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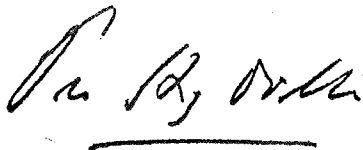
Bilag
1

Journalnummer
400.C.2-0

Kontor
EU-sekr.

24. marts 2004

Til underretning for Folketingets Europaudvalg vedlægges i forbindelse med
Det Europæiske Råd i Bruxelles den 25.-26. marts 2004 nøglebudskaber fra
Sektorrådene vedr. Lissabonstrategien, 7631/04.





**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 23 March 2004

7631/04

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NOTE

from : the Presidency
to : the European Council

Subject : 2004 Spring European Council
- Key messages from sectoral Councils

The European Council will find attached a compilation of the key messages provided by the various sectoral Councils as input for its deliberations.

SPRING EUROPEAN COUNCIL, 25-26 MARCH 2004

KEY MESSAGES FROM SECTORAL COUNCILS

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KEY ISSUES PAPER FROM THE ECOFIN COUNCIL

'Realising Europe's Growth Potential'

Key Message to the Spring European Council

1. The Lisbon strategy aims to increase the rate of sustainable economic growth and enable Europe become the most dynamic knowledge based economy in the world. It calls for an integrated approach to progressing the economic, social and environmental dimensions of the strategy.
2. The existing Lisbon strategy is the correct one. Structural reforms should have a positive impact on confidence and thus increase growth and employment in the medium term. What is needed is a much sharper focus on implementation.
3. Ecofin therefore calls for stepping up the pace of reform, especially at Member State level, enhanced monitoring based on benchmarking Member State's progress toward the Lisbon goals, information exchange on best practices and a mid-term review of Lisbon focussed on implementation.
4. In line with the BEPGs, ECOFIN has identified the following priorities for policy action to reach the Lisbon goals: (I) promoting growth through investment, innovation and competitiveness, (II) increasing the flexibility of our labour markets, and (III) ensuring the sustainability of public finances.
5. While the emphasis on specific areas may differ, taking into account that the challenges appear more demanding in acceding countries, these priorities are relevant to both existing and future member states -which will be integrated into the Broad Economic Policy Guidelines in 2004.

I. Promoting Growth

6. The improvement in the world economy provides a favourable background for renewed efforts to get back on track with the Lisbon strategy. Reaching or maintaining sound budgetary positions in line with the Stability and Growth Pact, and price stability are the two key bases on which to build on this sound macroeconomic environment.
7. In promoting sustainable growth we highlight three areas for special attention over the next year: Investment, Innovation and Competitiveness in particular through investment in R&D and human capital, better regulation and completing the single market, especially in services. The opportunity that the enlargement of the EU represents should also be used to promote the acceleration of economic growth in the EU.

II. Increasing the Flexibility and the Adaptability of our Labour Markets

8. A range of policy reforms have been suggested and identified by the Employment Taskforce. It is important that Member States should commit, at the Spring Council, to implement initiatives in their own labour markets along the lines suggested by the Taskforce within the framework of the BEPGs and the European Employment Strategy.

III. Ensuring the Sustainability of our Public Finances

9. Long term sustainability of public finances is secured in only about half of the fifteen Member States. The Council encourages Member States to tackle the financial implications of population ageing by reducing public debt and strengthening employment, health and pension reforms.

More Detailed Comments

1. The Lisbon strategy aims to increase the rate of sustainable economic growth and enable Europe become the most dynamic knowledge based economy in the world. The Broad Economic Policy Guidelines (BEPGs) set out the EU's medium term economic policy agenda to reach the Lisbon goal.

2. ECOFIN has identified the following priorities for policy action to meet the objectives set out in the Broad Economic Policy Guidelines: (I) promoting growth through investment, innovation and competitiveness, (II) increasing the flexibility of our labour markets, and (III) ensuring the sustainability of public finances. While the emphasis on specific areas may differ, taking into account that the challenges appear more demanding in acceding countries, these priorities are relevant to both existing and future member states -which will be integrated into the BEPGs in 2004.

I. Promoting Growth

3. The main economic challenge facing the European Union is to realise its economic growth potential. The economic recovery that started in the second half of 2003 is likely to gather pace this year. Real GDP growth may rise to 2% this year and approach 2½ % in 2005.

4. The improvement in the world economy provides a favourable background for renewed efforts to implement the Broad Economic Policy Guidelines in line with the Lisbon strategy. Completing the internal market, encouraging the increase of external openness and improving the dynamic economic relationships between trading partners will sustain and develop further economic growth. Reaching or maintaining sound budgetary positions and price stability are the two key bases on which to build on this sound macroeconomic environment.

5. Structural reforms will also contribute significantly to increasing growth and employment in the medium term through a positive impact on confidence and on the business environment, and by promoting a better allocation of resources. In this regard, we highlight three areas for special attention over the next year: Investment, Innovation and Competitiveness.

- Investment and Innovation

6. In order to exploit the internal market fully, Europe's knowledge and network infrastructure must provide for the efficient movement of people, products, capital and information. In December 2003 the European Council endorsed the European Action for Growth to mobilise investment in areas that will reinforce on-going structural reform, stimulate growth and create jobs. Now it is time to implement it. We must also fully implement the Financial Services Action Plan by 2005.
7. Europe lags behind the US in terms of R&D, with nearly all of the investment gap due to lower funding by the private sector in Europe. Little progress has been made in raising the level of R&D investment towards the Lisbon target of 3% of GDP by 2010. Therefore we must redouble our efforts in particular by stimulating efficient investment in private sector R&D, including innovation by SMEs, and in human capital through the creation of appropriate framework conditions and incentives to enhance competition and ensure effective education and training systems and by transfer of technology to the new member States.
8. Special emphasis should be put on achieving results to ensure the effective translation of investment into innovative output. According to Commission estimates, in terms of returns to R&D, achieving the 3% target could build up to an additional ½ % of GDP growth and 400,000 more jobs per annum from 2010¹.

The Council calls on Member States to improve framework conditions and incentives so as to enhance competition and ensure effective education and training systems, in order to encourage efficient and effective R&D investment by business. More effort is also needed to strengthen the links between public research bodies and industry, improve intellectual property regimes, and increase the supply of risk capital.

