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I

(Resolutions, recommendations and opinions)

RESOLUTIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

465TH PLENARY SESSION HELD ON 15 AND 16 SEPTEMBER 2010

Resolution of the European Economic and Social Committee on ‘The situation of the Roma in the European Union’

(2011/C 48/01)

At the plenary session held on 15-16 September 2010 (meeting of 16 September 2010), the European Economic and Social Committee adopted the following resolution by 151 votes to 22 with 28 abstentions.

1. The Committee strongly condemns discriminatory actions against the Roma or any ethnic minority groups.
2. The EESC has always strived to defend the fundamental rights of all people living in the European Union and to oppose all forms of discrimination directed at national minorities, as well as racism and xenophobia. The entry into force of the Lisbon Treaty has strengthened the regulatory and policy framework for such efforts and the instruments to implement them.
3. Moreover, the Committee has always strongly supported the right of all Union citizens and their families to move and reside freely, in accordance with EU law.
4. The Committee has always called forcefully for active social inclusion policies in favour of minorities and migrants, in particular the Roma.
5. Furthermore, the EESC wishes to express its commitment to the principle of the rule of law, according to which the responsibility for any act, including possible criminal acts, must always be individual responsibility.
6. The Committee, aware that the problems associated with the integration of the Roma are primarily a matter for the Member States concerned, nevertheless stresses the responsibility of the EU under the new treaty and the need to find a response at EU level, both to take into account the specific circumstances of the Roma populations and to ensure equal treatment throughout EU territory.
7. The Committee actively advocates the economic and social integration of the Roma population, like that of other minorities and migrants, and proposes to the EU institutions the establishment of a comprehensive strategy which is credible to the Member States in order to bring about genuine integration based on the common rights and obligations of all EU citizens. Such a strategy must be built in a participatory way by involving Roma communities and be supported by funding which is consistent with and appropriate to the major challenges at hand.

Brussels, 16 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

The secretary-general
of the European Economic and Social Committee
Martin WESTLAKE

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

465TH PLENARY SESSION HELD ON 15 AND 16 SEPTEMBER 2010

Opinion of the European Economic and Social Committee on ‘The European Union strategy for the Danube region’

(2011/C 48/02)

Rapporteur: **Mr BARABÁS**Co-rapporteur: **Mr MANOLIU**

On 26 February 2010, Mr Šefčovič, Vice-President of the European Commission asked the European Economic and Social Committee, to draw up an exploratory opinion on

‘The European Union strategy for the Danube region.’

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 20 July 2010. The rapporteur was Mr Barabás and the co-rapporteur was Mr Manoliu.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 16 September 2010), the European Economic and Social Committee adopted the following opinion by 123 votes to 2 with 8 abstentions.

1. Conclusions and proposals

1.1 The focus of this EESC opinion is to take the opportunity offered by the European Commission for organised European civil society to put forward specific, practical proposals as input for the action plan on the Danube Strategy ⁽¹⁾ (hereafter DS) currently being drawn up. The EESC hopes that its recommendations adequately reflect the commitment and the strong support of the Committee and organised European civil society for the Strategy. The EESC expects the future Strategy to be a real contribution towards improving the living and working conditions for all citizens in the Danube region, which it sees as the mirror of Europe.

1.2 *At political level the planned Danube strategy:*

1.2.1 must be open, inclusive and sensitive to social, economic and environmental considerations, taking into account proposals from civil society organisations and building on their experience;

1.2.2 given the complexity and interdependent nature of the relevant issues, can only be effective if it consistently follows an integrated approach rather than sectoral considerations and if it emphasises the necessity of meeting the objectives of the relevant stakeholders;

1.2.3 must take into account and seek to stimulate cooperation in areas of ‘soft security’, such as emergency services working together in the face of natural disasters, mobility of workers, enterprises, etc, or for developing contingency plans to deal with ecological accidents;

1.2.4 must help to make fuller use of the potential offered by the Lisbon Treaty, for example in consistent application of the principle of participatory democracy;

1.2.5 must be a suitable tool for:

a. genuinely contributing as a macroregional development policy to the deepening of the European integration process, especially in the framework of the ‘Europe 2020’ programme (smart, sustainable, inclusive);

⁽¹⁾ The future Danube Strategy will include the following EU Member States: Germany, Austria, Hungary, Slovakia, Czech Republic, Slovenia, Bulgaria and Romania, and the following non-EU States: Croatia, Serbia, Ukraine, Moldova, Bosnia and Herzegovina, and Montenegro.

b. bringing the six non-EU Member States in the region closer to the European Union and supporting their efforts to achieve integration;

1.2.6 must reflect EU macro-regional level policy, as well as the active, constructive role and contribution of organised civil society;

1.2.7 must help to coordinate the work of cooperation systems already existing at various levels and in different parts of the region, make this activity more effective and avoid duplication;

1.2.8 must have a clear, simple and transparent governance system, based on a bottom-up approach in relation to organised civil society; the results should be evaluated by annual conferences;

1.2.9 must be implemented in the form of a process allowing for flexibility and periodic reviews; and, when possible, for assigning additional financial resources;

1.2.10 must have realistic objectives and, to ensure successful implementation, set priorities; a medium-term action plan should be prepared for the achievement of these objectives; this action plan must make it clear that active involvement of all stakeholders in line with the partnership principle is a key prerequisite for success;

1.2.11 must have clearly visible and tangible results for society and citizens with a view to leading to better working and living conditions for citizens, including the youth;

1.2.12 must reflect the importance of social and civil dialogue;

1.2.13 must recognise the importance of connectivity in the Danube region;

1.2.14 must take into account the experience of implementing the EU Baltic Sea Strategy.

1.3 *Practical proposals at the level of civil society for the action plan accompanying the planned Danube strategy:*

1.3.1 a regional network of civil society organisations (Danube Civil Society Forum) should be developed to enable, among other things, joint action and projects; members of the network could meet once a year in the various countries of the region;

1.3.2 events (meetings, festivals, visits, exhibitions, fairs, etc.) are needed to strengthen the feeling among people of the Danube region of belonging together, develop regional awareness and maintain cultural diversity, particularly where young people are concerned; a regional cultural review should also help to achieve this objective;

1.3.3 a Danube Week should be held in a different place every year; this could be a suitable forum for discussing topical issues relating to the DS and presenting its results;

1.3.4 in order to ensure continued support from citizens and organised civil society, both within the EU and the neighbouring non-EU members, an effective and ongoing communication strategy for the DS is required;

1.3.5 in developing DS programmes, particular attention should be paid to disadvantaged and marginalised groups, especially the Roma;

1.3.6 regular contacts and cooperation between stakeholders in the region should be strengthened, together with social and civic dialogue; economic and social councils at national level could play an important role here;

1.3.7 the creation of a Danube Business Forum, which would include social and economic actors, could be an important tool for cooperation and economic, social and territorial cohesion in the Danube region; the region's employers' organisations should have access to and be encouraged to participate in the funding programmes geared towards the organisation of this forum;

1.3.8 further reduction or elimination of barriers to free movement together with application of the principles of decent work and fair pay should help to bring people closer together;

1.3.9 in implementing the Danube strategy, information society achievements and services should be made use of;

1.3.10 an international researcher group could be set up to carry out a scientific analysis and examination of strategic issues in the Danube region; the work of this group should be supported by a scholarship programme;

1.3.11 we need to consider how European years and thematic programmes could be linked to the Danube strategy;

1.3.12 initiatives concerned with the teaching of languages used in the region should be supported;

1.3.13 the EESC should set up a permanently operating observatory or study group on the Danube strategy;

1.3.14 elements of the Danube strategy and its action plan should be implemented and monitored by a management committee which includes representatives of organised civil society, and which could prepare an annual report on its conclusions;

1.3.15 in parallel with adoption of the DS, the European Commission should also support several pilot projects suitable for testing and acquiring initial experience;

1.3.16 implementation of the DS and its action plan could be financed from various sources: as well as funding from the EU (especially the Structural Funds) these could include countries in the region, the private sector and international financial institutions. Assuming support from these sources, we would recommend establishing a specific fund.

1.3.17 The EESC views the Danube strategy – scheduled for adoption during the first half of 2011 under the Hungarian presidency – as a decisive tool in developing a dynamic, competitive, inclusive and flourishing Danube region.

2. Danube strategy guidelines

2.1 In developing a DS it is important to define a theoretical framework underpinning the strategy for cooperation in the Danube area and an action programme to implement it.

2.2 It is therefore important to take the following into account when developing the DS:

— aspects relating to economic, social and territorial cohesion;

— the role played by the river in transport and infrastructure (with particular attention to Pan-European transport corridor VII, which affects the Danube) and the related potential to develop economic activities in general; the need to support fairway maintenance measures where necessary for transport and to remove the shipping bottlenecks referred to in TEN-T priority project 18 (in connection with this the Joint Statement drafted under the auspices of the International Commission for the Protection of the Danube River (ICPDR) should be seen as a guide and enforced in practice); continue inter-modal transport projects (construction of container terminals in ports) and complementary road transport projects in the Danube region (bridges with a major impact on goods transport flows); furthermore, the need to carry out projects that

would have a major impact on development, such as the Danube-Bucharest canal, which would benefit the European economy;

— the Danube as a source of drinking water and energy, and as a natural environment which needs to be preserved – the key element is sustainable development; energy infrastructure projects should be supported, such as hydroelectric power plants;

— the role of innovation, research and education in the region;

— the needs of tourism in the Danube area and rural development potential; with regard to the latter, financing of projects should be considered that will stimulate activities in those countries with a considerable agricultural tradition; the funding of cereal-loading infrastructure projects would help tap the potential of local agriculture, particularly in countries with a long farming tradition;

— the role of the river in developing a shared 'Danubian' awareness and identity, complementing European awareness and identity for the whole of the EU; cultural dialogue and solidarity have a key role to play here, also between EU and non-EU members in the region;

— any increase in volume of transport needs to be respectful of the environment;

— to have a conflict-resolving potential able to address the tensions that have grown historically in the region.

2.3 Given the diverse and often competing nature of the values and interests involved it is vital to develop an integrated DS based on common principles, taking into account not only economic rationale but also social needs and factors, including the perspectives and contributions of civil society.

2.4 A fruitful DS based on economic, territorial and social cohesion will lead to the creation of a dynamic, competitive and flourishing Danube region.

3. Background

3.1 At its meeting of 18-19 June 2009 the European Council requested the European Commission to draw up a European strategy on the Danube region by the end of 2010. In the course of the preparatory work, many views were expressed, not least in the context of the open consultation process launched by the European Commission.

3.2 The EESC strongly and decisively supports the European Union's new macro-regional approach and the establishment of an EU DS in this context. As the institutional representative of organised European civil society, the EESC is willing to play an active role and to take the initiative in framing and implementing the strategy.

3.3 The EESC's interest in and commitment to Danube-related issues is not new. Indeed, the Committee has adopted numerous documents over the years on various subjects, such as transport or the environment. These documents clearly

explain the reasons why the EESC considers the Danube region to be important and supports the development of a DS.

3.4 It should be pointed out that recent enlargements of the European Union have shifted its geographical centre to the east, whereas the economic centre of gravity remains in Western Europe. Economic, territorial and social cohesion, as a key component of the DS, together with practical ideas supporting its implementation, represents an appropriate contribution towards addressing this imbalance.

Brussels, 16 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on 'The role of legal immigration in the context of demographic challenges' (exploratory opinion)

(2011/C 48/03)

Rapporteur: **Luis Miguel PARIZA CASTAÑOS**

In a letter dated 16 February 2010, and in accordance with Article 304 TFEU, Ms Joëlle Milquet, Deputy Prime Minister and Minister for Employment and Equal Opportunities responsible for migration and asylum policy, asked the European Economic and Social Committee, on behalf of the future Belgian Presidency, to draw up an exploratory opinion on

The role of legal immigration in the context of demographic challenges'.

The Section for Employment, Social Affairs and Citizenship, which was responsible for the Committee's work on the subject, adopted its opinion on 2 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 115 votes to 1, with 2 abstentions.

1. Conclusions

1.1 The EESC considers that a holistic approach is needed to tackle today's demographic challenges, taking action on a number of economic, social and political aspects. Legal immigration forms part of the EU's response to the current demographic situation.

1.2 The mobility of EU citizens within Europe has fallen, and is lower than immigration of third-country nationals. The Committee considers that barriers to mobility within the EU should be eliminated and that this process should be made easier for European workers.

1.3 The EESC endorses the aim of the Europe 2020 Agenda to increase employment among 20-64-year olds to 75 % by improving the participation of women and older workers and by integrating migrants more successfully into the labour market.

1.4 The common immigration policy should have a strategic approach that adopts a medium- and long-term vision, taking account of aspects such as the demographic context, labour market developments, integration, cultural diversity, fundamental rights, equal treatment, non-discrimination and cooperation with countries of origin.

1.5 The decision on admitting new migrants falls to each Member State. The EU could provide considerable added value, by means of a common policy and highly harmonised legislation.

1.6 Despite some national differences, the EU and the Member States need to have open legislation allowing immi-

gration for employment purposes through legal, transparent channels for workers in both highly-qualified and less-qualified jobs.

1.7 Bearing the demographic challenge in mind, the EESC is of the view that the directives currently in force should be amended and new legislative instruments drawn up.

1.8 The adoption of the Treaty of Lisbon also represents the entry into force of the Charter of Fundamental Rights, which will make it easier for the EU to adopt a more balanced approach to immigration legislation and to demonstrate greater respect for human rights.

1.9 Nevertheless, Europe is now seeing an increase in intolerance, racism and xenophobia against immigrants and minorities. Politicians and others with influence in society, together with the media, must act with the utmost responsibility and set a clear political and social example in order to prevent such behaviour. The EU institutions must act decisively and civil society organisations must actively combat these ideologies and types of behaviour.

1.10 European legislation on immigration should ensure equal treatment, based on the principle of non-discrimination.

1.11 Cooperation with the countries of origin should not be based solely on combating irregular migration, return and border controls. Agreements should take account of the interests of all parties: the immigrants, so that their fundamental rights are guaranteed; the countries of origin, so that emigration can benefit their economic and social development; and the European host communities.

1.12 The common immigration policy should include integration, a two-way social process of mutual adaptation between immigrants and the host society, which should be supported through good governance in the EU, at the national level, and at the regional and local levels. A common European focus offers great added value, because it links integration to the values and principles set out in the Treaty, to equal treatment and non-discrimination, to the Charter of Fundamental Rights, the European Convention on Human Rights and the Europe 2020 agenda.

1.13 The EESC proposes that the European Commission request an exploratory opinion on the benefits of creating a European platform for dialogue with a view to managing labour migration.

2. The population of the European Union

2.1 The EU's population is approaching **500 million**⁽¹⁾. Over the last ten years there has been an upward trend, with a population increase of over 18 million people⁽²⁾.

2.2 However, there are major differences between countries. The populations of Hungary, Poland, Bulgaria and Romania have gone down, while in the rest of the Member States, the population has remained stable or increased, especially in Spain, France, Italy and the UK. Marked regional disparities can also be seen in some Member States.

2.3 **Natural population** change has resulted in just over 3 million new inhabitants in the EU⁽³⁾. The countries which have had the highest absolute rate of natural change are France, the UK, Spain and the Netherlands, although positive rates have also been registered in other countries. The highest **negative rates of natural change** occur in Germany, Bulgaria, Romania and Hungary.

2.4 **Europe's population is ageing**. The percentage of the population aged under 15 dropped from 17,7 % in 1998 to 15,7 % in 2008.

2.5 The percentage of the population aged over 65 increased in the EU from 15,3 % in 1998 to 17 % in 2008. This percentage has decreased slightly in Ireland and Luxembourg, while it is nearing 20 % in Germany and Italy, and is over 18,5 % in Greece.

2.6 **The age dependency ratio**⁽⁴⁾ in the EU has remained more or less stable in the last ten years, going from 49,2 % in

1998 to 48,6 % in 2008. In Denmark, Germany, Greece, Italy and the Netherlands the rate has increased in recent years; it has remained stable in France and Finland, and has dropped in the other EU countries, particularly in those where the proportion of children and young people has decreased most significantly.

2.7 **The total fertility rate**⁽⁵⁾ stood at 1,53 children per woman in 2006. This rate increased between 1999 and 2008 in all EU countries. It remains below 1,5 children per woman in many Member States, however. Only in France does it approach 2 children per woman.

2.8 **Life expectancy at birth** is increasing for the European population, averaging over 82 years for women and 76 for men.

2.9 **Infant mortality**⁽⁶⁾ is decreasing in most Member States, with fewer than five deaths for every 1 000 live births across the EU in 2006.

3. Migration in the European Union

3.1 Europe is the destination for a small number of international migration streams and many people of immigrant origin have formed part of Europe's population for years.

3.2 In the Treaty and thus in the EESC's opinions, the term 'immigration' refers to individuals who are nationals of third countries.

3.3 Immigration is the main reason for the increase in the EU population between 1999-2008. Net migration has added almost 15 million people to the EU population⁽⁷⁾. It is negative only in Bulgaria, Latvia, Lithuania, Poland and Romania. There has been a slight increase in some Member States, whilst the highest migration rates are to be seen in Germany, Spain, France, Italy and the United Kingdom. Between 1999 and 2008, **most Member States had a positive net migration rate**, except Bulgaria (- 215 600), Latvia (- 24 700), Lithuania (- 88 100), Poland (- 566 100) and Romania (- 594 700).

3.4 **Migratory flows are increasing the population** of the EU. Immigration is behind over 80 % of the population increases in the last ten years.

⁽¹⁾ Provisional data from Eurostat as at 1 January 2009.

⁽²⁾ Calculated on the basis of Eurostat data for 1999-2009, as at 1 January of each year.

⁽³⁾ Calculated on the basis of Eurostat data for 1999 - 2008 (number of births minus infant deaths).

⁽⁴⁾ Defined as the ratio between the sum of the population aged under 15 and over 65 and the population aged between 15 and 64.

⁽⁵⁾ Average number of children per women in the year, obtained by adding the fertility rates by age.

⁽⁶⁾ Infant mortality refers to deaths of infants, excluding stillbirths, up until the age of one.

⁽⁷⁾ Calculated using the following equation: migration = 2009 population - 1999 population - 1999-2008 natural rate of growth).

3.5 In some EU countries (Italy, Malta, Austria and Portugal), net migration was equivalent to over 4 % of the average population for the period, while in others, it was over 10 % (Cyprus (11,64 %), Spain (12,62 %), Ireland (10,66 %) and Luxembourg (11,08 %)). At the other end of the scale, population decreases due to net migration ranged from 0,75 % of the Latvian population to 2,62 % of the Romanian population.

3.6 In 2008, the number of **foreigners** (including both EU and non-EU nationals) reached almost 31 million. Germany is the country with the highest foreign population (over 7 million), followed by Spain (5,3 million), the UK (4 million), France (3,7 million) and Italy (3,4 million); in all these countries, except Germany, the number increased in 2009. Greece and Belgium have around one million foreigners, while Ireland, the Netherlands, Austria and Sweden have over half a million.

3.7 In the fourth quarter of 2009 ⁽⁸⁾ almost **11 million EU citizens were living in another Member State**. Of these, 2,5 million were living in Germany, 1,8 million in the UK, 1,6 million in Spain, 1,2 million in France and 1,1 million in Italy. Slightly lower numbers were also found in Belgium (642 900), Ireland (350 500), Luxembourg (191 000), Austria (322 200), the Netherlands (272 100), Greece (142 500) and Sweden (185 700).

3.8 Since the last quarter of 2005, the number of EU nationals living in another EU State increased by over 2,7 million, with Italy, the UK and Spain the most popular destinations for these internal movements, accounting for over 1,7 million.

3.9 In **2009**, the increase in the number of foreigners **dropped** to below a million, a similar level to 2006.

4. The future of the EU population

4.1 **The EU population in 2018 will be between 495 million and 511 million people**, according to Eurostat's demographic forecasts, the discrepancy between the two figures being due to the varying levels of migration that we will see over the coming years.

4.2 **Taking into account immigration by non-EU nationals, the EU's population for 2020 is projected at 514 million, rising to 520 million in 2030**. This forecast is based on a hypothetical yearly net migration rate of slightly less than 1,5 million.

4.3 **In 2020, therefore, population growth, including migration, is predicted to reach 14 million**. Of these, 5,3 million will be in Spain, 4 million in the UK, 1,4 million in Italy, 1,3 million in France, nearly 1 million in Ireland, around 500 000 in Sweden and Belgium, and just under 500 000 in Portugal. Conversely, there will be demographic losses of over 660 000 people in Romania, 530 000 in Germany, 419 000 in Bulgaria, whilst losses in Poland, Hungary, Lithuania and Latvia will exceed 100 000.

4.4 **In 2020**, it is likely that the EU will have 845 000 more 0-14 year-olds than in 2008, 2,8 million fewer 15-64 year-olds, and almost 18,1 million more over-65s. Moreover, the number of 20-59 year-olds is set to decrease by 4,7 million. Thus, the forecast growth of the EU population will be due mainly to the over-65s, resulting in **higher demographic ageing**, with this age group comprising 20 % of the population.

5. The labour market in the EU

5.1 The demographic variable in the labour markets should be considered in conjunction with other economic, social and political variables which fall outside the scope of this opinion.

5.2 Between 1998-2008, the population of active age rose by 12,1 million, of which just under 12 million were aged between 20 and 59.

5.3 **In 2009 there were around 218 million employed people in the EU**, 3,8 million fewer than the previous year. Over 24 million (11 %) were in temporary employment. The average age for retirement from work was 61,4.

5.4 In the last quarter of 2009, **5,8 million EU citizens were working in another Member State**. Of them, 1,4 million were working in Germany, 1,1 million in the United Kingdom, 820 000 in Spain, 650 000 in Italy, 540 000 in France, 280 000 in Belgium, 190 000 in Ireland, 180 000 in Austria, 150 000 in the Netherlands and 125 000 in Sweden.

5.5 **Activity rates grew** in the EU-15 between 1998 and 2008 among all age groups, but with differences varying from 1 % (age 15-19) to 10 % (age 60-64). Male activity rates remained almost constant, except in the 50-70 age group, where they increased to 10 % for the 60-65 age group. Female activity rates grew among all age groups, particularly the 30-65s, with a high of over 10 % among 50-65 year-olds.

⁽⁸⁾ According to data from the Labour Force Survey.

5.6 In recent years, there has been a marked increase in the inclusion of women in the labour market, but the **female activity rate still remains lower than the male rate**.

5.7 The potentially active population in 2020 will be 361 million, around **238 million of whom are likely to be actually active** ⁽⁹⁾, leaving a remainder of 123 million people without an occupation. This would lead to an activity rate of 74,2 % for 20-64 year-olds, slightly below the 2008 rate due to the changes in the demographic structure.

5.8 Taking into account unemployment rates ⁽¹⁰⁾, **there are likely to be 221,5 million employed people in 2020**, which would translate to an employment rate of 69,3 % for 20 to 64 year-olds.

5.9 However, the **Europe 2020** agenda ⁽¹¹⁾ **proposes that employment among 20-64 year-olds should increase to 75 %**, through greater participation of women and older workers and better integration of immigrants in the labour market.

5.10 Over 17,5 million **more** people could be employed in 2020 if the employment rate of 75 % were achieved for 20-64 year-olds. There would still be over 76 million people without work in this age group, although this figure would also include people unable to work due to illness or disability.

5.11 There are major differences in the employment rates of the different EU Member States, which in 2009 ranged from a low in Malta of under 60 % to a high in the Netherlands of around 80 %, with some countries also already exceeding the 75 % target. Consequently, the increase in the employment rate in countries that have low rates, i.e. below the EU average, which covers most Member States - above the EU average but below 75 % - could involve population movements within the EU.

5.12 One factor for the increase in employment rates is the improvement in the level of education of the population. In 2008, the employment rate for people aged between 15 and 64 was 84 % for graduates, compared with 71 % for people who had completed secondary studies and 48 % for people with a lower level of education. The graduate activity rate was also clearly above the average of 66 %. **Improved educational levels** could also be a factor for increasing productivity and helps to meet the growing demand for highly-educated workers.

5.13 With the current **economic** crisis, the labour markets are unable to offer work to everybody of working age (locals and immigrants) and the unemployment rate is around 10 %. In February 2010, 23,01 million men and women of working age were **unemployed** in the EU, 3,1 million more than at the same time in 2009.

5.14 **Demographic ageing is accelerating**. As the baby boomers of the 1960s are retiring, the EU's active population is decreasing and the number of over 60 year-olds is increasing twice as fast as before 2007 - i.e. by two million per year, as compared to one million previously.

5.15 According to the European Commission ⁽¹²⁾, from 2020 onwards, the labour shortage will be even greater, which will make it difficult for Europe to maintain its levels of economic activity and employment - a situation that could last for decades.

5.16 In some Member States, it is becoming easier for older people to remain active in the labour market, as the actual age of retirement approaches the legal age, and there are even some legislative reforms to push back the retirement age beyond 65, as highlighted in the Commission Green Paper ⁽¹³⁾.

6. The role of immigration in the current demographic context

6.1 The European Economic and Social Committee considers that a holistic approach is needed to tackle today's demographic challenges, taking action on a number of economic, social and political aspects. The EU should act on employment and training policies, on improving working methods, and on pension schemes, labour relations, active family policies, etc.

6.2 **Against this backdrop, immigration policy is an integral aspect of the policy decisions** that the EU must adopt.

6.3 The Committee would highlight the conclusions of the reflection group chaired by Felipe González, which has produced a document entitled **Europe 2030** ⁽¹⁴⁾ which states that: *'the European Union's demographic challenge will only be addressed through two sets of complementary actions: boosting labour market participation rates; and implementing a balanced, fair and proactive immigration policy'*. *'Migrant labour will be part of the solution to Europe's future labour and skills shortages and the EU will need to develop a pro-active approach to immigration'*.

⁽⁹⁾ Estimation based on average activity rates for the fourth quarter of 2007 and first quarter of 2008.

⁽¹⁰⁾ Idem 9.

⁽¹¹⁾ COM(2010) 2020 final.

⁽¹²⁾ COM(2009) 674 final.

⁽¹³⁾ COM(2010) 365 final.

⁽¹⁴⁾ http://www.eu2010.es/export/sites/presidencia/comun/descargas/unioneuropea/May08_reflection_en.pdf.

6.4 The EESC has adopted a number of opinions encouraging the EU to develop a common immigration policy to enable *people* to migrate to Europe, through legal and transparent procedures.

6.5 Europe is a destination for some international migration streams, because its relative prosperity and political stability are *considered* by some migrants to make it an attractive place in which to seek opportunities.

6.6 The EU should bear in mind that many immigrants have considerable **entrepreneurship** and that they start up businesses in Europe and help create new jobs.

6.7 **Mobility within the EU for work purposes is less substantial than immigration.** In recent years, it is Poles and Romanians who have been most active in exercising the right to freedom of movement within the EU. The EESC considers that the EU should promote and facilitate labour mobility for European citizens, and the EURES network should consequently be strengthened, and academic and professional qualifications recognised.

7. Common immigration policy

7.1 Common immigration policy is proving extremely difficult to formalise. Cooperation on combating illegal immigration and people-trafficking has improved, a number of agreements have been concluded with third countries and a European approach to immigration has been developed, but little progress has been made on legislation on the admission of new economic migrants, on conditions for entry and residence and on immigrants' rights.

7.2 When the common immigration policy is drawn up, account should be taken of the fact that each Member State has its own specific characteristics (in terms of their labour markets, legal systems, historical links with third countries, etc).

7.3 Common legislation on admission is developed through a number of directives covering the various categories of migrant workers' employment.

7.4 European businesses wish to improve the international recruitment of highly-qualified migrant workers. With this in mind, the EU adopted the Blue Card Directive⁽¹⁵⁾, which the Committee supported, subject to a few proposed changes.

7.5 Nevertheless, no common legislation exists for other types of work, despite the fact that the EU will in future accept many immigrant workers to carry out jobs requiring medium-level and low qualifications.

⁽¹⁵⁾ Directive 2009/50/EC of the Council of 25 May 2009 on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment.

7.6 In its contribution to the Stockholm programme, the Commission proposed that a European platform for work-related migration be set up, involving the social partners, but the Council did not accept this suggestion. **The EESC would like the Commission to consult the Committee on the value of setting up such a platform.**

8. Legislation

8.1 For the last two years, the Council has been discussing the Commission's proposal for a **framework directive** on immigrant rights⁽¹⁶⁾, which also provides for a single procedure. The EESC deems it of crucial importance that this directive be adopted under the Belgian presidency.

8.2 On 13 July, the Commission adopted **two new legislative proposals**: one on seasonal migrant workers⁽¹⁷⁾ and another on migrant workers moving temporarily⁽¹⁸⁾ to another Member State. The EESC will study the approach adopted in these proposals and will draw up the corresponding opinions.

8.3 The minimalist nature of Council **Directive 2003/86/EC** on the right to family reunification enables some national laws not to fully guarantee the right to family reunification to third-country nationals. This directive should be amended to ensure that immigrants who have resided legally for one year can apply to the authorities for family reunification in order to exercise their fundamental right to family life. The Committee also considers that reunited spouses or partners and children of legal age should be able to obtain permission to work. In October, the Commission will present a Green Paper on the matter.

8.4 The **Directive on students**⁽¹⁹⁾ has been in force for a number of years. In the EESC's view, individuals who hold the type of residence permit referred to in this directive should, when this expires, be able to apply for a work permit under a fast-track procedure, with the previous residence permit being extended. In 2011, the Commission will draw up a report on the implementation of this procedure.

8.5 Also in force is the **Directive**⁽²⁰⁾ **on researchers**. The Committee considers that a fast-track procedure should be established so that when people in this position complete their research project, they can obtain the Blue Card, authorising them to work. In 2012, the Commission will draw up a report on the implementation of this procedure.

⁽¹⁶⁾ COM(2007) 638 final.

⁽¹⁷⁾ COM(2010) 379 final.

⁽¹⁸⁾ COM(2010) 378 final.

⁽¹⁹⁾ Council Directive 2004/114/EC.

⁽²⁰⁾ Council Directive 2005/71/EC.

8.6 One of the greatest problems suffered by many immigrants and many businesses in Europe, the **recognition of academic and professional qualifications**, needs to be resolved.

8.7 The EESC is of the opinion that to ensure that most immigration is legal and transparent, admission legislation should also take account of the work carried out in micro-enterprises and within families. In another opinion⁽²¹⁾ the EESC therefore proposed using a **temporary six-month entry and residence permit for the purpose of seeking work**.

8.8 Taking account of the Charter of Fundamental Rights, the EU must ensure the **universal protection of human rights** under European and Member State legislation.

8.9 **Human rights are universal**, irrevocable and protect all, regardless of condition or legal status. The EESC consequently drew up an own-initiative opinion⁽²²⁾ proposing that the EU's legislation and policies on immigration and borders properly respect human rights.

8.10 European legislation on immigration should **ensure equal treatment, based on the principle of non-discrimination** (Article 21 of the Charter), and guarantee Article 15(3) of the Charter, according to which '*Nationals of third countries who are authorised to work in the territories of the Member States are entitled to working conditions equivalent to those of citizens of the Union*'.

8.11 Equal treatment at work concerns working conditions, pay, dismissal, health and safety in the workplace, and the right to join a trade *union* and to strike. This also applies to equal treatment as regards other basic social rights such as healthcare, pension rights, unemployment protection and education/training.

8.12 The EESC is concerned to note that racism, xenophobia and intolerance are on the increase in Europe. The Committee welcomes the work of the European Fundamental Rights Agency.

8.13 In the Committee's view, some migration is temporary and in some cases circular, but experience suggests that much migration is permanent or long-term, which is why European policies and legislation should always promote respect for human rights, the security of immigrants' legal status, integration and family reunification.

8.14 The EU and the Member States could conclude agreements with the countries of origin on a form of circular migration that facilitates migration through transparent procedures. The EESC supports the idea of **mobility partnerships**, which have been established with some countries of origin. The Committee proposes, however, that agreements be balanced, to ensure that they benefit all of the parties concerned: the migrants, countries of origin and EU Member States.

8.15 If a circular migration system is to work smoothly, Community legislation must offer highly flexible short-term permits, together with return procedures and guarantees of further employment in subsequent years. This will encourage many migrants to use legal channels, and not to remain in Europe illegally when their residence permits expire.

8.16 The EESC proposes granting frequent temporary permits of between three and nine months and which can be renewed for three, four or five years. Such procedures require financial and logistical resources and cooperation between employers and the authorities in the States of origin and host States and the unions.

8.17 The Committee wishes to sound a warning: circular migration hampers social bonding and integration and does not encourage workers to establish firm ties with businesses or to join unions. It also makes education/training more difficult.

8.18 Temporary entry arrangements could include **agreements on training and the recognition of vocational qualifications**, since temporary immigrants working in Europe would be able to improve their qualifications and, after returning, improve their job opportunities.

8.19 Migrants holding permanent status under the **Directive on long-term residents**⁽²³⁾ lose their legal status if they remain out of the country for 12 months.

8.20 To facilitate the movement of migrants and business- and labour-related initiatives in the country of origin, European legislation on migration should enable people to retain their right to permanent residence in the long term (for at least three years) and for return not to mean the loss of their work and residence permit in Europe.

⁽²¹⁾ OJ C 80, 3.4.2002, p. 37.

