

## II

(Preparatory Acts)

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

## 422ND PLENARY SESSION HELD ON 14-15 DECEMBER 2005

**Opinion of the European Economic and Social Committee on the 'State aid action plan — Less and better targeted state aid: a roadmap for state aid reform 2005-2009'**

(COM(2005) 107 final — SEC(2005) 795)

(2006/C 65/01)

On 8 June 2005 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the abovementioned proposal.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 11 November 2005. The rapporteur was Mr Pezzini.

At its 422nd plenary session, held on 14-15 December 2005 (meeting of 14 December), the European Economic and Social Committee adopted the following opinion by 117 votes to two with five abstentions.

## 1. Introduction

1.1 The European Economic and Social Committee has consistently stressed the importance of state-aid control as a key factor in:

- sound competition policy, not least as a way of increasing convergence between Member States' economies;
- boosting innovation and the EU's competitiveness;
- cohesion and sustainable growth throughout the Community's regions.

1.2 The rules governing state aid are based on the Community's founding texts – the ECSC Treaty and the EEC Treaty. Unlike the ECSC Treaty, which has now expired, the EC Treaty does not lay down an absolute ban on state aid: derogations<sup>(1)</sup> and some exceptions<sup>(2)</sup> to the ban are provided for, giving the Commission – and, exceptionally, the Council, too – wide discretionary power to authorise aid as an exception to the general rule.

<sup>(1)</sup> Article 87(2).

<sup>(2)</sup> Article 87(3).

1.3 Moreover, Articles 87, 88 and 89, which govern this complex matter, are included in Section II of Title VI laying down common rules on competition, taxation and approximation of laws, precisely in order to underscore the fact that the issue of state aid should be viewed in terms of the impact that it can have on the competitive market place.

1.3.1 In this connection, the EESC has already stressed that any new state aid action plan should be compatible with the objectives laid down in Article 2 of the EC Treaty in order to ensure, *inter alia*, proper functioning of the internal market, implementation of non-discriminatory rules, harmonious, balanced, sustainable development of economic activities, sustainable and non-inflationary growth, a high degree of competitiveness and convergence, a better quality of life, economic and social cohesion and solidarity among Member States.

1.4 Indeed, state aid, as the Commission itself states, is: 'a form of state intervention used to promote a certain economic activity. It implies that certain economic sectors or activities are treated more favourably than others and thus distorts competition because it discriminates between companies that receive assistance and others that do not'<sup>(3)</sup>.

<sup>(3)</sup> COM(2005) 147 final of 20.4.2005.

1.4.1 According to Article 87(1) of the Treaty, state aid includes not just aid granted by public authorities and financed by public funds but also interventions to reduce costs which are normally part of an undertaking's outgoings.

1.5 The March 2005 European Council reiterated the goal of continuing to work towards a reduction in the general level of state aid, while granting derogations for any market failures. This is in line with the recommendations of the 2000 Lisbon Summit and the 2001 Stockholm Summit and meets the need to direct aid towards horizontal objectives of common interest, including cohesion objectives.

1.5.1 Furthermore, in its recent Communication on the mid-term review of the Lisbon Strategy, the Commission took up this objective of reducing state aid, redirecting it to address market failures, particularly in sectors with a high growth potential, and stimulating innovation <sup>(4)</sup>.

1.6 The European Parliament, too, has recently expressed its views on state aid <sup>(5)</sup>, stressing that it must be used responsibly, providing value for money, since it:

- equals more than 50 % of the EU's annual budget;
- has consequences for public finances, for competition and for the ability of private undertakings to invest in a globalised economic environment;
- is raised from European taxpayers.

1.6.1 Moreover, on 12 May 2005, the EP adopted a resolution on Strengthening European competitiveness – the effects of industrial change on policy and the role of SMEs <sup>(6)</sup>, in which it supported the aim of reducing the global volume of aid to enterprises, but pointed to the usefulness of certain types of aid in offsetting shortcomings in the market, such as aid for research and development, for training and for advisory services.