¹ Investing in Research : An Action Plan for Europe, European Commission, 2003 (page7)

- Competitiveness

9. Excessive levels of regulation, high administrative burdens and high business start-up costs reduce economic dynamism in the EU. Thereby, it reduces the level of competition and the competitiveness of European firms, particularly in the industrial sector, in a global context. Improvements in the regulatory framework could deliver a considerable increase in GDP and productivity in the longer term.

The Council welcomes the recent initiative by Ireland, the Netherlands, Luxembourg and the UK to address the issue of better regulation during their four Presidencies and supports an action plan to drive this forward over the coming year.

10. Services account for 70% of GDP in the EU, as well as 70% of employment. Yet the internal market for services is far from complete. More competition will promote efficiency and increase output and employment levels, as well as benefiting customers.

The Council welcomes the Commission proposal for a Directive on Services, and considers it vital that the Directive be agreed in line with the timeframe set out within it.

11. The promotion of enterprise is a vital element in delivering sustained employment and productivity growth. The creation of new businesses increases the competitive pressure on firms, generates new ideas and innovative approaches and can lead to greater choice and value for money for consumers.

To raise the profile of pro-enterprise policies and to celebrate success in enterprise across the Union, the Commission should bring forward proposals to establish a competition to identify "European Centres of Enterprise".

II. Increasing the Flexibility and Adaptability of our Labour Markets

12. The Implementation Report on the Broad Economic Policy Guidelines highlights that more effort is needed to increase employment by the 15 million required if the Lisbon target is to be achieved. A range of policy reforms have been suggested by the Employment Taskforce.
13. It is important that Member States should commit, at the Spring Council to implement initiatives in their own labour market along the lines suggested by the Taskforce. Building on recent ECOFIN discussions, the following priorities can be identified.

Each Member state should commit in specific terms to implement measures which will:

- Increase flexibility of labour markets in order to unlock the dynamics of employment creation, including appropriate adjustments in the wage bargaining systems;
- Modernising the concept of job security to focus on improving employability; and
- Take action on benefit and tax reform to improve incentives and make work pay.

III. Ensuring the Sustainability of our Public Finances

14. Few member states maintained budgetary positions close to balance or in surplus in 2003 while the long term sustainability of public finances is secured in only about half of the fifteen. Consolidation of the public finances focussed on reduction of public debt, combined with increasing employment rates and pensions and health care reform will help to ensure that Europe is well placed to meet the fiscal challenge associated with population ageing.

Over the coming years, member states must ensure that they meet their pre-existing commitments for budgetary consolidation in order to achieve the medium term position of close to balance or in surplus and return the debt ratio to a declining path.

15. A number of member states have successfully introduced significant employment and pension reforms and several are also seeking a better return to the public in terms of health care delivery. A more widespread implementation of such initiatives will strengthen the sustainability of the public finances.

The Council encourages Member States to tackle the financial implications of population ageing by reducing public debt and strengthening employment, health and pension reforms. In this regard, Member States should consider enhancing relevant incentives for workers to remain in work and for employers to hire and retain older workers and continue to increase progressively the effective age at which people stop working in the European Union, in line with the Barcelona European Council conclusions.

Implementation and Monitoring are the Key

16. The existing strategy is the correct one and is relevant to both existing and accession member states. No new strategy or community-wide guidelines are required. However, it should be taken into account that the challenges appear more demanding in many areas in acceding countries and the Broad Economic Policy Guidelines should be updated to reflect this. What is needed now is a much sharper focus on implementation.

Accordingly, the Council recommends a four point plan to ensure that reform is delivered:

- The pace of reform has to be stepped up, especially at Member State level, if the Lisbon targets are to be achieved.
- The Commission should benchmark Member States' performances in terms of progress towards the Lisbon goals.
- Information on best practice as well as country specific examples should be clearly identified.
- A special mid-term review of the Lisbon Strategy should be carried out to take stock of the progress made in achieving the Lisbon objectives and targets and to identify the ways forward, taking into account the key issues identified in this paper.

COMPETITIVENESS COUNCIL

The Competitiveness Agenda: Key Issues and Priorities

The main economic challenge facing the European Union is to realise its economic growth potential. The economic recovery that started in the second half of 2003 is likely to gather pace this year. Real GDP growth may rise to 2% this year and approach 2½% in 2005. The expected improvement in the world economy and the integration of the new Member States into the internal market provide a favourable background for renewed efforts to address competitiveness and productivity deficits, and new opportunities in the enlarged Europe, to achieve the Lisbon goals.

The Competitiveness Council has a key role to play in driving the structural reforms necessary to meet the Lisbon economic goals. At the heart of this challenge is the promotion of conditions which foster investment, innovation and greater competition. The Competitiveness Council is committed to supporting the development and maintenance of these conditions through the integrated approach to competitiveness.

The Competitiveness Council will concentrate in the short to medium term on the following priorities.

Integrated approach to Competitiveness

To create the vision and strategic direction, as well as the linkage between individual policy initiatives and the broader goal of enhanced competitiveness, the competitiveness agenda must be approached in an integrated way.

Therefore the Council commits:

- *To deepen its commitment to the integrated approach throughout 2004 and beyond, with a view to ensuring that a coherent competitiveness agenda remains centre stage in support of the attainment of the Lisbon economic goals.*
- *To undertake, in cooperation with the Commission, during 2004, an evaluation of selected key proposals across Council formations as to how they affect the competitiveness of enterprise.*
- *To invite the incoming President of the Commission to consider, in the formation of the next Commission, how to ensure the competitiveness agenda is effectively supported; Member States should also reflect on their relevant political and administrative structures.*

Enhanced Competition through better functioning Markets

Developing the four freedoms and exploiting the full potential of the internal market, of which the services sector is a key element, is essential to promoting competition for the Union's enterprises and releasing their innovation and investment potential. Underpinning the internal market must be a fair and effective regulatory and legislative environment.

Therefore the Council:

- *Welcomes the agreement on the Directive on the Enforcement of Intellectual Property Rights and the Take-over bids Directive and commits itself to achieve agreement on the remaining elements of the "competitiveness" legislative package before the end of 2004. (Recognition of Professional Qualifications and Unfair Commercial Practices).*
- *Places the highest priority on the objectives of the Services Directive. It commits itself to processing the instrument within the time-frame set out in the Directive, keeping to the fore at all times its potential contribution to enhancing competition within the internal market.*
- *Calls on the Member States to intensify their efforts to meet the European Council targets for the transposition of internal market legislation and to ensure its effective implementation.*

Regulatory Reform

The regulatory environment must not only be fair and effective but must be proportionate and avoid stultifying enterprise. Competition policy must be driven by a strategic and market-focused perspective and policy reform in this area, including the simplification and streamlining of rules, will allow for a more pro-active approach to their enforcement.