⁽²²⁾ OJ C 128, 18.5.2010, p. 29.

⁽²³⁾ Council Directive 2003/109/EC of 25 November 2003 concerning the status of third-country nationals who are long-term residents.

8.21 Guarantees for **pension rights** acquired in the EU are essential, and reciprocal agreements will therefore have to be negotiated with the countries of origin, as will ratification of ILO Convention No 157.

8.22 The Committee proposes that EU Member States ratify ILO Conventions Nos 97 and 143, which refer to migrant workers. The EU Member States should also sign up to the International Convention⁽²⁴⁾ on the Protection of the Rights of All Migrant Workers and Members of Their Families, as proposed by the EESC in an own-initiative opinion⁽²⁵⁾.

9. Cooperation with countries of origin

9.1 The EESC has proposed⁽²⁶⁾ that, under its external policy, the EU should promote an international legislative framework for migration.

9.2 The EU is currently signatory to a number of neighbourhood and association instruments. In the EESC's view, these agreements should consolidate their chapters on migration and mobility. The priority is to implement agreements for mobility between the EU and the neighbouring countries with which the EU already has economic and political cooperation links.

9.3 The Committee has adopted two opinions⁽²⁷⁾ proposing that migration to Europe should boost economic and social development in the countries of origin.

9.4 **Training in the country of origin** can make immigration policy easier to implement and help ensure that immigration is managed in a way that takes account of the professional needs of European businesses.

9.5 The EESC proposes that the EU conclude agreements with the countries of origin to facilitate the recognition of professional qualifications and training in the countries of origin.

9.6 Consideration should be given to the idea of the EU and the Member States funding training programmes in the country of origin and thus also contributing to the development of high-quality training bodies. Qualifications gained under such programmes should be recognised as European qualifications. These training programmes should be flanked by a fast-track procedure to obtain work and residence permits.

⁽²⁴⁾ Adopted by the United Nations General Assembly in Resolution 45/158 of 18 December 1990.

⁽²⁵⁾ OJ C 302, 7.12.2004, p.49.

⁽²⁶⁾ OJ C 44, 16.2.2008, p. 91.

⁽²⁷⁾ OJ C 120, 16.5.2008, p. 82 and OJ C 44, 16.2.2008, p. 91.

10. Integration policies

10.1 Integration is one of the goals on the Europe 2020 agenda. **Integration is a two-way social process of mutual adaptation** that takes place in the complex social relationships between individuals and groups of people. Integration processes develop slowly within social structures, such as the family, schools and universities, neighbourhoods and villages, the workplace, trade unions, employers' organisations, and religious, cultural and sports institutions, etc.

10.2 As the result of cooperation between the European Commission and the EESC, the **European Integration Forum** has been set up to enable civil society and immigrants' organisations to play a role in EU integration policies.

10.3 The EESC has drawn up a number of opinions promoting integration policies, and has set up a **permanent group** to promote integration and build on relations with civil society organisations and the Forum.

10.4 The EESC has adopted a new own-initiative opinion⁽²⁸⁾ entitled **Integration and the Social Agenda**, to ensure that the Europe 2020 Agenda consolidates the goal of integration, paying greater attention to the social consequences of immigration, migrants' employment situation, social inclusion, gender equality, poverty, education and training, health and social protection and the fight against discrimination.

10.5 The Spanish presidency of the EU also asked the EESC to draw up an exploratory opinion on the **Integration of immigrant workers**. That opinion⁽²⁹⁾ studies the importance to integration of employment, equal working conditions, opportunities and treatment. It also includes recommendations for the European and national authorities, and for the social partners.

10.6 The **Ministerial Conference held in Zaragoza** on 15 and 16 April 2010 called on the Commission to draw up a **new agenda for integration**. The EESC is working together with the Commission on drawing up an information report on **The new challenges of integration**, which proposes that the new agenda should give persons of immigrant background a greater role in civic life and in the democratic process.

10.7 The two-way approach requires governments to ensure that national laws make it easier to grant **citizenship to immigrants applying for it**, with transparent procedures.

⁽²⁸⁾ OJ C 347, 18.12.2010, p. 19.

⁽²⁹⁾ OJ C 354, 28.12.2010, p. 16.

10.8 The EESC drew up an own-initiative opinion ⁽³⁰⁾ addressed to the Convention that drafted the Constitutional Treaty, calling for **European citizenship** to be granted to third-country nationals having long-term resident status.

10.9 In conjunction with the demographic challenge, the EU and the Member States face another major political and social challenge – that of integrating new citizens with equal rights and obligations. To this end, the rights of national and European citizenship should also apply to people of immigrant origin, who bring considerable ethnic, religious and cultural diversity to Europe.

11. Irregular migrants

11.1 The EESC wishes to point out that several hundred thousand people live in the EU without the proper legal papers work in the informal economy and in undeclared jobs

and who are 'invisible' in official society and whose fundamental rights are not recognised.

11.2 The document produced by the Europe 2030 Reflection Group states the need to harmonise 'the rights of irregular immigrants across the EU'. The EESC endorses this proposal.

11.3 As the EESC has proposed in other opinions ⁽³¹⁾ it should be made easier for irregular migrant workers to regularise their personal situation, taking account of their working and social ties, on the basis of the commitment given by the EU Council as part of the European Pact on Immigration and Asylum ⁽³²⁾.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

⁽³⁰⁾ Own-initiative opinion, OJ C 208, 3.9.2003, p. 76.

⁽³¹⁾ OJ C 354, 28.12.2010, p. 16.

⁽³²⁾ Council of the EU 13440/08, 24 September 2008.

Opinion of the European Economic and Social Committee on 'Green jobs'

(2011/C 48/04)

Rapporteur: **Mr IOZIA**

In a letter dated 7 June 2010 Ms Joëlle Milquet, Deputy Prime Minister and Minister for Employment and Equal Opportunities responsible for migration and asylum policy, asked the European Economic and Social Committee, on behalf of the Belgian presidency of the Council and under Article 304 of the Treaty on the Functioning of the European Union, to draw up an exploratory opinion on

'Green jobs'.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 16 September), the European Economic and Social Committee adopted the following opinion by 142 votes to three with eight abstentions.

1. Proposals and recommendations

1.1 Since all sectors are called upon to contribute significantly to reducing greenhouse gases, the EESC points out first of all that it would be better to talk about the greening of jobs than green jobs.

1.2 The EU often sets itself ambitious goals but fails to identify necessary resources and instruments. In the case of 'greening of jobs', too, there has been much talk but few tangible initiatives have been taken. Commission, Council and Parliament should put together a European plan to promote green jobs, and the EESC warmly welcomes the Belgian presidency's initiative of making the issue one of its priorities. This is an extremely important response to the job crisis which is gripping the whole of Europe.

1.3 The EESC recommends that the Commission issue a specific Communication on promotion of greening of jobs, on the basis of the data analysis currently being carried out by the ESF Committee and the DG EMPL working document. The strategic importance of the issue is such as to warrant lengthy, in-depth debate.

1.4 The EESC firmly believes that the European Union has a major contribution to make to identifying common goals and instruments and helping Member States with less economic and technological potential to achieve the goals set, alongside the other Member States. Creation of greener jobs should be mainstreamed into all EU policies.

1.5 Using the Structural and Cohesion Funds to this end – once the real possibilities for their use and transfer have been defined – can certainly contribute to the huge amount of funds needed. A clear policy on the matter would help make the

prospects for creating green jobs more realistic. The next financial programming period (2014-2020) must take this urgent need into consideration and adapt the resources available in the various Structural Funds, taking a holistic approach and prioritising programmes' efficiency and effectiveness.

1.6 The European Social Fund (ESF) has a key role to play. To support the Europe 2020 strategy and its goal of 'smart, sustainable and inclusive growth', the ESF's role needs to be redefined and focused more on practical priorities which are in line with the new strategy. In June this year, the ESF Committee issued an opinion on the future of the ESF, asserting the need to channel the ESF into boosting employment, explicitly mentioning green jobs. The EESC does not feel it is essential to establish a sixth pillar of the ESF dedicated to green jobs, but rather to channel resources particularly into all activities which could help reduce the carbon footprint.

1.7 The European Globalisation Adjustment Fund (EGF) could be a useful tool for addressing the financial needs of programmes supporting vocational retraining, although it would have to be made more accessible – it is currently only available to businesses with at least 500 staff, and this minimum could be reduced to 50 staff.

1.8 The EESC believes that European sector councils on jobs and skills (ESCs) are an excellent idea that deserves support. They 'should provide crucial support in the process of managing sectoral changes ..., in particular anticipating ... employment and skills needs and adapting skills to supply and demand'. These ESCs should be based on the achievements of initiatives such as the European Qualifications Framework (EQF), the European Credit Transfer and Accumulation System (ECTS), the European Credit System for Vocational Education

and Training (ECVET), the European Quality Assurance Reference Framework (EQARF) and Europass, and contribute to their further development ⁽¹⁾.

1.9 Setting up a 'European sovereign fund' managed by the EIB, which already does excellent work in supporting energy efficiency initiatives, including contributing funding for initiatives undertaken under the Covenant of Mayors, could be one of the responses to currently almost irresolvable problems related to the huge difficulty of finding capital on the markets.

1.10 The EESC believes that a new *Marshall Plan* is needed for the environment and social sustainability, to achieve new development which does not affect the planet's ability to maintain its level of entropy – its 'ageing' – as unaltered as possible. An extraordinary European plan would, in effect, convey the idea of the radical changeover which will have to be tackled without delay, to produce a new type of growth, which is environment-friendly and sustainable and which achieves progress in line with the aims of the treaties. This could also feed into the discussions taking place on finding new indicators entitled 'Beyond GDP'.

1.11 It is extremely important to make the public aware of the need for a sustainable economic policy, providing accurate, timely information. A good example of support for public information is the Life+ programme – the EESC calls for this programme to be extended under the next Financial Framework (2014-2020) as well.

1.12 Managing the transition from the old to the new development model is certainly the biggest task, which will have to involve public authorities and the social partners at European, national and local level. Social dialogue between confederations and sectors should include specific projects anticipating the effects of the changeover on production systems in the various sectors concerned. Businesses need to build ongoing dialogue between the social partners and set clear objectives as regards skills needs, upskilling and anticipating developments. A serious impact-assessment policy is required as regards assessing energy and climate plans in connection with European and national legislation.

1.13 Policies for developing low-emission activities will bring many new job possibilities, but on the other hand they may cause many jobs to be lost in the transition. Adequate income support and retraining instruments should therefore be developed in good time. The role of the social partners and

local authorities is essential here. It is also vital to encourage R&D in order to find out where technological development is heading and which new areas of employment will emerge.

1.14 Budgetary policy has cut incentives and financing, in some cases drastically, causing a fall in employment, as has occurred in Spain in the wind and photovoltaic energy sectors. Public investment and the regulatory framework need to remain stable, with changes that are foreseeable and, where possible, agreed at international level, to allow stable planning in private businesses.

1.15 Research and development are the key pillars which continue to underpin the EU's growth strategy. The Europe 2020 programme for smart, sustainable and inclusive growth revives the target of investing at least 3 % of annual GDP in R&D.

1.16 At least 50 % of funds deriving from sale of ETS should be invested to support energy efficiency and promotion of the green economy. Resources should be transferred from the businesses most to blame for emissions to those which help reduce greenhouse gases. For sectors not covered by the ETS, such as road and maritime transport, alternative measures should be taken.

1.17 Promotion of green jobs – the EESC prefers the concept of sustainable jobs for a sustainable economy – must involve a combination of stick and carrot measures, along the lines of the ETS, providing the necessary resources without dipping significantly into the already-empty public coffers. The issue of funding will be crucial and requires all of the parties concerned to play the game, because the EU 2020 strategy and the aid programmes will not be able to work if the Member States' hands are tied in terms of their budget. Businesses which commit to better quality jobs and more sustainable production should be encouraged and supported. They require a clear, stable regulatory framework, ideally with internationally-agreed rules. Rapid, consensual resolution of the European patent issue would, of course, be a step in the right direction.

1.18 Public funds should be channelled first and foremost into support for those who will lose their jobs in the 'black jobs' sector – jobs which produce high levels of GHG emissions and pollution. A high proportion of these funds must be devoted to appropriate lifelong vocational training processes.

⁽¹⁾ OJ C 347, 18.12.2010, p. 1.

1.19 The EESC believes it would be useful to adopt the 'ECSC' model, which was used to manage an equally important transition – from coal to crude oil, taking into account, of course, developments which have taken place in the meantime. This model included close involvement of the social partners, which the EESC feels should play a leading role in the forthcoming radical changeover, and provided for sustainable aid plans.

1.20 There must be particular focus on equal opportunities in education and training for women, as well as pay and qualification levels. In particular, the ideas of basic education in the green economy and greening education should be introduced. Social dialogue must be a point of reference as regards lifelong learning concerning the green economy.

1.21 In the area of renewable energies, for example, although more or less as many women as men are employed in administration, the figure plummets when it comes to jobs requiring more specialist skills and the technical activities of installation and maintenance.

1.22 The EESC has emphasised in a previous opinion the role education and training have to play in a low-GHS-emission society. To this end, it has signed a cooperation agreement with Italy's Carlo Collodi Foundation concerning the Pinocchio project, to use the wooden puppet as a symbol in European energy- and environmental-education campaigns ⁽²⁾.

1.23 The training must be provided by schools and public job services.

1.24 The gap between the skills required and available training needs to be closed, with tighter links between all those concerned. Ongoing, widespread local consultation councils are needed, bringing together the social partners' vocational training experts, public authorities responsible for employment services and representatives of regional and local authorities; they must work together to identify skills and training needs sufficiently in advance.

1.25 A European system for certifying skills could further encourage young people to turn to more sustainable activities, paving the way for a European labour market and making effective the right to free movement, the most glaring example of a right which is denied in practice thanks to the inadequacy and lack of harmonisation of education and training systems. The ESCO (European Skill, Competencies and Occupations taxonomy) project will be a key tool for matching demand and supply, particularly as regards 'new jobs'. The involvement of the EURES network (promoting intra-European mobility) would also be useful.

1.26 Businesses and trade unions have a responsibility to give direction to training activities and cooperate on an ongoing basis in order to achieve the best results. In many European countries this cooperation takes the institutional form of bilateral institutes or separate vocational training institutes cooperating continuously. These initiatives should be disseminated through a specific programme under the Europe 2020 strategy, which makes knowledge one of its three priorities.

1.27 Social and civil dialogue have a role to play. No radical programme of this kind can be implemented without involving civil society. The social partners can undertake ongoing 'greening' of all jobs. Energy efficiency and saving targets can be included in agreements negotiated between the social partners so as to distribute part of the real saving made in the form of collective bonuses. Several examples of this already exist in the United Kingdom and other countries.

1.28 Clear targets, widely-disseminated information, underlying social and political cohesion and consensus on the instruments to be used are needed to shift the whole of society towards a sustainable economy. The EU has an extremely important role to play in providing both supporting legislation – the climate package has, in practice, served as such – and, above all, a coherent method of dialogue and discussion to be applied at national and local levels. A strong common energy and environment policy is becoming increasingly urgent. The EESC has already stated its position supporting a European public energy service ⁽³⁾. Given the great difficulties in the way of this, a system of closer cooperation between Member States in the field of energy is called for initially, maybe starting by interconnecting networks and gradually introducing smart grids, which can do much to resolve the issue of managing energy distribution. The EESC, the Italian CNEL (National Economic and Labour Council) and the French and Spanish ESCs are working on a joint proposal on this issue. With regard to growing use of renewable energies, we need not only to develop networks but also above all to solve the problem of storage.

1.29 The public must be convinced that they have a lot to gain from the proposal, which requires energies and resources to be harnessed that are as exceptional as the times we live in, and a gradual shift away from current consumer and development models towards other, more restrained models which are more respectful of nature and more human.

1.30 Informing and involving the public and associations have a key role to play here. Provided that it goes hand in hand with clear, transparent objectives, proper provision of information can yield remarkable results.

⁽²⁾ OJ C 277, 17.11.2009, pp. 15-19.

⁽³⁾ OJ C 175, 28.7.2009, p. 43 – OJ C 128, 18.5.2010, p. 65-68 – OJ C 306, 16.12.2009, p. 51-55

1.31 Adaptation policies must target businesses and public authorities as well as individuals, employees and managers. We have to do better with less. In terms of energy, that means reducing energy intensity (unit of energy per unit of GDP) and constantly improving the EROEI (energy returned on energy invested).

1.32 Business associations, particularly on the ground, have a key role to play, as they can disseminate information and a sustainable business culture. Establishing sustainable, integrated energy districts where major synergies can be developed, for example in cogeneration, requires coordination and assistance from associations in respect of both businesses and public authorities.

1.33 Geothermal power is a case in point. In Sweden, the development of geothermal power and regulation facilitating this was made possible by a decisive contribution from the business world and the wise decision of the public authorities to support wide use of heat pumps. There is a similar case in Lombardy (Italy), where legislation encourages businesses to use closed-circuit systems which are not harmful to the environment and provide very high EROEI.

1.34 The role of the farming sector in developing green jobs is of key importance. Localised power generation, use of biomass and cutting down on biocides and pesticides are the major challenges facing the sector.

1.35 A stable regulatory framework, extensive involvement of civil society, huge-scale harnessing of capital and intellectual resources, support for research and development, clear programmes in the areas of support for transition, education and training to create a low-emissions society, support for policies for environmentally-friendly mobility within and outside towns, launch of a huge-scale plan for a sustainable economy with sufficient backing from European funds, the creation of factors for a new form of growth – these are the key pillars of a European initiative aiming to support and promote a sustainable economy and ‘green’ jobs consistent with the European criteria for good work already defined by the March 2007 European Council.

2. Introduction

2.1 The Belgian presidency has asked the EESC to draw up an opinion on promoting useful job policies to facilitate a shift towards a low greenhouse gas emission economy, as this subject is to be one of the presidency’s priorities.

2.2 The EESC has adopted an own-initiative opinion on a similar subject – Promoting sustainable green jobs for the EU energy and climate change package⁽⁴⁾. This opinion completes the previous opinion and provides further details.

2.3 The public has realised that major changes to our development model are now essential.

2.4 To respond to the challenges of:

- energy efficiency programmes;
- climate change;
- the gradual depletion of available hydrocarbons;
- the need to increase energy independence;
- the need to gradually replace obsolete, pollutant electricity power stations;
- social, economic and environmental sustainability;

a long-term strategic programme needs to be drawn up addressing all the issues raised by this radical changeover.

2.5 These policies will have a significant impact on the job market. Construction, transport, energy and networks are the sectors which will be most affected, and they will have to make radical changes to their current production models.

2.6 The changes will pose serious problems in terms of adaptation, retraining and job and geographical mobility, especially in those countries which depend more on high GHG emission energy sources (e.g. crude oil, coal), with energy-hungry industries (e.g. cement, aluminium), in which availability of energy at sustainable prices is the main factor in economic survival for existing plant.

2.7 By 2030 over a million jobs are expected to be created in Europe, but these estimates need to be updated given the negative impact on growth of policies aimed at stabilising public deficit, which are holding back economic recovery. Thus far, the development of green jobs, particularly in the field of energy, has been supported by policies fostering renewable energies, in particular solar-photovoltaic, thermal and wind energy; in the road transport sector, hybrid, electric and gas-powered vehicles have benefited.

⁽⁴⁾ See EESC opinion of 14 July 2010 on *Promoting sustainable green jobs for the EU energy and climate change package*, rapporteur: Mr Iozia), adopted at the plenary session of 14-15 July 2010.

2.8 Incentives both for new buildings and for renovation have played a very important role in developing a sustainable industry, which now has a clear idea of its future tasks but also of the job opportunities provided by renovation of public and private dwellings and high-energy-efficiency renovation of public buildings for administration and services and of offices and industrial premises.

2.9 A new form of competitiveness must be sought and encouraged. Innovative, greener products, cleaner production processes and more moderate consumption are the key to a new period of development and progress. Europe still aspires to be at the forefront of moves toward a zero-emission economy. To do this it must help industry to remain competitive, with a special focus on SMEs as they are most at risk of losing their place in the market. The Small Business Act should be put into practice, especially in the field of innovation.

2.10 The needs and requirements of businesses and workers should receive prime consideration (bottom-up). Rather than devising dirigiste (top-down) policies, the Commission should be more mindful of this and should gear EU strategies towards these requirements. The broad aim should be to establish factors promoting a new form of growth that is sustainable and environment-friendly, but which at the same time guarantees jobs and progress.

2.11 Information and exchange programmes on good practice (already adopted or to be adopted) should be set up with third countries such as China, India and Brazil in the context of bilateral and multilateral relations.

3. A sustainable economy, promoting green jobs

3.1 If Europe wants to continue to have a future on the international economic stage, it must stay in the lead in developing renewable energies, although it is already being challenged by the precipitous growth of the Asian economies, particularly China and Taiwan. The new US Administration is seeking to close the divide and strengthen its huge potential with major investments in the energy sector. The recent events in the Gulf of Mexico, with the environmental disaster caused by the Deepwater Horizon oil rig, which ironically occurred on Earth Day, are speeding up decisions to shift to a sustainable economy.

3.2 The implications of addressing the challenges posed by climate and environmental policies in terms of skills required are huge. All sectors and all activities are potentially concerned by these policies. A huge operation is needed as regards planning, coordination, identifying priorities and finding the necessary funding. Above all, however, a good policy is needed, along with good technical capacity and a good level of human resources.

3.3 The labour market will be called on to take up the challenges posed by this changeover and, at the same time, to find new jobs for those employed in obsolete sectors and provide training in the new professional skills needed.

3.4 Public employment services must make every effort to cope with a transition which will affect hundreds of thousands of workers. High-quality vocational training programmes ensuring equal opportunities for women and men are essential. The public services will have an essential role to play in ensuring successful training, respect for equal opportunities and that people find a first job.

3.5 Private businesses must equally make every endeavour to support the technological leap that will be necessary to move from an economy whose main energy source is hydrocarbons to a low GHG emission economy, a sustainable economy.

3.6 SMEs, in particular, will need aid and support. Despite the good resolutions of the banking system, access to credit is becoming increasingly difficult and costly, and the situation of the capital market is certainly not such as to presage great availability of credit in the short term.

3.7 Jobs created in green economy must, by definition, be good, high-quality, adequately paid jobs. How can we ensure that this is the case? Only ongoing, continual dialogue between the social partners and public authorities can actually make it happen. Use of taxation, for example, can help preserve the balance of a system which will have to face tough competition from those exploiting current energy sources, who will not be willing to lose markets and profit.

3.8 Adding the whole cost of the changeover onto end prices is unthinkable, as is letting the full cost be borne by the taxpayer. At least in this sector, harmonisation of taxation in Member States is called for. The recent crisis of the euro is evidence, once again, of the need for greater harmonisation of taxes and taxation systems.

4. The role of the European Union: the Structural Funds

4.1 DG EMPL has provided some interesting assessments in response to questions put to it by the EESC: these are summarised below.

4.2 Article 3 of the general regulation on the Structural Funds includes sustainable development among the Community's priorities and calls on Member States to incorporate this in their programmes by means of action to strengthen growth, competitiveness, employment and social inclusion, and to protect and improve the quality of the environment.

4.3 Article 3 of the European Social Fund regulation states that the Fund is to support measures for increasing adaptability of workers, enterprises and entrepreneurs, in particular by promoting the development of qualifications and competences and the dissemination of eco-friendly technologies.

4.4 It is not possible to quantify the many ESF measures that involve green jobs and the development of competences, as these are neither a priority nor a category of expenditure under Article 2 of the ESF regulation. Bearing in mind the extremely broad definition of green jobs (all jobs can be made 'greener'), the EESC does not think it necessary to create a sixth specific category for green jobs. Instead, it would ask the Commission to expand the guidelines on re-skilling and adaptation programmes.

4.5 It is difficult to imagine amending the existing operational programmes in the current financial programming period in order for the EU Funds to provide a sort of 'European Marshall Plan'. However, specific measures could be envisaged for the next programming period which, under the Europe 2020 strategy, could steer the various Structural Funds in the appropriate directions (ERDF and Cohesion Fund for infrastructure and housing, ESF for support for vocational training and re-skilling programmes).

4.6 The next financial programming period (2014-2020) could identify greening of jobs as a specific priority within ESF strategies, in addition to the horizontal principle of sustainable development, thus making it easier to promote the relevant projects more specifically and follow their implementation more closely. This is not necessarily the most effective option. The EESC thinks that all measures designed to reduce environmental impact and carbon footprint should receive cross-cutting support. All production activities and public and private services must play their part in cutting GHG emissions and bringing human-induced pollution to a more sustainable level.

4.7 The Commission is actively involved in R&D activities, in line with the commitments made by the EU. DG EMPL has recently launched a survey of the management authorities of ESF-funded projects relating to competences and greening of jobs, in tandem with a study on the ESF and sustainable development. These documents are to be disseminated and discussed within the ESF committee. The EESC hopes that they will be made public and will feed into an ad hoc Commission communication on green jobs currently being prepared by DG EMPL. This communication should look into the various possibilities linked to the 'promotion of green jobs', with a view to preparing related decisions in the next financial programming period.

5. Black jobs versus green jobs

5.1 The transition will also entail many job losses. The EU's new social market economy cannot abandon the workers affected. Re-skilling arrangements, income support measures and resources to support geographical mobility are among the initiatives needed. Social dialogue at European level between confederations and sectors, at national and at regional level must focus on steering the forthcoming changes in such a way as to achieve an inclusive development model.

5.2 A cooperative, participatory model is needed for industrial relations, which must set high, consensual targets to strengthen the economic system and make it increasingly sustainable socially and environmentally.

5.3 In addition to the new jobs, however, the old jobs will have to be fundamentally changed and all made a little 'greener', in other words sustainable. Energy-efficiency programmes should be introduced in all businesses and workplaces, both public and private. New awareness of the need for more restrained consumption will free up resources, which can then be used for other things. Trade union agreements on measurable targets and distribution of profits among businesses and workers could be a useful way of raising widespread awareness of the importance of saving energy.

6. Mobility within and outside towns

6.1 Under a policy to reduce GHG emissions, priority should be given to public transport – trams, buses, underground and rail services for transport outside towns. If people can be dissuaded from using their cars, particularly in towns and cities, there will be more jobs in public transport, which will have to be made increasingly clean. Electric buses and buses running on green hydrogen or low-emission hydrocarbons such as methane are already operating in the European capitals. Public authorities have a responsibility to prioritise these modes of transport in calls for tender, thereby encouraging the spread of clean transport.

6.2 The experiments of mobility managers in businesses have, in some cases, yielded significant results – these practices should be disseminated and made increasingly effective. Another role to be encouraged is that of 'green manager', tasked with reducing a company's environmental impact and emissions not only within the production cycle but also in offices, in transport of the goods produced, and when sourcing raw or semi-processed materials, opting for local solutions where possible.

6.3 The new Digital Agenda proposed by the European Commission can contribute also significantly to the green growth, green economy and greening of jobs. Tele-working could in many cases make jobs greener, considerably reducing the energy used in travel to and from work. The European social partners concluded a framework agreement on the matter a long time ago. The Commission should provide effective support for tele-working, with initiatives to encourage its spread. Information campaigns, conferences, studies on developing activities and good practice should all be scheduled as part of moves to cut emissions. While modern technology should lead to a huge number of professional activities being carried out at employees' homes, with the focus on quality rather than quantity of

work, the specific working conditions of these employees would have to be looked at.

7. Civil society and promoting green jobs

7.1 There is no doubt that civil society has an extremely important role to play if we are to succeed in meeting the challenge before us. The EESC firmly believes that if public authorities, starting with the European Union, do not do everything in their power to involve the social partners, giving them an active, proactive role, involving them in initiatives and projects, supporting them in their arrangements for building a sustainable economy, the results will not meet expectations and Europe will miss its appointment with progress once and for all.

Brussels, 16 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on 'The situation of the EU tropical tuna fleet and the challenges facing it' (exploratory opinion)

(2011/C 48/05)

Rapporteur: **Mr SARRÓ IPARRAGUIRRE**

On 20 January 2010 the Spanish EU Presidency decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on

The situation of the EU tropical tuna fleet and the challenges facing it' (exploratory opinion).

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 31 August 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 118 votes to one with two abstentions.

1. Conclusions

1.1 The EESC considers that the high social, health, food safety, environmental, legal, maritime safety, governance and monitoring standards required by the Community system are a shining example of how to exploit resources rationally and sustainably.

1.2 However, applying these principles adds to the cost of a product which has to compete with production from other countries which enjoy a looser approach to these aspects. The EU must continue to promote the application of all these elements in the world's other fleets: levelling up, with the EU standard as the benchmark for other operators.

1.3 The Committee believes that the main challenge facing the European tropical tuna sector is to survive in an environment of unfair competition from third party fleets and the strict legal framework created by the EU itself.

1.4 The application of stable legislation that fosters free but fair competition is Europe's international goal. It is crucial to forge an integrated Community policy that is consistent in all respects, allowing the competitiveness and sustainability of the EU tropical tuna sector to be maintained in its three aspects: economic, social and environmental, as defined in the Convention on Biological Diversity signed in Rio de Janeiro in 1992.

1.5 Regarding piracy, the Committee calls on the Member States and the Council to arrange for the mandate of the Atalanta anti-piracy operation in the Indian Ocean to specifically cover the tuna fleet.

1.6 The EESC considers that maintaining the fisheries partnership agreements (FPAs) is crucial to the continued operation of the EU's tropical tuna fleet. It therefore urges the Commission to expand the network of tuna agreements to reflect the needs of the EU fleet, and to give urgent consideration to the possibility of introducing an exception to the FPA exclusivity clauses, so that the European fleet can also obtain private fishery licences, provided that the state of resources, according to the best available scientific data, so permits.

1.7 EU leadership within the regional fisheries organisations (RFO) in order to promote responsible and sustainable fishery principles is crucial to achieving proper management of resources globally. The Committee feels that EU needs to step up its efforts in this field.

1.8 Maintaining the CAP and GSP+ preferential systems without changes such as granting global sourcing to Papua New Guinea and Fiji, which is upsetting the world tuna market, is of vital importance in ensuring the survival of the EU industry and its investment in third countries. The Committee considers that, with a view to possible future disturbances in the EU tuna sector, the surveillance and safeguard measures laid down in the Pacific Economic Partnership Agreement should be envisaged and, if appropriate, implemented.

1.9 Keeping EU tariffs for processed tuna products in place is of key importance to preserving the competitiveness of the European industry. The EESC considers that efforts must be made, in both the WTO framework and EU trade negotiations with third countries, to achieve the highest possible level of protection.

1.10 In the light of the above, the EESC is convinced that the EU institutions must uphold the principle of Community preference. Similarly, it considers that the compensatory allowance for tropical tuna delivered to the processing industry by the EU fleet should be set at its original level, i.e. at 93 % of the Community reference price, since in recent years the allowance has been substantially devalued, falling to 87 % of the cost of production.

2. Current state of the EU tropical tuna fleet

2.1 European tuna fisheries began to develop in the mid-20th century in Spain and France in order to meet the growing demand from the canning industry supplying the domestic market. This initially consisted of coastal fisheries concentrating on albacore (*Thunnus alalunga*). With time and improved technology, fisheries expanded to the south to take in catches of tropical tuna species: yellowfin tuna (*Thunnus albacares*), skipjack tuna (*Katsuwonus pelamis*) and, to a lesser extent, bigeye tuna (*Thunnus obesus*). Fishing started in waters close to France, Spain and Portugal. Later, in the 1960s and 70s, fleets turned to the western coasts of Africa; subsequently, in the 1980s and 90s, to the Indian Ocean and eastern Pacific and lastly, at the beginning of the 21st century, to the western Pacific.

2.2 The tropical tuna fishing carried out by the Community purse seining fleet is pelagic and selective. It targets the large schools of tuna concentrated in the tropical belt of the three main oceans. Catches are made either on the high seas or within third-country exclusive economic zones (EEZs).

2.3 Tuna varieties, much appreciated on account of their nutritional properties, form part of the basic diet of many countries around the world; they are traded on a large scale and represent a major source of income for the countries involved in fisheries, processing and marketing activities.

2.4 These factors explain why tuna fishing is a highly significant economic activity in certain countries. More than 4 million tonnes of tropical tuna are currently caught globally using all gears; of this, purse seining provides some 2 million tonnes. The populations of these species are generally being exploited on a sound basis, with appropriate management programmes being run in each ocean by RFOs.

2.5 The EU fleet comprises 54 freezer tuna seiners (34 Spanish and 20 French), with a joint catch of some 400 000 tonnes annually, representing nearly 10 % of world catches.

2.6 Most of these vessels operate in international waters under the 13 fisheries partnership agreements between the EU and third countries (six in the Atlantic, four in the Indian Ocean and three in the Pacific).

2.7 Globally, some 30 countries have 580 tropical tuna fisheries vessels, amounting to 650 000 GT⁽¹⁾. The EU fleet, with 97 500 GT, accounts for 9 % of the world's vessels and 15 % of world tuna fisheries capacity.

2.8 The main fishing ground for tropical tuna varieties is the Pacific Ocean with 67 % of world catches, followed by the Indian Ocean with 22 % and the Atlantic with 11 %.

2.9 Tropical tuna catches are managed by four specific RFOs:

2.9.1 ICCAT (International Commission for the Conservation of Atlantic Tunas) covering the Atlantic Ocean and adjacent seas, such as the Mediterranean. Set up in 1969.