1.6.2 The EP noted the importance of state aid for SMEs in the Member States and called on the Commission to maintain within the Structural Funds all aid instruments for the economic and socio-economic reconversion of regions affected by industrial relocation; it urged better consideration for small and micro-enterprises <sup>(7)</sup> in these regions and, more generally, in all cohesion policies.

<sup>(4)</sup> The information society is not always easy to understand. Information society products contain a significant input of intelligence. The capacity to produce increasingly innovative and intelligent goods and services must be stimulated and supported, not least with state aid.

<sup>(5)</sup> EP Resolution No. P6\_TA(2005)0033 of 22.2.2005.

<sup>(6)</sup> EP Resolution No. A6-0148/2005 of 12.5.2005.

<sup>(7)</sup> See Recommendation 2003/361/EC (OJ L 124 of 20.5.2003).

1.6.3 As part of the plan to reform state aid arrangements, the EP proposed that a clear-cut approach be laid down with a view to fostering innovation across all sectors, under the heading of the Lisbon objectives.

1.7 For its part, over the years, the Court of Justice has also expressed its views on state aid on many occasions, creating genuine case law laying down consistent, extremely detailed guidelines, most recently with the judgment on services of general interest and the Altmark judgment of 24 July 2003 <sup>(8)</sup>.

1.8 In its April 2005 Report on the State Aid Scoreboard <sup>(9)</sup>, the Commission paints an encouraging picture of Member States' reactions to the Lisbon Strategy, recording a slight decline in the level of aid in relation to GDP and even more positive responses as regards the redirection of aid in line with the suggestions of the European Councils; nevertheless, there is still a long way to go.

1.8.1 In 2001, the Commission created the state aid register and the state aid scoreboard as a basis for discussion on a strategy for reducing the general level of state aid and redirecting it towards horizontal objectives, and these tools were developed further in 2002. The EESC has already expressed appreciation of the Commission's efforts to achieve greater transparency in the area of state aid, which would seem to be especially important with regard to the Member States which have recently joined the EU.

1.9 The EESC is pleased to note that, in 2003, annual total state aid had fallen by 3,6 % since 1999 and by almost 30 % since 1996; however, it also notes that the figure of EUR 53 billion <sup>(10)</sup>, over 60 % of which is earmarked for the manufacturing and service industries, continues to be high. It also stresses its concern at the potential competition distortions which could be caused by the state-aid disparities between Member States and between the different regions within Member States.

1.9.1 In an earlier opinion <sup>(11)</sup>, the EESC welcomed the ongoing clarification and fine-tuning of the rules by the Commission, with particular regard to the block exemption regulation for employment aid designed to facilitate Member States' job creation initiatives.

<sup>(8)</sup> Case C-280/00, Altmark Trans and Magdeburg – Nahverkehrs-gesellschaft Altmark (2003) ECR I-7747.

<sup>(9)</sup> See footnote 3.

<sup>(10)</sup> At EU level.

<sup>(11)</sup> OJ C 108 of 30.4.2004.

1.9.2 The EESC fully agrees with the Commission that state aid rules need to be adjusted with the passage of time to take into account political, economic and legal developments. That is why instruments for assessing state aid are reviewed periodically and therefore often have limited duration <sup>(12)</sup>.

1.10 The EESC welcomes the Commission's proposals for general reform in the field <sup>(13)</sup>, based on an integrated approach which takes proper account of 'market failures'.

1.10.1 It feels that the adoption of a new framework which gears state aid policy to development needs should be subject to a review comprising streamlining and an exhaustive impact assessment.

1.10.2 The review should be based on clear goals, wide-ranging consultation and comprehensive information. In addition to a clear control system, the new framework should provide coherence between policies, concentrated measures and, lastly, greater streamlining, transparency and legal certainty.