Therefore the Council:

- *Will, by the end of 2004, suggest priorities for screening of relevant elements of the existing body of EU legislation in terms of its cumulative impact on competitiveness and innovation and invites the Commission to establish more ambitious timetables for simplification accordingly, for example, by more systematically setting target dates for presentation of proposals.*
- *Recalling the European Council conclusions of October 2003 and in consultation with the Commission and in accordance with the interinstitutional agreement on better law-making, will review the extended impact assessment process with a view to enhancing the competitiveness dimension.*
- *Calls on the Commission to set out how it intends to take the new pro-active approach to competition policy forward.*

Industry Challenges and Opportunities

The Council's strategic aim is to reduce the productivity gap between EU and other comparable economic areas. This requires a continued promotion of the framework conditions to support enterprise, entrepreneurship and small business, as well as encouraging the uptake of ICTs. Analysis of the ongoing industrial restructuring, including concerns about the risks of de-industrialisation and de-localisation, as well as the challenges facing particular sectors, including those with a strong research base such as the pharmaceutical industry, will remain to the fore of the Council's work programme with a view to ensuring that the appropriate framework conditions are in place. More specifically, European business could be facing competitiveness and restructuring challenges from upcoming environmental commitments, bearing in mind that these also bring opportunities in emerging new technologies and industries.

Therefore, the Council:

- *Will deepen its analysis of de-industrialisation, as well as the challenges facing particular sectors, with a view to assessing whether any changes in framework conditions are necessary.*
- *Urges the Commission and Member States to intensify their ongoing efforts to promote entrepreneurship having regard to the Commission's recently submitted action plan.*
- *Invites the Commission, in the context of the EU's Emissions Trading regime, to keep it informed of the results of the examination of Member States' National Allocation Plans and to provide an assessment to the Council of the effect of the regime on the competitiveness of European industry, having regard inter alia to possible effects on electricity prices.*
- *Should be fully consulted in the process of determining commitments to be made under the next phase (post 2012) of the Climate Change Strategy with a view to safeguarding the competitiveness of European industry.*

Research and Innovation

Innovation is at the core of Europe's drive to be more competitive and productive, and is underpinned by the successful development and propagation of research. Investment in research and innovation should increase the capacity of enterprises, in particular young and innovative enterprises, to generate new products and develop innovative services. Against the background of lagging levels of investment (particularly in relation to the 3% GDP target), enterprises need to have more accessible sources of finance for R&D and innovation investment. Questions of quality and scale, such as researcher mobility and career structures, excellence in Europe's higher education/university sector and in basic research, and the development of technology platforms, as well as the implementation of the research Quick start projects, require and are receiving ongoing attention.

Therefore the Council:

- *Will evaluate the progress achieved on the 3% GDP target through the open method of co-ordination and issue recommendations for any further actions deemed necessary.*
- *Considers that a higher proportion of the EU budget should be invested in research and innovation, without prejudice to the ongoing discussions on the future financial perspectives.*
- *Will strive to create a more favourable working environment with a view to increasing the number and overall quality of researchers in the labour force and their mobility. It will work with the Justice and Home Affairs Council to reach agreement on the forthcoming draft Directive on the Mobility of Third Country researchers by the end of 2004.*
- *Before the end of 2004, will undertake an in-depth examination, on the basis of the review of the Sixth Framework programme instruments currently underway, to ensure that its strategic objectives are being achieved.*
- *Calls for the use of simplified procedures, which improve access to research funds for industry, particularly SMEs.*
- *Will take account of the need to enhance creativity and excellence in basic research in the context of global competitiveness.*
- *Will work to enhance links between research and business (including through public-private partnerships) and to foster innovation, in particular in the light of the Commission's forthcoming innovation Action Plan.*
- *During 2004 will commence discussions on priorities for the next Framework programme.*
- *Calls on the Commission to up-date the framework for state aid for research and development in order to strengthen innovation.*

Employment and Labour Market Reform:

A well-functioning labour market is a critical element of competitiveness. The Council endorses the key messages on labour market reform of the Task Force on Employment and their reflection in the Joint Employment Report and calls for their early implementation, especially at the level of Member States.

Mid Term Review of Lisbon Agenda

The Council looks forward to the review and to its full involvement in the process.

EDUCATION, YOUTH AND CULTURE COUNCIL

EDUCATION & TRAINING 2010: KEY MESSAGES FROM THE COUNCIL AND THE COMMISSION TO THE EUROPEAN COUNCIL

1. Human resources are the European Union's main asset. They are central to the creation and transmission of knowledge and a determining factor in each society's potential for innovation. Investment in education and training is a key factor of the Union's competitiveness, sustainable growth, and employment and therefore a prerequisite for achieving the economic, social and environmental goals set in Lisbon for the European Union. Equally, it is essential to strengthen synergies and complementarity between education and other policy areas, such as employment, research and innovation, and macroeconomic policy.
2. The Council and the Commission re-state their determination to work at Member State and EU levels towards reaching the agreed goal of making education and training systems in Europe a world-wide quality reference by 2010. The adoption at European-level of benchmarks in five key areas is a further proof of Education Ministers' intentions. In order to support the efforts of the Member States, the following three priority areas should be acted upon simultaneously and without delay:

Focus reform and investment on the key areas for the knowledge-based society

In order to make the European Union the leading knowledge-based economy in the world, there is an urgent need to invest more, and more efficiently and effectively in human resources. This involves a higher level of public sector investment in key areas for the knowledge society and, where appropriate, a higher level of private investment, particularly in higher education, adult education and continuing vocational training. Community funding, including the structural funds and the education and training programmes, should have an increasing role to play in supporting the development of human capital.

Make lifelong learning a concrete reality

There is a need for coherent and comprehensive national lifelong learning strategies. In this context, it is necessary to promote more effective partnerships between key actors including business, the social partners and education institutions at all levels. These strategies should include the validation of prior learning, and the creation of learning environments that are open, attractive and accessible to everyone, especially to disadvantaged groups. Common European references and principles should be developed as a matter of priority and implemented according to national situations, and within Member States competences.