2.9.2 IOTC (Indian Ocean Tuna Commission) covering the Indian Ocean. Set up in 1997.

2.9.3 IATTC (Inter-American Tropical Tuna Commission) covering the eastern Pacific (Americas zone). Set up in 1949.

2.9.4 WCPFC (Western and Central Pacific Tuna Commission) covering the eastern and central Pacific (Oceania and Asia zones). Set up in 2004.

2.10 The EU fleet is subject to a range of administrative checks by various national ministries and European Commission directorates-general. For a vessel to operate and place its production on the market under an EU Member State flag, it must meet the necessary administrative requirements in order to obtain certificates concerning tonnage, hull, machinery, refrigeration plant, crews, seaworthiness, sea rescue, workplace health and safety, veterinary approval, special fishing permits, fishing licences in the different countries where it operates, satellite monitoring, supervision by on-board observers, verification of catches by on-board electronic logbook, verification of sales, etc. Maintaining the validity of these certificates, permits and licences entails managing annual renewals and periodic reviews that no other fishing fleet in the world has to experience so intensely. All these requirements add significantly to the operating costs of European fleets.

(1) Gross Tonnes: a measurement of a vessel's volume or tonnage.

2.11 Similarly, the EU fleet is subject to the provisions of the Common Fisheries Policy, unlike third country fleets. Applying the principles of this policy, based on responsible fisheries, RFO recommendations, compliance with health, navigation, safety, environmental and workers' social protection standards entails heavy costs for European vessel owners, and erodes their competitiveness compared with vessels from countries where these obligations either do not apply or are applied more loosely.

2.12 In addition, in recent years the EU fleet has encountered difficulties arising from piracy in the Indian Ocean. In addition to the fear and insecurity felt by crews on board vessels engaged in a legitimate commercial activity, this situation is leading to less fishing and higher operating costs, incurred by hiring on-board security.

2.13 The bulk of tropical tuna production goes to the canning industry, which is considered to be the world leader in fish processing. Europe is the world's largest market with annual consumption of canned tropical tuna amounting to 800 000 tonnes, more than half of which is imported from third countries.

3. Developments in the EU tropical tuna fleet

3.1 Over the last 50 years, the EU tropical tuna fleet's fortunes have gone hand-in-hand with those of the European tropical tuna processing industry.

3.2 Tuna was the first fisheries product fully liberalised from the Community tariff to protect the processing industry. The then EEC introduced a compensatory allowance paying vessel owners the difference between the sale price and 93 % of the reference price set each year. As the percentage has subsequently fallen to 87 %, the allowance has no longer been paid to EU vessel owners in recent years and is now completely ineffective.

3.3 The EU fleet and canning industry have for many years been contributing to economic development in third countries under the EU's trade policy. In this regard, the Yaoundé, Lomé and Cotonou agreements have provided a stable framework for trade between ACP and EU countries. Likewise, GSP+ has boosted trade between the EU and its trade partners in Central America and the Andean Community.

3.4 Under the terms of the economic partnership agreements (EPA), the ACP countries enjoy free access to EU markets when

exporting tropical tuna products (whole, in fillets or canned) with a 0 % tariff. These conditions have enabled the EU tuna processing industry to invest directly in the Côte d'Ivoire, Ghana, Madagascar, the Seychelles and Mauritius, and indirectly in Kenya and Senegal. These investments have helped to create more than 40 000 jobs in these countries, and have facilitated technology transfers.

3.5 Similarly, the Generalised System of Preferences (GSP+) was introduced by the EU to extend favourable trade conditions to the countries of Central and South America, applying a 0 % tariff brought to fisheries products. EU investment has gone to countries such as Ecuador, El Salvador, Guatemala, Brazil (general third country GSP with a 24 % tariff for canned products) and Chile (through the free trade agreement with the EU), and indirectly to Colombia and Venezuela, helping to safeguard 50 000 direct jobs in the tuna industry.

3.6 Thanks to these agreements, EU companies have transferred a part of their vessels to third countries in Africa, America and Oceania, under the flags of those countries that the EU identifies as preferential partners of the Union and with which it recommends mergers or the creation of joint companies with businesses from those countries.

3.7 A portion of the 400 000 tonnes caught by the EU tropical fleet is landed and processed in installations built in third countries. The EU fleet therefore provides numerous port jobs, pays port charges for landing or transshipping fish, takes on supplies in third country ports and makes a significant contribution to their development.

3.8 Taking the tuna sector as a whole, the fleet and processing industry have developed hand-in-hand, forming the only EU fisheries sector with a transnational interbranch structure, due to the scale of common interests shared by EU industrialists. The EU tuna sector, as indicated above, has provided multiple investments and has generated economic activity in third countries in line with EU guidelines, channelled to countries benefiting from the systems of preferences granted by the EU.

4. Challenges facing the EU tropical tuna fleet

4.1 The main challenge facing the EU tuna fleet and industry is unfair competition from other operators who have focused their growth targets on the European market, which consumes 50 % of world (EU + third countries) canned tropical tuna production.

4.2 World production of canned tuna stands at around 1 600 000 tonnes annually, of which approximately 330 000 are produced by the EU ⁽²⁾.

4.3 The EU tuna fleet's principal competitors are the Asian purse seining fleets operating in the planet's richest fishing grounds in the Pacific Ocean, where more than 60 % of world tropical tuna catches take place. These fleets mostly supply the largest tropical tuna processing zone represented by the Thailand-Philippines-Indonesia triangle. Their products – of lower quality – are highly price-competitive on the European market, securing a 35 % share despite facing a 24 % tariff.

4.4 Similarly, the tuna product processing sector suffers from loss of competitiveness vis-à-vis third countries not belonging to either the ACP or GSP+, comparable to that described above for the fleet. In most cases, buying cheaper raw materials, lower taxes, the difference in workers' pay and social protection costs and less rigorous health guarantees for the finished product are aspects that undoubtedly push down production costs and allow sales at prices lower than those for EU produce.

4.5 There are broadly two distinct types of tuna production in the world. Firstly, the pattern represented by the EU fleet or EU investment in third countries (ACP or GSP), supplying the European or ACP-GSP processing industry, with the highest workplace safety, social protection, food safety, environmental protection and responsible fisheries standards. The other – and growing – pattern is that of fleets and industries untroubled by concerns for sustainability and with far lower social, labour and health standards.

4.6 Since in order to gain access to an EU system of preferences, the ACP and GSP countries are required to comply with a series of international agreements governing all these aspects, other countries exporting to the EU should meet these same standards in order to be able to enter the market, guaranteeing fair competition with EU production and the EU's preferential partners.

4.7 A further important threat to continued European tuna activity is represented by changes to EU legislation governing the delicate balance on the world tuna market. This legislation has, through the economic partnership agreements, played a key

role in directing investment and the development of the EU tuna sector towards countries designated by the Union as priority partners.

4.8 This development framework, which has proved to be particularly effective for the tuna sector, is threatened by the WTO negotiations, possible EU negotiations with other countries or groups of countries regarding free trade treaties, and the recent amendment to the rules of origin granting global sourcing ⁽³⁾ to Papua New Guinea and Fiji.

4.9 In connection with both the WTO and the bilateral negotiations, the greatest risk facing the tuna sector is the removal of customs tariffs from processed tuna products. Frozen whole tuna has been completely liberalised (zero tariff) for more than 30 years with the aim of ensuring supply for the EU processing industry; as a result, the EU fleet is obliged to compete openly with other fleets that export frozen whole tuna to the European market. However, further liberalisation of processed tuna products would only lead to the progressive decline of the European industry and the loss of jobs and businesses in favour of non-EU competitors with lower costs.

4.10 Granting global sourcing arrangements for fish products under the Pacific Economic Partnership Agreement for Papua New Guinea shifts the balance on the world tuna market, with catastrophic consequences for the industry in Europe and the other ACP and GSP countries. The removal of the ACP or EU origin requirement for tuna to be processed in Papua New Guinea or Fiji, in order to secure a zero tariff on the EU market, is prompting the main competitors, principally Asian, to build new processing plants in Papua New Guinea.

4.11 With this concession, the EU is encouraging over-exploitation of Pacific tuna resources, where populations have already been pushed to the limit. Moreover, the companies that will gain zero tariff access to the EU market are mainly Asian ones, who are being encouraged to boost canned production capacity on a market where prices have been pushed down by excess supply. The EU presence in the western and central Pacific is limited to four tuna vessels in line with the political wishes of the countries of the Forum Fisheries Agency, headed by Papua New Guinea.

⁽²⁾ FAO 2007.

⁽³⁾ Council Regulation (EC) No 1528/2007 of 20 December 2007 applying the arrangements for products originating in certain states which are part of the African, Caribbean and Pacific (ACP) Group of States provided for in agreement establishing, or leading to the establishment of, Economic Partnership Agreements – Annex 1, Article 4(3)(a).

4.12 This concession puts the other ACP and GSP countries at a disadvantage by giving an exclusive advantage to Papua New Guinea and Fiji in terms of obtaining low-cost raw materials: the former have to comply with the rules of origin, while the latter do not. It may also provide a means of 'laundering' products from illegal fisheries.

4.13 Yet another challenge facing the EU tropical tuna fleet is that of maintaining the network of fisheries partnership agreements. This network is crucial, as it guarantees access for the EU fleet to highly migratory resources within a framework of legal certainty and transparency that is unique in the world. Tropical tuna is not concentrated in space and time according to any fixed pattern of movement, which is why operating the tuna fleet requires the maximum number of fisheries agreements in the three greatest oceans.

4.14 There is currently a serious shortage of fishery licences for the freezer tuna vessel segment in the Atlantic Ocean. This is due in part to the decline of agreements in recent years and, in particular, to piracy in the Indian Ocean, leading to some vessels operating in that area to seek refuge in the Atlantic, where fisheries are able to continue with a minimum of security. It is therefore vital for the EU to urge coastal countries to extend the quota of licences under all the Atlantic FPAs, provided that the state of resources, according to the best available scientific data, so permits.

4.15 Such an extension could last longer than wanted, as it does not depend on the EU alone. The EESC therefore proposes that urgent consideration be given to the possibility of introducing an exception to the FPA exclusivity clauses (that prevent vessel owners from obtaining private fishery licences in countries having an FPA) so that the European fleet can obtain private fishery licences, provided that the state of resources, according to the best available scientific data, so permits,

4.16 The tropical tuna fleet therefore considers that, in line with the 2004 Council conclusions, the EU must consolidate the importance of the fisheries partnership agreements within CFP reform and resume a policy of extending the network of agreements to the most important countries in each ocean, negotiating new agreements with the following:

— Atlantic: Senegal, Guinea, Sierra Leone, Liberia, Ghana, Equatorial Guinea and Angola.

— Indian Ocean: Kenya, Tanzania, the French islands of the Mozambique Channel, the British Indian Ocean Territory and Yemen.

— Pacific: Ecuador, Colombia, Peru, Panama, Costa Rica and a regional agreement with the *Forum Fisheries Agency*.

4.17 The EU tropical tuna fleet also considers it vital for the EU to keep a presence in tuna RFOs, so that it can continue to provide a model for responsible fisheries, as it does at present through the behaviour of its tuna fleet.

4.18 Together with Japan and Korea, the EU is the only contracting party to the four RFOs (ICCAT, IOTC, IATTC, WCPFC), and it must provide itself with the means it needs to promote the principles of responsible fisheries coherently and objectively.

4.19 The EESC considers that the EU should promote a management system that is as homogeneous and consistent as possible at world level, as a clear response to the reality of a totally globalised market such as that for tropical tuna, with the future aim of an international organisation managing horizontal issues relevant to world tuna fisheries. This global management system has reached the embryonic stage with the Kobe process to review how the tuna RFOs work.

4.20 Regarding piracy in the Indian Ocean, the EU tuna fleet is seriously concerned about the spread of attacks on tuna vessels throughout 2009 and continuing in 2010, that are occurring increasingly further away from Somali territorial waters, some as far as 1 000 nautical miles from the Somali coast, and even within the EEZ of the Seychelles and other coastal countries (Kenya and Tanzania).

4.21 The tuna fleet is particularly vulnerable to attacks by pirates. Unlike merchant ships, which are constantly under way, tuna vessels are stationary for two to three hours at a time while fishing with their nets extended, meaning the risk of attack and boarding by pirates is higher. Moreover, the low freeboard of these vessels and their stern ramps make boarding easier for pirates.

4.22 For these reasons, it emphasises the need to amend the mandate of Operation Atalanta (Council Joint Action 2008/851/CFSP of 10 November 2008 on a European Union military operation to contribute to the deterrence, prevention

and repression of acts of piracy and armed robbery off the Somali coast) to specifically include protection of the tuna fleet operating in the Indian Ocean in order to avoid attacks and hijackings such as the Playa de Bakio (2008) and Alakrana (2009) incidents.

4.23 Due to the shortage of licences in the Atlantic and the quota measures agreed under the Pacific FPOs, European tuna vessels currently encounter numerous difficulties in moving from the Indian Ocean to other oceans. In addition, many jobs in vessel-owning and third country businesses, in both

canning plants and fleet home ports, depend on the fleet working in the Indian Ocean. Leaving the Indian Ocean would entail major job losses not only in the EU but also in the Seychelles, Madagascar, Kenya, Mauritius, etc.

4.24 These are the challenges facing the EU tropical tuna fleet and tuna processing and canning industry with regard to its stability and continued global presence: they do not involve any economic burden on the European Fisheries Fund (EFF), requiring only political decisions by the EU.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the issue 'Towards a European Road Safety Area: strategic guidelines for road safety up to 2020' (opinion at the request of the European Parliament)

(2011/C 48/06)

Rapporteur: **Mr RANOCCHIARI**

On 2 June 2010 the European Parliament decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union (TFEU) on the issue

'Towards a European Road Safety Area: strategic guidelines for road safety up to 2020.'

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 September 2010.

At its 465th plenary session, held on 15 and 16 September (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 128 votes to 4 with 2 abstentions.

1. Conclusions and recommendations

1.1 The EESC reiterates that the objective of the 3rd European Road Safety Action Plan – to halve the number of road deaths over the period 2001-2010 – was very ambitious. In fact according to official data from 2008 the reduction on road fatalities for the EU-27, as compared to the 2001 figures, was 28.4 %. However, recent Commission figures showed a surprising progress which could lead to a final result in 2010 of an over 40 % reduction in road fatalities.

1.2 The reasons why the 50 % reduction in fatalities will not be reached lie in a combination of the following factors:

1.2.1 The Community level has responsibility only for the action plan and implementation guidelines, while implementation of all measures under the action plan is left to the various levels in the Member States;

1.2.2 Implementation and enforcement of road safety measures differs from country to country;

1.2.3 There is no uniform interpretation of statistical road safety data across the EU countries;

1.2.4 Over the last decade, a strong emphasis has been put on enforcement rather than on education and training for all road users.

1.2.5 Interim targets were not assigned to the Member States; neither was special attention paid to the different risk rates among the Member States, requiring a tailored road map for each country.

1.3 With regard to 'passive and active safety' measures, the EESC concludes that there has been a substantial improvement over the last decade, especially due to the introduction by the industry of a wide range of technical safety innovations in passenger cars and heavy duty vehicles. In future, safety standards could be set at a higher level; measures should also be taken in light of the recent introduction on the market of very cheap passenger cars that only just meet the safety standards.

1.3.1 Worse still is the situation regarding low-cost mopeds and motorcycles, principally imported from South East Asia, which often fail to comply with European type approval requirements. This is paramount, considering that PTW (powered two-wheelers) riders are 18-20 times more likely than car drivers to be seriously injured on the road, while more and more commuters are opting for PTW due to traffic congestion in cities.

1.4 Looking at the progress made over the last decade on improving the safety of the road infrastructure, the EESC concludes that much more could have been achieved. The most important step forward was the Council Directive on safety in tunnels, which had a very positive impact Europe-wide. On the contrary, no significant improvements were made in relation to rural roads and secondary networks, where more than 50 % of road fatalities occur.

1.5 The EESC recommends that if the 4th European Road Safety Action Plan (RSAP) up to 2020 is to perform better, the following aspects should be taken into account:

1.5.1 in view of the shared responsibility between the EU and Member States, strong political leadership is needed;

1.5.2 harmonised, detailed road safety statistical data for the EU-27 is needed;

1.5.3 targets should be set as regards severely injured road users, with a common definition of serious injuries;

1.5.4 a more stringent Community policy with regard to harmonisation and regulation of road safety measures, combined with assistance to Member States is needed to ensure that Member States implement road safety measures both better and faster, including implementation of the Pan-European eCall system on a mandatory basis if the voluntary approach does not work;

1.5.5 more attention should be paid to differentiated education and training for all road users, especially younger and elderly road users, as well as other vulnerable road users such as riders of powered two-wheelers, cyclists and pedestrians;

1.5.6 all employers (and especially private-sector employers) managing automotive fleets should be involved in current or future projects in areas such as promoting good practices to reduce commuting collisions, encouraging their staff to switch to public transport and developing fleet safety policies. The expected ISO 39001 for road safety at work will be an important tool to this end;

1.5.7 EU legislation is required for the vulnerable categories of road users. For example: for powered two wheelers (PTW) new type approval is necessary, including mandatory ABS or CBS over 150 cc, AHO (automatic head lights on), and the introduction of roadworthiness tests and second-stage training into the revision of the driving license directive;

1.5.8 with respect to infrastructure development, the EESC advises that the new action plan should include the target of raising the safety level of the trans-European road network and at least 25 % of the non-Trans European Road Network to the state of the TREN;

1.5.9 the action plan should contain ambitious but realistic aims, proposing not only a global target for reducing the overall number of deaths but also specific targets for severely injured people and vulnerable road users such as pedestrians, cyclists and PTW riders. As regards the global target, the EESC points out that the risk rate varies significantly across the EU and thus strongly suggests that differentiated fatality reduction targets be set for 2020, based on 2010 figures from the Member States;

1.5.10 in order to ensure that the goals defined in the action plan will be reached, the EESC believes that yearly monitoring by the EU is necessary. To this end, the EESC suggests setting up a dedicated European road safety agency to monitor and follow up the implementation of the action plan in coordination with appointed Member State road safety representatives.

1.6 Last but not least, the EU must establish a strong and permanent connection with 'the decade of action for road safety' proclaimed by the United Nations, and should endeavour to become the global leader in road safety.

2. Introduction

2.1 On 28 April 2010, Brian Simpson, chairman of the European Parliament's Committee on Transport and Tourism (TRAN), wrote a letter to the President of the European Economic and Social Committee, Mario Sepi, in which he requested an exploratory opinion on road safety from the EESC, under Rule 124 of Parliament's Rules of Procedure.

2.2 In his letter, Mr Simpson referred to the new Commission Work Programme for 2010, published on 31 March 2010, which includes a proposal to develop a new road safety package, aimed at creating a 'European road safety area'.

2.3 He asked the EESC to address a number of basic questions regarding the past decade: how effective EU-level policies had been in terms of changing the behaviour of road users and improving vehicle passive safety and the road infrastructure; how well these policies had been implemented by Member States and, finally, what would be required to create a genuine 'road safety area' across the 27 Member States.

2.4 In 2001, the Commission published the Transport White Paper, followed in 2003 by the action plan, both based on the objective of halving the number of road deaths by the year 2010.

2.5 The latest available data from 2008 shows a 36.8 % reduction in road fatalities in the EU-15 area and a 28.4 % reduction for the EU-27, as compared to the 2001 figures. This is a considerable reduction, but unfortunately not reaching the Commission's 50 % target. Very recently, the Commission published figures for the year 2009 and forecasts for the year 2010 which are not far from the original target, bringing the total reduction by 2010 at more than 40 %.

2.5.1 If these important results are achieved, the EESC believes that it will be thanks to the coming into force of recent road safety legislation and to the improvements in vehicle safety, more than to a change in road users' behaviour, where a lot of work remains to be done.

2.6 In order to know which measures should be included in a new strategy, it is essential to understand which policies and initiatives have been effective over the past decade, and which have not.

2.7 The Commission's action plan for the last decade focused on three key dimensions:

- changes in individual behaviour, such as the use of safety belts, child restraints, mobile phones and eliminating drink driving;
- support for industry initiatives to develop and market safer vehicles;
- measures to improve infrastructure, for example through the improved design of roads and tunnels and the harmonisation of advanced emergency aid systems across Member States.

2.8 The European Commission held public consultations between April and July 2009 aimed at engaging European citizens and government stakeholders at national, regional and local levels, as well as business and professional sectors, in identifying the key road safety problems to be addressed by the road safety action plan for the period 2011-2020 and the priority actions which could be taken to address the unacceptable and costly levels of road death and serious injury across the EU.

2.9 The EESC agrees with the Committee on Transport and Tourism that before adopting a new road safety action plan (RSAP), an assessment of the efficacy of past policies, the Commission's 2001 Transport White Paper and the 2003 action plan, should be carried out.

2.10 This assessment can be done, inter alia, by making use of recent information and of views expressed in EESC opinions in recent years on this subject. These opinions make clear that the EESC considers the improvement of road safety to be one of the key issues in transport policy, which deserves to be at the top of the Member States' agendas even in a time of economic constraints.

2.11 In the meantime, something important is happening world-wide. After the first global ministerial conference on

road safety held in Moscow in November 2009 ('Time for action') the United Nations General Assembly proclaimed the period 2011-2020 as the 'decade of action for road safety' with the goal of stabilising and then reducing the level of road traffic fatalities around the world, nowadays a true epidemic, with more than one million people killed and some 20 million seriously injured each year, ninety percent of them in low and middle-income countries. In global terms, the economic consequences of this sort of 'pandemic' have been estimated between 1 % and 3 % of the various countries' GDP. In Europe the cost to society represented some 130 billion euro in 2009.

2.12 In connection with the above, the EESC believes that taking advantage of the 'momentum', the EU has the possibility through the new RSAP to become the global leader in road safety and should not miss this chance.

3. General remarks

3.1 The EESC must point out that to assess the efficacy of past policies in the area of road safety, it is vital to have available documented quantitative and qualitative road safety statistical data from the EU-27 countries that can be compared. Today every Member State provides basic road safety figures to the EU, but for several Member States the quality and depth of the information provided are still deficient and do not allow for differentiation between road users, road categories, weather circumstances and injury severity.

3.2 Bearing in mind that the last thirty years have seen a tripling of traffic on EU roads, the EESC welcomes the considerable progress made by the EU towards halving the number of road fatalities by 2010. While this was already an ambitious goal in a Europe of 15 Member States, as the EESC pointed out in its opinion Transport Safety 2003-2010, adopted on 10 December 2003, it would be even more difficult to achieve in an enlarged Europe.

3.3 The EESC points out that, while the EU set a very ambitious reduction target for road fatalities, it did not set such a target as regards severely injured road users. Between 2001 and 2008, the number of severely injured road users decreased by only 18 % in the EU-27. So, in order to achieve a drastic reduction here, the Commission's new action plan will need to include measures to this end, and these will have to be applied by the Member States, as soon as a common definition of severe and minor injuries is agreed upon.

3.4 With respect to the question of how effective policies at EU level have been in changing the behaviour of road users over the past decade, one has to bear in mind that only the action plan and guidelines for implementation are decided upon at Community level, while the implementation of all measures under the action plan are left to the different levels in the Member States, in accordance with the subsidiarity principle.

3.5 If all Member States applied the measures summed up in the action plan along the same lines, they would encounter fewer problems; however, unfortunately experience has shown that this is not the case, because large disparities in road safety levels persist among EU Member States. Implementing and enforcing measures in the field of road safety differ from country to country and there is, in the view of the EESC, no doubt that a more stringent Community policy would have more effective results.

3.6 That is why the EESC stresses the importance of developing and implementing a more ambitious programme of harmonisation and regulation combined with assistance to Member States to ensure that they implement road safety measures both better and faster. To this end, setting up a European road safety agency could be the answer.

3.6.1 In fact, a safety agency exists for every other mode of transport except roads. The road agency should be a light executive body permanently assisted by road safety representatives appointed by the Member States.

3.6.2 In the EESC's view the agency, taking advantage of existing bodies such as the ERSO (European Road Safety Observatory), should conduct the executive work in the field of road safety in a more efficient way. For example, it could check the 'black spot' map from year to year, labelling unsafe roads and communicating the results to EU road users as already requested in a previous EESC opinion⁽¹⁾. The agency could also serve as a support for national and local road safety groups, by encouraging and disseminating best practices across the EU.

3.6.3 In addition, the agency could ensure that road safety is integrated into other relevant EU policies, such as education, health and the environment and prepare a road map setting out priorities in the short and medium term, thereby remedying one of the principal weaknesses of the previous plan.

3.7 Considering changes in road user behaviour over the past decade, one has to conclude that more than half of the fatalities are directly imputable to behavioural factors such as

not adhering to speed limits, young and novice drivers and drink driving. In the EESC's view, education, enforcement and training are all equally important and influence each other, but ultimately, education is the 'win-win' solution.

3.8 The EESC points out that one of the three key dimensions of the Commission's action plan for the last decade was 'changes to individual behaviour'. Given the increase in the number of vehicles on the road during the last decade, policy in this area should be intensified.

3.9 One must also bear in mind that some vulnerable categories of road users such as motorcyclists, cyclists and pedestrians are still disproportionately at risk. Increased traffic education, if combined with a comprehensive framework regulation on type approval for PTW and second stage training for PTW riders, is advised by the EESC as a measure to influence the behaviour of these categories of road users.

3.10 Furthermore, it is important to realise that the population of the EU is ageing and that road safety policy should focus on specific measures, such as Intelligent Transport Systems, adapted vehicles and infrastructure, awareness raising and education.

3.11 For the next decade the EESC advises that policy be focused on differentiated education, training and testing of all road users, especially the 'at-risk' groups - younger and elderly people - and vulnerable categories of road users, like motorcyclists, pedestrians and cyclists.

3.12 Policy at EU level should be set out in a road safety action plan containing clear and strict recommendations and guidelines for implementation by the Member States. There should also be feedback of well defined statistical information to the Commission on a yearly basis, so that it is possible to react quickly. At the same time the Commission should urge the Member States to implement existing and future legislation in the field of road safety as quickly as possible.

4. Specific remarks

4.1 The big challenge for a successful road safety policy is cooperation between authorities at EU and national and local levels. While progress on technical issues can be achieved by the adoption and implementation of EU legislation, progress in changing road user behaviour can only be achieved at national level. Because of this, strict EU guidelines and yearly feedback from the Member States to the Commission seems crucial.

⁽¹⁾ OJ C 80, 30.3.2004, p. 77-80.

4.2 Looking at the efficacy of EU-level policy on changing the behaviour of road users over the last decade, the EESC would have to conclude that, for subsidiarity reasons combined with the lack of monitoring possibilities, EU policy was not fully successful. Training and continuous education are the main means of influencing behaviour in a positive way, especially the behaviour of younger drivers and elderly road users. Member States have introduced these means in different and sometimes inadequate ways.

4.3 The EESC is convinced that, with respect to these types of behaviour, the focus of policy over the next decade should be on the field of training and education for all categories of road users in all Member States. For example, the introduction of a minimum amount of mandatory traffic education in schools and – on a voluntary basis – encouraging people to deepen this knowledge steadily.

4.4 Member States should develop regular, targeted campaigns to raise awareness and influence road users' behaviour, addressing road users on safety-related subjects, including mutual respect, protective equipment, speed and issues related to alcohol and drugs, together with a parallel focus on enforcement.

4.5 Special attention should be paid in the new action plan to the varying road safety risk rates across the European countries. In 2008, the risk rate of high-risk countries was up to four times that of low-risk countries. For countries whose risk rate is clearly above the EU average a higher reduction target for fatalities and severely injured road users should be the goal, setting differentiated fatality reduction targets for 2020, based on 2010 figures.

4.6 There has been a substantial improvement in 'passive and active safety' over the last decade, especially with the introduction by the industry of a wide range of technical safety measures in passenger cars and heavy duty vehicles. R&D projects financed within the EU framework programmes could drive further improvements in ITS technologies.

4.7 Because of the economic crisis, a new and increasingly dangerous phenomenon has emerged: the introduction on the market of very cheap passenger cars that only just meet the minimum safety standards. To guarantee and improve safety, the safety level of the existing fleet could be raised, by retrofitting cars with the new safety devices, wherever possible. Periodic checks and yearly inspections are necessary. Worse still is the situation of the PTW sector, where market surveillance and periodic inspections are essential⁽²⁾. The EESC believes that the EU must react by setting the safety standards at a higher level.

4.8 In connection with the above, new EU type-approval legislation is necessary for PTWs, including mandatory ABS or BCS over 150 cc, and the introduction of roadworthiness tests and second-stage training for powered two-wheelers into the revision of the driving licence directive. Moreover, the EU should support awareness campaigns in order to secure compliance with key safety rules.

4.9 The design of roads and roadsides plays an important role in accidents. Surveys in this area show that road infrastructure plays a role in about 30 % of accidents. So there is a lot to gain here. It has emerged that the main obstacles to increased safety are not only linked to financial constraints, but also to a general lack of awareness. Statistics show that rural roads are often the most dangerous. EU funding (TERN, structural funds) should be conditional on the delivery of safe roads. In any case it is essential that design, construction and maintenance of road infrastructure should also take account of PTW safety.

4.10 The EESC concludes that the most effective effort to make infrastructure safer over the past decade was one of the proposals of the 3rd Road Safety Action Programme: the Directive on safety in tunnels (2004/54/EC). The introduction of this Directive had a strong impact Europe-wide.

4.11 For the next decade the EESC recommends that, with respect to infrastructure development, the action plan should include the target of raising the safety level of the trans-European road network and at least 25 % of the non-Trans-European Road Network to the state of the TREN. A decision of the Council on an amended Directive on infrastructure safety management, containing binding technical annexes and a wider scope (also for non-TREN roads) and the acceptance of European guidelines for safe urban road infrastructure would also contribute considerably to road safety. In the short term the EU must promote the early adoption by all the Member States of the four measures of its infrastructure directive: road safety impact assessment, road safety audit, network safety management and safety inspection.

4.12 In view of the shared responsibility, the EESC is convinced that strong political leadership is a pre-requisite for creating a genuine 'road safety area' across the 27 Member States. Decision-makers at EU level, but also at national and regional level in the Member States, need to be convinced of the importance of working together to implement short and long-term legislative changes, accompanied by massive information campaigns. Making use of the expertise of key private players on road safety in Europe will create support and be cost effective.

⁽²⁾ OJ C 354, 28.12.2010, p. 30.

4.13 Regarding the private sector, considering that work-related trips and commuting represent a major source of risks, one important step in the right direction can be taken by the employers managing company fleets. In fact, measures to reduce road fatalities should cover all kinds of driving for work, beyond the road freight transport sector.

4.13.1 Employers in the private and public sector should promote good practices to reduce commuting collisions by encouraging their staff to switch to public transport, when possible, developing fleet safety guidelines and monitoring fleet safety performance. A good example in this field is the PRAISE⁽³⁾ project co-funded by the European Commission, with the aim of advancing work related road safety management and providing the relevant know-how to employers. This matter could also be of interest to the European Agency for Safety and Health at work (EU-OSHA).

4.13.2 In the same perspective, a new ISO International standard 39001 for road safety at work is now under development and can be expected at the end of 2011. The European Commission should invite all the signatories of the Road safety charter to be certified ISO 39001 as soon as possible.

4.14 Other conditions for a 'road safety area' are: more and comparable statistical information on the Member States, feedback of information from the Member States to the Commission on a yearly basis, the setting up of a monitoring and follow up system at EU-level through a European road safety agency, proper and fast implementation of EU legislation by all Member States, more focus on training and ongoing education and special attention on younger and elderly road users.

4.15 The EESC suggests an action plan containing ambitious but realistic aims. For political reasons, as in the past, the target for the next decade should be a global one. In terms of the reduction in the number of fatalities, the EESC will not interfere in the discussion by suggesting an actual percentage, but strongly recommends that specific targets also be set for reductions in severe injuries and in the number of more vulnerable road users, such as pedestrians, cyclists and PTW riders involved in road accidents and injuries.

4.16 In addition, possibly through the Road Safety Agency, the EU should set not only the long term goal but also interim targets, initiating a technical assistance programme to support the Member States that are performing less well in developing a national strategy to reduce casualties.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

⁽³⁾ PRAISE: preventing road accidents and injuries for the safety of employees. (www.etsc.eu/PRAISE.php).

Opinion of the European Economic and Social Committee on 'Financing structures for SMEs in the context of the current financial situation' (own-initiative opinion)

(2011/C 48/07)

Rapporteur: **Mrs DARMANIN**

On 26 February 2009, the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on

'Financing structures for SMEs in the context of the current financial situation'.

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 8 July 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 16 September), the European Economic and Social Committee adopted the following opinion by 121 votes to 1 with 3 abstentions.

1. Conclusions and Recommendations

1.1 The EESC encourages the Commission to strengthen the financing instruments for SMEs by ensuring that the Competitiveness and Innovation Framework Programme (CIP) guarantee scheme continues after the current financing period, the structural funds are readily accessible to SMEs and funding priorities are clearly stated. In the current context of diminished own funds, guarantee institutions provide their banking partners with a useful mitigation effect under Basel II. In this context mutual guarantee institutions should be encouraged.