1.10.3 The proposed framework should be in line with:

- the integrated approach to competitiveness decided on by the November 2004 European Council with a view to reinvigorating the Lisbon agenda in terms of economic development, employment growth and consolidating enterprise;
- the need to streamline Community state aid policy, which has been rendered increasingly complex by successive additions, which have also increased the administrative burdens for both Member States and beneficiaries;
- the need to ensure legal certainty and administrative transparency, with clear, simple, pre-established rules which are easy for businesses and their advisers to understand and use;
- the principle that aid should be economically worthwhile; it should be aimed at rectifying market failures, reducing uncertainty and ensuring a sufficient degree of predictability for operators;
- the mechanisms and procedures for identification and notification of measures incompatible with the EU-25 single market; these must ensure practical ways of actively involving stakeholders, the judiciary, the academic and business worlds and civil society.

1.10.4 Particular consideration must also be given to the following:

- the size and location of beneficiaries and the volume of aid granted (cf. 'De minimis' regulation);

<sup>(12)</sup> SEC(2005) 795 of 7.6.2005.

<sup>(13)</sup> COM(2004) 293 final of 20.4.2004.

- the compatibility of the new framework with Community environment policy (new Emission Trading Scheme rules);
- innovation policy (November 2004 Vademecum and new 2005 Communication) and research and technological development policy (new 2006 framework for R&D aid);
- sectoral industrial policy;
- cohesion policy (revision of the Guidelines on Regional Aid (RAG 2006));
- enterprise policy ('De minimis' regulation and revision of the rules on risk capital);
- consumers' views and the benefits for the European public.

1.11 In the EESC's view, however, the most important thing in defining a common state aid framework is to launch a modern policy which will win the unanimous support of all the Member States, since all the EU economies are subject to transition and restructuring processes as a result of globalisation.

1.12 As competitors and end recipients of state aid, undertakings, along with the public sector, are in a good position to assess the effectiveness of the instruments created. They have a practical contribution to make in monitoring solutions suitable for modern European state aid policy, and can make suggestions for drawing up new guidelines.

1.12.1 Moreover, undertakings are directly exposed both to the legal uncertainties and lengthy approval times of aid systems and to the serious consequences of recovery of aid declared to be unlawful. They are therefore among those who would benefit most from the dissemination of a uniform understanding of Community legislation and the elimination of difficulties and disparities in interpretation and implementation.

## 2. Towards a balanced framework for reforming state aid

2.1 The EESC firmly believes that the Commission's reform proposals could be a valuable melting pot for achieving balanced reconciliation of:

- all Member States' development needs – a sustainable, knowledge-based economy with more and better jobs and a high standard of living;
- the constraints of globalisation, not least in terms of full respect for WTO rules;
- equal conditions, in the great single market of the enlarged Europe, for undertakings, consumers, taxpayers and civil society as a whole.

2.2 The EESC fully supports the principle underlying the 'Less and better-targeted' state aid reform, which seeks to make undertakings more competitive on domestic and international markets and to create the right conditions to enable the most efficient undertakings to be rewarded.

2.3 The EESC fully endorses the approach outlined by the Commission aimed at simplifying rules in order to give operators greater certainty and alleviate Member States' administrative burdens. Indeed, the EESC firmly believes that uncertainty regarding what constitutes legitimate state aid and what does not is likely to call into question the legitimacy of the Commission's state aid control process.

2.4 The EESC believes that the proposed reform of Community state aid rules should essentially entail:

- greater involvement by the institutions of the various stakeholders, particularly undertakings, in policy-making and policy implementation;
- bringing existing rules into line with new challenges in order to support the Lisbon objectives and increase the benefits for the public;
- the creation of specific instruments to encourage undertakings to expand, providing suitable incentives;
- the adoption of new rules for state aid for innovation and R&D;
- clearer conditions for the granting of fiscal aid, reviewing the frameworks for aid measures in order to introduce tax advantages, to provide an attractive, simple instrument with limited impact on competition which will ensure a level playing field for disadvantaged areas;
- the introduction of *ex-post* assessment mechanisms and monitoring of the cost-effectiveness of measures, which examine their viability in terms of the functioning of the internal market;
- greater international cooperation to coordinate Community policy with the policies of third countries, particularly those whose legislation does not provide for any state aid restrictions.