Establish a Europe of Education and Training

There is a need to develop a European framework, based on national frameworks, to stand as a common reference for the recognition of qualifications and competences. The recognition of diplomas and certificates everywhere in Europe is essential to the development of a European labour market and of European citizenship. Member States should also take the appropriate measures to remove obstacles to mobility and provide the necessary financial support, in the context of and beyond the Community programmes.

3. Progress has been achieved such as the adoption of the “Erasmus Mundus” and “eLearning” programmes and the enhancement of European cooperation in the area of Vocational Education and Training and Higher Education. Although progress has also been achieved at national level, there are deficits in important areas such as the limited participation in lifelong learning. The transition to the knowledge-based society represents both a challenge and an opportunity for the new Member States. Their commitment and experience in reforms represent a contribution to the progress of the EU as a whole.
4. In the light of the above considerations and as a contribution to the Lisbon objectives, the pace of reforms of education and training systems should be accelerated. Similarly, “Education and Training 2010” should be duly taken into account in the formulation of national policies. In this overall context, the Council and the Commission underline the importance they attach to the role of the next generation of education and training programmes. The Council and the Commission will report every two years to the European Council on progress in the implementation of the “Education & Training 2010” work programme.

EMPLOYMENT, SOCIAL POLICY, HEALTH AND CONSUMER AFFAIRS COUNCIL

Joint proposal of the Employment Committee and the Social Protection Committee.

Introduction

The EPSCO Council agrees with the Commission's proposal in the Spring Report that the implementation of the Lisbon Strategy should be placed at the very heart of the Union action for the coming years. The EPSCO Council agrees with and will contribute to the proposed mid-term review of the Lisbon Strategy in 2005.

Building on the Spring Report, the Council puts forward to the Spring European Council the following key policy messages on employment, social protection/inclusion and gender equality:

Key messages for employment and social affairs; creating more and better jobs and strengthening social cohesion

I. Employment

The European Employment Strategy has the leading role in the implementation of the employment and labour market objectives of the Lisbon strategy. Progress towards the Lisbon 2010 target of a 70% overall employment rate has come to a standstill and without further action the 2010 target will be missed. A narrow approach to labour market reforms will not suffice. Sound macro-economic policies are necessary to secure confidence and stability. Structural reforms are needed in the products, services and capital markets to support competitiveness and job creation. Progress on all fronts of the Lisbon agenda, notably in terms of research and innovation, education and training and the reform of social protection systems including pension systems, must go hand in hand.

Need to focus on implementation

The recent reform of the Employment Strategy has placed the emphasis on medium-term orientation and on the importance of implementation. Member States should vigorously pursue the full range of policies recommended in the Employment Guidelines and the Union should give more attention to the follow-up in order to increase peer pressure. The Employment Taskforce, headed by Wim Kok, has confirmed the need to put emphasis on an intensive monitoring of reforms undertaken by the Member States, including through more forceful EU country-specific recommendations and a more effective use of peer review, rather than engaging in a process of further change of the Guidelines.

The Employment Taskforce's general assessment and policy messages are shared by the Commission and the Council and are fully consistent with the European Employment Strategy. The examination of the Member States' National Action Plans for employment also shows that Member States and the social partners should give immediate priority to:

- **Increasing adaptability of workers and enterprises.** Promote flexibility combined with security in the labour market by focusing on improving work organisation and the attractiveness – for employers and employees – of both standard¹ and non-standard labour contracts to avoid the emergence of two-tier labour markets. The concept of job security should be modernised and broadened with a view not only to covering employment protection but also to building on people's ability to remain and progress in work. It is important to maximise job creation and raise productivity by reducing obstacles to setting up new businesses and by promoting better anticipation and management of restructuring.

¹ The term 'standard contracts' is meant to cover contracts of unlimited duration, whether full-time or part-time.

- **Attracting more people to enter and remain on the labour market: making work a real option for all.** Build comprehensive active ageing strategies, including incentives and other measures for workers to retire later and for employers to hire and keep older workers in employment. Moreover, it is important to further develop policies to increase labour market participation of women, young people, ethnic minorities, immigrants and of those people at a disadvantage. Active labour market policies for the unemployed and the inactive should be strengthened, with personalised services to all those seeking employment. “Make work pay” policies should be pursued through both financial and non-financial incentives, including individual taxation, quality in work in all its dimensions, childcare facilities and other family-friendly measures.

- **Investing more and more effectively in human capital and lifelong learning.** Set out ambitious policies for raising levels of human capital. Share costs and responsibilities between public authorities, companies and individuals and review incentives for increasing investment in human resources in enterprises. Broaden the supply of training to improve access to lifelong learning, in particular for those most in need such as the low-skilled and older workers, taking into account the present and future needs of the labour market.

- **Ensuring effective implementation of reforms through better governance.** Build reform partnerships to mobilise the support and participation of the social partners and various stakeholders. Define clear national policies and, where appropriate, targets to reflect those set at a European level, and ensure an efficient use of public funds. Promote the role of National Action Plans as key instruments in bringing together these elements in the programming of reform, and increase their visibility. The EU level has an important role to play to support Member States’ efforts by strengthening the role of the country-specific recommendations, by linking the EU budget more closely to the Lisbon objectives and by developing more effective mutual learning.

The joint report and the above-mentioned priorities, as well as the country-specific messages in the Employment Taskforce report provide the basis for the formulation of the EU recommendations on national employment policies in 2004.

II. Social Protection and Social Inclusion

Strengthening the social dimension of the Lisbon strategy requires a closer interaction, through streamlining, of the various strands of social protection, covering social inclusion, pensions, health care and making work pay. It also needs to complement and interact effectively with employment and economic policy coordination.

- Strengthen the drive for Social Inclusion

Strategies to reduce poverty and social exclusion needs to be multi-dimensional, long-term and involve all stakeholders. To meet the Lisbon goal of achieving a decisive impact on the eradication of poverty and social exclusion by 2010, Member States are urged, in particular, to:

1. Promote investment in and tailoring of active labour market measures and education and training systems to meet the needs of those who have the greatest difficulties in accessing employment;
2. Ensure that social protection schemes are adequate and accessible for all and that they provide effective work incentives for those who can work;
3. Increase the access of the most vulnerable and those most at risk of social exclusion, including disabled people, to decent housing, quality health and lifelong learning opportunities;
4. Prevent early school leaving and promote smooth transition from school to work;
5. Develop a focus on eliminating child poverty and social exclusion among children;
6. Make a drive to reduce poverty and social exclusion of immigrants and ethnic minorities.

