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THE FOUR PRIORITIES OF EU'S LISBON STRATEGY

I. Knowledge and innovation

Innovate to compete and prosper

Globalisation has brought about profound changes in the patterns of cultural, political and economic exchange between individuals, organisations and companies at regional, national and global level. In this new order, Europe will only be able to compete if it is responsive to consumer needs. To this end, the creative potential of Europe's citizens should be mobilized, taking advantage of its rich cultural and scientific heritage, enhanced by innovation and entrepreneurship. Research and innovation is the heart of the Lisbon strategy. Tomorrow's jobs and prosperity and the quality of life depend on the quality and quantity of Europe's research and innovation activity today.

It is against this background that the EU's leaders decided to set an ambitious target for achieving a more dynamic knowledge-based economy: every member state should spend 3% of its gross domestic product on research and development by 2010. Up to now many actions have been taken in order to improve Europe's innovation capability.

Turning challenges into opportunities

Despite the considerable effort undertaken to boost research and innovation across the EU, serious challenges still remain in these fields.

The European Council has identified two key areas for action: investing more and more effectively in knowledge and innovation, and unlocking business potential, especially for small and medium-sized enterprises (SMEs).

Along these axes, the EU is called upon to continue to implement ongoing initiatives, and to develop new ones.

P R E S S

More specifically, in the field of knowledge and innovation, these will include:

- joint programming of research activities;
- international scientific and technological cooperation strategies;
- public/private research projects through the joint technology initiatives;
- promotion of the new instruments created by the EU's 7th research framework programme, such as the European Research Council and the risk-sharing finance facility;
- programmes in the framework of the European space policy, such as Galileo and the Global monitoring for environment and security;
- research of infrastructures of pan-European interest;
- support for innovative SMEs;
- launch of the European Institute for Innovation and Technology.

Another set of measures will be promoted with a view to increasing human resources for science and technology in Europe, to facilitating the mobility of researchers, students and university teachers, as well as to improving and modernising higher education, so as to develop the full potential of the "knowledge triangle" (education-research-innovation).

The broad-based innovation strategy for Europe, intended to translate investments in knowledge into products and services, will continue to take steps for a better use of incentives for research and development, the design of a European patent strategy and the outline of the lead markets initiative for innovative products and services in promising technology sectors.

Improving the framework conditions for innovation will contribute to fully realising the European Research Area (ERA), which is one of the core elements of the Lisbon strategy. The ERA sets out to create a European internal market for research in order to increase pan-European cooperation and coordination of national research activities. More specifically ERA is aimed at:

- boosting researchers' mobility between institutions, disciplines, sectors and countries, and allowing them to benefit from world-class infrastructures and to work with excellence networks of research institutions;
- facilitating the efficient sharing of knowledge for social, business and policy purposes;
- optimising European, national and regional research programmes and coordinating these programmes to address major challenges together.

The EU framework programme for research and technological development, whose funding has been substantially increased over the years, is designed to support the ERA. The 7th framework programme has a total budget of over EUR 50 billion for 2007-2013.

*As regards **research, knowledge and innovation**, the European Council will underscore the need for member states and the EU to remove barriers to the **free movement of knowledge** by creating a "**fifth freedom**". Actions include facilitating and promoting the optimal use of intellectual property created in public research organisations so as to increase knowledge transfer to industry, in particular through an "IP charter" to be adopted before the end of the year. In this context member states should also aim to make high-speed internet available to all schools by 2010.*

II. Unlocking the business potential, especially of SMEs;

The contribution of **small and medium-sized enterprises (SMEs)** – firms with fewer than 250 employees, with an annual turnover of less than EUR50 million – is essential for achieving sustainable growth and generating more and better jobs: they represent 99% of all enterprises and account for about 75 million jobs.

The European Union and the member states are taking measures to promote better conditions for the creation and growth of smaller enterprises, thus allowing them to better compete in the global market. This summer a "small business act for Europe" will be launched, simplifying rules for small businesses. The main goal is to **reduce by 25% the legislative and administrative burden** on SMEs by 2012, a measure which should increase gross domestic product (GDP) by 1.5% , equivalent to about EUR150 billion . It is recalled that recently a simplification of legislation has taken place, which in terms of time and staff employed in fulfilling regulatory obligations, has allowed companies to make considerable savings.