2.5 State aid policy is an integral part of competition policy and, as such, is among the Community policies, with the greatest bearing on economic trends. The EESC therefore believes that state aid policy should be used more specifically to achieve high-quality development and consistency with the Lisbon objectives so that it can play a driving role in ensuring sound economic and employment development trends.

2.6 Competitiveness is a measure of a market's capacity to create valuable goods and services effectively in a globalised world, raising the standard of living and ensuring a high employment rate. However, it must be admitted that the EU has failed in its attempt to promote the growth of its business and human resources and achieve higher levels of technological research, innovation, training and internationalisation, as called for by the Lisbon Strategy.

### 3. The reform and the Lisbon Strategy (Less and better-targeted state aid policy)

3.1 The EESC supports a new general Community state aid framework based on an aid policy which:

- is more targeted and selective;
- is consistent and fully integrated with the Lisbon Strategy, with the completion of the single market and with other Community policies;
- is based on simplification, transparency and legal certainty of procedures and rules;
- gives undertakings and workers a more institutional role in the decision-making and implementation processes, and in assessing and monitoring the effectiveness of aid;
- is based on responsibility-sharing, by means of national coordination bodies;
- is linked to the aid policies of international bodies and principal European partners on the global markets;
- complies with the rules of the single market;
- ensures that all European Union state aid is compatible.

3.2 The EESC believes that Community state aid policy has an active role to play in making Europe more attractive to investors and employers, boosting business competitiveness and social cohesion, encouraging research and innovation endeavours, and, lastly, promoting the introduction and dissemination of new skills and the training of human resources.

3.3 The EESC feels that a general block exemption regulation should be introduced to extend and simplify the Community exemption framework for training and employment aids, favouring the aid measures which are most transparent and best target specific objectives, to be identified in close consultation with undertakings and the social partners, which, as beneficiaries of the aid systems, are in the best position to assess the effectiveness of the proposed instruments.

3.4 As regards the regional aid system, the EESC supports the intention in the new 2007-13 programming framework of boosting development in disadvantaged regions (NUTS II 'statistical effect' regions, NUTS II 'economic development' regions and NUTS III 'low population density' regions) and remote islands and mountain areas, overcoming the aid dependency mindset, reducing maximum aid intensities, preventing the aid differential between less developed regions exceeding 10 %, and combating potential waves of relocation due to disproportionate aid differentials (no higher than 20 % for NUTS level III regions) between border regions.

3.4.1 The EESC supports the Commission's approach of varying regional aid intensities for different types of undertakings, but considers that the danger of slowing down smaller undertakings' expansion should be avoided and a single differential of 20 % set for both small and medium-sized undertakings. The proposed limits for aid for large undertakings' investments in regions covered by the new derogations should take into account the new classification of undertakings laid down in the 2003 Commission Recommendation <sup>(14)</sup>.

3.5 As regards small-scale aid, the EESC endorses increasing the ceiling for 'de minimis' aid, not least with a view to ensuring more targeted, streamlined Community action.

3.6 The EESC believes that the Commission should focus on state aid which has a significant effect on trade rather than wasting its resources analysing large numbers of cases of predominantly local concern, and that it should clarify the meaning and interpretation of the concept of 'local concern'.

3.7 The EESC believes that state aid control should be proportionate and effective, and that complex notification procedures should be avoided in cases which are of minor importance for Community competition.

3.8 The EESC firmly supports the proposal on small-scale state aid submitted by the Commission in February 2004, with a view to giving Member States greater flexibility, simpler procedures and sufficient opportunity to introduce aid measures facilitating the achievement of the Lisbon objectives while preserving adequate scope for Commission control.