- Make Work Pay

With a view to complementing the focus on making work pay within the European Employment Strategy, social protection systems need to strengthen the incentives and supports they offer people moving from benefits to work. This should not call into question their role in providing adequate benefits.

Efforts should focus on removing barriers and disincentives to work and on developing good interaction between benefits and taxation and income from work. Social protection systems should support active job search and the reconciliation of work and family life in areas such as child and elder care and quality of working conditions. The important role of social partners and the views of civil society representatives should be taken into account in policy development in this field.

- Ensure that pension systems support longer working lives

The future sustainability of pension systems and their ability to continue to deliver socially adequate income to retired people and solidarity within and between generations will depend heavily on raising the employment rate of older workers (Stockholm) and the effective retirement age (Barcelona).

To this end Member States are urged to:

1. Focus attention on the incentives of social protection systems to support working longer and continuously monitor their performance with regard to the Stockholm and Barcelona objectives;
2. Examine, jointly with all relevant actors and notably the social partners, policy measures aimed at discouraging early retirement and making longer working lives more rewarding;

- Ensure accessibility, sustainability and quality of health and long-term care for the elderly

Providing accessible, sustainable and high-quality health and long-term care is an important aspect of the Lisbon agenda. As this is a common challenge for all Member States, existing policy cooperation at EU level should be deepened. The Council therefore welcomes the Commission's intention to put forward a Communication outlining concrete proposals to this end. The Council will then give consideration to the open method of coordination in this area.

III. Reinforce Gender Equality

Reinforced efforts to promote equality between women and men in all policy areas and to implement a genuine gender mainstreaming approach are essential for the EU to succeed in reaching the overall Lisbon objectives. Despite developments towards equality between women and men in the EU in the past decade, significant gender gaps still exist in most policy fields. Special attention must be given to the implementation of the acquis on equal treatment and the adoption of the new proposals for Directives, to the promotion of women in employment, the elimination of the gender pay gap and to gender aspects of social inclusion, health and pension policies.

IV. Monitor progress

To ensure progress on these employment and social policy priorities and towards the agreed EU targets, it is essential to strengthen the evaluation procedures by further developing indicators and other monitoring mechanisms at the national and EU levels and to improve the EU and national statistical capacity.

ENVIRONMENT COUNCIL

Preparation of the Spring European Council 2004

INTRODUCTION

Progress on implementation of the Lisbon Strategy and the EU Sustainable Development Strategy (SDS), agreed in Göteborg in June 2001 and which completed the Union's political commitment to economic and social renewal by adding a third, environmental dimension to the Lisbon Strategy, is the key focus of each Spring European Council. In this regard, this input to the preparations for the 2004 Spring European Council is intended to contribute to the process of developing balanced and mutually reinforcing policies which stimulate growth and employment, while also protecting and improving the quality of the environment, and safeguarding human health, in the enlarged Union, and contributing to the implementation of the EU commitments on sustainable development at global level.

I. DELIVERING SUSTAINABLE DEVELOPMENT : THE LISBON/GOTEBORG CONTEXT

The Council of the European Union:

1. RECALLING the EU's strategic goal established in Lisbon of building the most competitive and dynamic knowledge-based economy in the world, characterised by economic growth with more and better jobs and greater social cohesion, and its aim of becoming a highly eco-efficient economy that respects the carrying capacity of the environment;
2. NOTES with great concern the conclusion in the Commission's 2004 Spring Report, that despite important advances, negative trends in the environment, especially in areas such as climate change, energy, transport and biodiversity, have not been reversed;

3. EMPHASISES, in this context, the need to ensure effective balance and promote synergies between the three pillars of sustainable development, in particular through decoupling economic growth from environmental degradation, and to clarify the interaction between the SDS, the Lisbon Strategy and the Cardiff process, to give renewed momentum to the integration of environmental concerns into sectoral policies;
4. EMPHASISES also the need to integrate better the three dimensions of sustainable development in an ambitious, revised SDS that provides a long-term and comprehensive policy framework as well as general principles for action;
5. STRESSES that it is urgent to ensure effective, timely implementation of EU environmental and environmentally relevant legislation and policies in all sectors; and BELIEVES that further EU and national measures are necessary to meet the key sustainable development targets to which the EU is committed at internal and global levels;
6. AGREES with the conclusion in the Commission's 2004 Spring Report that growth is still not sustainable enough and EMPHASISES that progressive environment policy and measures, in line with the 6th EAP, result in higher environmental standards that protect and enhance quality of life, are an investment in the present and in the future, and can give rise to significant economic and social opportunities, notably in terms of competitiveness and quality employment, i.a. through:
 - acting as a context and a catalyst for innovation and greater efficiency,
 - protecting the quality and ensuring the responsible use of the natural resource base of economic and social development, and
 - improving degraded areas and environments, thus contributing to the prevention and reduction of social exclusion;

II. A RENEWED MOMENTUM FOR THE ENVIRONMENTAL DIMENSION OF THE LISBON STRATEGY

7. TAKES NOTE of the Commission's 2004 Spring Report; INVITES the Commission to provide a more detailed analysis of progress in the implementation of the EU SDS in future Spring reports from next year onwards; and AGREES that a key challenge is to reinforce and exploit the positive synergies between environmental protection and competitiveness;
8. INVITES the Commission, in consultation with the Member States, to identify and pursue win-win opportunities where the environment can help achieve the economic and social goals of the Lisbon Strategy, to identify also the potential implications for the environment, the economy and society from the failure to reverse the current unsustainable trends and to address the potential costs of delaying action in the sectors concerned;
9. WELCOMES the 2003 Environment Policy Review (EPR) and CALLS UPON the Commission to ensure that future EPRs provide, each year in due time for full consideration by the Council (Environment) at its December meeting, strategic and action-oriented reports feeding into the preparation of the Spring European Council and better reflecting developments at national and international levels;
10. WELCOMES the emphasis, in the EPR, on integration of environmental concerns in all policy areas, on implementation of environmental legislation, and on environmental information to foster behavioural change, in accordance with the overall objectives of the Aarhus Convention;
11. Looking forward to the Communication on the use of market-based instruments for environmental policy; UNDERLINES the role of appropriate, flexible market-based mechanisms, such as well-targeted economic incentives, and the need to encourage reform of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development, in supporting environmental policies and measures, including in the field of environmental technologies;