1.2 The EESC recommends the establishment of trading platforms for micro-companies and SMEs. Most Recognised Stock Exchanges have too many reporting requirements and lengthy procedures for an SME to be able to list. Furthermore, the costs are usually prohibitive including those of alternative and/or secondary listings. The establishment of regional mini-platforms co-ordinated by a European Network would create a new tool that may be used to raise new capital for small companies. This would encourage further venture capital and business angel financing. It would also help small venture capitalists to assist small businesses.

1.3 SMEs, particularly micro enterprises, are experiencing greater difficulty to access finance. Also it is very unclear to the society at large where all the bail-out money for the banks has gone. It may not be opportune to make the banks publicise these figures but, on the other hand, the EESC deems it may be more appropriate for the banks to earmark an agreed percentage of the bailout funds (*in those countries where they have been used*) to offer credit facilities to small and micro-enterprises, particularly for innovative ventures.

1.4 The EESC encourages the development of a framework that facilitates the establishment of participative and ethos

microfinance institutions. This method of finance may be certainly beneficial to SMEs as it is based on risk and profit sharing, stable financing and avoiding speculation. Phenomenon such as participatory banking should be looked at seriously by the Commission. The EESC in fact calls upon the Commission to prepare a green paper on the basis of which the debate about participatory banking at a European level can be launched. Separate initiatives taken by countries such as the UK, France, Germany, Italy, Luxembourg and Malta are positive but may hinder the further integration of the financial services industry within the EU. Furthermore, separate non-coordinated initiatives may not give the most efficient outcome that this type of finance could achieve, such as risk sharing, profit sharing and a social way to finance. The encouragement of Islamic micro finance could also give rise to new entrepreneurial activities whilst assisting in fighting poverty in certain regions. In this context, a directive foreseeing, addressing and encouraging alternative methods of financing should be worked upon and should ensure that these are on a level playing field with other methods of finance such as conventional finance.

1.5 The EESC suggests that Member States lend directly to SMEs or give full or partial guarantees to the financial institutions as an incentive for them to lend. During the financial crisis a number of Member States have adopted this practice that proved to ease the SMEs difficulties to access finance.

1.6 The EESC believes that the EIF fund ought to invest directly in SMEs or else through a sub-fund for a specific area such as the Young Entrepreneurs Fund which would also encourage an entrepreneurial culture. Furthermore EIB funds should be allocated to intermediaries who fully support SMEs. The EESC also suggests that, in order to encourage intermediary banks to use EIB funds for SMEs, the risk should be shared by them together with the EIB.

1.7 The EESC recommends different forms of financing by banks including participative, innovative and ethos financing. Financing such as that provided by Grameen Bank in Bangladesh may be very limited due to the Basel II Accord. Financing institutions are not in a position to start with the problem rather than the solution: a credit system must be based on a survey of the social background rather than on a pre-established banking technique. Hence a speedy revision of Basel II is required or else an accord that caters for financing that departs from the conventional way of financing.

1.8 Business angels networks are emerging in the EU. Unfortunately such networks do not seem to be regulated and there could be substantial abuse which would discourage entrepreneurs from utilising such an important way to finance growth. A legal framework that incentivises the operation of business angel network or similar activities should be promoted.

1.9 The EESC encourages tax incentives in Member States for business angels and their networks including family investors such as parents. Many young entrepreneurs rely on family funds given that no other funds are available. These investors should be rewarded and encouraged through tax credits.

2. Introduction and background

2.1 EU Member States have been confronted by a major challenge: the need to encourage and boost entrepreneurship. The Lisbon European Council, in March 2000, set this as an objective in order to improve employment, economic reform and social cohesion. On 21 January 2003, the European Commission published the Green Paper on 'Entrepreneurship in Europe'. It focused on the shortage of Europeans setting up their own businesses and the lack of continuous growth of current businesses.

2.2 The development of entrepreneurship has important benefits, both economically and socially. Entrepreneurship is not only a driving force for the creation of jobs, innovation, competitiveness and growth; it also contributes to personal fulfilment and the achievement of social objectives⁽¹⁾.

2.3 The correlation between entrepreneurship and national economic performance can be attributed to business survival, innovation, creating employment, technological progress and increases in productivity and exports. Therefore, entrepreneurship is beneficial not only to the individuals involved but also to society from a holistic perspective.

2.4 In a survey carried out by the Centre for Enterprise and Economic Development Research, start-up finance was one of the most commonly mentioned problems facing young entrepreneurs (together with administrative regulatory requirements). However, only about 40 % of responding specialist support organisations judged these to be greater than the financial constraints on other small businesses. Many new businesses face difficulties in raising the collateral to secure a start-up loan, although for young entrepreneurs this can represent a more substantial hurdle because of their more limited opportunities for accumulating assets that may be used for this purpose. Clearly, the extent to which this is a practical constraint varies between sectors and business activities.

2.5 The current economic crisis is a deterrent to entrepreneurship particularly in view of the way SMEs are being affected. The EESC has extensively dealt with the emergence and consequences of the financial crisis and the critical role that the banking system has had in it. The reality is that SMEs are still being severely affected by the crisis and are still finding it difficult to access financing.

2.6 However, in the current scenario, bank credit remains extremely scarce (in spite of major reductions in base lending rates) because of:

- the losses resulting from market to market accounting practices (the process whereby banks are reducing the value of securities they carry on their own balance sheets because there is no market for such securities in the foreseeable future);
- increasing bad or dubious debts from customers, caused by the same recession;
- lack of interbank market funding, a phenomenon we are observing that has not, as yet, recovered despite the intervention of numerous governments;
- the constant fear factor – bankers fearing for their jobs are less likely to risk making any seemingly risky credit decisions.

2.7 Thus, bank capital is rationed - either to existing customers that the bank can ill afford to lose, or to higher quality fixed income instruments such as sovereign paper. With governments increasing their borrowing requirements to inject funds into their economies, the availability of sovereign debt has increased and this, in turn, results in fewer funds available for business and consumer lending.

⁽¹⁾ Flash Eurobarometer, Entrepreneurship Survey of the EU (25 Member States), United States, Iceland and Norway Analytical Report.

3. A brief observational overview of the nature of SMEs away from official statistics

3.1 SMEs are special in a number of ways. Listing all of the particular characteristics would not do justice to the dynamism of SMEs. Nonetheless it is worth noting a few of these characteristics briefly.

3.2 SMEs are generally family-owned and multi-generational, whereby the family is an important investor in the enterprise but often not sufficient. SMEs tend to be localised, this affects their outsourcing methodology, and their way of recruiting (often very prudent). There is not much distinction between the management and the ownership of the enterprise, furthermore often there is a close relationship between staff and owners (this increasing loyalty from both sides). SMEs are flexible, dynamic and quick to take up innovation. Typically SMEs are risk averse in management of their cash flows, they use their reserves prior to going to lending institutions and they do face a lot of bureaucracy in applying for funding and receiving loans.

3.3 The perception of SMEs as a riskier business to which to lend is in part derived from their very own nature, often young businesses, averse to lengthy bureaucratic financing systems, lacking enough collateral, generally lacking risk management tools due to their size.

3.4 It is worth noting that the problems faced by SMEs are accentuated even more in micro-enterprises.

4. Financing tools

4.1 **Public Listing on Recognised Stock Exchange** – Initial public offerings are generally associated with well established firms that are seeking to raise long-term capital in the form of equity (shares) or debt (bonds) on the official list. This generally takes place either prior to the expansion stage, when business owners and/or venture capitalists are seeking an exit route. There are also second tier markets which generally are not suitable for micro enterprises and 'only firms towards the large end of the small sector will be able to follow this route'. Although alternative company listings are generally leaner than those on the primary list, they are regulated by the same disclosure requirements. The cost of listing could range from EUR 500 000 upwards.

4.2 **New Sources of Finance, Participatory Banking** – A new phenomenon is emerging across Europe in the form of

what is known as participatory and ethical banking also known as Islamic finance. The way it works is interesting and probably appropriate for SMEs and their requirements, within the current context. It offers various instruments, many of which are not new to European countries. However, certain legislation, particularly tax legislation, is hindering the evolution of this type of financing. Unfortunately, various EU countries (like the UK, France, Luxembourg, Germany, Malta and Italy) are taking individual measures with the risk of creating passport issues within the internal market. There may be a phenomenon whereby participatory financial institutions may be finding alternative legislative instruments to penetrate the EU market ⁽²⁾.

4.2.1 This method of finance may be certainly beneficial to SMEs as it is based on risk and profit sharing, stable financing, avoiding speculation and certain types of investments.

4.2.2 A particularly new and evolving area is what is known as Islamic micro financing. Microfinance is constituted by a range of financial services for people who are traditionally considered non-bankable, mainly because they lack the guarantees that can protect a financial institution against a loss risk.

4.2.3 The true revolution of microfinance is that it gives a chance to people who were denied access to the financial market, opens new perspectives and empowers people who can finally carry out their own projects and ideas with their own resources, and escape assistance, subsidies and dependence. Microfinance experiences all around the world have now definitely proved that the poor require a wide range of financial services, are willing to bear the expenses related to them and are absolutely bankable. The target group of microfinance¹⁹ is constituted by those poor who live on the verge of the so-called poverty line, who could attain more easily a decent quality of life and who have entrepreneurial ideas but lack access to formal finance.

4.2.4 A few studies have been carried out on the subject and experience in the field is still relatively limited, but it proves to have huge potential both in fighting poverty, financial and social exclusion and in enlarging and enriching the base of clients of financial institutions in developing countries with an Islamic cultural substratum. Hence participatory banking has proven to focus not only on financial success but also on maximisation of social benefits through the creation of healthier financial institutions that can provide effective financial services, also at grass root levels.

⁽²⁾ See 'Islamic Finance in a European Union Jurisdiction Workshops' Report' published by the Malta Institute of Management, the Malta Employers Association and the Malta Union of Bank Employees.

4.3 Government and EU Financing Schemes – Governments through their intermediaries have been involved in promoting enterprise through various measures such as tax incentives and funding schemes such as grants offered under the European Regional Development Fund and the European Investment Fund.

4.3.1 Take up of certain initiatives covering the start-up and seed capital stages may have not been at the desired levels.

4.4 Business angels, also known as private investors or informal venture capitalists, are categorised as non-traditional sources of finance and primarily provide equity capital to enterprises from the seed stage right up to the early growth stage.

5. A action framework that may be adopted to alleviate the investment and financing meltdown and facilitate SME access to credit

5.1 A speedy implementation of the Small Business Act (SBA) is critical in the current economic scenario. The EESC had welcomed the SBA set out by the Commission but now reiterates that the implementation of the initiatives proposed are paramount.

5.1.1 At a time when liquidity is a luxury for SMEs, we call for an amendment to the 'Late Payments Directive' to ensure SMEs are paid on time for all commercial transactions and that a 30-day credit period is respected. However, the implementation needs to be a truly practicable one and also one that is adhered to by suppliers (both private and public).

5.1.2 The Directive on a reduced rate of VAT on locally-supplied and labour-intensive services, which are mainly provided by SMEs, is also a directive which needs to be implemented speedily. Albeit having raised some controversy it is deemed that such a directive would stimulate SME commercial practices by appearing more attractive to the end consumer.

5.2 According to data from the European Chambers of Commerce, 30 % of SMEs face liquidity problems, a quarter of which are due to credit being refused by banks. In a period where the banks are under intensive scrutiny and have undertaken an extremely conservative approach to financing, having SMEs being the target of such a conservative regime will be to the detriment of the economy.

5.2.1 Banking funds for SMEs has been increased by the EU through the increase in funds to the EIB as a result of the Recovery Plan. However the experience of SMEs is that access to credit through the banks is still very difficult. Hence whereas it seems the money has been devoted to SME borrowing, this in

actual fact is not reaching the SMEs. Hence it is important that intermediary banks selected to manage the EIB money are banks that fully support SMEs. When an intermediary fails consistently to pass on such funds to SMEs, this intermediary should be changed by EIB. Finally, so as to encourage intermediaries to really lend such EIB money to SMEs the risk of such lending ought to be shared by the EIB and the intermediaries and not the latter solely.

5.3 An important issue, especially for start-ups, is access to venture capital. The early stage venture capital market in Europe represents only about EUR 2 billion per year, which turns out to be only around 25 % of the US equivalent. Only one in 50 SMEs turns to a venture capital company for funding. Information about venture funding is readily available, however very often traditional SMEs do not realise the possibility of actually being granted venture funds. This is also tied to the conservative risk approach of European entrepreneurs who seem to avail themselves more of banking services rather than venture funding.

5.4 Public tendering is an important avenue for SMEs, however SMEs are currently the ones who are less competitive at this level due to the experience of the 'bigger boys' and also due to the stringent regulations for bank guarantees and financial turnover statements. Public tendering ought to introduce more SME friendly initiatives such as less capital being tied to bank guarantees, favouring SME submission and also supporting SME clusters.

5.5 Reducing red tape is the number one priority for SMEs, which bear a disproportionate regulatory and administrative burden compared to larger businesses. It is a proven fact that a big company spends an average of EUR 1 per employee on regulatory duties, a small business has to spend up to EUR 10. The Commission is on the right track in reducing bureaucracy, however we are still far off the threshold that would effectively help SMEs.

5.6 Sustainable competition is the future for our economy. SMEs who uphold sustainable principles and who operate in the green economy should hence be helped in the funding process.

5.7 EU funding is ample and widespread assisting SMEs beneficially who are involved in the new technologies. However the more traditional SME product/service provider need to be encouraged to undertake innovative approaches even within their own areas of operation. Funding instruments should be further consolidated to also support these widespread SME activities.

5.8 The EESC recognises that associations such as the members of the AECM have been instrumental during the crisis. The EESC encourages the Commission to keep creating a conducive environment for such organisations to continue supporting SMEs in terms

of the guarantees offered for financing SMEs.

5.9 The CIP was an important instrument for SMEs, hence the EESC encourages the Commission to retain the instrument of SME guarantees in this programme beyond 2013.

Brussels, 16 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on 'After the crisis: a new financial system for the internal market' (own-initiative opinion)

(2011/C 48/08)

Rapporteur: **Mr IOZIA**

Co-rapporteur: **Mr BURANI**

On 18 February 2010 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on:

'After the crisis: a new financial system for the internal market'.

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 8 July 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 16 September), the European Economic and Social Committee adopted the following opinion by 160 votes to eight with two abstentions.

1. Conclusions and recommendations

1.1 With this own-initiative opinion the Committee aims to set out possible reforms to Europe's financial system in terms of how it should be regulated and how to enhance the way it operates so as to reduce systemic risks. The financial crisis could yet flare up again with renewed vigour and intensity if rampant speculation remains unchecked and governments fail to provide the long overdue responses.

1.2 **After the crisis, what kind of financial system is needed for the internal market?** The ECB/ESCB, commercial and investment banks, mutual and cooperative financial institutions and ethical banks, insurance companies, pension funds, investment funds, private equity funds, hedge funds, rating agencies; creators, distributors and vendors of financial products and securities; stock exchanges, unregulated markets; regulators, supervisory authorities and credit rating agencies: these are the key players in the financial system that will be called on to modify their behaviour, adjust to more stringent rules, and adapt their organisations to the new tasks that will be assigned to them.

1.3 **Not all market players should be tarred with the same brush.** Fortunately, some important sectors such as certain major cross-border groups were not directly involved in the crisis, as their activities were far removed from the financial casino. Insurance companies, cooperative, popular and savings banks, as well as leading European and global commercial banks have not had to make financial adjustments because of losses incurred, or seek government help.

1.4 **'This crisis has been caused by moral poverty' – the Committee would echo this assessment made by Tomáš Bat'a in 1932, while pointing out, regrettably, that**

nothing has changed! It is very much in the interests of workers and pensioners, companies, the general public, civil society organisations, consumers and users to be able to count on an efficient, secure and affordable financial system, to which they can entrust their savings with confidence, seek backing for economic initiatives, and look on as a vital instrument of economic growth fulfilling important social functions such as pensions, health, accident and damages insurance. The grave financial crisis has put all of this in jeopardy, through a widespread loss of confidence.

1.5 **Confidence needs to be rebuilt not only in financial institutions but also in the political institutions, regulatory and supervisory authorities** that failed to avert this disaster which has so far cost EUR 2.3 trillion, according to the latest IMF estimates.

1.6 **Huge public disquiet has been generated.** The liquidity crisis stemming from the financial crisis has had major repercussions on the real economy: unemployment has broken the 10 % mark, reaching 22 % in Latvia and 19 % in Spain, with the number of unemployed people exceeding 23 million in December. This figure is set to rise further. All countries have recorded huge budget deficits, which will have to be redressed with corrective measures; this will certainly not help growth, but rather curb an already sluggish recovery, i.e. one without positive effects on unemployment.

1.7 Over the past few years, the Committee has issued a series of opinions setting out a number of proposals, which were often ignored. Had they been heeded, these proposals would undoubtedly have helped avert or at least mitigate the devastating effects of the crisis.

1.8 The Committee calls on the EU institutions to speed up the reform process. A year and a half since the publication of the de Larosière recommendations, the EU decision-making process is not yet in its final stages. Unfortunately, governments have watered down the reform plan, ruling out, for example, the possibility of intervention by a European authority on cross-border financial institutions.

1.8.1 The Committee welcomes the Commission's Communication on legislative initiatives to bolster financial market regulation and transparency. These proposals, which emerged while this opinion was being drafted, are a step in the right direction. Improving supervision of credit rating agencies and launching a debate on corporate governance are the most important aspects. Reports on directors' pay and remuneration policies complement the package of proposals. The Commission has committed itself to tabling further proposals within the next six to nine months, including initiatives to improve the functioning of derivatives markets, appropriate measures on short selling and credit default swaps, and improvements on the Markets in Financial Instruments Directive (MiFID).

1.8.2 The Committee awaits with great interest the other initiatives announced under the heading of *responsibility*, including the revision of the Deposit Guarantee Schemes Directive and the Investor Compensation Schemes Directive. The Market Abuse Directive and the Capital Requirements Directive (CRD IV) are to be amended, while a new proposal on packaged retail investment products (PRIIP) is in the pipeline. To reduce regulatory arbitrage, the Commission intends to publish a communication on sanctions in the financial services sector.

1.9 The Committee believes that work should be stepped up on shaping the post-crisis financial system, which should be transparent, socially and ethically responsible, better supervised, and innovative; its growth should be balanced, compatible with the rest of the economic system, geared towards generating medium- and long-term value and sustainable growth.

1.10 Several million people work in the world of finance. The vast majority are upstanding, professional people who deserve respect. A small minority of irresponsible, unscrupulous people have jeopardised the reputation of a whole category of workers.

1.11 The Committee recommends greater transparency, particularly in identifying risks. OTC markets should not be open to bilateral transactions, but limited to central counterparty transactions, which by monitoring the overall level of risk can limit access to transactions for over-exposed

parties. Such transactions should take place either on a single platform, or at least on a defined set of platforms, in order to increase market transparency.

1.12 Corporate social responsibility should permeate all activities and *modi operandi* in the financial sector. **Sales volumes have taken precedence over proper investment advice.** A high level of professional ethics ought to be restored, and there should be explicit condemnation by the sector's associations, who should encourage proper conduct by taking preventative measures and impose penalties on businesses found guilty of acting in bad faith, of commercial fraud or of other acts falling under criminal law.

1.13 There should be more open and democratic governance of national and EU authorities, involving stakeholders in regulation and supervision. Workers, companies, consumers and users should have a recognised role in corporate governance. The Committee advocates greater involvement of civil society in consultations and impact assessments. Recent Commission decisions on selecting expert groups have again focused solely on industry, without properly involving consumers and workers. The Committee will tirelessly continue to press for balanced representation of civil society within expert groups and committees set up by the Commission.

1.14 Corporate governance whereby requirements in terms of integrity and transparency extend from directors through to shareholders; the origin of their capital has up to now automatically been assumed to be lawful, while controversial cases have shown that this is not always the case.

1.15 Managers have come to play an excessive role, often receiving astronomical remuneration which has remained intact even after their institutions have been bailed out through nationalisation. A serious policy on curbing bonuses, which should perhaps be awarded only where consistent above-average results are achieved in the medium term; staff incentives should be linked to responsible sales and not to banking-product campaigns without due respect to consumers' needs; the incentives should upgrade the quality of human capital in terms of professional contribution, client satisfaction and greater professionalism.

1.16 The Committee recommends that serious and effective measures be adopted by national supervisory authorities, which seem fairly unconvinced of the case for taking action not only to raise ethical standards, but also aimed at preserving for the future the risk profile, both overt and hidden. Many very high-risk profit- and bonus-driven operations could have been avoided.

1.17 **The Committee calls for the removal from European legislation of references to ratings in respect of classifying investments and their coverage in risk funds**, in line with the Basel II principles, and calls on national authorities to revise investment policy.

1.18 **The rating of Member State sovereign debt should be carried out exclusively by a new independent European agency**. Announcements of sovereign debt downgrading – as recently happened in Greece and other EU countries in difficulty – have triggered serious market upheaval and massive speculation, thus increasing the perception of a serious crisis.

1.19 **The aid granted to Greece will help safeguard the international financial system** which has guaranteed Greece's debt to the tune of hundreds of billions of euro, and placed its trust in the world's largest commercial bank, which concealed major borrowings so that they did not show up in Greece's public accounts. The French and German banks alone (EUR 76.45 billion and EUR 38.57 billion respectively) account for loans of EUR 115 billion: once again the European taxpayer will be called on to pay for the unlawful actions. The Greek people will have to shoulder a huge economic and social cost.

1.20 **The Committee thinks it worth discussing the taxation of certain financial activities**, particularly those that are predominately speculative. It has recently adopted an opinion on this issue.

1.21 **The Committee advocates developing integrated crisis management systems, including effective criteria for early warning, prevention and exiting the crisis**. Reliable mutual accountability mechanisms need to be developed between Member State authorities, especially with regard to the major European groups: in central and Eastern Europe, for example, the financial markets are almost exclusively in the hands of Western insurance companies and banks.

2. Introduction

2.1 *This crisis has been caused by moral poverty.*

A turnabout in an economic crisis? I believe in no spontaneous turnabouts. What we are used to calling the economic crisis is just another name for ethical poverty.

Moral poverty is the cause and economic decline is the effect. In our country, many people think that economic decline can be remedied with

money. I dread the consequences of this misconception. In our current situation, we do not need any ingenious turns or schemes.

We need a moral approach to people, work and public property.

No more support for bankrupts, no more debt, no more throwing values away for nothing, no more extortion of the workforce; we had better do the things that helped us rise from post-war poverty: work and save, and make working and saving more profitable, desirable and honourable than slacking and squandering. You are right; the crisis of trust needs to be overcome - but it cannot be overcome with technical, financial or credit interventions. Trust is a personal matter and can be regained only through a moral approach and personal example'. Tomáš Bat'a, 1932.

2.2 *Nothing has changed.*

2.2.1 This quotation, unusual in a Committee opinion, serves as an introduction to the subject which is more than just another learned analysis of the crisis, of mistakes made by political and supervisory entities, rating agencies and the financial sector, and by investors and shareholders. Rivers of ink have flowed, but the message could be summed up as: the measures taken, under consideration or planned, regarding macro- and micro-prudential oversight are fundamentally both valid and rational, but still lack a comprehensive, structural element binding market surveillance (covering banks, insurance companies and the financial markets) and supervision of payment systems. These systems can provide valuable warning signals – provided they are properly interpreted – of individual failings or systemic threats. The authorities should envisage adopting a cross-checking system of this kind.

2.2.2 Unlike in the past, civil society has no intention of leaving the debate on the future of the financial system to the specialists, experts and politicians, but intends to take an active part in building a sustainable financial system, because the consequences of the choices made will inevitably impact upon workers, businesses and citizens in general. The public funds that have been spent firstly on saving the most exposed banks, and then on breathing much-needed oxygen into an economy suffocating under an unprecedented liquidity crisis, have served to increase public deficit and debt. These will have to be balanced via further corrective measures, again by piling taxes and duties on the public – the last thing it needs.

2.2.3 The post-crisis financial system must not and cannot be the same as the one that emerged over the last 20 years. Growth rates that rocketed as a result of short-termism must be a thing of the past.

2.2.4 Profitability was so high that it spurred the most eager companies to embark on a wave of mergers on a scale that only a few years ago would have been unimaginable.

2.2.5 These mergers were facilitated by liberalisation, and in many countries by privatisation, but above all by the impetus given by the single market directives, which broke down not only territorial borders, but also the dividing lines between different specialist categories: commercial banks, investment banks, finance houses, stock brokering companies, securities depositaries, payment systems managers, insurance, etc.

2.2.6 The financial conglomerates thus created are marked by their highly varied nature, the complexity of their structures, their cross holdings and golden shares (for former public banks in particular), making overall surveillance of these structures extremely difficult, if not impossible. Only now, in the wake of the storm that has swept through the markets, has the need for cross-border forms of surveillance been understood. Decision-making processes, however, are too slow. Powerful financial organisations are seeking to limit regulatory action by the authorities, and have succeeded in convincing certain European governments to support their stance. The La Rosière report, the ensuing directives, the revision of the Basel II agreements and the IASB review are struggling to make headway and many promises of change seem to be falling by the wayside.

2.3 Profitability

2.3.1 Profitability and growth

2.3.1.1 High profitability has always been seen as a sign of good company health. It is also a factor for expansion by reinvesting profits. If a company with 10 % ROE ploughs back all its profits, it can grow by 10 % a year, provided it keeps to a constant ratio of debts to own resources: if it grows faster, the weight of debt will increase, or it will have to draw further on its equity capital.

2.3.1.2 In consequence, more profitable companies have more opportunities for growth and development.

2.3.2 Profitability and risk

2.3.2.1 Greater risks must often be accepted in order to boost profitability: it is argued in this regard that what counts is risk-adjusted profitability. Only an increase in risk-adjusted profitability represents real generation of new value (for shareholders, that is, not necessarily other stakeholders).

2.3.2.2 Who decides what level of profitability is appropriate to the risk? The financial market, of course.

2.3.2.3 What lessons can be drawn from the crisis in this regard? The answer is that while the ability to interpret and estimate many risks has improved, the market is not always capable of quantifying them accurately.

2.3.2.4 It follows that certain profitability and growth models, for both individual companies and the economy as a whole, took on a convincing appearance for the simple reason that they were estimating the risks inaccurately.

2.3.2.5 The key lesson of the crisis is that we will never be able to estimate all risks accurately.

2.3.3 Profitability drivers

2.3.3.1 The two main drivers of profitability, and not only for financial companies, are:

- efficiency improvements, made possible by economies of scale (expansion in size) and economies of scope (expansion of the range of products and services);
- innovation: offering new goods and services with greater profit margins due to less competition.

2.3.3.2 For these reasons, 'big is beautiful' and 'financial innovation is good' were the long-standing mottoes of many actors on the financial markets. The fact is that the risks associated with these factors were underestimated. To recap:

2.3.3.3 Size – economies of scale: the main risk is the systemic risk of 'too big to fail'.

2.3.3.4 Variety of supply – economies of scope: the main risk is always of a systemic nature, but could be summarised as: 'too interconnected to fail'.

2.3.3.5 Financial innovation: this means introducing new products/services to manage new risks or to manage known risks in new ways. If these had entailed everyday operations, someone else would already have done them. Estimations of the ensuing risks are often very vague.

2.4 Poor estimation of the risks of financial innovation lies at the origin of the financial crisis. At the same time, innovation is crucial to achieving high profitability – too high in the light of the growth rates of the developed economies. The cause of the crisis, rather than its effects, should be the main focus: we must accept profitability and growth rates lower than the double-digit figures that have been seen as not only a legitimate, but even a necessary, expectation. This is because it is by definition highly likely that very high profitability, in an economy that can no longer grow in the way it could 50 years ago, brings with it risks that cannot be ignored. Unless we say loud and clear that in a developed economy it is unreasonable, indeed insane, to expect double-figure returns on investment, we will continue to nourish the seeds of what led us to within a hair's breadth of system collapse.

2.5 *The business of banks and financial intermediaries*

The financial system acts as an intermediary between monetary and financial activities and risks. Risk intermediation takes place primarily in the form of derivative contracts, largely OTC derivatives. Monetary policy can directly influence monetary and financial intermediation, but is toothless where derivatives are concerned. Derivatives actually employ only very small amounts of liquidity.

2.6 *The derivatives risk: the risks of managing risks*

Derivatives have represented the main instrument for financial innovation. The OTC market provided an arena for risk sharing where the risks originally borne by a single player were transferred and broken down into innumerable transactions. In theory, this should produce fragmentation, and thus neutralise the original destabilising features of the risk. What was overlooked, however, was that the myriad interconnections involved in these transactions introduce an uncontrollable counterpart risk – so that effectively the overall risk is lost sight of – and lead to a 'too interconnected to fail' situation.

2.7 *A routemap to a more stable financial system*

It would be wrong to take a negative view of financial innovation, on the grounds that it helped to create the conditions for the crisis. But neither can what has happened be seen as a mere lapse: on the contrary, it shows that the system, as it stands, is unacceptable.

An integrated risk supervision structure must operate in three directions: instruments, market and institutions.

2.7.1 *Instruments*

Rather than banning the creation of new instruments, it would be better to apply a sort of registration mechanism establishing

who they can be offered to. Unregistered instruments can be used only by qualified operators. The same principle as for medicines should be applied: some can be sold almost freely, others need a prescription and yet others can only be sold in specific settings.

2.7.2 *Institutions*

The conventional micro-prudential oversight that should monitor the stability of an intermediary is not enough. In order to create a macro-prudential framework, two major externalities need to be taken into account:

- interconnection. Financial institutions have common exposures that amplify the negative impact of risks, in other words, the previously-mentioned twin problems of 'too big to fail' and 'too interconnected to fail';
- pro-cyclicality. The financial system should manage the risks of the real system. In practice, it often happens that the dynamics of the one reinforce those of the other, the result being that the boom and bust effect is aggravated rather than being attenuated.

2.7.2.1 The 'shadow banking system' has served not only to pursue legitimate aims of greater flexibility, but also to sidestep prudential rules. Regulated parties, such as the banks, have used it for 'prudential arbitrage' purposes, i.e. to increase financial leverage despite the operational requirements of the rules. This system should be firmly embedded within the regulatory framework. Banks should not be able to use this system to avoid capital requirements.

2.7.3 *Markets*

The crisis has shown beyond any doubt that the financial markets have no independent capacity for self-correction through the creation of new conditions for balance, in all situations. The possibility of switching abruptly from abundant transactions to illiquidity is therefore a real one.

2.7.3.1 When transactions are bilateral, as with OTCs, the failure of one institution can rapidly infect many others, with the ensuing systemic risk. In order to limit systemic market risks, bilateral transactions must be replaced with central counterparty transactions: moreover, such transactions should take place either on a single platform, or on a defined set of platforms, in order to ensure greater transparency. It is likely that these conditions would entail greater standardisation of the traded contracts: far from an unwanted side-effect, this would be a positive outcome enhancing market transparency.

3. Governance

3.1 Markets may be hard to monitor: governance is even more so. Although supervision may in appearance be a matter for the majority holder – either directly or through agreements – in practice the different bodies of legislation, some more permissive than others, allow financial bodies of doubtful origin to flourish. In addition to the general issue of transparency, a complex matter is involved: the penetration of high finance by hidden powers or financial crime networks. This covers sovereign or state-controlled funds, laundering, tax evasion and tax havens; in other words, the presence – not necessarily predominant – of ‘opaque’ interests. The issue affects not only large groups but also – possibly to an even greater extent – a vast swathe of financial enterprises and investment funds, not necessarily operating on a large scale. The directives lay down rules on who can sit on boards and what shares may be traded on the stock markets, but have nothing to say about the nature and origin of capital, implicitly accepting that the origin is lawful. The aim is not to introduce new rules, but to establish operational links between the investigating authorities and the supervisory authorities.

3.2 The Achilles’ heel of major groups is often precisely poor governance, which is shaped to suit managers, now the real masters of companies. Capital dilution due to the progressive integration of market players has gradually weakened the position of reference shareholders, sometimes to the point where they cannot withstand hostile takeover bids. Major international groups have been first acquired and then stripped by competitors, with very harmful repercussions for the real economy and for workers.

3.3 *‘... The comparatively near future (...) will find society organised through a quite different set of major economic, social, and political institutions and exhibiting quite different major social beliefs or ideologies. Within the new social structure a different social group or class – the managers – will be the dominant or ruling class.’* (James Burnham, *The Managerial Revolution: What is Happening in the World*. New York: John Day Co., 1941)

3.4 The political authorities, in thrall to banking magnates, have gone along with this transformation. Even in the recent forced purchases of banks by some countries, they have proved incapable of restoring any degree of balance to the relationship between managers and shareholders. President Obama’s resounding defeat at the hands of top AIG executives, who pocketed USD 165 million, taken straight out of the 170 billion provided by the US Treasury, gives some idea of the scale of the disproportionate, and in this case brazenly arrogant, power wielded by managers. In the United States, the banks have been able to pick themselves up thanks to a

USD 787 billion stimulus package, paid for by tax-payers. They then showered bonuses on their managers (49.5 billion among Goldman Sachs, J.P. Morgan Chase and Morgan Stanley alone). And now, thanks to these miraculous bonuses, they are even making tax savings: since these payments are tax-deductible, the system as a whole will (according to a calculation made by Robert Willens LLC) save something like 80 billion. The figures in Europe are less spectacular, but RboS has handed out GBP 1.3 billion. Nothing has changed!