3.9 Where sectoral aid is concerned, coherence between EU sectoral policies and aid regimes in the transport, energy, information and communication sectors needs to be ensured, along the lines recommended by the Commission for block

exemptions. The Lisbon Strategy laid down specific objectives for the culture, audiovisual, film and sport sectors, where there is great potential for innovation, growth and job creation.

3.10 The Community framework for state aid to environmental protection will remain in force until 2007. Here, too, it is important to pursue the Lisbon objectives, facilitating the introduction of the CO<sub>2</sub> emissions trading scheme (ETS National Allocation Plans) as part of the Kyoto Protocol objectives.

3.11 Aid to innovation (pursuant to the Green Paper <sup>(15)</sup>): The EESC believes that the existing framework should be extended to types of aid for innovative activities which are not covered by the current guidelines, and that clear, general compatibility criteria should be defined which leave Member States greater scope for intervention without a notification obligation.

3.11.1 To bring about improvement in this field, the EESC calls upon the Commission to specify more precisely, with the help of Eurostat, which production and service activities can currently be defined as innovative. Some guidance in this sensitive area would be extremely useful.

3.11.2 In this connection, the EESC welcomes the issue on 21 September 2005 of the Communication on state aid and innovation, which provides a Community framework for this key sector and identifies both the most obvious market failures and suitable measures for those cases which could be remedied.

3.12 Clear pre-established criteria need to be devised for gauging which market failures are likely to impede innovation measures and instruments in the implementation of the Lisbon Strategy. At the same time, however, the Member States and their regions will have to be given sufficient room for manoeuvre to vary interventions so that they are proportionate and effective and can transform pre-competitive research into commercial and market innovation.

3.13 State aid facilitating SME investment in innovative projects needs to encourage businesses to grow in size as well and to encompass, in particular:

- support for regional and transregional innovation networks;
- promotion of the industrial technology parks and districts policy;

<sup>(14)</sup> OJ L 124 of 20.5.2003.

<sup>(15)</sup> COM(1995) 688

- introduction of business angels and service intermediaries such as venture technologists, brokers and patent consultants;
- establishment of technology transfer centres and venture capital;
- training and hiring of skilled technical staff.

3.14 The EESC believes that the new framework should also take into account all the external factors which affect the innovation process, namely:

- the culture of innovation-based enterprise;
- the network of relations and interrelations with other undertakings, organisations and public bodies, which are essential for the creation and dissemination of knowledge and innovation;
- the reference framework of laws and regulations, particularly in the field of intellectual property;
- access to the capital market, particularly in respect of risk and start-up capital (revision of the Communication on investment capital);
- education and training services and relations between the academic and scientific worlds and enterprise;
- innovation support structures (such as incubators, district networks, industrial technology parks) and intermediary services.

3.14.1 More generally, it believes that, when reviewing the guidelines on horizontal aid such as aid to research, innovation, the environment and human capital:

- the intensities currently laid down for horizontal aid should be increased;
- the regional bonuses for interventions in less-developed areas should be maintained;
- a 'cohesion bonus' for interventions part-financed by the Structural Funds should be introduced for non-eligible areas or area which are no longer eligible under Article 83(c).

3.15 As regards aid to services of general economic interest, it should be stressed that these services are a fundamental

element of social and regional cohesion. In accordance with the criteria established by the Altmark judgment<sup>(16)</sup> and the relevant Commission Decision of 13 July 2005, the concept of a 'typical undertaking, well run' therefore needs to be clarified. Legal certainty also needs to be ensured as regards compensation for public service provision, which is a form of state aid compatible with the Treaty.

3.16 The EESC believes that the future legislation should take into account the fact that responsibility for defining services of general economic interest lies with national, regional and local institutions with democratic legitimacy in the field<sup>(17)</sup>.