*The European Council will welcome progress made during 2007 on **better regulation** and consider that further efforts are needed in order to deliver crucial improvements to the competitiveness of EU business, in particular SMEs.*

An improved environment for SMEs will also require **completing the single market**. Although many obstacles to the "four freedoms" - the free movement of people, goods, services and capital - have been removed, important gaps remain, particularly in services. The adoption of the services directive in November 2006 (removing legal and administrative barriers to the development of certain service activities, strengthening the rights of consumers as users of services and setting legally-binding obligations for effective administrative co-operation between member states) and implementation of the financial services action plan are important steps taken recently, but progress is still needed in the network industries (such as energy and electronic communications).

*The European Council will identify actions of immediate importance in order to reinforce the EU's policy on **SMEs** and to allow them to operate more effectively in the single market, so as to allow business, in particular SMEs, and consumers to make full use of its potential.*

*These include swift examination by the Council of the upcoming small business act initiative and the introduction, where justified and following screening of the *acquis communautaire*, of exemptions for SMEs from the administrative requirements of EU legislation.*

These include an effective follow-up to the Commission's single market review on a yearly basis, with a focus on actions needed to boost growth and jobs by removing remaining barriers to the four freedoms of the treaty, including, where appropriate, through harmonisation or mutual recognition. Market developments should be monitored in order to prioritise action in markets where there are genuine and significant barriers to market functioning and competition.

Furthermore, it is not possible to boost growth and jobs if the European Union is not able to benefit from the opportunities offered by globalisation. EU business needs to be active on world markets. Its strategy must focus on continuing to remove barriers to trade, concluding mutually beneficial bilateral trade agreements and establishing partnerships with key third countries. In this way, not only will Europe ensure access to open markets, but it will also contribute to countering protectionist measures. Re-launching negotiations under the World Trade Organisation (WTO)'s Doha Development Agenda after their suspension in July 2006 remains one of Europe's priorities.

*As regards the **external dimension of the renewed Lisbon strategy**, the European Council will welcome the Commission's intention to report annually on market access, identifying countries and sectors where significant barriers remain.*

III. Investing in people and modernising labour markets

Getting more people into work is crucial to creating more and better jobs, increasing growth, promoting social inclusion and helping to finance welfare systems to face the challenge of an ageing population.

One of the targets of the Lisbon strategy is to attain an employment rate (proportion of people aged 15-64 who are working) of 70% by 2010 (currently it stands at 64,4%). Achieving this will require among other things investing in innovation, reducing red tape, strengthening education systems and increasing training opportunities for workers of all ages.

There is a growing consensus in Europe that applying "**flexicurity**" principles is essential to making labour markets more efficient. Flexicurity is a policy strategy aimed at enhancing the flexibility of labour markets on the one hand, and employment security and income security, on the other.

To boost employment and fully realise its economic potential, Europe also needs sound macro-economic policies that ensure a stable economic environment. The new EU's cohesion programmes will make some EUR 210 billion available for investment in growth and jobs over 2007-13, an increase of over 25% compared to 2000-06. Overall, 87 actions of the 102 announced in the 2005 Community Lisbon programme were executed by mid-2007. The reform of tax and benefit systems must be designed to make work more interesting than benefits and to delay the age of retirement.

*The European Council will look forward to the Commission's proposal for a renewed **social agenda**, which should play a key role in strengthening the social dimension of the Lisbon strategy by taking account of Europe's new social and labour realities. It will also cover issues such as youth, education, migration and demography. The European Council therefore considers that the employment and social impact of migration of third-country nationals needs to be addressed in the context of the Commission proposals for a common policy on immigration.*

In view of increasing skills shortages in a number of sectors, the European Council will invite the Commission to present a comprehensive assessment of the future skills requirements in Europe up to 2020, taking account of the impacts of technological change and ageing populations and to propose steps to anticipate future needs.

In line with the recommendations of European social partners of October 2007, and recognizing that there is no single flexicurity model, the European Council will call on the member states to implement agreed common principles on flexicurity by defining national flexicurity arrangements within their national reform programmes by the end of this year.

The European Council urges Member States to take concrete action to:

- *substantially reduce the number of young people who cannot read properly and the number of early school leavers, and improve the achievement levels of learners with a migrant background or from other disadvantaged groups;*
- *attract more adults, particularly low-skilled and older workers into education and training and to further facilitate geographic and occupational mobility;*
- *promote higher overall labour force participation and tackle segmentation in order to ensure active social inclusion;*
- *improve policy consistency and coordination of economic, employment and social policies in order to enhance social cohesion.*

IV. Energy and climate change

Under this priority, the European Council is determined to reinforce the EU's leadership in the global fight against the climate change through the implementation of an ambitious package of new legislative measures.

(see factsheet climate change)