3.5 A serious rethink of governance mechanisms is needed, rebalancing company power between shareholders and managers, and putting each in their proper place.

3.6 Stakeholder participation in governance and more advanced economic democracy could help rebalance power and shift company strategies from short-termism to a long-term approach, with an obvious benefit for the whole economy.

3.7 The new financial system should be geared towards sustainable, stable profits, and a prudent approach to risk management and investment policy, after the carefree days of double-digit growth rates.

4. Credit: a force for development and social function

4.1 The irreplaceable role of the financial system in channelling resources towards productive activities has an obvious, and positive, social impact. Thanks to support from the banks, work and the wealth generated by businesses redistribute well-being and services to the community. Risk-sharing by insurers ensures that economic activity can take place in a stable, calm environment.

4.2 This social function must not, however, be confused with the ‘social’ risk assessment. Banks are businesses like any other, and must answer for the funds entrusted to them: a bank that finances a company heading for collapse is liable to prosecution, and where private individuals are involved, will be accused of pushing them into over-indebtedness.

4.3 The sole valid criterion for granting credit is a strict, objective and responsible assessment of risk together, of course, with an appreciation of the social purpose of the funds made available: there is a real difference in choosing between someone requesting funds to boost production or to avoid redundancies, and another who plans to move business abroad. These are universal values that are valid for all banks, large or small, limited liability companies, cooperatives or savings banks, as well as to those performing declared ‘social’ functions, such as microcredit, or ethical or socially-responsible credit.

5. Towards a post-crisis financial system

5.1 Tomáš Bat'a pointed to the right path almost 80 years ago: a determined return to professional ethics; a rediscovery of values and principles which had become seriously weakened over time; the acceptance by investors of less spectacular but more stable rates of return, as part of a long-term policy; the separation of purely speculative activity from other financial activities, and better regulation of the former.

5.2 A transparent financial system, providing enough information to make clear the risk involved in the proposed transactions: from revolving credit cards (some very large operators were recently banned from continuing to sell their products that infringed anti-usury and anti-laundering laws) and the most complex financial products, to the most straightforward.

5.3 A socially responsible financial system. The push for short-term profit has spurred many financial companies to privilege the quantity of sales volumes over the quality of customer service. Many people have been swayed by offers of financial products that have proved completely unsuited to savers' needs. These are proven instances of sales against advice, common sense and basic professional standards rather than following sound advice. In order to achieve better results, these sales have been pushed hard by constant and urgent commercial pressures, involving awards and bonuses – but also behaviour tantamount to bullying of those workers failing to secure the ever-higher results demanded of them. The principle established in law regarding commercial fraud and hidden defects should apply to the financial system too.

5.4 An ethically responsible financial system. The sector's associations should take initiatives to prevent misconduct and take on the responsibility of imposing exemplary penalties on businesses found guilty of acting in bad faith, of commercial fraud or of other acts falling under criminal law. No such position has yet been taken.

5.5 A better-regulated, better-supervised financial system. The number of actors within the financial system is expanding, while the ability of the supervisory authorities to track market developments, and of lawmakers to impose order and keep inappropriate players, if not criminal organisations, at bay shrinks. The sector needs to be rationalised, cleaned up and put in order. Although finance should follow the most advanced management models, it is not an industry quite like others. Its stock-in-trade is the trust of savers and clients, crucial to its business. Awarding AAA status to securities provided savers with a feeling of complete reassurance. The facts have demonstrated that the mechanisms put in place are very far from ensuring certainty.

5.6 An innovative financial system. The pursuit of new financial instruments, designed to better serve market needs, must continue to drive the economy. Reducing financial leverage, increasing risk-protection opportunities and settling for fair returns is the right way to move forward: a return to the future. After the two steps back represented by rash adventurism, we should take three steps forward towards a future of sustainable development.

Brussels, 16 September 2010.

*The President
of the European Economic and Social Committee*
Mario SEPI

Opinion of the European Economic and Social Committee on ‘Creativity and entrepreneurship: mechanisms for climbing out of the crisis’ (own-initiative opinion)

(2011/C 48/09)

Rapporteur: **Ms SHARMA**

On 18 February 2010, the European Economic and Social Committee, acting under Rule 29 (2) of its Rules of Procedure, decided to draw up an own-initiative opinion on:

‘Creativity and entrepreneurship: mechanisms for climbing out of the crisis’.

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 1 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September 2010), the European Economic and Social Committee adopted the following opinion by 109 votes to 2 with 6 abstentions.

1. Foreword – ‘The Footbridge’

To exit the financial crisis and address the challenges of unemployment, poverty, inequality, globalisation and climate change, Europe needs to open the minds of its citizens.

1.1 This opinion considers the added-value of **Creativity and Entrepreneurship**, as one mechanism to exit the crisis with a focus on investing in **human capital** by enhancing and fostering the **can-do attitude**.

1.2 Entrepreneurship in Europe is regularly considered as business start-up, SMEs, the profit and social enterprise sectors. **Entrepreneurship is ‘an individual’s ability to turn ideas into action’** and therefore, its value to society, especially in times of crisis, cannot be underestimated or dismissed. It includes:

- creativity, innovation and risk taking,
- ability to plan and manage projects in order to achieve objectives,
- support in daily life at home and in society,
- employees in being aware of the context of their work,
- being able to seize opportunities,
- a foundation for more specific skills and knowledge needed in establishing social or commercial activity ⁽¹⁾.

2. Conclusion and recommendations

2.1 This opinion seeks to identify ways to value European citizen’s potential and bring it to action. It uses an all inclusive approach to create opportunities for a greater amount of people independent of age, gender, race, abilities or social conditions. That said, specific regional, national and European programmes promoting *Creativity and Entrepreneurship* must pay attention to the disadvantaged groups to address the inequalities in society.

2.2 It addresses:

- how to retain, yet transfer the diversity of Europe to a common identity,
- how to make Europe an ENABLER and empower its citizens,
- how to create a Europe of Pride, Ambition and Values whose citizens are Ambassadors and who celebrate in the successes of their achievements.

2.3 Following the financial crisis the EESC recognises the need to stimulate job creation and create healthy and sustainable Member State economies. High-quality labour needs high-quality entrepreneurship as well as investments in the public and private sectors in order to be internationally competitive. Entrepreneurship is one tool to face this challenge and give realistic hopes of success to all parts of society and help Europe gain a more dynamic identity.

⁽¹⁾ COM(2005) 548. Annex point 7.

2.4 The EU 2020 Strategy has thematic and focussed key drivers on the following priorities:

- creating value by basing growth on knowledge;
- empowering people in inclusive societies. The acquisition of new skills, fostering creativity and innovation, the development of entrepreneurship and a smooth transition between jobs will be crucial in a world which will offer more jobs in exchange for greater adaptability;
- creating a competitive, connected and greener economy.

2.5 The crisis allows for new models of development, growth and governance. Improved and coherent framework conditions are essential for change and this presents social partners and civil society with an opportunity to contribute with practical and tangible mechanisms.

2.6 Europe's human capital could be harnessed swiftly by creating an 'ENABLING' environment if the following simple and feasible recommendations are ACTIONED:

10 key Footprints to make steps towards change

1. VISION – A Single Vision for Europe;
2. EDUCATION - Promotion of Ambition;
3. MOBILITY - Building opportunities for organised learning;
4. RISK AWARE - Guiding Europeans out of Risk Aversion;
5. STIMULUS - Encouraging the Entrepreneurial Spirit;
6. ACCOUNTABILITY - Of European projects;
7. COMMUNITY- Promoting Active Citizenship;
8. IMPLEMENTATION – Of policy for Entrepreneurs and SMEs;
9. CONSULTATION - A Platform for Stakeholder Discussion;
10. PROMOTION - Of a new culture in the Media and via Ambassadors.

2.7 These recommendations must not remain the task of one stakeholder, but be the responsibility of all. Within a world of

rapid change and complexity, individuals need new capacities and skills to avoid exclusion. Social dialogue can influence change to meet the goals of the EU 2020 and to develop sustainable entrepreneurship. A tradition needs to be created across Europe which enables entrepreneurship for individuals and organisations.

2.8 The European Value in investing in Entrepreneurship:

If I give you EUR 1 and you give me EUR 1 we each have EUR 1,

If I give you 1 idea, and you give me 1 idea we have 2 ideas.

Entrepreneurship in Europe = 500 million People + 500 million Ideas + 500 million Actions;

How many of these ideas could take us out of the crisis?

3. Europe Today

3.1 In 2008 Europe became embroiled in a financial crisis which began in the US but had serious impacts on the economic and social dimensions of society. The reasons for the crisis are well documented, with Europe being one of the most affected mid- long term.

3.2 In 2010 the EU has 20+ million unemployed. Young people, women, aged workers, migrants and other vulnerable groups form the majority of this un-utilised human capital. Neither the public sector, facing its huge deficits, nor the large companies, facing the challenges of the crisis and globalisation, will single-handedly have the capacity to create these jobs in the short term. The myth of a return to strong EU growth quickly is not realistic unless there is a change in structural conditions as unemployment is a mainly structural problem and not one of the economic cycles.

3.3 The EU needs to focus on the economy; sustainable entrepreneurship, employment and social policy but the pace of globalisation will not wait for it to catch up despite having much to contribute towards the development of others. The European dimension is a source of opportunity for the exchange of experiences and a tool for creating a greater European identity inside and outside of Europe.

3.4 Today Europe is 27 talented, cohesive and productive Member States, with neighbouring countries desperate to join the Union. It has many strengths – peace, stability, diversity, systems of rules, good governance and solidarity. Europe has a strong respect for social values and its lands. Economically Europe has a market of 500m people and its businesses have good potential for growth.

3.5 Now is Europe's time to maximise our collective strengths.

4. Entrepreneurship - A European Strength and One mechanism to exit the Crisis

4.1 Entrepreneurship is about wealth creation which will bring Europe out of the crisis. The Lisbon Treaty recognises entrepreneurship and the diversity of economic actors and now there is a need to find new ways of sustainable entrepreneurship as a key driver for growth to keep Europe competitive.

4.2 It will include searching for new ideas and gathering a momentum which will build confidence, credibility and continued growth for the future. The wealth will support investment in education, jobs, skills, productivity, health and social conditions where entrepreneurship, creativity and innovation are fundamental instruments to progress society.

4.3 A large body of research, theoretical, empirical and practical business experience have established a clear connection between entrepreneurship and growth ⁽²⁾. Business Associations, Trade Union Confederations, International development agencies, World Bank, ILO, OECD and NGOs support the promotion of entrepreneurship as a key tool to growth, development, poverty elevation and social inclusion. Many EESC opinions make recommendations supporting the value of entrepreneurship in society and many Member States have best practice toward entrepreneurship.

4.4 Entrepreneurship has been identified globally as a vehicle of innovation, investment and change and as such has an indispensable role to play to exit the current economic juncture with

its high degree of uncertainty. In this context the recognition of skills and competences through entrepreneurship is one mechanism to solve problems and build on new ideas.

4.5 Economic development in the EU has always been balanced with a strong commitment to the social dimension and must continue with entrepreneurial activities incorporated into daily life. This includes in non-business fields:

- Social inclusion and poverty elevation are supported with entrepreneurship 'because society is at the core of the analysis of innovation ⁽³⁾' as it changes its ideas, practices and institutions.

- Environmental protection relies on sustainable energy sources and climate change adaptation and this will lead to new ways of working, the 'greening' of jobs and the creation of new 'green' jobs and technologies.

- Tourism, regeneration and migration, including the revitalisation of rural and less advantaged regions will require entrepreneurial activities for job creation and infrastructure changes particularly for sectors such as urban regeneration, agriculture, forestry, island ⁽⁴⁾ and agro-tourism.

- Education uses creativity to identify the relevant 'drivers' that trigger a quest for knowledge to ensure people engage with learning at all levels and ages.

- Health Care utilises new ways of working and technologies to provide an optimal environment for delivery of care, research, and the provision of medicines and treatments.

- Demographics trends will require social adaptations, novel and creative solutions to address infrastructure, services, work, family and social protection.

- The NGO sectors, including outreach and training projects, are effective and ground-breaking in numerous sectors requiring new solutions to overcome societal challenges.

⁽²⁾ Audretsch, D. B. and R. Thurik (2001), Linking Entrepreneurship to Growth, OECD Science, Technology and Industry Working Papers, 2001/2, OECD Publishing. doi: 10.1787/736170038056.

⁽³⁾ EUCIS-LLL Barcelona 2010.

⁽⁴⁾ Bornholme Denmark.

— Public sector capabilities will require solutions to provide the same and improved provision on restricted budgets.

4.6 Every person is talented, with creativity and an entrepreneurial spirit which is enhanced where the environment is conducive to promoting such activities. The focus on the individual, taking diversity into account, is essential because exclusion and discrimination are a vicious downwards spiral exacerbating inequality of opportunity: the less peoples' potential is fulfilled, the less motivated they are to develop themselves⁽⁵⁾. Particularly in Europe today this can offer new solutions to overcome the high numbers of unqualified and unemployed people. Moreover, a diverse approach can help create opportunities for a greater amount of people independent of age, gender, race, abilities or social conditions.

4.7 A series of collective factors play the roles of creating the proactive environment for success in any dimension of life, including exiting a crisis:

— A clear VISION with a feasible MISSION and achievable OBJECTIVES

— A PROJECT with a COMMON PURPOSE/IDENTITY

— A FOCUS and a 'CAN DO ATTITUDE'

— LEADERSHIP which promoted individuality together with strong common VALUES.

5. 10 FOOTPRINTS - A Can Do List to be actioned to create an enabling environment

Growth is not created in a vacuum; it needs like minded people, networks and stakeholders. Ultimately a tradition in society, the workplace and at home will enable entrepreneurship for individuals and organisations, including the promotion of job creation through small companies and increasing the supply of skilled employees. Stakeholders - employers, trade unions, NGOs, public sector and decision-makers, will need to unite

to address a cultural change and enable an 'entrepreneurial culture' to be exploited by ALL to not only support the exit from this crisis but overcome the long term challenges of the planet.

5.1 **A Single clear Vision for Europe**⁽⁶⁾ needs to be communicated, with a strategy and concrete objectives. This must include political leadership with accountability, responsibility and a sense of reality. The Single Market Project will bring economic well being for all, increased mobility, new skills, business opportunities and wider choice and must be revitalised and completed. Entrepreneurship for all must be cross cutting across every sector of policy.

5.2 **Entrepreneurship Education across Europe** across the curriculum and as part of life-long learning still requires a real commitment from leaders. The Promotion of Ambition and the significance of creativity and entrepreneurship must be appreciated and not confused with business or profit generation. Creativity develops through learning in formal and informal systems. Educators need to be fully involved to ensure the correct communication is delivered. Teachers may be adverse to a narrow definition of entrepreneurship, as in business start-up, but be more welcoming of a broad concept as a key competence for life. An 'Entrepreneurial staircase' to develop activities and teaching can be used to bring the 'spirit' to the classroom⁽⁷⁾.

5.2.1 Teachers need pioneering styles, experimental learning and mechanisms to deliver to students up to date competences and technologies which reflect globalisation. They need to consider their role as 'facilitators' helping students become more independent and take initiative for their learning. Effective teacher training, exchange of good practice and networks⁽⁸⁾ as well as methodologies and tools can support the teacher in adapting to all learning styles. Partnership with employers, trade unions and NGOs could be considered to support knowledge transfer.

⁽⁶⁾ Citizens must be able to identify that:

- I. The vision for Europe: A United States of Europe with respect of all cultures, languages and opened to the world;
- II. The strength of Europe: Creation a common and peaceful entity after centuries of civil wars and conflicts;
- III. The EU stands for: prosperous political entity which gives maximum opportunities for individuals and collective dreams;
- IV. To be European is to Share common values, mainly a good mixture of individual (performance.) and collective values;
- V. The benefit of being a EU citizen: Use the EU dimension in cultural, economic, scientific terms, to develop the individuals own skills and qualifications for their future and that of others.

⁽⁷⁾ OJ C 309, 16.12.2006, p. 110.

⁽⁸⁾ Towards greater cooperation and coherence in entrepreneurship education EC March 2010.

⁽⁵⁾ Hillman 1997.

5.3 Building opportunities for organised learning mobility must become a natural feature of being a European. Access to learning is a crucial determinant of social cohesion, political participation and the exercise of citizenship⁽⁹⁾. An ambitious initiative for a 21st century EU Education Scheme could be launched for discussion by the EESC with stakeholders and later proposed to EU decision-makers.

5.3.1 The knowledge triangle (education, research innovation) plays a crucial role in promoting growth and jobs for the future. Erasmus, Leonardo, Socrates and other programmes have to be open to all, with lower barriers to access, a reduction in administrative burdens and provide the right incentives to participation. The EESC recommends the introduction of a Europass which would record all learning activities undertaken in Europe.

5.4 Guiding Europeans out of the risk aversion and into a 'can-do' attitude with a culture of 'assessed' risk should be a focus to develop a productive society. The benefits and rewards of creativity and innovation to society should be promoted with a conscious effort to move away from the negative culture of failure presented in Europe today.

5.4.1 Innovative mechanisms for access to finance must be considered. These could include microcredit mechanism (PROGRESS, ESF, JASMINE, JEREMIE and CIP) and microloans for credit unions and community projects⁽¹⁰⁾. These tools can support not only entrepreneurs but also the sustainability of initiatives for communities and development, especially for NGOs.

5.4.2 Existing instruments to support innovation need to be adjusted to reflect its changing nature (services - open-, user-driven - innovation). Managing and reducing complexity, increasing flexibility of schemes, making collaboration easier, and quicker access to funds are mechanisms which can speed up the transformation of knowledge into marketable products.

5.5 Encourage large companies as creators and a stimulus for entrepreneurial spirit. The competence and talents of all workers must be valued as many practical and intellectual skills reside in the workforce. Identifying

competences and intangibles should be encouraged with the development of new tools to support such recognition.

5.5.1 Placement opportunities and apprenticeships for students and the unemployed should be better promoted and encouraged.

5.5.2 The development of a Company Framework for the establishment of spin-offs, where the large company supports, mentors and offers market opportunities for innovators could be used to bring to the market registered patents not yet exposed. Measures to support social dialogue committees and social partners to undertake and contribute to impact assessments in addressing the EU Employment Strategy and EU 2020 need to be considered in the development of relations and the promotion of the optimum workplace environment.

5.6 Evaluating the long term objectives of European projects needs to be conducted to justify the investment. This should include considering the project sustainability, the commercialisation of successful outcomes and building upon the results for the benefits to the wider society.

5.6.1 This could include utilising **Intergenerational and transsectoral projects**, including clusters, to propose bringing together experience and fresh minds to share new skills, crafts, knowledge and networks through mentor/tutor relationships. Promoting sustainable economy projects with green entrepreneurs aware of the challenges of climate change, energy and fossil source shortage will highlight environmental protection.

5.7 Promoting Community Initiatives and Active Citizenship to encourage projects to benefit the community and/or initiated by the community, with a European perspective. This should take into account diversity and the highly vulnerable and could be coupled with a European voluntary certification mechanism for corporate social responsibility (CSR) and review options for Community initiatives.

5.8 A strong commitment to implement policies is essential to support an enabling environment towards entrepreneurs who do want to start in business. 98 % of all firms in the EU are SMEs and with its long tradition in SME development the EU framework must be maintained and improved⁽¹¹⁾:

⁽⁹⁾ BIG ISSUE, ACAF Spain.

⁽¹⁰⁾ <http://www.european-microfinance.org> examples of community and social inclusion projects based on entrepreneurship.

⁽¹¹⁾ SMEs are often considered the largest group of entrepreneurs and recommendations to support their growth have been well documented by ETUC and UEAPME and by EESC in many opinions.

- **The Small Business Act for Europe and the ‘Think Small First’** (SME) principle, still requires a strong commitment in many Member States and falls short of what is required in a crisis. Greater access and participation of SMEs in EU projects and public procurement, with open markets which support the growth of entrepreneurs must be addressed. Support for interactive environments can be created using incubators, clusters, science and technology parks, and partnerships with academia. This could include an EU ONE-STOP-SHOP source of information for entrepreneurship in all sectors.
- Consideration must be made towards a **social security safety** net for the self employed, which considers the unique aspects of business management, particularly in terms of maternity, childcare and business closure.
- **Council adoption of the EU SME Company Statute**, thereby supporting the single market project and making cross border operations for SMEs easier. This project, issued as an EESC initiative creates a European identity for new entrepreneurs.
- **Increasing awareness and greater support for Erasmus for Young Entrepreneurs** ⁽¹²⁾. Solutions need to be found to attract a greater number of host companies and recognise their contribution for real impact. This could include a ‘European Entrepreneurs’ Award’, an EU Brand Mark or participation in high visibility opportunities. Skills Accreditation for Entrepreneurs, unlike workers, can rarely be undertaken and are unrecognised by society for the contribution made.

5.9 Utilising expertise by establishing a Platform for Stakeholder Discussion on enhancing the EU Spirit and Culture of ‘Innovation and Creativity’. Fostering cooperation between stakeholders could make concerted and transversal policy recommendations on topics such as improving relations between academia and industry, innovation in commercial and non-commercial environments, researchers’

mobility, structural funds usage, global best practices and establishing a framework for addressing urgent issues. Civil dialogue to facilitate the promotion of the entrepreneurial spirit at regional level can promote the European Entrepreneur profile suited to the 21st century.

5.10 Promotion of the new culture through the Media, with a network of Ambassadors and role models. A culture which recognises entrepreneurial thinking and supports initiatives for start-up and growth companies, social entrepreneurs, public sector innovation, work place creativity, succession planning and employee participation must be promoted. The new culture of entrepreneurship within Europe requires leadership and advocacy through spokespersons or ‘ambassadors’.

6. The crisis is the stimulus to make Europe not only recognise the potential of its citizens but foster the entrepreneurial spirit and thinking within them.

6.1 This crisis will not be the only one faced by Europe and in order to ensure Europe is prepared for future challenges a momentum must be created using the 10 footprints as a mechanism to move forward accompanied by:

- Action plan
- European Entrepreneurship Task Force
- Stakeholder Platform
- European and G20 Summit on Entrepreneurship
- Innovate Europe (Europe 2020).

6.1.1 The EESC could develop these ideas with interested parties in the near future.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

⁽¹²⁾ Enterprise Erasmus for entrepreneurs programme EC Commission DG Enterprise.

Opinion of the European Economic and Social Committee on 'An EU response to a changing balance of global economic power' (own-initiative opinion)

(2011/C 48/10)

Rapporteur: **Mr Brian CALLANAN**

On 18 February 2010 the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on

'An EU response to a changing balance of global economic power' (own-initiative opinion).

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 20 July 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September 2010), the European Economic and Social Committee adopted the following opinion by 135 votes to 4 with 3 abstentions.

1. Summary and conclusions

1.1 European Member States have suffered their worst economic crises since the 1930's and the recovery remains patchy, fragile and vulnerable. After the deepest crises since the 2nd World War global balances have changed, Europe has to redefine its position and strategies within the new framework. As 85 % of Europe's trade is in its own market, some of the answers to the new challenges will be found internally. Expansion of internal demand is critical for a sustainable Union if it wants to meet the global challenges. The EESC has produced a number of opinions on this issue. This opinion explores the external dimension of the EU's response to the global economic crisis: the new positioning of Europe in the global market. It looks at changes in the economic performance of the EU in the global marketplace and the international effects of the recent rise of China and other developing economies; it asks questions designed to prompt analysis of these issues and discussion about their implications for the EU's political and trading relationship with the rest of the world; and it offers the thoughts and ideas of civil society to a policy debate whose conclusions will have far reaching consequences.

1.2 Europe faces fundamental challenges in responding to the seismic changes in global economic political and trade relationships that this Recession has accelerated. In doing so it must adapt by: stimulating growth; creating more and better jobs and making the economy greener and more innovative; achieving the 2020 Strategy's 75 % employment rate target and ensuring this includes at risk groups such as youth, women, middle aged and people with disabilities.

1.3 To date the European project has spent most of its energy looking inwards: building the Single Market, sorting out institutions, arguing about money, endlessly negotiating treaties. To emerge from this Recession and successfully reorganise itself to tackle the challenges of the 21st century the

coming decade must be marked by Europe looking outwards. In doing so the EU must be more aware and responsive to developments being determined by especially the new interplay between the US and China and the influence of powerful groups of developing countries such as the BRICs.

1.4 If it does then as Manuel Barroso, the Commission President, points out: Europe has 'the resources, the intelligence, the critical capacity, the history, the human, intellectual and cultural resources' to succeed.

1.5 The Commission in its Work Programme is committed to: reducing barriers to international flows of trade and investment; concluding current bi-lateral negotiations; improved enforcement of existing agreements; and initiatives to open trade to growth areas such as hi tech, services and environmental services.

1.6 A worrying trend is the fact that there is no hi-tech sector in which Europe leads the world nor does the EU have enough leading high-tech companies to adequately exploit the Key Enabling Technologies (KET) of the future.

1.7 The EESC points to the importance of issues outside the strict scope of this opinion's focus on damaging protectionism and responding to climate change such as: encouraging entrepreneurial, globally focussed, start up enterprises; supporting innovation in established industries; sustaining sectors strategically vital to Europe; considering the export potential of public services such as health care and education; and encouraging cities within the EU to 'team up' with counterparts around the world.

1.8 A consequence of the world recession has been the increased attraction of protectionist policies. The Director-General of the WTO, Pascal Lamy has warned that countries must avoid this temptation.

1.9 Externally the Doha Round needs to be brought to a successful conclusion, but this is proving to be difficult. In the meantime the EU is forging a new matrix of bilateral relationships and agreements with both developed and developing countries that will increasingly influence overarching trade policies.

1.10 Other important EU policy goals include: reciprocity in these new EU Bi-Lateral Agreements including where possible leveraging energy security; ensuring rules are flexible and adaptive to often rapidly changing circumstances; elimination of non-tariff barriers, including 'beyond the borders', transparency in labour and quality standards according to ILO rules; free trade agreements (FTA) for environmental goods and services.

1.11 Multilateral environmental agreements have to mesh smoothly with agreements in the international trading system so that they become mutually supportive, rather than disruptive.

1.12 Energy security is at the heart of the EU climate change challenge. For example by combining to: negotiate external supply agreements (as is already being done in the context of bilateral trade agreements); sell expertise and technology for infrastructure enhancements such as 'intelligent grids' or the new generation of electricity generating technology using feedstock's other than fossil fuels; share the new technologies being developed to help meet the EU's current '20 %' alternative energy targets; seek opportunities to export expertise to develop and deploy carbon reduction incentives.

1.13 As the world becomes more interdependent and inter-linked, policy makers' method of thinking must be joined-up. The mutual interaction of Europe's Single Market and trade policy has never been more important. Nor has ensuring the consultation required within the EU and between its Institutions and with its Member States underpins and supports the effective development, agreement and implementation of a more flexible trade policy.

1.14 On a more human level there is a need to tackle fear and insecurity that are generated by changes in economic power. Organised civil society has an opportunity and a duty to help people, politicians and economies through change.

1.15 The Commission's new 2020 Strategy is the EU's initial strategic policy response to Recession and the changing balance of global economic power. The success of the strategy requires a coordinated European response including social partners and civil society (quoted from Barroso in EU 2020 communication). In response to shifts in global economic power, the EU must rely on its partnership between State and organised civil society to achieve high economic performance and social cohesion.

1.16 However the Commission has few direct instruments to influence progress; responsibility remains largely with Member State governments who are now also experiencing increased domestic financial, political and social pressure.

2. Introduction

2.1 'European Member States have suffered their worst economic crises since the 1930's ...and the recovery remains patchy, fragile and vulnerable' (1). After the deepest crises since the 2nd World War global balances have changed, Europe has to redefine its position and strategies within the new framework. As 85 % of Europe's trade is in its own market, some of the answers to the new challenges will be found internally. Expansion of internal demand is critical for a sustainable Union if it wants to meet the global challenges. The EESC has produced a number of opinions on this issue (2). This opinion explores the external dimension of the EU's response to the global economic crises: the new positioning of Europe in the global market. It looks at changes in the economic performance of the EU in the global marketplace and the international effects of the recent rise of China and other developing economies; it asks questions designed to prompt analysis of these issues and discussion about their implications for the EU's political and trading relationship with the rest of the world; and it offers the thoughts and ideas of civic society to a policy debate whose conclusions will have far reaching consequences.

2.2 Europe depends on the global economy and currently dominates many of its markets, but for how much longer? In 1800 Europe and its 'New World' offshoots accounted for 12 % of the world's population and approximately 27 % of its total income. This dominance peaked in 1913 when these 'developed' economies represented 20 % of the world's population but accounted for more than half of its income (i.e. over 50 %). Today that population share is back to 12 %, and is continuing to fall, but we retain approximately 45 % of the world's income (3).

(1) Former President of the European Parliament Pat Cox, in a recent newspaper article 'Europe must raise its game now and not later': <http://www.irishtimes.com/newspaper/opinion/2010/0407/1224267827518.html>.

(2) Cfr among others: *The financial crisis and its impact on the real economy* OJ C 255, 22.9.2010, p. 10.; *European Economic Recovery Plan (additional opinion)* OJ C 228 of 22 September 2009 p. 149; *A European Economic Recovery Plan* OJ C 182/2009 of 4 August 2009 p. 71; *The post-2010 Lisbon Strategy* OJ C 128 of 18 May 2010 p. 3.

(3) Historian Niall Ferguson writing in the Financial Times (10.4.2010) on reforming the teaching of history at second level in the UK.

To deal effectively with the impact of the changes currently emerging in global markets the EESC believes that EU policy makers may need to give more focus and consideration to the new realities of Europe's trading relationships with the world particularly its export performance.

3. Background

3.1 European Trade

3.1.1 The total value of European exports is estimated to be in the region of \$1.3 trillion. Excluding trade between Member States, the EU accounted for 16 per cent of total world exports in 2008 when the EU's main export trading partners were the United States, Russia, Switzerland, China and Turkey.

3.1.2 In a globalised world where EU countries are major players in important markets, the policies that guide inter-European State relations must respond to global developments such as the impact on political relations of the increasing economic power of trading partners China, India and Brazil. But how should Europe adapt? By the EU taking a bigger role for itself in world affairs? Or by doing the opposite and accepting a different global paradigm is rapidly emerging – where the predominant influence is a new 'G2' of Washington and Beijing?

3.1.3 The Commission in its Work Programme recognises that International Trade is a motor of growth for employment and investment in the Union and is committed to: reducing barriers to international flows of trade and investment; concluding current bi-lateral negotiations; improved enforcement of existing agreements; and initiatives to open trade to growth areas such as hi tech, services and environmental services. A critical area will be the improvement of bilateral relationships with US, China, Japan, and Russia.

3.2 European Trade in the Global Economy

3.2.1 Recession is reshaping global economic power. From 2000 to 2007 emerging economies, most notably China widened their investment base and are now leading global recovery, largely driven by export growth (e.g. 17.7 per cent in December 2009). In the same period the EU experienced uneven export performance and significant losses on some dynamic markets particularly in Asia and Russia.

3.2.2 An export led recovery for the economy as a whole is happening in China but remains largely an aspiration for the EU. The Commission projects EU exports to grow by 5 % in 2010 and 5.1 % in 2011, helped significantly by a reduction in

the euros value relative to our major trading partners, but this is not, nor is it being seen as, boosting 'national' economic recovery outside countries such as Germany and Ireland already significantly involved in international trade (4).

3.2.3 A European Commission report noted that the EU's performance in the exportation of high-tech products has been poor, raising concerns about Europe's capacity to keep its products at the cutting-edge of quality and innovation (5). The performance in services has also deteriorated showing a decline in market share between 2004 and 2006. This is a worrying trend as is the fact there is no hi-tech sector in which Europe leads the world nor does the EU have enough leading high-tech companies to adequately exploit the Key Enabling Technologies (KET) of the future.

3.2.4 Despite these weaknesses, the EU is the primary trading power in services, the principal exporter and second largest importer of merchandises and is a major source and host of world direct investments. Europe therefore has a crucial stake in maintaining and strengthening its position in the global trade arena but doing so will require new thinking firmly grounded in the realities of a different and very much more complex global trading environment.

3.2.5 The EESC points to the importance of issues outside the strict scope of this Opinion's focus on damaging protectionism and responding to climate change such as: encouraging entrepreneurial, globally focussed, start up enterprises; supporting innovation in established industries; sustaining sectors strategically vital to Europe; considering the export potential of public services such as health care and education; and encouraging cities within the EU to 'team up' with counterparts around the world.

3.3 Rebalancing of Economic Power and Politics

3.3.1 The bankruptcy of Lehman Brothers, one of Wall Street's oldest investment banks and the subsequent market chaos which included the world's manufacturing undergo its steepest decline since World War II sent the world's economy into freefall. State intervention prevented a domino effect through the global banking system but could not prevent capital flows declining abruptly and rapidly.

(4) European Economic Forecast Spring 2010 - European Economy 2 – 2010.

(5) European Commission Directorate General for Trade, Global Europe: EU Performance in the global economy see http://trade.ec.europa.eu/doclib/docs/2008/october/tradoc_141196.pdf (accessed 4 Feb 2010).