#### 4. Simplification and transparency of procedures

4.1 The EESC believes that major steps forward can be taken towards a simpler, more transparent Community aid policy, building on the Commission's work to target elements likely to cause substantial distortions of competition.

4.2 Delays in the processing of cases also need to be eliminated, with administrative practices improved and streamlined; Member States need to shoulder their responsibilities too in order to ensure transparency and effectiveness.

4.3 The EESC also calls strongly for codes of practice to be developed with the full involvement of all stakeholders, particularly undertakings, as beneficiaries of aid measures.

#### 5. The reform and EU-25

5.1 The situation in the wake of enlargement calls for changes to state aid policy to make all regions of the EU equally attractive as new locations and to investors, and to ensure fair competition between neighbouring regions.

5.2 The 10 new Member States currently grant undertakings much higher amounts of state aid – as a percentage of GDP – than the EU-15 Member States, although the situation looks set to even out gradually. During the period 2000-2003, state aid in the new Member States represented on average 1,42 % of GDP compared to an average of 0,4 % in EU-15.

<sup>(16)</sup> Case C-280/00, Altmark Trans and Magdeburg – Nahverkehrsgesellschaft Altmark 2003 ECR I-7747.

<sup>(17)</sup> The exemption of public-service compensation (Article 86(2)) should be substantial enough to ensure sufficient flexibility and dynamism and minimum administrative burden.

5.3 The Lisbon Strategy provided for aid to be used to achieve horizontal objectives. In 2002, 73 % of aid was earmarked for this purpose in EU-15 as opposed to 22 % in the new Member States <sup>(18)</sup>.

5.4 On the other hand, it should be acknowledged that the new Member States have adapted very well to the market economy, although the enlarged EU still needs to take major steps to reduce the overall level of aid and encourage competitiveness, sustainable and cohesive development and the new European knowledge-based economy.

## 6. Involvement of stakeholders: undertakings and civil society

6.1 The EESC believes that better governance of state-aid practices and procedures is necessary. Direct stakeholders need to be more involved, particularly enterprise and civil society, as they are directly exposed both to the legal uncertainties and lengthy turnaround times for Community approval of aid systems and to the serious effects of the recovery of inadmissible or unlawful aid.

6.2 As both beneficiaries of state aid and, at the same time, competitors, businesses are in a prime position to:

- assess the effectiveness of the instruments implemented, monitor the solutions adopted and define possible best practices, thanks to the skills and first-hand experience they have acquired;
- facilitate better dissemination of Community legislation, in forms which are clear, transparent and directly accessible to users, whether providers or beneficiaries of aid;
- help surmount the difficulties and uncertainties encountered in interpreting and implementing rules, which are in danger of calling into question the legitimacy of state aid control;
- introduce forms of private enforcement, facilitating compliance with and full implementation of European legislation.

<sup>(18)</sup> EU-wide, around 73 % of total aid (less agriculture, fisheries and transport) in 2002 was granted for horizontal objectives including research and development, small and medium-sized enterprises, environment and regional economic development. The remaining 27 % was aid directed at specific sectors (mainly manufacturing, coal and financial services) including aid for rescue and restructuring. The share of aid granted for horizontal objectives increased by 7 percentage points over the period 1998-2000 to 2000-2002. This was largely the result of significant increases in aid for the environment (+7 points) and research and development (+4 points). This positive trend was observed, to varying degrees, in the majority of Member States. Indeed, in several Member States - Belgium, Denmark, Greece, Italy, Netherlands, Austria and Finland - virtually all the aid awarded in 2002 was earmarked for horizontal objectives (COM(2004) 256 final).

