



EUROPEAN FREE TRADE ASSOCIATION  
ASSOCIATION EUROPEENNE DE LIBRE-ECHANGE

9 March 2005

Mr Jean-Claude Juncker  
Prime Minister  
President of the European Council  
Luxembourg

*Dear Jean-Claude,*  
Dear Prime Minister,

Establishing conditions for sustainable growth in the Internal Market is an important goal for all 28 countries in the European Economic Area.

The EEA EFTA States agree that an increased emphasis on growth and employment as the future focus of the Lisbon Strategy is necessary to secure sustainable development and social inclusion. It is important to maintain the mutually supportive interaction between economic, employment, social and environmental policy. It is therefore necessary to ensure that the promotion of economic growth and jobs is consistent with the objectives of the European Social Agenda and the European Sustainable Development Strategy, and thus contributes to the overall improvement of our lives and our environment.

There is an urgent need to face the challenges of an ageing population, low fertility rates, increased global competition and high unemployment. We must generate the means to pay for education, pensions, social services, health care and environmental improvement. In the light of this, the EEA EFTA States would like to offer the following input to the Mid-term Review and Spring European Council.

**The Internal Market**

A well functioning Internal Market is a precondition for the success of the EU strategy for growth and jobs. Barriers between national markets in the EEA hamper the ability of our companies to grow. The cost of doing business across national borders is still too high. For small and medium-sized enterprises red tape and technical barriers to trade present major obstacles to operating at a European level. It is important that the Community refines the instruments that enable free movement of goods, services, capital and persons. The proposal for a directive on services is a constructive initiative to this end. Moreover, the timely transposition of Internal Market directives into national law

will strengthen the competitiveness of the European economy as a whole. The EEA EFTA States are determined to address deficiencies of the Internal Market and have, for example, taken initiatives to tackle the problem of different national product marking schemes that fragment the Internal Market. The Internal Market Strategy is the most logical place to focus our attention when considering how to establish the conditions for sustainable growth.

### **Research, Knowledge and Innovation**

Knowledge and innovation are essential for achieving the EU strategy for growth and jobs. Quality in European education and training systems has been recognised as a condition for the success of the Lisbon Strategy since the beginning. The EEA EFTA States welcome the signals given by the Commission's that efforts in this area will be renewed.

The EEA EFTA States are committed to contributing to stronger and more coherent European education, research and innovation efforts. Our national policies are inspired by the high ambitions of the Lisbon Strategy. We have noted the intention to achieve faster progress toward the EU target of 3 per cent GDP for R&D investment, and look forward to a continued dialogue on initiatives aimed at realising a European knowledge-based economy and society. The EEA EFTA States believe the creation of the European Research Area (ERA) and the Framework Programmes for research and technological development (FP) are important tools for achieving the Lisbon goal. As for the coming Seventh Framework Programme, the EEA EFTA countries are in favour of including specific support for basic science at the European level to complement nationally funded research and to stimulate creativity and excellence in Europe. We would also like to see continued efforts to improve the mobility of researchers in Europe and to increase support for research infrastructure in Europe. There is a strong need to increase research investment by industry throughout the EEA. We view the establishment of technology initiatives as a promising new field for European collaboration in this regard. There is significant potential for economic, environmental and employment synergies from environmental technologies and energy efficiency.

While we would recommend that the themes of the Sixth Framework Programme should be continued, we would also welcome a more concerted European effort on oceans in the broad sense. The marine environment is the last frontier on our planet that has not been fully explored, and it holds great value for Europe, both now and in the future. We are also in favour of intensifying efforts to increase European research on space and security. Considering that oil and gas will continue to be Europe's main sources of energy for a long time to come, we would moreover suggest that funding under the Seventh Framework Programme should be allocated both to petroleum research in general and to research into CO<sub>2</sub> capture and storage.

Innovators and entrepreneurs require an environment in the European Economic Area that fosters invention and commercialisation. We note with interest that the revision of the existing State Aid Framework for R&D will be brought forward with the aim of facilitating access to finance and risk capital as well as public financing of R&D and

innovation. Furthermore, encouraging regional innovation strategies and the full mobilisation of local and regional resources would contribute to achieving the objectives of the Lisbon Strategy.

#### **Environmental Sustainability**

Achieving sustainable growth will depend on the ability to decouple economic and social progress from environmental damage. In order to meet the objective of sustainable growth, the EEA EFTA States emphasise environmental sustainability as an integral part of the Lisbon Strategy. The 2004 Environmental Policy Review shows that important advances have been made in environmental policy in the EU, but that further measures need to be taken to prevent negative impacts of the environment on health and to promote eco-innovations and energy and resource efficiency. Economic development that fails to deal with these environmental challenges will in the longer term undermine its own potential for growth and lead to irreversible environmental damage.

#### **Employment and Gender Equality**

Despite repeated commitments to gender mainstreaming, gender is often overlooked in the growth and competitiveness discourse. However, the way in which more than half of the population is employed in a society is absolutely vital to how that society thrives and grows. The employment rate for women continued to improve in 2003, but progress has now slowed down. A renewed focus on increasing employment will have to include a focus on increasing the participation of women in the labour market as employees and entrepreneurs and on measures for promoting more women to higher-level positions. Stronger efforts are needed to eliminate the gender pay gap. Family-friendly policies such as parental leave and more access to child care facilities are vital to making it easier for men and women to combine paid work with family responsibilities. The EEA EFTA States will continue to exchange their experience in this field with the EU.

Increased employment opportunities for the young, the elderly and the disabled are essential in order to reduce overall unemployment, and are also necessary to create an inclusive labour market and to enhance the sustainability of our welfare states. The EEA EFTA States will in this connection support the initiative to establish a European Pact for Youth and the recommendations made by the Council (Education, Youth and Culture) on 21 February 2005.

#### **EEA EFTA Action**

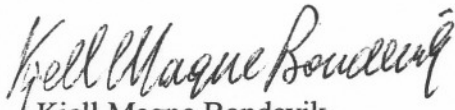
The EEA EFTA States are, through national action, working on almost all of the areas being pursued by the EU in the Lisbon Strategy. We will continue our efforts to improve the effectiveness of policy delivery at national level and in the EEA.

Through the new EEA Financial Mechanisms the EEA EFTA States aim to reduce economic and social disparities within an enlarged EEA. One of the main objectives of these mechanisms is to promote protection of the environment and sustainable development. We will work to ensure that our efforts in this regard are productive. The EEA EFTA States are also strongly committed to supporting the statistical process behind the Lisbon Strategy. Although they are not included in the charts in the statistical annex

to the Spring Report, the EEA EFTA States participate actively in the Structural Indicators exercise co-ordinated by EUROSTAT to measure the implementation of the Lisbon Strategy. We will continue to provide input to this important work, especially with a view to fine-tuning the quality and efficacy of the indicators.

The EEA EFTA States look forward to seeing the results of the Mid-term Review. We greatly value our close co-operation with the EU, and will continue our efforts to support sustainable growth in the EEA.

Yours sincerely,

  
Kjell Magne Bondevik  
Prime Minister of Norway