3.3.2 The impact on trade was immediate as credit was restricted and consumer spending collapsed, forcing companies to reduce production. However the severity of this adjustment has varied significantly between the different trading blocks, with China recovering quickest, significantly assisted by their Government's decision to adopt a fiscal policy which pumped \$580 billion into their economy to stimulate its rapid recovery.

3.3.3 In March 2009 policy action was taken in Beijing, London, Washington and Frankfurt. G20 leaders pledged \$1 trillion of support from the IMF and the World Bank to replicate globally what had been done by individual states. This meeting saw the 'coming of age' of newly powerful and/or influential actors on the global stage representing a new world economic order and a seismic shift in economic relations with potentially profound implications for EU trade policy.

3.3.4 Over-consuming countries like the US were encouraged to scale back spending and countries with credit and currency reserve surpluses were encouraged to boost consumer demand. Pursuing sustainable and balanced trajectories in the global economy was highlighted and the EU's self-interest in cooperating more closely with the rest of the world emphasised.

3.3.5 Despite the recent return to growth, there are reasons to be cautious. Economists remain uncertain about the future direction of the world economy. There are questions regarding when and how to remove the fiscal stimulus, their effects to date and long term sustainability. While there may be some returns to growth there is also a 'human recession' ⁽⁶⁾. **High unemployment means it has become difficult for world leaders to defend liberal trade politically, intellectually and domestically.**

3.3.6 In response to this shift in the global balance of power EU decision-making is challenged to: quickly adjust to its implications; develop the new thinking needed to do so; act collectively in a more cohesive, reflective and expeditious manner; support opportunities for job creation such as the 'green economy'; help companies retrain staff; reequip those

who have lost jobs to adjust and adapt to these new possibilities as past structural adjustments have shown supporting individuals to re-adjust and adapt is the most effective policy response ⁽⁷⁾.

4. Two Key Issues

4.1 Protectionism

4.1.1 A consequence of the world recession has been the increased attraction of protectionist policies. The Director-General of the WTO, Pascal Lamy has warned that countries must avoid this temptation ⁽⁸⁾. The EU has gained most from transparent and enforceable rules that fairly and objectively underpin and facilitate a competitive trading environment. But according to EU Trade Commissioner Karel De Gucht, **280** trade restrictive measures have been introduced so far during the current economic crises by the Union's main trading partners. There is concern that these measures could become a new and permanent part of the overall trade framework.

4.1.2 One of the most important trade barriers currently is the artificially low rate of the Chinese Renminbi, or yuan, which the Government see as ensuring Chinese exports are more competitive. This is a serious obstacle to free and fair trade so recent moves to alleviate the situation are welcome, but long term and sustained changes to Chinese Government's exchange rate policies are also needed.

4.1.3 Stimulus packages aid economic growth by increasing demand but their primary aim is to help local businesses. A by-product of this could be the propping up of uncompetitive sectors. The Competition and State Aid rules put the EU in a strong position to coordinate efforts to prevent this happening and a fully functioning Single Market precludes potentially damaging protectionism.

4.1.4 Externally the Doha Round needs to be brought to a successful conclusion, but this is proving to be difficult. In the meantime the EU is forging a new matrix of bilateral relationships and agreements with both developed and developing countries that will increasingly influence overarching trade policies.

⁽⁶⁾ 'Falling Flat: More Evidence that America is Experiencing a Jobless Recovery' The Economist, available at http://www.economist.com/world/united-states/displaystory.cfm?story_id=15473802 (6 Feb 2010).

⁽⁷⁾ For example EESC Opinion European Economic Recovery Plan (OJ C 228 of 22.9.2009, p.149) proposes that 'in the light of expected demographic trends, intelligent restructuring of the economy is needed, with employees being kept on and trained rather than made redundant, so that sufficient skilled workers will be available once the economy begins to recover. Support for the unemployed should be linked with skills acquisition and retraining programmes.'

⁽⁸⁾ http://www.wto.org/english/news_e/sppl_e/sppl101_e.htm 'Lamy warns on protectionism' WTO news.

4.1.5 Other important EU policy goals include: reciprocity in these new EU Bi-Lateral Agreements including where possible leveraging energy security; ensuring rules are flexible and adaptive to often rapidly changing circumstances; elimination of non-tariff barriers, including 'beyond the borders', transparency in labour and quality standards according to ILO rules; free trade agreements (FTA) for environmental goods and services⁽⁹⁾.

4.1.6 With the adoption of the Lisbon Treaty, the Union's decision making processes are being reformed, including extending co-decision to the Parliament in key policy arenas including trade. It is important the modalities of these new processes involving Council, Parliament and Commission result in faster and more flexible responses that improve the Union's ability to react effectively and coherently to either high level strategic needs, or detailed 'day to day' minutia, of trade.

4.2 Climate Change

4.2.1 There is now consensus within Europe that climate change needs immediate action. A striking consequence of globalisation is the interdependence it fosters. Unbridled climate change will mortgage future generations and disrupt globalisation, causing price hikes in resources and environmental disasters, particularly for developing countries. Therefore climate change is an economic issue, and has a significant trade dimension.

4.2.2 The EU has taken the international lead in seeking to limit global warming under the Kyoto Protocol. The outcome of Copenhagen Climate Change Summit was a setback to Europe's efforts to strengthen international cooperation particularly with emerging economies whose emissions will have surpassed those of developed nations by 2020. The EU is also concerned that it's the world's poorest who will suffer most from the current phase of climate change to which the EU needs a comprehensive, realistic and practical policy response to avoid the risk that future generations will suffer avoidable negative social and economic consequences.

4.2.3 Integrating climate change into EU trade and development policies would incur costs and impose restrictions towards a goal that can't be reached unless other large trading blocks do likewise⁽¹⁰⁾. Multilateral environmental agreements have to mesh smoothly with agreements in the international trading system so that they become mutually

supportive, rather than disruptive. So is it prudent to lead if others will not, indeed cannot, be forced to follow? For example can China be forced to replace its 'consumer pays' model to secure carbon reduction with the EU's 'producer pays' one? ⁽¹¹⁾ Or the drive on Wall St halted that is seeking to secure, with support from Washington, the lead role in a significantly expanded international carbon trading market?

4.2.4 Energy security is at the heart of the EU climate change challenge. While individual Member States are to the fore in responding there is a real and substantial EU dimension, especially in a trade context. For example by combining to: negotiate external supply agreements (as is already being done in the context of bilateral trade agreements); sell expertise and technology for infrastructure enhancements such as 'intelligent grids' or the new generation of electricity generating technology using feedstock's other than fossil fuels; share the new technologies being developed to help meet the EU's current '20 %' alternative energy targets; seek opportunities to export expertise to develop and deploy carbon reduction incentives.

5. Response

5.1 Addressing Challenges and Seizing Opportunities

5.1.1 To create opportunities for European trade, it is important to be honest about the challenges that a different global environment poses to the EU, its institutions and its Member States. The institutional reforms introduced by the Lisbon Treaty must according to the EESC be implemented even more cooperatively and effectively to respond to the challenges of identifying new innovative ways of sustaining the EU's past accomplishments and achieving its future objectives⁽¹²⁾. Effective intervention requires a holistic view based on a high degree of contemporary knowledge, insight and understanding.

5.1.2 As the world becomes more interdependent and inter-linked, policy makers' method of thinking must be joined-up. The mutual interaction of Europe's Single Market and trade policy has never been more important. Nor has ensuring the consultation required within the EU and between its Institutions and with its Member States underpins and

⁽⁹⁾ Not on this agenda currently but worthy of consideration is a discussion on intellectual property (IP) rules.

⁽¹⁰⁾ The EESC Employers Group recently suggested for example that 'The increased number of rival centres of gravity among world actors has resulted in a highly complex interaction of bilateral and multilateral relationships (requiring amongst other measures) low-carbon and energy saving policies and the safeguarding of open markets against covert protectionism'. 'A New Phase Ahead: Need for a Political and Economic Impetus', pg 10. Brochure available at <http://www.eesc.europa.eu/?i=portal.en.group-1-statements&itemCode=9894>.

⁽¹¹⁾ In terms of pure logic the Chinese position is in fact hard to entirely reject: why should it accept a tax on producing goods that are then consumed in developed countries where they don't incur any carbon specific consumption tax?

⁽¹²⁾ A good example of the innovation required is the recent formation by President Barroso of a grouping of Commissioners to deal with research and development funding for which a number of different Directorates have their own separate but potentially overlapping and/or mutually supporting roles, budgets and responsibilities.

supports the effective development, agreement and implementation of a more flexible trade policy.

5.1.3 On a more human level there is a need to tackle fear and insecurity that are generated by changes in economic power. Organised civil society has an opportunity and a duty to help people, politicians and economies through change. Pursuing protectionist policies in light of shifts in global power may be akin to King Canute's attempts to hold back the tide. Helping individuals, companies and governments to adapt to new realities is an effective way to tackle fear and insecurity. For example Europe's low birth rate and aging population presents many deep and profound structural challenges to be overcome.

5.1.3.1 The most important policy is, in line with the goals in the EU2020 strategy, to increase the labour force participation rate. An obvious measure is to have affordable child care for all parents, who want it. In practice it means that more women can stay in the labour market. This should be combined with long and high enough parental leave payments. As a result the birth rate ought to increase when the economic burden on parents is reduced.

5.1.3.2 Moreover in the absence of immigration policies to sensibly expand labour supply, individual companies exporting outside the EU facing a serious dilemma: restrict their enterprises expansion or move its activities to where there is a plentiful supply? ⁽¹³⁾ For this reason consideration of a comprehensive and inclusive EU immigration policy response to Europe's demographic challenge would seem prudent, justified and urgently required.

5.1.4 The Commission's new 2020 Strategy is the EU's initial strategic policy response to Recession and the changing balance of global economic power. The success of the strategy requires a coordinated European response including social partners and civil society (quoted from Barroso in EU 2020 communication). In response to shifts in global economic power, the EU must rely on its partnership between State and organised civil society to achieve high economic performance and social cohesion.

5.1.5 However the initiative will encounter many of the same difficulties faced by the Lisbon Strategy: its priorities may be too diverse; implementation may be problematic; the Commission has few direct instruments to influence progress; responsibility remains largely with Member State governments who are now also experiencing increased domestic financial, political and social pressure ⁽¹⁴⁾.

Brussels, 15 September 2010.

*The President
of the European Economic and Social Committee*
Mario SEPI

⁽¹³⁾ In fact many companies have already made their choices and those that have moved from Europe enjoy also its low tariffs on many goods imported to the EU, a factor that gives rise to suggestions that such tax/duty ratios need rebalancing.

⁽¹⁴⁾ As one of Europe's smallest, most open and trade dependent economies Ireland could be considered a laboratory for observing this response in microcosm because to support a trade driven recovery the Government's is encouraging: investments in third and fourth level education to drive science, technology and innovation; a globally competitive research system transferring knowledge from research schools to the market; improved competitiveness for companies who trade internationally from Ireland; a cut in CO₂ emissions by 20 per cent; support for developing countries who are coping with the effects of climate change.

Opinion of the European Economic and Social Committee on ‘The Economic recovery: state of play and practical initiatives’ (own-initiative opinion)

(2011/C 48/11)

Rapporteur: **Lars NYBERG**

On 18 March the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure the

‘Economic recovery: state of play and practical initiatives’ (own-initiative opinion).

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 20 July 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 16 September 2010), the European Economic and Social Committee adopted the following opinion by 146 votes to 45 with 16 abstentions.

1. Conclusions and recommendations

1.1 The financial crisis of 2008 and the ensuing economic crisis were of a level not seen since World War II. When, at the beginning of 2010, there were signs of a recovery from this recession a sovereign bond crisis erupted, this time, not a global but a European crisis. The necessity to relieve the public budgets of costs incurred by supporting banks and discretionary measures, rising unemployment and the additional austerity measures in many countries, together, represent a threat to economic growth. Against this background the EESC finds it necessary to search for political measures not only to achieve economic recovery but even to prevent Europe from falling into yet another recession.

1.2 In 2009 the EU experienced a negative growth of -4.1 %. Before the spring sovereign bond crisis the growth forecast for 2010 was 0.7 %. Unemployment is expected to be around 10 % in 2010, coupled with a 2 % reduction in labour force participation. The average budget deficit was 2.3 % in 2008, increased to 6.8 % in 2009 and is estimated to rise to 7.5 % in 2010. During the financial crisis massive public payments maintained the liquidity of the financial market. Before the crisis there was a private credit boom which has since been replaced by large needs for public credit. At the same time, in order to increase demand, the private sector still needs credit. The economic situation varies widely among Member States. Public budget deficits are greatest in Greece, other Mediterranean countries, UK and Ireland. Unemployment is highest in the Baltic States and Spain. At the same time the Baltic States have succeeded in reducing high public deficits and negative growth in a very short time through stringent economic actions.

1.3 An entry strategy

The extensive economic changes during the last decades makes it inappropriate to talk about an exit strategy. We have to find

new economic and political initiatives to develop a roadmap for the emerging society – i.e. an entry strategy.

1.4 Private consumption essential for aggregate demand

The restrictive impact on the overall European economy of proposals to reduce the highest public deficits pushes self-sustained growth into the future. To keep the process of growth going the EESC stresses the importance of aggregate demand, and private consumption in particular. For economic support to have a substantial effect on growth it must target the lower income groups. Since they consume a larger part of their income less will disappear as increased savings. If the shift from labour to capital, spanning several decades, can be reversed we have a source of future growth. Of course investments and exports are important but as private consumption makes up about 60 % of GDP, its development is crucial for growth, particularly in the present situation.

1.4.1 Estimate the effects of the austerity programmes

High unemployment, a reduced labour force, moderate wage increases, public expenditure cuts, tax increases and the new austerity programmes will reduce possibilities for growth. Under these circumstances, the Commission should urgently estimate the contractive effects of all this and put forward proposals for counteracting measures to retain growth. Growth is necessary for the other economic policy goals. Sitting still and waiting for the restrictive effects of the austerity programs to materialise is not an option.

1.5 Measure the development of competitiveness

The current account balance has not been adequately considered among the economic policy objectives. The longstanding deficits and surpluses in some countries made it evident that the problems of the spring 2010 EU economic crisis would appear sooner or later. The EESC wants to underline the need to reduce the large differences in current account balances. The central objective then becomes competitiveness, as measured by the Real Unit Labour Cost, which covers developments in wages and productivity. During the last decade the competitiveness of Ireland, Greece, Italy, Spain and Portugal fell by 10 % on average. Budgetary problems were bound to arise.

1.5.1 Current account balance into the Stability and Growth Pact

With differing developments for wages and productivity within a currency area, the only cure is to change relative wages or increase productivity in lagging countries. The EESC, therefore, proposes that the Commission conducts a check on current account balances, similar to those carried out on public deficits and debt. This can be formalised by amending the Regulations governing the Stability and Growth pact. The current accounts and the underlying reasons, wages and productivity developments, should be scrutinised in all 27 Member States, but with more powers to act in the euro countries. In this way, the real economy is introduced into the Stability and Growth Pact.

1.5.2 Statistics on private credits and foreign share of sovereign debt

New statistics on private credits and the foreign share of sovereign debt should be included in discussions on the Stability and Growth Pact.

1.6 More effective regulation and supervision practices in the financial sector

With regard to the financial sector, it could be efficient to keep some bank capital public, in order to have some insight into the banking sector. The financial experiences of 2010 show that proposed financial supervision and regulation are not enough. More effective regulation and supervision practices are necessary, particularly after the financial sector's behaviour during the Greek crisis, to change this behaviour and find new ways of financing public debt.

1.7 Public investments in infrastructure and energy

Investment must focus on environmental protection and measures against climate change. The EESC favours taxes as an instrument to influence the market to reduce dangerous emissions. In a period of lacking business investments the public sector has to step in by investing in infrastructure and energy. According to the revised Stability and Growth Pact, investments do not have to be included in excess deficit calculations.

1.8 Active labour market policies

Labour market policies should be centred round the search for new skills for new jobs. It is also necessary to increase the general level of education. The EU 2020 strategy is important for achieving this. An obvious policy to increase the employment rate is high-quality childcare and a parental leave long enough and sufficiently paid.

1.9 Entry strategy for family policy and skills development

When the need for unemployment support is reduced, the same public resources should reappear in family policy and skills development. An exit policy is turned into an entry policy. The architecture of social systems must lead to welfare and employment, albeit of course within financial possibilities.

1.10 New sources of income – taxes on financial transactions and on CO₂

Taxes on financial transactions and on carbon dioxide are possible new sources of public income. Apart from raising income they respectively reduce short-termism on the financial market and improve our environment.

1.11 Let EIB issue Eurobonds

By letting EIB issue Eurobonds, or rather EU-bonds covering all 27 Member States, new capital could be raised for the public sector without total reliance of the private financial sector. Financial resources should be found upstream, for instance from Institutions of Occupational Retirement Provision (IORP) so that the EIB becomes an interface between these capital resources and its investments. Eurobonds are also possible instruments for long-term private savings.

2. State of play ⁽¹⁾

2.1 The financial crisis of 2008 and the ensuing economic crisis were of a level not earlier seen since World War II. When, at the beginning of 2010, there were signs of a recovery from this recession a sovereign debt crisis erupted, this time, not a global but a European crisis. The necessity to relieve the public budgets of support to banks and other sectors and costs of other discretionary measures, rising unemployment

⁽¹⁾ Based on the Commission documents *Progress report on the implementation of the European Economic Recovery Plan* and *Interim forecast February 2010*.

and the additional austerity measures in many countries, together, represent a threat to economic growth. Against this background the EESC finds it necessary to search for political measures not only to achieve economic recovery but, even more, to prevent Europe from falling into yet another recession.

2.2 Negative growth

2.2.1 When the European Economic Recovery Plan was decided upon in December 2008, the forecast for economic growth in 2009 was around 0 %. It turned out to be -4.1 %. The plan was based on an over-optimistic forecast, but without fiscal stimuli, it would have been even worse.

2.2.2 The level of economic support from Member States was greater than the planned 1.2 % of GDP. For 2009 and 2010, it may amount to 2.7 % of GDP. Perceived needs in Member States were greater than planned support, but actions still, considering the development of growth, too small.

2.2.3 The economic stimulus has not only come from public budgets. The ECB and other central banks reduced interest rates to close to zero and increased liquidity in the economic system to an unprecedented level. Some Member States also used massive sums of public money to save some banks. Nevertheless, these actions did not prevent negative growth in 2009, which shows the severity of the financial and economic crisis.

2.2.4 Before the spring 2010 crisis, growth forecast for 2010 was 0.7 %. This is lower than for our main global competitors. On the positive side there is a rise in confidence indicators, increased growth in other parts of the world and world trade almost returning to its earlier level. On the negative side, business investments were still falling in the fourth quarter of 2009, industrial production does not show any marked improvement, the latest increase in demand was only for building up the inventories, the extremely low rate of capacity utilisation gives no impetus to investment, the state of the banking sector does not give any leeway for increased investment, and on top of this - the turbulence on the sovereign bond market.

2.3 Trade

World trade collapsed in the fourth quarter of 2008. The year before, it had increased by about 20 % but now it fell by 12 %.

The fall continued during the following quarters. The most significant fall in a given quarter, compared to the same quarter a year earlier, was around 30 %. In the fourth quarter of 2009, the trend was reversed with an increase of 4 %. Figures for the EU were almost exactly the same. The fall was somewhat larger for EU intra-trade than for extra-EU-trade.

2.4 The labour market

2.4.1 The effects on unemployment are still expected to increase as such effects regularly lag behind developments in the real economy. During 2010, unemployment will be around 10 % in the EU, an increase of 3 % in a year, with large differences between the Member States.

2.4.2 Unemployment is only one of the effects, reduced labour force participation is another. This has been around 2 % of the labour force. On top of this, many people have reduced their working hours in order to save jobs, corresponding to a further 1 % reduction in the labour force. In a recovery, this last effect is probably the first to return to normal. Growth has to be high enough. If not, it will be 'jobless growth'.

2.5 Public deficits

The average budget deficit of 2.3 % of GDP in 2008 increased to 6.8 % in 2009 and is estimated to increase to 7.5 % in 2010. The deterioration depends not only on active support measures but also on increased expenditure and reduced tax revenue through automatic stabilisers. According to the OECD, these social protection measures saved more jobs in Europe than in other economies.

2.6 The financial market

2.6.1 Even in 2010, the situation on the financial market is unclear. There is no evidence whether the continued low level of investment is due to a continued lack of liquidity, risk avoidance by credit institutions, or lack of demand from the industry sector.

2.6.2 A return of the credit market to more long-term instead of extreme short-term transactions is a necessary part of sustainable economic recovery. This point is further elaborated in an EESC opinion on a tax on financial transactions ⁽²⁾.

⁽²⁾ See *Financial transaction tax*.

2.6.3 From 2006 onwards, up to the outbreak of the financial crisis, there was a large surge for private credits ⁽³⁾. Private debt doubled in the euro area, as in the USA. Private spending was high and created large current account deficits in some countries. In 2009, this credit boom disappeared and was partly replaced by public debts. Large public deficits will persist in the coming years. At the same time, there is a need to increase private sector demand to get the recovery going. For both, credit is needed.

2.6.4 Serious losses in stock values have hit the pension funds, estimated at 24 % in real terms for 2009 ⁽⁴⁾. Pensioners' income levels are at risk, which will affect the possibility of increasing private demand. Entitlements from pension funds are very long-term, whereas the placement of the holdings of the pension funds is much shorter. There is, therefore, a need for more long-term financial instruments on the financial market for both pension funds and other pension institutions, such as insurance companies.

2.7 Country specifics

2.7.1 Among the large Member States, the steepest falls in GDP were registered in Germany and the UK. Among the smallest Member States, all three Baltic States had the largest falls in 2009. This came after a number of years of very high GDP growth. During these years, wage increases had also been very high, above productivity increases, but the Baltic States reacted very quickly to the crisis with wage reductions, particularly Lithuania. The highest wage increases during 2009 were registered in Greece, with no corresponding productivity increase. The exception to all in 2009 was Poland which had a positive growth rate of 1.7 %. Some reasons are increases in public investment and private consumption and a rather good employment performance.

2.7.2 The largest drops in the employment rate during 2009 also occurred in the Baltic States, followed by Bulgaria and Spain. No Member State maintained its employment rate but in Germany it only fell by 0.4 %. The unemployment rate in 2009 was highest in Latvia (21.7 %), followed by Lithuania, Estonia, Spain, Slovakia and Ireland.

2.7.3 During the sovereign bond turmoil in 2010, the public deficit in Greece was revealed to be around 13 % of GDP, which created speculative attacks on the euro. A similar deficit emerged in the UK. The deficit in Spain increased to an unsustainable level practically 'overnight'. Large deficits and high level of public debt are met by austerity measures in these countries, as well as in Portugal, Italy and Ireland, among others.

⁽³⁾ Centre for European Policy Studies no 202 of February 2010.

⁽⁴⁾ OECD: *Pensions at a glance*, 2009.

3. Practical initiatives to achieve economic recovery

3.1 Entry strategy – not exit strategy

3.1.1 There has been much debate about an exit strategy, i.e. taking away all extra public support for the economy. The legal reasons are the rule of less than minus 3 for budget deficits and the limit of 60 % of GDP for sovereign debt. As the Commission rightly pointed out in its Communication on Europe 2020, 'support measures should only be withdrawn once the economic recovery can be regarded as self-sustaining' ⁽⁵⁾. With all the uncertainties for our economies, it will be very difficult to decide when it is 'self-sustaining'. The restrictive impact on the overall European economy of proposals to reduce the highest public deficits pushes self-sustained growth further into the future. Moreover, an exit strategy in this sense means that, after stopping these support measures, we can return to the situation before the crisis. This cannot be the case.

3.1.2 Firstly, there are many changes being implemented, or in the pipeline, for the financial sector. Hopefully, the financial sector will become more transparent and crisis-proof. Secondly, the state of play in other parts of the economy also has to be changed. Otherwise, there is a definite risk that the problems we have experienced during the last years will appear again.

3.1.3 By considering economic changes during the last decades, we must look for new economic and political initiatives which could make the economy less risky. This cannot be a proposal for an exit strategy because when setting a roadmap for an exit strategy, we also decide upon the emerging society, i.e. we decide on an entry strategy.

3.2 Aggregate demand

3.2.1 In theory, there are two ways of achieving economic growth – to produce more with the same technique or improving the technique to get more out of existing productive resources. Where to put the emphasis depends on the economic situation. In a boom, all resources are used and the only way to achieve more growth is to invest in innovative production methods. In a recession, such as the one which started in 2008, there are many idle resources which have to be put to use. Thus, the policy must be to increase demand. Unfortunately, aggregate demand is no longer recognised as the real motor of economic growth.

⁽⁵⁾ COM(2010) 2020, point 4.1.

3.2.2 For measures to increase demand they must not only have a direct effect on consumption and investment, but also increase consumer and investor confidence. Just as automatic stabilisers work in downturns, increased confidence can work in an upturn. Confidence can increase the effect of public measures to make the upturn self-sustaining. For this to be the case, it is not only the amount of support that is important, but also the groups at whom it is directed. The lower income groups consume a larger part of their incomes than the higher income groups. Therefore, the more support that is directed to the former, the less of it will disappear through increased savings.

3.2.3 For the original economic recovery plan, the effect could be smaller than expected as many of the Member States' measures had already been planned and did not give any extra push to growth. In the spring of 2010, the Commission rightly stresses that measures to increase growth have to be socially effective. Forecasted growth for 2010 is below 1.5 %, which many economists consider to be the potential growth for the EU. But even at 1.5 %, unemployment and the budget deficits will not be reduced fast enough.

3.2.4 The EESC wants to stress the importance of aggregate demand to get the process of growth going and points, in particular, to the importance of private consumption.

3.2.5 Increased investment is important. Under the revised Stability and Growth Pact, it is possible to have the adjustment of an excessive budget deficit postponed if the extra expenditure is for investment. But investment is not always the only instrument for higher growth.

3.2.6 Nor is increased export sufficient. EU trade occurs mainly between Member States. External trade – exports to other parts of the global economy – has for long time been around 10 % of EU GDP. EU-trade makes up a third of world trade. But excluding intra-EU-trade, the EU share is reduced to 16 %. Trade is important and also an indicator of global competitiveness. There are signs of increased exports to the rest of the world. This is good, of course, but not much of a comfort in a situation of insufficient investment and a deteriorating labour market.

3.2.7 According to the ILO ⁽⁶⁾, a worldwide shift from labour to capital has been underway for more than a decade. From

⁽⁶⁾ ILO: Global Wage Report 2009 Update, November 2009.

1999 to 2007 the profit share in EU 27 rose from 37 to 39 % of GDP. It fell drastically during the second half of 2008 to 36 % but during 2009 it increased to 37 %. ⁽⁷⁾ These are signs of increased inequalities in income distribution.

3.2.8 The largest part of GDP is private consumption. Its share differs widely depending on what is undertaken by public or private entities according to the political system in each country. Nevertheless, a change in its share might also be an indicator of a change in income distribution. Consumption had fallen to 58 % of EU GDP in 2008 from 60 % in 2005 and 61 % in 2000. Although only a small change over a long period, it indicates that there is room for increased private consumption as a means to increase aggregate demand ⁽⁸⁾, particularly important in the present economic situation.

3.2.9 But in 2010, high unemployment and a reduced labour force participation rate, combined with very modest wage increases, do not indicate any increase in consumption, rather the opposite. A reduction in public support measures is, therefore, currently not an appropriate policy. Having come to this conclusion, the current situation (in 2010), with large cuts in public expenditures and increases in tax revenues, is extremely problematic from an economic policy viewpoint. These unavoidable reductions in aggregate demand from the public budgets are definitely pro-cyclical in the sense that they will reduce possibilities for growth. Their impact of reducing above all the incomes of public sector employees will spread through the economy at large as reduced demand. Growth will not be allowed to reach its potential rate.

3.2.9.1 It is in the utmost interest of the EU to have estimates of the potential restrictive effects of these new public budget cuts. These measures have been taken in a drastic way. There should be a similar interest for the EU to have those countries not in this extremely difficult situation to take counteracting measures, i.e. increasing the level of aggregate demand. The Commission has to estimate its extent on an urgent basis, and then come forward with adequate proposals. The Commission plans to do this in the economic forecast in November 2010. This is too late. Growth during the first quarter of 2010 was close to the forecast of 0.7 % - but that was before the austerity programmes. Sitting still, waiting for the restrictive effects of the austerity programmes, is not an option.

⁽⁷⁾ Eurostat, euroindicators 61/2010, 30 April 2010.

⁽⁸⁾ The figures are calculated from Eurostat data. The differences between Member States are surprisingly large, e.g. from 46 % in Sweden to 75 % in Greece. Most countries have experienced small reductions in the share of consumption but for some the changes have been dramatic. In the UK, its fall from 72 to 60 % in 8 years is hard to explain.

3.2.9.2 The EESC believes that the present economic situation calls for fresh discussions. The 3 % limit for public deficits should be kept but it must be combined with a discussion on the large differences in deficits since countries with very large deficits have to consolidate their public budgets definitively. Requirements for other countries that are at (or slightly above) the 3 % limit should be milder. Where there still is a possibility to finance deficits at a relatively low interest rate, we have an interest in temporarily refraining from overly restrictive budget measures. Re-reading the revised Stability and Growth Pact from 2005 shows that this really is very much in line with the changes made at that time, particularly concerning public investments and periods of recessionary pressure.

3.3 *Current account balance back on the political agenda*

3.3.1 Price stability, economic growth and full employment have long been the predominant objectives of economic policy, in the search for prosperity and welfare. Budget balance and public debt are intermediate targets to ensure that the real objectives are reached. Two objectives have not been considered for a long time. One is fair income distribution. The other is the current account balance. The importance of this objective faded away. This was a mistake. In a single market with a single currency, this objective is fundamental.

3.3.2 Looking at the current account balance, i.e. the trade balance with other countries, what was to come in the euro area was very clear. Currently and over time, a large current account deficit has developed in Greece. Germany, the Netherlands and Sweden have for a long time had surpluses. On the other hand, most Mediterranean countries have deficits, although the largest deficits appear in Bulgaria.

3.3.3 Even large short-term current account deficits or surpluses are not a problem. Problems occur when they persist over many years or if imported capital is not properly invested implying that potential productivity increases are not realised. Inside the euro area, Greece, Portugal, Spain, Italy and Ireland have had quite large deficits practically since the introduction of the euro. Outside the euro area, the Baltic States together with Bulgaria have had extremely high deficits. Large deficits can only be changed through extremely hard economic policy, as in 2009 in Estonia, Latvia and Lithuania.

3.3.4 Having noted the extent of differences between the Member States, the EESC wants to underline the need to reduce most of these differences. This leads us to point at competitiveness as the central objective. Competitiveness is measured by the real unit labour cost, which represents the combined effect of wage and productivity development. Within the euro area, Germany and Austria, in particular, have increased their competitiveness through lower real unit labour cost. On the other hand, since 2008, wage levels in

Germany have been rising faster than productivity, resulting in a less competitive situation. During the last decade, Ireland, Greece, Italy, Spain and Portugal reduced their competitiveness, on average, by 10 %⁽⁹⁾. When a deterioration in competitiveness continues for a long time, it can lead to budgetary problems. This effect has been obvious in 2010. The fundamental reason, to be found in the changes of competitiveness, has not been adequately noticed.

3.3.5 Since changes in exchange rates are no longer part of the euro area toolkit, changed relative competitiveness, with a higher level of prices compared to other countries, must be sought in 'real exchange rates'. With differing developments for wages and productivity within a currency area, there is no other way to cure the problems but to change relative wages between the countries or increase productivity through investment in lagging countries. It would be absurd to ask countries with good productivity development to stop this.

3.3.6 Experiences from the Spring 2010 crisis show that Eurostat should be given audit responsibilities vis-à-vis the national statistics offices. Accurate statistics will be even more important if statistics on current account balances, wage and productivity developments are a basis for new political discussions at the European level.

3.3.7 The EESC proposes that targets on budget balance and public debt are complemented with current account balances. Using a single figure is impossible in this case. Positive current accounts for some countries always correspond to negative accounts in other countries. The problem appears when the difference is too wide or too sudden or where imported capital is not used for productive investments.

3.3.8 The EESC, therefore, proposes that the Commission conduct a check on current account balances, similar to those carried out on public deficits and debt. This idea has now been put forward also by the Commission in its Economic Guidelines and in a document on reinforcing economic recovery. These questions are also being discussed by the special Task Force on Economic Governance under the chairmanship of the European Council president van Rompuy.

⁽⁹⁾ *Crisis in the euro area and how to deal with it*. Centre for European Policy Studies, February 2010.

3.3.9 The EESC wants to strengthen the character of these proposals. The new current account target should be treated in the same way as the two existing targets in the Stability and Growth Pact. The current accounts, and the underlying wage and productivity developments, should be scrutinised by the Commission in all 27 Member States. Powers to act against those with negative developments should, as with public deficits and debt, be greater with respect to the euro countries. European actions should concern the direction of policy changes and not their implementation in practice. This will remain a national competence in compliance with the subsidiarity principle. Simply by amending the Regulations governing the Stability and Growth Pact the real economy or, in other words, the macro-economic aspects could be introduced into the Stability and Growth pact.