12. INVITES the Commission to establish, by the mid-term review of the 6th EAP, a list of criteria allowing such environmentally negative subsidies to be recorded, with a view to gradually eliminating them;

Natural resources

13. STRESSES the need to manage, in a sustainable manner, the natural resource base on which economic and social progress depends and WELCOMES in this regard the Commission's emphasis on the close linkages between the future thematic strategies on natural resources and on the prevention and recycling of waste and the Integrated Product Policy initiative, which should result in an important contribution to changing unsustainable consumption and production patterns as agreed in Johannesburg;
14. AGREES that the thematic strategy on the sustainable use of natural resources should target its efforts at reducing the environmental impacts of resource use, thereby enabling overall and sector-specific decoupling of economic growth from environmental degradation, and contributing to sustainable development at EU and global levels;
15. CALLS UPON the Commission to present by June 2005 a comprehensive and result-orientated natural resources strategy and to co-ordinate, in consultation with the Member States and stakeholders, a strategic European capacity for the gathering and pooling of knowledge about resource use and impacts and related policy assessment, which should also cover environmental impacts;
16. WELCOMES the progress made on the reform of the Common Agricultural Policy; NOTES the importance of the rural sector in achieving sustainable development targets; and CALLS UPON the Commission and the Member States to ensure that EU rural development funds contribute effectively to such targets;

Environmental technologies

17. **AFFIRMS** that the EU should become a world leader in the field of environmental technologies and aim at gradually increasing its global market share in this field, and that stronger emphasis should be given to removing barriers to their full take-up, having regard to the potential of such technologies as a driving force in a knowledge-based economy to boost competitiveness and growth, increase employment and strengthen environmental protection (including in the critical area of climate change);
18. **RECALLS** that the European Action for Growth covers investments in innovation and R&D including environmental technologies; and **STRESSES** the need for strong links between the ETAP, LIFE and the 7th Research Framework Programme;
19. **WELCOMES** in this context the Environmental Technologies Action Plan proposed by the Commission as a key instrument both for pursuing the goals under the Lisbon Strategy and for achieving sustainable development, in particular through the contribution of such technologies to realising decoupling objectives and developing an environment-driven business sector;
20. **WELCOMES** the Action Plan as providing a framework, objectives, and support measures that are appropriate in the field of environmental technologies and **URGES** all concerned to work for its rapid implementation; **STRESSES** the role of environmental technologies in achieving internationally agreed development and environmental goals and targets and the need to foster collaboration with developing countries on technologies;
21. **INVITES** the Member States, the Commission, industry and the research community to work together to improve the focus and co-ordination of environmental technologies-related research to fast-track the commercial application of its results;
22. **REQUESTS** the Commission, the European Investment Bank Group and the European Bank for Reconstruction and Development, as well as Member States to explore on a priority basis how to broaden the range and increase the magnitude of financing instruments, including venture capital, which can be used to promote environmental technologies;

23. WELCOMES the proposed establishment of a European Panel on Environmental Technologies to help take forward the future work in this area and REQUESTS the Commission to monitor implementation of the Action Plan and to report to the European Council, regularly from 2005, on progress, including on any need for additional measures;
24. SUPPORTS the Commission's intention to review the framework for environmental State aid and decide on any necessary adjustments to the existing Guidelines to adapt to the increasing sophistication of investments in environmental technologies and to new forms of public/private partnerships; CALLS for this review to be completed by the first semester of 2007 on the basis of annual progress reports starting in 2005;

Review of the EU's Sustainable Development Strategy

25. CALLS UPON the Commission to finalise, by the end of 2004, the planned review of the SDS, on the basis of consultations with the Member States and stakeholders and in the perspective of the 2005 mid-term review of the Lisbon Strategy, and to report in due time for appropriate action at the Spring European Council 2005, having regard in particular to i.a.:
- measuring progress towards the objectives of the SDS and the need to define further action, including by enhancing the development and use of relevant indicators for the environment and sustainable development,
 - the need to give renewed impetus to the SDS, also by developing new overall and sectoral objectives, including decoupling targets, as appropriate,
 - the results of the stocktaking of the Cardiff Process of environmental integration,
 - the challenges and opportunities for sustainable development in the context of enlargement,
 - the linkages to be made between the national and the EU sustainable development strategies,
 - incorporating the external dimension of sustainable development to contribute to the achievement of the MDGs and implement the commitments made in Doha, Monterrey and Johannesburg, i.a. through better coherence between internal and external EU policies and measures,
 - updating the "Road-map on the Follow-up to the Göteborg Conclusions";

26. **AFFIRMS** that the planned mid-term review of the Lisbon Strategy in 2005 should take full account of the revised SDS and of the 6th EAP as the EU's environmental agenda, refocus on the imperative of greater environmental integration, notably in the transport and energy sectors , including through the development of overall and sectoral objectives as well as of effective monitoring mechanisms, and review and promote progress towards agreed targets;
27. **CALLS UPON** the Commission, together with the Member States, to examine the extent to which the open method of co-ordination could be used to spread best practice and achieve greater convergence towards the main EU environmental goals, including in the area of environmental technologies, and to report at the 2005 Spring European Council;
28. **WELCOMES** the Commission's intention to examine the possibilities for integrating public health into the Lisbon Strategy by 2005, as a contribution to growth and sustainable development;

Transport

29. **WELCOMES** the efforts made in the EU to ensure sustainable mobility; **NOTES** with concern, however, that there are no signs of a significant decoupling of the environmental impacts of transport growth and GDP growth and **REFERS** to the Commission's 2004 Spring Report in this context;
30. **STRESSES** the need, in future decisions, to take fully into account the Göteborg conclusions regarding sustainable transport, and to consider all the costs of current patterns of mobility for the economy, the environment and health; **EMPHASISES** the need for swift consideration of the Eurovignette Directive;
31. **UNDERLINES** the need to promote cleaner vehicle technologies, notably cleaner and alternative fuels, and to decide on a new stage of European standards for motor emissions, including diesel motors, in the context of ongoing work in this regard; **CALLS** on the Commission and industry to reach early agreement on significantly reducing fuel consumption and CO₂ emissions;

32. Recalling the conclusions of the Copenhagen European Council, **WELCOMES** the efforts deployed in the EU to enhance transport safety, in particular in maritime transport; and **CALLS ON** the Member States and the Commission to continue playing a leading role in this respect, both at EU and international level;