6.3 The EESC therefore believes that:

- the institutions should involve enterprise more in decision-making and policy implementation;
- mechanisms for ex-post assessment and monitoring the cost-effectiveness of measures need to be introduced;
- Commission decisions should be made fully accessible on the Internet in one of the Commission's working languages as well as in the language of the Member State concerned;
- businesses need to be kept informed about ongoing notification processes so that they can ascertain whether concessions granted at national or local level comply with EU substantive rules and procedures relating to aid, and so that they can work with authorities at different levels to bring about more effective implementation of EU state aid policy;
- proactive monitoring of the implementation of legislation should be performed, involving enterprise and civil society representatives in economic analysis of market failures and performance shortfalls in particular sectors or industries;
- systematic, joint 'market-failure watch' mechanisms based on clearly-defined, transparent criteria need to be introduced, as well as aid measures which have no significant impact on competition in the internal market and comply with the Lisbon Strategy.

## 7. Towards a state aid policy which is an instrument for growth and part of a shared vision for integrated, cohesive economic development in EU 25-27, fostering new jobs and businesses

7.1 The EESC believes that a clear picture needs to be painted of the added value of state aid for the European Union's future, in terms of the objectives of the competitive, sustainable and cohesive development of the Member States decided on at Lisbon and reiterated a number of times at various European summits since 2000.

7.1.1 The key sectors identified by the Lisbon Strategy require substantial, targeted financial input which must be fully reflected in Member States' budgetary and structural policies: a pre-established, coherent, compatible framework is needed to which all policies, including Community competition policy, must refer and conform.

7.2 Before a single European market which can compete on equal terms with the other players on the global market can be fully achieved, the EESC believes that substantial modernisation is needed in both the framing and implementation of European economic and, in particular, state aid policy. This is also a prerequisite for the major infrastructure and major intangible investment necessary for an effective, technologically advanced, competitive market to function properly.

7.3 The Committee believes that general compatibility criteria need to be defined in order to encourage the Member States and regions to implement support policies with the aim of achieving a competitive economy which complies with free trade rules.

7.4 Where the market fails to make European businesses competitive and proves incapable of building up their technological innovation, training and internationalisation capacities, European state aid policy must facilitate rather than hinder policies and schemes to stimulate businesses' growth and increase their ability to attract new investment, expertise and capital to Europe.

## 8. Concluding recommendations

8.1 The EESC is in favour of modernisation of European state aid policy based on a new, proactive approach and on a new, general Community framework. In this connection it recommends, in particular:

- a policy which can provide adequate responses and remedy or eliminate market failures;
- a policy which contributes substantially to the completion of the internal market, without leading to distortion of competition;
- a more coherent, integrated policy which facilitates the achievement of the various strands of the Lisbon Strategy, to make businesses more competitive and innovative on the world stage while also improving the public's quality of life and work;

- strengthening the industrial and service fabric by boosting enterprise and bringing industry and the labour market into line with the new industrial policy objectives and the new demands of globalisation;
- strong support for all forms of product and process innovation<sup>(19)</sup>;
- a proactive approach to make Europe more attractive to investors and better able to create jobs, to make businesses more competitive, to encourage research and innovation projects and, lastly, to promote the development and dissemination of new skills and the training of human resources;
- greater focus on factors which genuinely distort competition in the internal and international markets, without creating unnecessary, costly red tape in efforts to deal with limited, local incidents which cause no significant distortion;
- an approach based on simpler, transparent, unambiguous procedures and rules together with measures based on fixed, non-discretionary criteria which are compatible with the Lisbon agenda as regards harmonious, cohesive and competitive development at global level;
- greater institutional involvement of enterprises in the decision-making and implementation processes, in assessing and monitoring effectiveness, and in enforcement;
- a closer relationship between European regulations and legislation and those of the WTO international bodies and of the main European players on the global markets;
- a participatory forward-looking exercise open to all political decision-makers and socio-economic players, with the objective of creating a shared vision and establishing in advance how and to what extent intervention is actually compatible with development.

Brussels, 14 December 2005

The President  
of the European Economic and Social Committee  
Anne-Marie SIGMUND

<sup>(19)</sup> As called for in the Green Paper on Innovation (1995).