3.3.10 The crisis has shown that even other aspects of the Stability and Growth Pact need to be further developed. Statistics on private credits and on the share of foreign loans in sovereign debt should be published together with the ordinary statistics required by the Stability and Growth Pact. These new figures could serve as early warning systems and as pressure on countries with a problematic economic situation.

3.4 Other key areas for a new European economy

3.4.1 Public financial support, financial regulation

3.4.1.1 In order to prevent a disastrous development for whole sectors of the economy, above all the car manufacturing industries, large public support has been granted. The 'usual' European state aid policy was not used to stop such support in the current situation.

3.4.1.2 The most spectacular support was given to the financial sector. In some European countries as well as in the USA, some banks were partly nationalised. There will certainly be a turn around for this policy but it may take some years. Even in the long run, it could be an efficient part of a national financial policy to keep some bank capital public to provide insight into the banking sector.

3.4.1.3 Parts of the financial sector, receiving unprecedented support from governments, subsequently participated in speculative attacks on the sovereign bond market inside the euro area during the Greek crisis. The financial market tried to seize decision-making power from politicians. Following the development of an extremely severe crisis, politicians regained their power. Politicians can be criticised for failing to take action until a severe crisis was in place, both during the financial crisis and the sovereign bond crisis. This shows that proposed regulation and financial supervision are not enough. More effective regulation and supervision practices are necessary to

change the behaviour of financial institutions and to find new ways of financing public debt.

3.4.2 Greening of the economy

In the long run, investments have to be concentrated on environmental protection and measures against climate change. The shift in the composition of investments has to start now. The Commission believes that there seems to be a stronger tendency towards a shift among our international competitors. The shift is crucial, not only for environmental reasons, but also for European global competitiveness. New jobs can be created to replace the ones that disappear. In this way economic sustainability can be combined with environmental and social sustainability. Like the Commission in the proposal for Broad Economic Policy Guidelines the EESC favours taxes as an instrument to influence the market to reduce dangerous emissions.

3.4.3 Infrastructure and energy

In a period lacking business investments the public sector needs to step in with public investments. This is necessary both as a stimulus to growth and because of the great need for infrastructure and energy investments. The banking sector's new unwillingness to take on risks in providing credit to businesses is particularly problematic for SMEs. Despite the current government bond problems there is still an interest rate bonus for government bonds in most countries, leading to an advantage for public investments. According to the revised Stability and Growth Pact, investments do not have to be included in excess deficit calculations.

3.4.4 Active labour market policies

Labour market policies have to be active and not only restricted to economic support to the unemployed. Many different schemes have been used to re-skill both those who are still in work and those who are unemployed. The objective of 'education for all' in the Spain-Belgium-Hungary programme is promising. An inclusive policy does not only mean that people can get a job, it must also make it easier for them to play a more active part in society.

3.4.4.1 Setting an objective for an increased employment rate, as in EU2020, is never enough. In order to improve the employment rate, some fundamental policies have to be in place.

— Skills policies are among them. Life-long learning is a must. A great problem is to find out who should pay. Society, the employers or the employees? In some way, all three must be involved in financing.

- The basis for this is the general standard of education. Europe needs to raise the overall knowledge levels.
- An obvious policy to increase the employment rate is to set up a high-quality and cheap childcare system, combined with parental leave that is long enough and sufficiently well-paid to be an incentive to have children.
- There are many obstacles that prevent people from being able to apply for a job. Each disadvantage may require its own policy when it comes to labour force participation.

3.4.5 Social policies

3.4.5.1 In a report⁽¹⁰⁾ on social protection and social inclusion, the Commission acknowledges that welfare systems have played a vital role in mitigating the social and economic impact of the crisis. Social spending during the crisis is said to have increased on average from 28 to 31 % of the Member States' GDP. When the need for unemployment support is reduced, the same public resources should reappear in family policy and skills development. This is an example of how an exit strategy will develop in an entry strategy.

3.4.5.2 Adequate income support, access to the labour market and to quality social services are important according to the Commission. What the EU can do on social issues is only a small complement to national social policies. We have seen many EU instruments to encourage Member States to learn from each other – bench-marking, peer review, the open method of coordination. They have not had the expected result. The EU cannot force Member States to follow examples of good practice. 'Naming and shaming' could be one way to raise public awareness of the differences.

3.4.5.3 Austerity measures have to be balanced. We cannot allow the social welfare systems to be sacrificed on the altar of budget balance. The crisis has revealed remaining deficiencies in social systems. The architecture of social systems must lead to welfare and employment. But social systems also have constraints; they have to be kept within financial possibilities.

3.4.6 New sources of income⁽¹¹⁾

3.4.6.1 In an opinion on the post-Lisbon strategy, the EESC mentioned both a tax on financial transactions and a carbon dioxide tax as new sources for public revenue. These have so-called double dividends, i.e. that apart from raising revenue they can also respectively reduce short-termism on the financial market and improve our environment. The current reason for the search for new sources of finance is to reduce large budget deficits. Taxes on financial transactions and carbon dioxide are to be preferred to raising other taxes, such as on labour and through VAT. The later ones would reduce general demand, which in the current situation is not advisable.

3.4.6.2 Another new public financing method is Eurobonds. This could supply capital to the public sector without a total reliance of the private financial sector. Eurobonds would attract financial resources directly from their source such as pension funds looking for long-term placements for their money. There is also the possibility to open up to private long-term placements for savings at the EIB in order to find new sources for the EIB. Hence, the EIB becomes an interface between these new capital resources and its investments. Long-term savings would then be available for long-term public investments e.g. in infrastructure. Eurobonds are a 'concept' but should include all EU Member States. Here, we once again have a double dividend – room for speculation against sovereign debt on the financial market would also be reduced.

Brussels, 16 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

⁽¹⁰⁾ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions *Proposal for the Joint Report on Social Protection and Social Inclusion 2010 - COM(2010) 25 final.*

⁽¹¹⁾ See EESC opinions on *Financial transaction tax* and on *The implications of the sovereign debt crisis for EU governance.*

Opinion of the European Economic and Social Committee on 'Towards a 2012 World Summit for Sustainable Development' (own-initiative opinion)

(2011/C 48/12)

Rapporteur: **Mr OSBORN**

On 18 February 2010 the European Economic and Social Committee, acting in under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

'Towards a 2012 World Summit for Sustainable Development.'

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 31 August 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 116 votes to 1 with 7 abstentions.

1. Summary and recommendations

1.1 The EESC, in its role as the voice of organised civil society in Europe, recommends that the European Union should play a leading part in the preparations for the new United Nations Summit on Sustainable Development that is to take place in Rio in 2012.

1.2 The EU should be a powerful advocate for an ambitious agenda for the summit that can revive and re-energise the sustainable development agenda throughout the world, both amongst governments and amongst civil society at large.

1.3 The Summit should recapture the Rio spirit and revive the Rio principles and Agenda 21 as instruments for engaging stakeholders of all kinds and driving the world forward on a more sustainable path.

1.4 The Summit should provide a milestone and deadline for concluding and committing to the next steps in the ongoing climate change and biodiversity negotiations, for concluding the current negotiations on mercury, and for launching new negotiations on incorporating sustainability into corporate governance and into the mandate of regional and local government.

1.5 The Summit should recognise and support the Earth Charter as a means of inspiring commitment and action by individuals and organisations around the world.

1.6 The EU should use the Summit to breathe new life into its own processes and structures for making progress on sustainable development at the same time as urging similar

renewal of sustainability activity throughout the world. In particular the Committee urges the Union:

- to define and implement various aspects of the green economy within Europe and to create and fund new channels of financial assistance and transfer of technology and know-how to help developing countries in making the sustainability transition;

- to strengthen various aspects of SD governance within Europe;

- to engage civil society throughout Europe to contribute to the Rio process and recapture the Rio vision and political and popular support for it.

1.7 To advance the green economy the EU during the next 12 months should:

- review and strengthen the EU SDS, building its key objectives into the implementation of the Europe 2020 Strategy – and develop parallel proposals in the Summit negotiations for creating a stronger international framework for promoting and co-ordinating national sustainability strategies;

- complete the current work on providing better measures of the progress of sustainability, building them explicitly into the main monitoring framework for Europe 2020 – and develop parallel proposals in the Summit negotiations for establishing and maintaining more coherent and consistent international data sets for measuring and monitoring progress on sustainable development;

- complete its long running studies on sustainable consumption and production, integrating these into the main resource efficiency flagship programme under Europe 2020 - and develop parallel proposals to feed into the Summit negotiations;
- draw together European experience on greening taxes and fiscal instruments (including carbon pricing and trading), and integrate these into a new Europe-wide initiative on green fiscal instruments - and make parallel proposals for UN guidance or frameworks in this area;
- draw together European experience on the social dimension of SD including the scope for creation of new green jobs to replace some that are being lost in the downturn, and the means of reducing social inequality – and feed these into the Summit discussions on the social aspect of the green economy;
- establish effective machinery to promote sustainable development in developing countries and to provide adequate financial and technological support.

1.8 To strengthen governance for sustainable development, the EU should:

- support the strengthening of UNEP and the CSD;
- advocate the inclusion of sustainable development in the mandate of the World Bank, the IMF, the WTO and other relevant international bodies;
- promote the reinforcement of national sustainable development strategies and national systems for their creation, implementation and monitoring, and of machinery such as the EU Sustainable Development Strategy for reinforcing and harmonising this work at supra-national level – both within Europe and in the international negotiations;
- promote the reinforcement of regional and local sustainable development strategies and implementation machinery – both within Europe and in the international negotiations;
- promote the inclusion of sustainable development in rules and guidance for corporate governance in the business sector – both within Europe, and in the international negotiations.

1.9 To ensure full engagement and participation by civil society, the EU should:

- advocate full stakeholder participation in the UN process;

- work with the EESC and other representatives of organised civil society to ensure full engagement of civil society in the preparatory processes within Europe and its Member States;
- support independent preparatory processes amongst specific sectors of civil society, including business, trade unions, NGOs, the scientific and educational communities, farmers, women groups and youth – both within Europe, and in the international negotiations.

2. Introduction and background

2.1 On 24 December 2009, the UN General Assembly (GA) adopted a resolution to hold a UN Conference on Sustainable Development (UNCSD) in 2012. It will take place in Rio 40 years after the United Nations Conference on the Human Environment in Stockholm, 20 years after the United Nations Conference on Environment and Development (UNCED) in Rio, and 10 years after the World Summit on Sustainable Development (WSSD) in Johannesburg.

2.2 According to the GA resolution, the Conference will have three objectives:

- securing renewed political commitment for sustainable development;
- assessing the progress to date and remaining gaps in implementation of the outcomes of the major summits on sustainable development;
- addressing new and emerging challenges;

and two specific themes:

- a green economy in the context of sustainable development and poverty eradication;
- the institutional framework for sustainable development.

2.3 The EESC welcomes this initiative. It is clear that the global momentum for sustainable development (SD) has slowed down in the past years, and a new impetus is needed in order to reinvigorate the SD Agenda. Within Europe SD continues to make some progress as an over-arching framework for policy development, but it has in recent years been over-shadowed by the impacts of the economic crisis and the need to focus on recovery. The occasion of the new Rio Summit could provide the opportunity to re-establish SD in its proper position as a central driver for the European Union and its Member States.

2.4 Three Preparatory Committee (Prep Com) meetings are foreseen. The first one took place from 17-19 May 2010. The others will follow in 2011 and 2012.

The first Prep Com elaborated procedures, processes and timetables for the Conference, and had preliminary discussions on the above-mentioned main themes. It agreed that the UN Secretariat should seek input from Member States, relevant international bodies and Major Groups (MGs) on a limited number of focussed questions.

2.5 Civil society was represented at the Prep Com through the 9 MGs recognised by the UN. They have also been requested to make their own preparations and input into the further stages of the preparatory process and the Conference itself. Several of the MGs made clear that they will want to use the opportunity of the 2012 process to conduct their own assessments of the progress of SD in their sectors. They wish to showcase achievements, opportunities and challenges at Rio, and to seek further recognition and support from governments in the process, as well as making recommendations to Governments about the shape and objectives of the formal negotiations.

2.6 The European Union was active at the first Prep Com in helping to shape a positive and manageable agenda for the Summit process, and is continuing to undertake its own active preparatory process with its Member States. The EESC was glad to be involved on behalf of organised civil society as a member of the EU delegation to the first Prep Com, and intends to continue to play an active part first through the production of this initial opinion, and then in further work as the preparations gather pace (see point 7.2).

3. The vision and the levels of ambition

3.1 The Rio Summit in 1992 had a high level of ambition and achievement, and was effective in mobilising support and action for SD throughout the world. It did this by uniting a substantial and concrete agenda under a compelling and inspiring vision which animated popular support and political will.

3.2 The sustainability challenge is as urgent as ever, and even more pressing in many respects. But the levels of energy and ambition amongst the governments at the first Prep Com were disappointing. Some seemed keener to dampen down excessive expectations than to build up determination for positive change.

3.3 Civil society is more ambitious. Stakeholders of many different kinds were active at the first Prep Com urging

concrete proposals on the official delegates and developing their own parallel processes towards the Conference. Within Europe EESC believes that stakeholders of many kinds have the appetite and capacity to raise the profile and press for positive outcomes from the 2012 process. The Committee urges the EU and its Member States to make full use of this potential and to create an open and ambitious multistakeholder process at all levels in order to fully tap into the experience of the different stakeholders.

3.4 If the climate change and the biodiversity negotiations could be given the target and the deadline of delivering substantive agreements in time to be endorsed by world leaders at the Rio Summit in 2012 this could benefit both processes. That combination of objectives worked very effectively to galvanise progress in the two years leading up to Rio 1992. The 2012 Conference could provide a deadline for bringing the ongoing negotiations on climate change and biodiversity to their next substantial milestone.

3.5 The opportunity of the 2012 Summit might also be used to accelerate decisions on the current international negotiations on mercury, and those on the REDD (Reducing Emissions from Deforestation and Forest Degradation) process. It might also be made the occasion for launching new negotiations on incorporating sustainability into corporate governance (see point 6.8 below), and on local action on sustainability (point 6.9).

3.6 The 1992 Summit engendered a new and inspiring vision of a harmonious future for the planet, expressed in the new discourse of SD. In order to animate Rio 2012 a new expression of the vision is needed. The EESC proposes focusing on the Earth Charter for this purpose, and using the Summit to give formal recognition to that inspiring document (as UNESCO has already done). The Earth Charter has been attracting increasing support around the world over recent years. Recognition of the Charter by the UN as a whole would strengthen its appeal in all parts of the world, and help to reignite the ambitious Can Do spirit that woke the world up in 1992.

4. State of implementation and remaining gaps

4.1 The first UN Prep Com noted that progress in implementing the goals and objectives of the 1972 Stockholm Conference, and the 1992 and 2002 summits on SD has been inconclusive and uneven. Despite some achievements, most notably on income growth and reducing poverty and on improving access to education and better health, mainly in the emerging economies, substantial challenges remain.

4.2 There are persistent implementation gaps relating to poverty eradication, food security, income inequality, maintenance of biodiversity, combating climate change, reducing pressure on ecosystems and fisheries, access to clean water and sanitation and the full participation of women in implementing internationally agreed goals, reflecting a fragmented approach to achieving SD goals. No major changes have been made in patterns of consumption and production since UNCED, although fundamental changes are indispensable to global SD.

4.3 Efforts at achieving SD goals, including the Millennium Development Goals (MDGs), have been further hindered by the recent financial and economic crises which have adversely affected economic performance, eroded hard won gains and increased the number of people living in extreme poverty.

4.4 Within Europe (as in the rest of the developed world) progress has been made on some environmental goals over the past 20 years, but on the key issues of resource consumption and CO₂ emissions there is still far to go, and the footprint impact of Europe on the rest of the planet in terms of resources depletion and pollution export remains at unsustainable levels. On the social side levels of unemployment and growing inequalities within and between communities also show unsustainable patterns.

4.5 The Prep Com did not identify any wholly new sustainability issues. But it noted that many of the sustainability issues already identified at Rio in 1992 are becoming more acute as is evidenced by the recent and ongoing crises in relation to finance and the economy, energy, water and food. Other problems such as climate change and loss of biodiversity are also proving to be more imminent and severe than previously thought. The continuing growth of global population adds to all the other pressures.

4.6 In the developing world a division is emerging between the emerging economies whose rapid growth is imposing new burdens on the world's resources and pollution loads, and the least developed countries (LDCs) where poverty and environmental degradation remain critical risk factors for sustainability. With some exceptions, developed countries are still far from delivering on the levels of official development assistance (ODA) which they have frequently promised to assist developing countries to develop in a more sustainable way.

4.7 Confronted with all these challenges, the particular task for the EU is how to improve the sustainability of our own economies and also how to mobilise sufficient financial and technical support to help the developing countries, particularly the LDCs to tackle their own SD challenges more effectively.

The EU should use the Summit to breathe new life into its own processes and structures for making progress on these issues. In particular the Committee urges the Union:

- to define and implement various aspects of the green economy within Europe and to create and fund new channels of financial assistance and transfer of technology and know-how to help developing countries in making the sustainability transition (Section 5);
- to strengthen various aspects of SD governance within Europe (Section 6);
- to engage civil society throughout Europe to contribute to the Rio process and recapture the Rio vision and political and popular support for it (Section 7).

5. A green economy in the context of sustainable development and poverty eradication

5.1 The green economy will be one of the major themes of the Conference. There are still many views on the meaning of a green economy. There is however a consensus that it must be understood in the context of sustainable development. A green economy or the process of greening an economy can be conceived as one of the crucial means to establishing a pathway to a more sustainable pattern of development in the future.

5.2 A green economy, by promoting greater efficiency in the use of natural resources and energy, and by promoting new technologies for clean energy and cleaner production, can create new opportunities for economic growth and new jobs. Suitable national policy frameworks will need to be put in place to drive a green economy transition, to promote sustainable consumption and production patterns, and to bring economic activity within the carrying capacities of ecosystems.

5.3 Development and change that is sustainable must respect natural limits and protect natural resources and cultural heritage. Sustainable development does not however imply stagnation – on the contrary it requires continuing change and development. In the energy field, for example, a massive change in the methods of production and consumption of energy will be needed over the next 40 years as is illustrated in the recent International Energy Agency report on technology scenarios for 2050. In the chemical sector, as another example, much has already been done to transform patterns of production in a more efficient and sustainable direction – and to turn this change into a commercial advantage.

5.4 The policy instruments that could be used in the framework of the green economy can be grouped into a few categories:

- getting prices right;
- public procurement policies;
- ecological tax reforms;
- public investment in sustainable infrastructure;
- targeted public support to R&D on environmentally sound technologies;
- social policies to reconcile social goals with economic policies.

5.5 At global level the UN has already started some initiatives in this field on which the UNCSO 2012 could build. Its Green Economy Initiative aims at assisting governments in 'reshaping and refocusing policies, investments and spending towards a range of sectors, such as clean technologies, renewable energies, water services, green transportation, waste management, green buildings and sustainable agriculture and forests'. The Economics of Ecosystems and Biodiversity and the Global Green New Deal are key projects of this initiative.

5.6 At the present time the developed countries contribute relatively most to the problem of climate change through creating higher levels of greenhouse gas emissions per head of population. They therefore have the biggest challenge to transform their economies towards a lower carbon model. At the same time however they have the advantage of advanced technologies and capital resources to enable them to take the lead in this transition if they apply themselves promptly to the challenge.

5.7 There is some concern among developing countries that the 'green economy' is a Northern concept that could actually slow the development process and could have a protectionist component. It will be crucial to demonstrate how developing countries will benefit from it and how it will contribute to the development transition. A key component will be how seriously developed countries are taking their commitments to support the green economy in developing countries.

5.8 To secure a significant outcome on the greening of the global economy in 2012, developed countries will need to demonstrate both that they are putting this kind of approach into effect in their own economies, and that they are prepared

to offer real help in financial resources, technology transfer and capacity building to the developing world.

5.9 The EU has made some progress on the green economy but not yet enough. In the EESC's view, it would not be sufficient for the EU simply to take its stand at Rio on the limited progress it has made over the last 20 years, and the various elements of the 2020 strategy that point in a sustainable direction. Specifically, in order to have a more solid position to put forward in 2012 we recommend that during the next 12 months the EU should:

- review and strengthen the EU SDS, building its key objectives into the implementation of the Europe 2020 Strategy;
- complete the current work on providing better measures of the progress of sustainability, and build them explicitly into the main monitoring framework for Europe 2020;
- complete its long running studies on sustainable consumption and production and integrate these into the objectives of the main resource efficiency flagship programme under Europe 2020;
- draw together European experience on greening taxes and fiscal instruments (including carbon pricing and trading) and make proposals for UN guidance or frameworks in this area;
- draw together European experience on the social dimension of SD including the scope for creation of new green jobs to replace some that are being lost in the downturn, and the means of reducing inequalities.

Similar actions are needed at member state level. Armed with progress on these issues within Europe, the EU would be in a good position to advocate a global 'Agenda for a Green Economy' containing similar elements.

5.10 On **finance** there clearly needs to be a major effort to mobilise public and private resources to complete unfinished business on the MDG agenda, and to drive forward the new agenda for a green economy. The Rio targets on ODA have not been met. The IFIs, UNDP, WTO, UNCTAD and Finance, Economics and Trade Ministries throughout the world need to be fully engaged both in this mobilisation exercise and in all the other aspects of the transition to a greener global economy. The EU needs to develop a coherent and consistent proposal for the goals of this international greening ambition and for fulfilling long-standing pledges for levels of support.

6. Institutional framework for sustainable development

6.1 It is widely acknowledged that SD governance at the international level is not very effective and that major changes will be necessary to reenergise it. SD governance at national, regional and local level would also benefit from a new impetus.

6.2 At international level there is clearly a pressing need to strengthen UNEP's (United Nations Environment Programme) environmental remit, and to strengthen the ability of Commission on Sustainable Development (CSD) or a successor body to spread the SD message throughout the different sectors of the global economy and throughout all international agencies. The possibility of upgrading UNEP to a World Environmental Organisation with a broader mandate has long been under discussion. It needs to maintain a stronger, credible and accessible science base; it needs greater capacity to interact creatively with other parts of the UN system, to coordinate the great number of separate Multilateral Environmental Agreements (MEAs) and to support capacity development on environmental matters in developing countries and other Member States; and it needs a larger and more secure resource base. 2012 could be the occasion to bring these ideas to fruition.

6.3 SD also needs a stronger voice and influence in the UN system. One possibility would be to upgrade it to a full Council of the UN. Another option could be to merge the CSD into an expanded UN ECOSOC with a stronger mandate for promoting SD throughout the UN family and with the World Bank and the IMF (International Monetary Fund). But more wide-ranging possibilities may emerge here in the light of the work of the new High Level Panel on Climate Change and Development which has just been established by the UN Secretary General.

6.4 In approaching further discussions the EESC recommends that the EU should have three general goals in view:

- integrating SD into the mandate of some of the key agencies including the UN itself and its ECOSOC, the World Bank, the IMF, the WTO as well as the bodies more specifically devoted to SD such as the CSD, UNEP, UNDP, etc.;
- strengthening CSD and its capacity to coordinate SD work throughout the UN system, particularly by giving it a status and mission that brings Finance and Economics

Departments to the table with the specific task of integrating SD into the management of global economic policies;

- strengthening UNEP and its capacity to monitor critical changes in the global environment and to promote effective protective action.

6.5 There is also a need to reinforce governance for SD at national, regional, local and corporate level. National, sub-national and local SD strategies need to be revived or reinvigorated. Corporate governance needs to give a stronger emphasis to SD. National SD councils or similar structures need to be created or reinvigorated to provide a stronger impetus to SD. Civil society needs to be more actively engaged. Within the EU, the European Sustainable Development Strategy set out a framework for all of these elements to be advanced. But it has not been pursued vigorously enough subsequently. Its key elements need to be reinvigorated and incorporated into the main European 2020 strategy and closely monitored thereafter.

6.6 Major civil society groups whose role within the UN system has been increased through Rio 1992 will be reviewing their own experience on these issues, and bringing examples of good practice to Rio, looking for recognition and reinforcement of best practice through such means as national and local sustainability strategies, corporate responsibility initiatives etc.

6.7 EESC recommends that the EU should argue strongly for substantial contributions by civil society and major groups to the 2012 process. Groups should be encouraged to showcase what has already been achieved and to bring forward any proposals for strengthening and consolidating their role.

6.8 In the industry sector sustainability responsibilities should be codified in the emerging frameworks for corporate social responsibility. Negotiations for a new international convention on this subject could be launched in 2012 at Rio.

6.9 Regional governments and other sub-national authorities are playing an increasing role in the implementation of many aspects of sustainable development. So too are many cities and other local authorities. These developments might be codified in a new agreement giving explicit mandates (and the necessary resources) for implementing specific parts of the SD agenda, so that the shining examples of the leading few can become the standard practice of the many.

7. Possible role of the EU and of the EESC

7.1 The EU will no doubt have a key part to play in developing a strategy for 2012. It should show to the international community how the conversion to a green economy is of benefit to North and South and promote the institutional changes to promote SD governance. The EU and its Member States should also use the occasion of the Conference to push forward their own transition to a greener economy and improve their own governance and management of SD and their own engagement with civil society in these processes.

7.2 The EESC holds itself ready to play a significant role in helping to develop civil society input to both the European and the international process, and pressing for ambitious results. A strong civil society engagement is essential to creating the momentum and pressure needed to achieve a significant outcome at Rio. During the next 12 months the EESC intends to undertake the following activities:

- Organisation of further consultations with stakeholders in Brussels about the objectives of Rio 2012, and creation of a common platform if that proves possible;
- Outreach to secure input from civil society in members states through National Councils of Sustainable Development, their European network EEAC and National Economic and Social Councils;
- Mounting a series of sectoral studies of the requirements for a successful application of green economy thinking in key sectors such as energy, transport, construction, agriculture, and overall economic policy;
- Reaching out through regional and bilateral standing delegations to compare and coordinate civil society input in Europe with civil society actions in other regions of the world.

Brussels, 15 September 2010.

*The President
of the European Economic and Social Committee
Mario SEPI*

Opinion of the European Economic and Social Committee on ‘Improving “participative public – private partnership” models in deploying “e-services” for all in the EU 27’ (own-initiative opinion)

(2011/C 48/13)

Rapporteur: **Mr CAPPELLINI**

On 16 July 2009 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

‘Improving “participative public – private partnership” models in deploying “e-services” for all in the EU 27’.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 6 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 16 September 2010), the European Economic and Social Committee adopted the following opinion by 102 votes to one with five abstentions.

1. Conclusions and recommendations

1.1 The EESC welcomes the European Commission’s (EC) Digital Agenda and the proposals of the Internal Market Report to deliver sustainable economic and social benefits from a digital single market and ultra-fast internet connections that will bring applications to citizens and SMEs in rural and remote areas. Furthermore, the EESC agrees with the EC, European Parliament (EP) and the Committee of the Regions (CoR) that more monitoring activities are needed to ensure that everyone benefits from fixed line and wireless broadband by 2013. More investments are needed at all levels and Public Private Partnerships (PPPs) should also be explored for rural and remote areas and for updating networks.

1.2 The EESC supports the EU and national common policy framework to meet Europe 2020 targets and therefore asks the EC to establish an ad hoc advisory group able to help Member States, Candidate Countries and interested private operators in better monitoring rural and remote areas’ access to broadband coverage.

1.3 There are important markets failures in the provision of affordable high speed broadband networks to remote areas. The EC must therefore promote a full spectrum of policies that will facilitate the development of open networks by state and public sector initiatives. The EU must fully exploit the development of e-services in the public and private sectors to help improve local and regional services in healthcare, education, emergency services of general interest, security and social services. The adoption of PPPs by all authorities may offer strategic support to SMEs specialising in public Information and Communication

Technologies (ICT) services as well as the ICT skills of young entrepreneurs.

1.4 Private investment and PPPs in remote, rural and low income areas should be promoted through structural funds, together with EIB (European Investment Bank) and EIF instruments in order to deliver internet connections at a fair price for vulnerable citizens and SMEs. Dedicated EC programmes and measures should be directed to promote and multiply local PPPs in cross regional and cross border pilot projects and a ‘European Day on e-services for all’ should be promoted.

1.5 The EESC assigns great importance to the building of stronger partnerships between public and private providers of public e-services delivering a better and more efficient service. More transparency and active citizen participation is needed, whilst retaining ownership of the public infrastructure investment and oversight of performance. Public services are often provided at regional and local levels where SMEs and their associations could take part in partnerships with the public sector, either as direct providers or, if significant financial resources or more global expertise are required, in a consortium. This already happens in some regions in France (Auvergne), Italy (Trentino A.A., Lombardia) and other EU Member States.

1.6 Access to high-quality wireless broadband at reasonable prices can increase the accessibility and quality of services provided by authorities, and enable SMEs to be more competitive on the market. Remote regions and communities will benefit most from access to faster broadband services.

1.7 The EESC stresses the need for extraordinary investments to develop universal and high-speed access to fixed and mobile broadband for all citizens and consumers. A more supportive state aid framework from the EU level that is compliant with EU competition provisions would help in this as would better coordination among the different EU policies and programmes so that consumer choice helps to deliver the planned targets to access e-services to all citizens and locations.

1.8 The EESC agrees that every household should have access to broadband Internet at a competitive price by 2013. The digital dividend should be promoted and used to extend mobile broadband coverage and services quality. Member States must update national targets for broadband and high-speed coverage to push regional authorities and private actors in their coherent support of a European high-speed broadband strategy. In particular, regional authorities, EU and/or national consultative institutions, SMEs, organisations and other private actors, should be involved from the very beginning in the EC 'Future of Internet' Initiative.

1.9 The EESC supports PPP solutions whose financing models can provide cost effective and timely broadband to citizens in rural and cross borders regions. To this extent the EESC underlines that digital skills, in particular for SMEs and young entrepreneurs in rural and remote areas, are crucial for an inclusive digital society especially where access to e-services creates a digital divide for elderly people, disadvantaged groups and those on low incomes. Existing access problems must also be addressed.

1.10 The EU institutions should fully exploit the development of e-services in the public and private sectors to help improve local and regional services in healthcare, education, emergency and security and wider services of general interest and social services.

2. Background/General context

2.1 The internet has become one of the most strategically important infrastructures of the 21st century and is a central obligation to the EU's enforcement of universal service foreseen in the Lisbon Treaty. Nevertheless, the situation in rural and remote areas has barely improved and we can hardly speak of a European e-services market ⁽¹⁾. Since the private sector does not seem interested in satisfying the demand for services and as governments alone are unable to meet this challenge, a suitable solution would be to involve both parties (public and private) in

⁽¹⁾ COM(2009) 479 final, 'A public-private partnership on the Future Internet'.

sharing benefits and risks through PPPs in this domain. The active involvement and role of organised civil society in PPPs in deploying e-services could play a key function in this process.

2.2 This own-initiative opinion aims to explore this issue and bring to the fore the debate on identifying sustainable solutions for deploying e-services everywhere and for everybody in Europe, notably in its least accessible areas and for its most vulnerable groups.

2.3 In this context, the general objectives of this opinion are the following:

- to analyse with the assistance of the EESC and public and private interest organizations, how PPPs could be adopted in promoting e-services for all, be they individuals, businesses, or regional/local governments in particular;
- to highlight the potential for greater social inclusion of vulnerable groups and for the economic integration of remote areas by adopting sustainable and efficient application of PPPs for the deployment of e-services in Europe ⁽²⁾;
- to assist EU Institutions and policy makers, as well as interested public and private actors wishing to engage in PPPs in the field of e-services, by identifying problems and possible solutions, by undertaking impact analysis of the e-service demand and supply in relation to civil society needs, to explore the relevant employment and skills requirements, as well as good policy and programme practices at EU level that could be transferred to the national/regional level.

2.4 ICT are affecting most aspects of our society. As the boundaries between telephone, internet, television broadcast and mobile phone and other communication services become blurred, so does the boundary between industrial and public sectors and between EU and national policies. In fact, national and regional policies were not able to deliver effectively access to these services for all.

⁽²⁾ The main problem of e-services in the EU is that there is no common definition of the term. Usually, e-services are understood in the narrow meaning of ICTs, including services such as e-government, e-business, e-health, public sector information, e-learning, e-inclusion and e-procurement.

2.5 In this context, Neelie Kroes, the new Commissioner for the Digital Agenda launched a debate for public consultations to 'check if we need to update the rules to ensure that all EU citizens and businesses have access to essential communication services, including fast internet. We have to make sure that nobody is excluded from the digital society'. Moreover, the recent 'Europe 2020' Communication confirms the aim of delivering sustainable economic and social benefits from a Digital Single Market based on fast and ultra fast internet and interoperable applications, with broadband access for all by 2013.

2.6 The Lisbon Strategy had already identified the fact that we need access to modern digital facilities (e.g. internet, GPS) and so-called e-services. With this in mind, the modernisation of public services must include:

- providing better-quality and more secure services to the public;
- responding to the requests of businesses, particularly SMEs, which require less bureaucracy and more efficiency;
- ensuring the cross-border continuity of services of general interest (including civil protection), which is crucial for sustaining mobility in Europe and social cohesion in Member States.

2.7 The current EU regulatory framework (under the Universal Service Directive⁽³⁾ of 2002) requires Member States to ensure that all citizens are able to connect to the public phone network at a fixed location and to access public phone services for voice and data communications that have functional access to the internet. Consumers must have access to directory of enquiry services and directories, public payphones and special measures if they are disabled.