Climate change

33. Recognising that climate change requires a comprehensive and global response, **REAFFIRMS** that entry into force and timely implementation of the Kyoto Protocol remains a key EU priority, and **UNDERLINES** the determination of the European Community and its Member States to respect their commitments under the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, and to demonstrate progress by 2005;
34. **RECALLS** the necessity of attaining the objectives of the Lisbon Process and those of the Göteborg Strategy on Sustainable Development and **RECALLS** that the European Council in December 2003 asked that further cost effective ways of implementing EU decisions in the field of climate change and the potential cost of inaction should be considered; **INVITES** the Commission to undertake an evaluation of Member States' National Allocation Plans in the framework of the EU ETS and to provide an assessment to the Council of the effects of the scheme;
35. **UNDERLINES** the importance the EU attaches to the ratification process of the Kyoto Protocol and to its early entry into force;
36. **CALLS UPON** the Commission to report annually to the Spring European Council, starting in 2005, on progress in the implementation of measures aimed at meeting Kyoto commitments and to report on implementation of measures adopted under the European Climate Change Programme in all relevant Council formations; and **AGREES** to review progress each year;

37. **ACKNOWLEDGES** that to meet the ultimate objective of the UNFCCC to prevent dangerous anthropogenic interference with the climate system, overall global temperature increase should not exceed 2°C above pre-industrial levels; and **CALLS UPON** the Community and its Member States, as a contribution to global efforts towards this objective, to consider mid- and longer term emissions reduction strategies, including targets for greenhouse gases in preparation for COP 11, with a view to a broad agreement among UNFCCC Parties, taking into account the findings of the IPCC;
38. **INVITES** the Commission to provide, as the basis for the above-mentioned consideration and in time for informed decision-making at the 2005 Spring European Council, provisional analysis of the costs and benefits arising from the implementation of such strategies, including mid- and longer term targets, as well as to propose as soon as possible further specific measures to reduce greenhouse gas emissions, including measures to tackle greenhouse gas emissions from air transport, in accordance with the 6th EAP and with the work undertaken by the ICAO;
39. **CALLS UPON** Member States to co-operate in considering the new options to tax energy products supplied for use as fuel for the purpose of air navigation according to the Council Directive restructuring the Community framework for the taxation of energy products and electricity;
40. **LOOKS FORWARD** both to the timely start of the Community emissions trading scheme as a major innovation enabling flexible and cost-effective implementation of the Protocol, and to a first reading agreement this Spring between the Council and the European Parliament on the proposed amendment to the Directive on the Community scheme linking it to the Kyoto Protocol's project mechanisms, thereby allowing companies within the ETS to use such project credits for compliance purposes, and supporting sustainable development on a global basis;
41. **REAFFIRMS** the continuing need for deployment of policies and measures in the field of climate change, including flexible, market-based instruments to secure economically-efficient and substantive climate action, and for fuller integration of climate objectives into other policy areas;

42. EMPHASISES that the EU should spare no effort to bring to the attention of countries that have not yet ratified the Kyoto Protocol, including the Russian Federation, the benefits of doing so in a timely manner;

Energy

43. STRESSES the need to secure greater energy efficiency with consequent economic and environmental benefits; SUPPORTS, to that end, the establishment of effective market-based policies as well as the setting of an ambitious EU-wide indicative target for energy efficiency, implying that the Union's energy intensity should decrease by at least one percent per year as a long term average, to be reached in a cost efficient manner and with a minimum of distortionary effects, taking into account the guidelines contained in the Action Plan to Improve Energy Efficiency in the European Community;

44. NOTES in this respect the potential of the proposed Directives on Energy end-use efficiency and energy services and on Eco-design requirements for energy using products and LOOKS FORWARD to the adoption of these key instruments;

45. STRESSES the need to:

- increase the share of renewable energies in the EU in accordance with the EU-wide targets for 2010,
- advance Community, regional and national goals and develop prospects for the mid- and long term expansion of renewable energies, including through appropriate incentives,
- identify and seek to remove market obstacles to their effective take up;

46. LOOKS FORWARD to the forthcoming International Conference for Renewable Energies in Bonn (June 2004) which is intended to facilitate the development of a global action plan with national and regional goals for the speedy worldwide development of renewable energies, encompassing in particular the support of developing countries;

47. Noting the reporting requirements in directive 2001/77/EC, CALLS on the Commission to present a communication considering targets, policies and measures for increasing the share of renewable energy for the EU beyond 2010 as well as the global development of renewable energy markets, in due time for the Bonn Conference;
48. WELCOMES and ACKNOWLEDGES that partnerships such as the Johannesburg Renewable Energy Coalition (JREC), the Mediterranean Renewable Energy Partnership (MEDREP), the Renewable Energy and Energy Efficiency Partnership (REEEP) and the Baltic Sea Region Energy Co-operation (BASREC) contribute to the sustainability of our energy systems and CALLS UPON Member States and the Commission to develop and maintain active involvement in such partnerships;

Biological diversity

49. RECOGNISES the essential importance of the Birds Directive and the Habitats Directive to the achievement of the EU objective of halting biodiversity decline by 2010; LOOKS FORWARD to the review of the EU biodiversity strategy and, in that context, CALLS FOR strengthened action to meet the 2010 target, including:
- implementation of the necessary technical and financial instruments and measures required for the full implementation of NATURA 2000 and for the protection, outside the NATURA 2000 areas, of species protected under the Birds Directive and Habitats Directive,
 - identification and carrying through of the necessary measures for implementing NATURA 2000 in the marine environment,
 - improving the set of biodiversity indicators to assist in evaluating the impact of policy measures and actions to halt biodiversity decline,
 - fully exploiting the potential of environmental technologies in relation to the conservation and sustainable use of biological diversity,
 - reviewing annually, starting in 2004, the progress towards meeting the 2010 biodiversity objective, on the basis of a report from the Commission,
 - ensuring consistency in the implementation of MEA policies, in particular those under the UNCBD, at Member State and Community levels,
 - timely identification and development of a European Biodiversity Index;

Chemicals

50. EMPHASISES that the new chemicals Regulation now under consideration must contribute to sustainable development and ensure a high level of protection for human health and the environment, while promoting innovation and the competitiveness of the European industry concerned, in particular SMEs, and LOOKS FORWARD to its timely adoption;

