fair competition and equal market access, implementing a European guarantee fund for ship finance and stepping up research and development and innovation. This was based on the recent progress report on European shipbuilding strategy prepared by the LeaderSHIP 2015 programme.









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