International sustainable development commitments

51. EMPHASISES that, while progress has been made in relation to the priorities agreed at the Spring European Council 2003 for pursuing the outcomes of the World Summit on Sustainable Development, implementation of WSSD commitments must continue to have a high priority and be integrated into all relevant internal and external policies of the EU;
52. STRESSES in particular the need to close the finance gap in implementing international development goals through delivery of the commitments made at the European Council in Barcelona in 2002, notably on ODA;
53. WELCOMES the European Commission Communication on "The World Summit on Sustainable Development One Year On: Implementing Our Commitments"; and EMPHASISES that such reporting on and monitoring of progress in implementing the WSSD commitments should be provided for at regular intervals in the future, with particular focus on implementation gaps;
54. CONFIRMS its support for and RESOLVES to make an effective contribution to the practical, action-oriented, multi-year work programme of the UN Commission on Sustainable Development 2004-17, in particular the focus on the thematic cluster of water, sanitation and human settlements and the relation with cross-cutting issues, to be addressed at CSD 12 and CSD 13 in 2004 and 2005; and in this context URGES the further development of the EU Water for Life Initiative, including clarifying next steps and modalities for its funding, and outlining measures to ensure that the initiative fulfils its broader objectives and enhances stakeholder participation;

55. **SUPPORTS** a strengthened role for UNEP, including in the follow up to WSSD, and **STRESSES** that the 5th Special Session of the Global Ministerial Environment Forum, in Jeju, Republic of Korea, from 29 to 31 March, should ensure that UNEP is in a position to develop its contribution on environment-related aspects in the fields of water, sanitation and human settlements;
56. **EMPHASISES** the contribution of voluntary multi-stakeholder partnership initiatives that are part of the action-oriented outcomes of the WSSD and **LOOKS FORWARD** to the International Forum on Partnerships (Rome, 4-6 March 2004), the purposes of which are to enhance the contribution of partnerships to the implementation of sustainable development goals and objectives and to the development of models of technology transfer and use of innovative financial mechanisms.

TRANSPORT, TELECOMMUNICATIONS AND ENERGY COUNCIL

Responding to the Commission's report on the Situation in the Electronic Telecommunications Sector the Council adopted the conclusions set out below. The Council also adopted conclusions on the eEurope Mid-Term review (doc. 6716/04) and on eGovernment (doc. 7470/04).

COUNCIL CONCLUSIONS

On Recent Developments in the Electronic Communications Sector

THE COUNCIL OF THE EUROPEAN UNION

recalling the Presidency Conclusions of the 2003 Spring European Council and of the 2003 December European Council, as well as the Council conclusions of 5 December 2002 and of 6 March 2003

1. WELCOMES

- the Communication from the Commission on Connecting Europe at high speed: Recent developments in the sector of electronic communications.

2. RECOGNISES

- that Information and Communication Technologies (ICTs) are one of the important dynamic forces for growth in modern economies; they contribute to transforming economic and social activities, lead to higher labour productivity growth, and foster economic and social cohesion thus contributing to the achievement of the Lisbon objectives;
- the importance of the electronic communications sector for growth and productivity in the EU;
- the importance of commitment to the objectives of the eEurope 2005 Action Plan and support for the eEurope 2005 Mid-Term Review process to stimulate the effective use of ICTs.

3. CONSIDERS

- that high-speed communications have become a dynamic part of the electronic communications sector, but that substantial challenges (inter alia broadband coverage of under-served areas, demand for advanced services and overcoming obstacles to the roll-out of 3G) still need to be addressed if the sector is to thrive;
- that in order to achieve results beneficial for users of the electronic communications sector, governments have a role to play in creating an environment that facilitates the development of the sector, in particular through the effective implementation of the new regulatory framework for electronic communications so as to create a predictable legal environment which encourages competition and stimulates investment;
- that while connectivity remains an essential priority, it is important now to shift the emphasis of policy to the development and the effective use of innovative services for the benefit of users;
- that market players should be involved in an open and continuing dialogue with a view to identifying specific actions in the area of the electronic communications sector.

4. INVITES THE MEMBER STATES

- to duly complete the effective transposition of the new regulatory framework for electronic communications ensuring, inter alia, an environment that encourages investment in emerging markets;
- to prepare and implement national broadband strategies, with a view to, inter alia, connecting all public administrations to broadband by 2005 and proposing, where appropriate, digital-divide quick-start projects, using, where appropriate, existing financial instruments such as structural funds¹, so as to increase broadband coverage of under-served areas;

¹ Taking account of the Commission's "Guidelines on criteria and modalities of implementation of structural funds in support of electronic communications" of 28 July 2003 (doc.12087/03).

- to call upon all relevant administrations to address remaining issues encountered in the physical deployment of 3G networks, in line with the Presidency Conclusions of the 2002 Seville European Council;
- to focus on stimulating the demand for broadband to increase both broadband coverage and its take-up.

5. WELCOMES THE COMMISSION'S INTENTION

- to continue working with the Member States, National Regulatory Authorities and appropriate stakeholders on developing a common approach to remedies to be applied to undertakings designated as having significant market power;
- to publish a Communication to the Council and the European Parliament on national broadband strategies in May 2004; this should help identify actions on outstanding issues that could be addressed at EU-level, in order to accelerate and facilitate the implementation of these strategies;
- to address the issues of social inclusion and cohesion by bringing together all relevant stakeholders in the area of the information society;
- to work with industry on addressing the issues (such as micro-payments, security and trust, interoperability and Digital Rights Management) hampering the development of new business models in the areas of broadband and mobile communications;
- to continue working to address the challenges for 3G deployment, to publish in the light of the report of the Mobile Communications & Technology Platform, a Communication to the Council and the European Parliament in July 2004;
- to continue to promote the availability of content on line, notably by addressing its appropriate protection in a digital environment;
- to ensure the promotion of interoperable platforms in accordance with the provisions relating to standardisation as specified in the Framework Directive 2002/21/EC.

6. INVITES THE COMMISSION

- on the basis of its forthcoming communications to highlight the issues where an EU response is needed.

7. INVITES THE MARKET PLAYERS

- to increase investment in R&D as well as in 3G and broadband infrastructure, and to develop and provide increasingly attractive, innovative and high quality services on high-speed networks with a view to achieving renewed growth and the furtherance of the information society for the benefit of users and for improved social cohesion.

8. DECIDES

- to transmit these conclusions for the attention of the Spring European Council 2004.