2.8 Furthermore, a recent EC communication has identified PPPs as one of the options when dealing with the 'acceleration' of internet usage in Europe and in delivering e-services to EU citizens. PPPs are seen as a way of enabling Europe's citizens to make better use of known and emerging technologies in a more holistic approach. Moreover, PPPs could also help in identifying barriers created by non-technical issues and instigate a strategy to address them⁽⁴⁾. The term PPP covers a wide range of

situations and, consequently, various definitions exist in the literature such as in the UN Guidelines⁽⁵⁾ as well as in the EIB practices.

2.9 The EC has conducted a range of public consultations involving the EESC on topics including:

- Next Generation Access Networks (NGA);
- Transforming the digital dividend opportunity into social benefits and economic growth in Europe;
- Universal Service principles in e-communications.

2.10 EC Communication COM (2009) 479 final, on 'A Public Private Partnership on the Future Internet', seeks to provide a framework within which to prepare for a 'smart' society and to increase the competitiveness of the European ICT industry. Preparing for the launch of a PPP initiative on the Future Internet, as encouraged by some Member States and industry actors will require more involvement of civil society and regional authorities.

3. General comments: PPPs and e-services deployment

3.1 In the same way that the provision of, and access to, food, water, education, healthcare, movement and public authorities is guaranteed in our society, it's important to identify and adopt the most sustainable solutions and the most effective policies to guarantee equal treatment for EU citizens and businesses in the information society, notably in the rural and remote areas of the EU.

3.2 Thus far, however, this has not been achieved everywhere in the EU and there are still geographic areas and social groups in danger of 'digital exclusion'. Digital exclusion could be related to demographic (age, gender, type of household, etc.), socio-economic (education, employment, status, income, etc.) and geographic factors (such as housing, location, specific regional or local features, geopolitical factors, etc.). The reasons for market failure in e-services will be case dependent and could include unfavourable landscape, low population rate, high taxation system or all of these. Since there is often insufficient demand and transactions in such areas, private operators may often decide not to invest.

⁽³⁾ OJ L 108, 24.4.2002, p. 51-77.

⁽⁴⁾ White paper on the Future Internet PPP definition, January 2010.

⁽⁵⁾ Guide book on promoting good governance in Public-Private Partnership – United Nations, New York and Geneva, 2008.

3.3 Nevertheless, the focus should not be placed solely on geographic exclusion, but also on the social exclusion that accompanies the lack of purchasing power or limited skills of certain user groups ⁽⁶⁾. E-services should, therefore, be expanded to ensure access for all users regardless of their geographic, financial or social situation.

3.4 Extraordinary policy efforts and measures are needed to deliver results to vulnerable groups and, above all, to non-urban areas.

3.5 The EESC has dedicated several opinions and key recommendations to various topics related to e-services, their interoperability and ICT infrastructures ⁽⁷⁾.

3.6 The EESC believes that PPPs could be a means for the deployment of e-services in the EU, which is a promising new field with critical areas of operation.

3.7 Analysis has shown that the main arguments in favour of such an approach include:

- improvements in the quality of e-services to vulnerable groups;
- improvement in cost-effectiveness, by taking advantage of the private sector's innovation, experience and flexibility;
- increased investment in public infrastructure to extend the delivery of e-services;
- sustainability of private partners' increased flexibility and access to resources;
- improvements in the quality of public expenditure;
- efficiency gains and convergence of services of general interest.

⁽⁶⁾ OJ C 139, 11.5.2001, p. 15; OJ C 123, 25.4.2001, p. 53; OJ C 108, 30.4.2004, p. 86.

⁽⁷⁾ OJ C 77, 31.3.2009, p. 60; OJ C 175, 28.7.2009, p. 92; OJ C 175, 28.7.2009, p. 8; OJ C 317, 23.12.2009, p. 84; OJ C 218, 11.9.2009, p. 36; OJ C 224, 30.8.2008, p. 50; EESC opinion on Transforming the digital dividend into social benefits and economic growth, rap. Mrs Darmanin (TEN/417).

3.8 Moreover, investment in urgent infrastructure projects is an important means to maintain economic activity, particularly during this period of crisis, and might help to support a rapid return to sustained economic growth. In this context, PPPs could provide effective ways to deliver infrastructure projects, services of general interest and business support services that would guarantee local development and economic recovery in some EU regions ⁽⁸⁾.

3.9 There are also risks with PPP for e-services. One of these is the risk of not covering remote areas as these often involve losses for a private service provider. Therefore, all PPP should include an obligation to provide these services also for such remote areas.

4. Critical issues in deploying e-services

4.1 In this opinion we are also addressing the deployment of e-services, by which we mean the spreading of facilities and provision of equal access to them across the EU. This includes either the creation of a new, 'smart' infrastructures where needed or the improvement of the existing one. This issue raises some critical points concerning:

- **Efficiency.** Just because an infrastructure exists does not always mean that it is functioning efficiently or that it is equally accessible to all the appropriate social groups. The most recent example is provided by the EuroBarometer survey on knowledge of the 112 emergency number. Although the service already exists and functions in twenty EU countries, the percentage of people who know of it is very low, at just 32 % of those questioned ⁽⁹⁾. Improvements can be achieved by better informing and involving citizens and by better applying e-learning technologies.
- **Rural Areas.** Disparities remain across the EU with regard to e-services access ⁽¹⁰⁾. Rural areas still suffer from a lack of access to ICTs, with 23 % of people in such areas lacking access to fixed broadband networks ⁽¹¹⁾.

⁽⁸⁾ COM(2009) 615 final, 'Mobilising private and public investment for recovery and long term structural change: developing Public Private Partnerships'.

⁽⁹⁾ Flash Eurobarometer 285 – The European Emergency Number 112, Analytic Report, Wave 3, February 2010.

⁽¹⁰⁾ Telecoms: consultation on future universal service in digital era, IP/10/218, Brussels, 2 March 2010 (see http://ec.europa.eu/information_society/policy/ecomms/doc/library/public_consult/universal_service2010/index_en.htm).

⁽¹¹⁾ COM(2009) 103 final, 'Communication from the Commission to the Council and the European Parliament - Better access for rural areas to modern Information and Communication Technologies (ICTs)'.

4.2 In a truly 'open market' approach PPP should be engaged, from the very beginning with the effective involvement at all levels of EU/national/regional authorities, social partners, organised civil society actors, SME organisations, consumer associations and wider stakeholders (operators, vendors, IT providers, vertical and application markets etc.).

4.3 An appropriate start could be the existing EU Structural Funds, EIB/EIF and some specific programmes such as the Framework Programme mechanisms in future ICT Work Programmes (for 2011-2013), with a budget of about EUR 300 million.

4.4 In this context, PPPs could capitalise on the work of five European Technology Platforms (ETPs), with cross-fertilisation of the internet-related issues and their respective Strategic Research. An essential characteristic of such a PPP would be to develop open, standardised, cross-sector service platforms.

4.5 From a European policy perspective, sectors such as healthcare, mobility, environment and energy management are prime candidates to benefit from novel 'smart' – internet-empowered – infrastructures, which will facilitate the rapid take-up and adoption of services by millions of users and consumers.

Brussels, 16 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on ‘What services of general interest do we need to combat the crisis?’ (own-initiative opinion)

(2011/C 48/14)

Rapporteur: **Mr HENCKS**

On 18 March 2010 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

‘What services of general interest do we need to combat the crisis?’

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 6 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 119 votes to 11 with 4 abstentions.

1. Introduction

1.1 The recent financial and economic crisis which, even if it has touched all the Member States to varying degrees, will have long-term effects on society – increased unemployment, insecurity, exclusion and poverty – issues which currently already affect one in six Europeans.

1.2 Almost 80 million Europeans, or 16 % of the EU’s population, live below the risk-of-poverty line and face significant difficulties with finding employment, obtaining accommodation or benefits and securing access to essential services, especially healthcare and social services. Disadvantaged groups (people with disabilities, immigrants) are and will be hard hit, particularly as developments in the area of social integration and work over the last two decades come under threat.

1.3 The increase in violence, problems in deprived suburbs, the growth in criminality and civil unrest as well as the loss of a certain sense of solidarity are all additional indicators that the financial and economic crisis has become a social crisis.

1.4 The sluggish economic recovery has not been enough to curb this social crisis. Even more disturbingly, in the light of our experiences from previous periods of recession (1993-1996 and 2002-2004), the social consequences of the crisis will probably still be palpable long after the economy has picked up again.

1.5 The increase in poverty and social exclusion will lead to an ever greater demand for social services, especially in the area of health, housing, education, energy, transport and communication methods.

2. The role of services of general interest in times of crisis

2.1 The crisis has shown, however, that modern, effective services of general interest can be a stabilising economic factor with more than 500 000 businesses (public, private and

mixed) which offer services of general interest, representing 64 million jobs (over 30 % of EU jobs) and over 26 % of the EU’s GDP (Study on ‘Mapping of the public services’ published in May 2010 by the European Centre of Employers and Enterprises providing Public services).

2.2 SGIs can also help cushion the worst social, territorial and environmental consequences if they are able to ensure that everyone has guaranteed access to essential goods and services and fundamental rights. They are a key element in the promotion of economic, social and territorial cohesion and sustainable development.

2.3 Over the years, as part of the European construction process and in the name of the common good or general interest, the EU Member States have enacted a special set of rules for services of general interest varying greatly in terms of form and organisational structure, to supplement EU competition law and market rules, which may be redefined or revised, in particular within the framework of the Lisbon Treaty.

2.4 In accordance with their role as a pillar of the European social model and the social market economy, SGIs should, through interaction and the integration of economic and social progress:

— Guarantee the right of each inhabitant to have access to fundamental goods and services;

— Ensure economic, social, territorial and cultural cohesion;

— Safeguard social justice and inclusion, establish solidarity between regions, generations and/or social categories, promote the general interest of the community;

— Ensure equal treatment for all citizens and inhabitants;

— Create conditions for sustainable development.

2.5 The crisis has highlighted the fact that market mechanisms alone are incapable of ensuring that all citizens will enjoy universal access to these rights, which means that public intervention is not only accepted by everybody today but is also recommended at international level.

3. Risk of budget cuts in times of crisis

3.1 Further to the financial and economic crisis, certain Member States are finding it increasingly difficult to balance their budgets, which risks jeopardising their ability to fulfil their general interest missions.

3.2 The budgets which Member States allocate to general interest services are often subject to severe pressure even though Member States vary significantly in terms of their capacity to cater to the growing demand for services of general interest.

3.3 These budgetary constraints risk prompting reductions in social benefits and services, social protection schemes and subsidies, entailing severe consequences for the most vulnerable members of society, to the detriment of the progress made to date to combat poverty and inequality and improve social cohesion.

3.4 It appears essential for the Commission to adopt a position on funding needs, not only through a short-term approach focusing on competition only (state aid) but also by ensuring that SGIs are financially viable and capable of carrying out their missions, as required under the Lisbon Treaty.

3.5 It is therefore vital that the Member States, with EU support, adjust their budgets to maintain or expand their services of general interest in order to respond effectively to the challenges posed by the social crisis.

3.6 The EESC endorses the fact that the European Commission has supported the Member States' training strategies by relaxing the rules for co-financing from the European Social Fund. The social cohesion fund should be used more to improve the social dimension of the Member States' economies with a view to reducing social disparities and stabilising their economies.

4. The role of the European Union

4.1 In accordance with the principle of subsidiarity and as stipulated by the Lisbon Treaty, each Member State must remain free to define, organise and finance services which cater to the general interest and fundamental needs, with due regard to social and civic action.

4.2 All services of general interest, irrespective of whether or not their nature and mission are economic, contribute to the achievement of the European Union's objectives, in particular the continued improvement in the wellbeing of its citizens, the guarantee of their rights and the conditions for the exercise of these rights.

4.3 Accordingly, the European Union, which has a responsibility to achieve these objectives, also has a responsibility towards the instruments used to achieve them.

4.4 The European Union must therefore contribute to and ensure the provision of effective and accessible SGIs, which offer good quality, affordable services to all, with due regard to the principles of subsidiarity and proportionality, and by sharing such competences with the Member States.

4.5 The fact that, in principle, the states have the power to define SGIs does not in any way detract from the EU's power to define SGIs at its level, where this is necessary to achieve the objectives of the Union.

4.6 Accordingly, the EESC has urged the EU institutions in numerous opinions to recognise the existence and need for EU services of general interest – without prejudice to the status of operators – in those areas where the EU's objectives can be met more effectively through EU level action rather than individual action by the Member States. Against this background, the EESC has proposed that studies be carried out to assess the feasibility of a European energy SGI.

5. Public service obligations and universal service

5.1 Although access to services of general economic interest should be provided in part by market forces and free competition, Article 14 of the Treaty on the Functioning of the European Union stipulates that the European Union and its Member States shall take care to ensure that such services operate in a manner which enables them to fulfil their missions, each within their respective powers.

5.2 Accordingly, in order to avoid a situation where the simple application of market forces leads operators to focus exclusively on profitable services to the exclusion of low revenue services, densely populated areas to the detriment of isolated or deprived regions or to focus on more affluent consumers to the detriment of equality of treatment, two new concepts arose at EU level during the liberalisation of the network industries (telecommunications, energy, transport, postal services): public service obligations and universal service.

5.3 These two concepts complement one another inasmuch as they seek to give users a series of guarantees: a set of more or less widespread high quality services must be provided across the whole EU at an affordable price in sectors which have been defined as a universal service (telecommunications, post, electricity); specific aspects which the EU or the Member States can safeguard and which may concern not only services to users (including in terms of consumer protection) but also security issues, including supply, the independence of the EU, long-term investment planning, environmental protection etc for public service obligations. In both cases, it is possible to establish a derogation from the rules on competition should the application of such rules be detrimental to the above services

5.4 The concept of universal access at an affordable cost should represent a set of common rules governing all services of general interest in the European Union establishing a minimum set of obligations which should be observed by the Member States and local authorities, which should not restrict their missions of general interest but rather develop them instead, while at the same time ensuring they are a spending priority.

5.5 The concept of universal access is not, therefore, incompatible with the provision by every Member State of other types of SGI above minimum standards, in particular public service obligations.

6. Measures to be adopted

6.1 With the Treaty of Lisbon, the European Union has reaffirmed the importance of fundamental rights and guaranteed their exercise, laying out a set of common principles for their more social regulation through the concrete implementation of all the rights (and not only access to services of general economic interest) which the EU Charter of Fundamental Rights confers on every EU citizen.

6.2 The universal right of access to SGIs should therefore no longer be restricted to services provided by network industries alone but should encompass everything required for a decent standard of living, social well-being and the guarantee of fundamental rights.

6.3 Accordingly, we should examine whether, given the current crisis and the need to adopt a sustainable approach, the current regulations (in the area of telecommunications, postal services, electricity) are sufficient to prevent a reduction

in the quality of services provided and the emergence of phenomena such as exclusion, social fragmentation and poverty. Equally, it would be useful to establish whether new areas should be subject to 'a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights' defined as Community principles by Protocol No 26 annexed to the Lisbon Treaty.

6.4 There is no doubt that the people of Europe would like to enjoy more security in their professional careers and more security against the risk of unemployment and poverty, more equality in access to education and lifelong learning and social services and to ensure the better protection of the environmental equilibrium for future and current generations.

6.5 Accordingly, the service right could include access to:

- a bank account and payment facilities;
- affordable loans, subject to state micro-credits or guarantees;
- decent housing;
- home-care facilities;
- mobility;
- social services;
- specific measures for people with disabilities etc.;
- access to energy;
- secure access to digital services.

6.6 The fact that the economic crisis is continuing, together with the need to work out the best way to achieve economic recovery, should, in parallel with steps to implement the Lisbon Treaty (Article 14 of the TFEU, Charter of Fundamental Rights, Protocol 26), prompt the EU institutions to re-assess the place and role of SGIs in this context.

6.7 The EESC suggests engaging in consultations with stakeholders and civil society on the potential usefulness of the new 'public service obligations' or new services of general interest for responding to the crisis and to coordinate and ensure synergy between the economic, social and territorial dimensions of cohesion policy, which have been insufficiently coordinated in the past, and to recommend measures to ensure balanced development.

6.8 With this in mind, the EESC calls for a report on the 'promotion of universal access to EU rights and SGIs' and to define the new objectives which SGIs could be given as part of

the fight against poverty and social exclusion and, more generally, as part of the EU 2020 strategy and the promotion of sustainable development and a green economy.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on ‘The EU’s new energy policy: application, effectiveness and solidarity’ (own-initiative opinion)

(2011/C 48/15)

Rapporteur: **Mr HERNÁNDEZ BATALLER**

On 18 March 2010 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

The EU’s new energy policy: application, effectiveness and solidarity’.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 6 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 16 September), the European Economic and Social Committee adopted the following opinion by 44 votes to two with two abstentions.

1. Conclusions

1.1 It is necessary to boost all aspects of the operation of the internal energy market as regards infrastructure, the public procurement system, proper operation of the market and consumer protection. The EESC emphasises that the basic issue here is the need to develop energy infrastructure and the trans-European networks in order to establish the internal market in energy.

More specifically, mechanisms must be established for identifying price-formation criteria to prevent serious and unjustifiable disparities, often wrongly based on the type of energy being consumed, supply sources, or distribution facilities.

Similarly, criteria and methods must be created to rationalise energy production in the Member States, bearing in mind a sustainable use of resources and based on geographic and climatic aspects, such as identifying peak activity periods for photovoltaic, wind or tidal energy generation.

1.1.1 Properly functioning energy markets require transparency so that entrants can have access to energy networks and customers. To this end, the authorities must prevent exclusionary practices, wanton exploitation and business collusion. Competition policy should therefore also be geared to ensuring well-being and improving conditions for consumers, while taking specific factors into account such as the need to guarantee security of supply, energy transport and final distribution. The EESC refers back to its opinions on the universal service and services of general interest, where it has already taken a firm position on consumer protection, stressing

the need for a clear definition of the universal service concept and for common rules to be fixed on the provision of services of general interest.

1.1.2 As regards the procedures for awarding contracts, the contracting authorities must be prevented from abusing their prerogatives by resorting to biased interpretations of the sovereign rights provided for under Article 194(2) of the TFEU⁽¹⁾ in the possible determination of more onerous or discriminatory conditions for access to natural gas transport networks⁽²⁾ or access to the network for cross-border trade in electricity⁽³⁾. In short, the EU should proceed with the maximum institutional commitment to strengthening and improving procedures that guarantee transparency of gas and electricity prices charged to industrial end-users⁽⁴⁾.

1.1.3 In this context, it is likely that there will be a redefinition of the role of services of general economic interest in the internal market. In light of the Lisbon Treaty, these services should more effectively perform the tasks that may be assigned to them by national, regional or local authorities⁽⁵⁾. This is especially relevant in the area of energy given the key role of services provided by major network industries.

⁽¹⁾ The supranational legal framework is currently set by Directive 2004/17/EC of the EP and the Council, 31.3.2004 (OJ L 134), as amended by Directive 2005/51/EC (OJ L 257) and Regulation 2038/2005/EC (OJ L 333).

⁽²⁾ In the interests of facilitating competition, the conditions of Regulation 715/2009/EC of the European Parliament and of the Council, 13.7.2009 (OJ L 211) will be applicable from 2011 onwards.

⁽³⁾ The conditions of Regulation 714/2009/EC of the EP and of the Council (OJ L 211) will also be applicable from 2011 onwards.

⁽⁴⁾ In accordance with the objectives of Directives 90/377/EEC of the Council of 29.6.1990 (OJ L 185); 2003/54/EC and 2003/55/EC of the EP and the Council of 26.6.2003 (OJ L 176), and the proposed directive of the EP and the Council, of 29.11.2007 (COM (2007) 735 final).

⁽⁵⁾ Protocol No. 26 on services of general interest, annexed to the TEU and TFEU, fleshes out Article 14 TFEU and provides the Court of Justice with a new basis for interpreting Article 36 of the charter on this matter.

1.1.4 It will be tricky therefore to establish a legal framework that balances the broad discretion granted to the national authorities (see Article 1 of Protocol 26 annexed to the TEU and TFEU in tandem with Article 194(2) TFEU) with the free play of competition in the internal market, especially as the case-law of the Court of Justice prior to the entry into force of the Lisbon Treaty, without prejudice to the power of Member States to guarantee access to services of general economic interest⁽⁶⁾, underlined the need for this access to conform with the Treaties and that, in any case, possible exceptions to the Treaty provisions⁽⁷⁾ based on the internal exercise of powers in this area should be interpreted restrictively⁽⁸⁾.

2. Introduction

2.1 Over the next forty years, the European energy sector will have to address a number of challenges that will call for fundamental changes in energy supply, transmission and consumption. To rise to these challenges at European level, the Commission is currently consulting on preparing a new energy strategy for the 2011-2020 period, and an action plan for 2050. The Committee is working on an opinion on both these initiatives.

2.2 To develop a full and comprehensive European strategy that can meet the upcoming challenges, it is clear that the European Union will have to make full use of the new competences in the energy sphere conferred upon it by the Lisbon Treaty and encourage the Member States to enter into a broad form of cooperation and collaboration over a range of questions that legally fall within the remit of national or shared competences. Some of the current approaches might call for further amendments to the Treaties or even a new Treaty (for example, Jacques Delors' proposal for a new Treaty establishing a European Energy Community). In any event, for the purpose of this opinion, we shall limit ourselves to the Lisbon Treaty and those measures that prove necessary for guaranteeing that the shared competences set out in that Treaty are exercised in such a way as to ensure a total focus on and respect for both consumers' rights and the various competences attributed to the Union and the Member States.

2.3 Article 194 of the Treaty on the Functioning of the European Union (TFEU)⁽⁹⁾ introduces a new basis for supranational action in relation to energy, which is nevertheless subject to certain constraints imposed both by the regulatory

framework, where they are explicitly fixed by the prevailing primary and institutional law, and by its future coherence with certain rights that are recognised in the EU Charter of Fundamental Rights.

2.4 Thus the objectives of the Union's energy policy – the functioning of the energy market, security of energy supply, efficiency, energy innovation and saving, interconnection of networks – can only be pursued insofar as they are fully consistent with the operation of the internal market and compatible with environmental protection (Article 194(1) TFEU). The Commission is therefore endeavouring to achieve in particular the objectives of ensuring security of supply, sustainable use of energy resources and access to energy at competitive prices that are affordable for consumers, since integration of the European energy market is not an objective per se but rather an essential means of realising these goals.

2.5 In addition, future measures to be adopted by the Union under the ordinary legislative procedure to achieve these objectives will not prejudice the right of a Member State to determine the terms on which it exploits its energy resources, chooses between different energy sources and the general structure of its energy supply (Article 194(2) TFEU).

2.6 This last provision, which explicitly reserves areas of sovereignty for the Member States, also guarantees them broad latitude, in accordance with Article 2(6) TFEU⁽¹⁰⁾, without preventing their actions from being guided by a 'spirit of solidarity' as called for in Article 194(1) TFEU.

2.7 As energy is now included among shared competences (point (j) of Article 4(2) TFEU), and with a view to preventing possible future conflicts between the general interest of the Union, the national interests of its Member States⁽¹¹⁾, the specific interests of companies in the energy sector, citizens' rights and the rights of consumers and users, it is appropriate for the European Economic and Social Committee to take a formal position on this matter.

⁽⁶⁾ Consequently, the Court granted to Member States, among other things, the right to make the definition of economic services of general interest entrusted to certain businesses conditional on their national policy objectives. Judgment of 23 October 1997. C-159/94, *Commission v France*, Rec. ECR I-5815, Point 49.

⁽⁷⁾ CJ Judgment of 23 May 2000. C-209/98, *Sydhavnens Stens*, ECR. I-3743, Point 74.

⁽⁸⁾ CJ Judgment of 17 May 2001. C-340/99, *TNT Traco*, ECR I-4109, Points 56-58.

⁽⁹⁾ Published in OJ C 83, 30.3.2010, p. 47.

⁽¹⁰⁾ 'The scope of and arrangements for exercising the Union's competences shall be determined by the provisions of the Treaties relating to each area.'

⁽¹¹⁾ The relationship between regulatory systems and administrative practice may be particularly complicated given the provisions of Article 2(2) TFEU, which allows both the Union and its Member States to take binding decisions in this area and gives the Member States the right to exercise their competence if the Union does not exercise its, or if it has decided to cease exercising its competence. Moreover, the Sole Article of Protocol 25 (on the exercise of shared competence) annexed to the TEU and TFEU states: 'when the Union has taken action in a certain area, the scope of this exercise of competence only covers those elements governed by the Union act in question and therefore does not cover the whole area'.

2.8 The Commission has tabled a package of wide-ranging proposals intended to fulfil the commitments of the European Union up to 2020 with respect to combating climate change and promoting renewable energy sources. To this end, the Council and Parliament have undertaken to reduce greenhouse gas emissions by 20 %, introduce a 20 % quota for renewable energy and raise energy efficiency by 20 %. The Commission has therefore adopted a new general block exemption regulation under which state aid to support renewable energy and energy efficiency are exempt from notification if they meet certain criteria.

2.9 The key issues addressed in the Commission document 'Towards a new Energy Strategy for Europe 2011-2020' include, in addition to consumer protection, and access to energy services and jobs created by the low-carbon economy:

- implementation of the policies already approved in the energy market liberalisation and climate change packages, and the Strategic Energy Technology Plan (SET);
- the roadmap for decarbonisation of the energy sector by 2050;
- technological innovation;
- strengthening and coordination of external policy;
- reducing energy needs (energy efficiency action plan), particularly the need to develop energy infrastructure to ensure supply and distribution in line with the internal energy market's demands.

2.10 These Commission measures, some of which are still pending adoption by the Council and the Parliament, and their future implementation by the Member States (e.g. distribution of natural gas, expanding the use of renewable energies and energy efficiency measures applied to transport, construction, etc.) reflect a rationale of pursuing the successful implementation of the 20/20 Strategy.

3. General comments

3.1 It is nevertheless necessary to identify the measures that, in the absence of a sufficient legal base established in the Treaties, are required to create a real energy policy in the short term that is appropriate to the challenges facing the EU in the 21st century. Certain initiatives are advocated, such as Jacques Delors' proposal for a new treaty establishing a European Energy Community, which would give the EU

powers to stimulate for example the development of more and improved transnational energy infrastructure networks, joint resources and funding for R + D + i in the sphere of energy, or business tools for joint operations in international energy product markets ⁽¹²⁾.

3.2 At the same time, with reference to the above-mentioned Article 194 TFEU, a discussion should be opened on the scope of three spheres that will be affected by public policy at national and supranational level, namely safeguarding and development of EU citizens' rights, reconciling the application of exceptions justified by national security with supranational energy security, and compatibility of national measures with the setting up and functioning of the internal energy market in respect especially of transport and distribution infrastructure, interconnection of networks, the public procurement system and consumer rights.

3.3 The core rights that are most relevant to future EU energy measures are recognised in the following sections of the Charter of Fundamental Rights: Chapter IV (Solidarity), Article 36 (Access to services of general economic interest), Article 37 (Environmental protection) and Article 38 (Consumer protection). The potential consequences should be considered of all the Member States ratifying Protocol 14 of the European Convention on Human Rights, which together with the Lisbon Treaty opens the way for EU accession to the Convention.

3.3.1 However, while these provisions establish principles for formal action by the EU institutions, they do not explicitly recognise subjective rights ⁽¹³⁾, even though in the case of environmental protection and protection of consumer rights there is a sound European legal framework for safeguarding individual interests and so-called diffuse interests. Nonetheless, the implementation of the Protocol on services of general interest, annexed to the TEU and the TFEU, will certainly help to ensure that Europeans have access to different sources of energy consumption, with particular attention for the circumstances of the most deprived sections of society.

3.3.2 For the reasons set out above, legal tensions can be expected between the EU and its Member States in view of the disjuncture between the supranational task of liberalising and/or harmonising key aspects of the functioning of the energy market in Europe and the national task of protecting social well-being ⁽¹⁴⁾. However, the Commission believes on the contrary that cooperation between the Member States will enhance national security.

⁽¹²⁾ See exploratory opinion CESE 990/2010 on Energy poverty in the context of liberalisation and the economic crisis.

⁽¹³⁾ See Benoît Rohmer, F. et al.: *Commentary of the Charter of Fundamental Rights of the European Union*, Brussels 2006, p. 312 ff.; and Lucarelli, A. et al.: *L'Europa dei diritti. Commento alla Carta dei diritti fondamentali dell'Unione Europea*, Bologna, p. 251 ff.

⁽¹⁴⁾ See Moreiro González, C.J.: 'El objetivo del bienestar social en el contexto de crisis económica mundial', *Gaceta Jurídica de la UE y de la Competencia*, Nueva Época, 11.5.2009, p. 7 ff.

3.3.3 This will happen above all because the Charter, as we know, sets only minimum levels of protection for the rights and freedoms that it recognises⁽¹⁵⁾ and is also subject to restrictions on its application in the territories of certain Member States⁽¹⁶⁾. Social cohesion must be maintained as far as possible, so as to safeguard solidarity rights as regards access to energy of both the economically weakest population groups and of vulnerable and disabled people.

3.3.4 This is above all because the devastating impact of the current global economic crisis - on employment in terms of job losses, on workers in terms of adjustment, and on the capacity of public authorities to maintain social services - threatens to exclude large sections of the population from access to energy, thereby creating 'energy poverty'.

3.4 The second question that must be resolved is that of coherence between the national security strategies of the Member States and the need to guarantee energy security at supranational level.

3.4.1 Energy routes and sources for the European Union should promote the security of supply of the Union as a whole and its Member States individually. Security of supply will depend on how the fuel mix evolves, on production trends in the European Union and in third countries supplying it, and on investment in storage facilities and routes within and outside the European Union.

3.4.2 Given that the second paragraph of Article 4 TEU recognises safeguarding national security as an 'essential function' of the Member States, explicitly granting them exclusive competence in this area, it will be necessary to establish areas of political and legislative cooperation between

⁽¹⁵⁾ See Articles 51 and 52 of the Charter and Declaration 1 of the Member States concerning the Charter, annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon, signed on 13 December 2007, OJ C 83, 30.3.2010, p. 337, as well as the explanations relating to the Charter of Fundamental Rights drawn up by the Praesidium of the Convention which drafted the Charter and updated by the Praesidium of the European Convention, OJ C 303/2, 14.12.2007, p. 17 ff.

⁽¹⁶⁾ As set out in Protocol No 30 on the application of the Charter to Poland and to the United Kingdom and in Declarations 61 and 62 of the Republic of Poland and Declaration 53 of the Czech Republic annexed to the Final Act of the IGC that adopted the Lisbon Treaty.

the EU and its Member States in order to achieve the synergies and complementarities called for in Article 194(1) TFEU.

3.4.3 To this end, ways should be explored of strengthening the institutional basis of the Agency for the Cooperation of Energy Regulators⁽¹⁷⁾, whose role includes promoting the exchange of best practices and cooperation between the regulatory authorities and economic stakeholders, issuing opinions on the conformity of any decision adopted by the national regulators with supranational obligations and, in certain cases, deciding on the procedures and conditions for access and operational security of the electricity and gas infrastructures connecting at least two Member States. There must be coordination and cooperation between Member States, supervised by the Agency. However, any increase or change in the responsibilities of the Agency should be within the general limits established in ECJ case law, particularly as set out in the Meroni judgment⁽¹⁸⁾.

3.4.4 The aim must be to ensure implementation of the EU's body of rules on energy security - which were drawn up and adopted before the abovementioned Article 4(2) of the TEU and which include strictly supranational measures⁽¹⁹⁾ as well as those coming under the Common Foreign and Security Policy and the *ad hoc* position of the 2010 Spring European Council on security of energy supply⁽²⁰⁾ - and their adherence to certain provisions of the European Energy Charter relating to use of energy transport infrastructure and transit of energy materials and products⁽²¹⁾.

3.4.5 To strengthen security of supply and solidarity among Member States in the event of a Community emergency and, in particular, to support Member States which face to less favourable geographic or geological conditions, the Member States should establish joint preventative action or emergency

⁽¹⁷⁾ Established under Regulation (EC) No 713/2009 of the European Parliament and of the Council, 13.7.2009, OJ L 211, 14.8.2009.

⁽¹⁸⁾ ECJ case law does not allow the Commission to delegate regulatory or executive powers, unless these powers are explicitly established in the Treaty (Meroni judgment of 17 July 1959, ECR p.331).

⁽¹⁹⁾ See for example the *Communication from the Commission on the Second Strategic Energy Review - An EU Energy Security and Solidarity Action Plan* COM(2008) 781 final, which proposes, among other relevant measures, the modification of Directive 2006/67/EC on strategic oil reserves resulting in the adoption of Directive 2009/119/EC of the Council of 14.9.2009, OJ L 265, and Directive 2004/67/EC on security of natural gas supply; Green Paper 'Towards a Secure, Sustainable and Competitive European Energy Network COM(2008)782 final.' etc.

⁽²⁰⁾ Brussels, 26.3.2010, doc. Co EUR 4, CONCL 1.

⁽²¹⁾ Decision 98/181/EC, ECSC and EURATOM of the Council and of the Commission, 23.9.1997 (OJ L 69) and Decision 2001/595/EC of the Council, 13.7.2001 (OJ L 209).

plans at supranational or even transnational level. These plans should be updated regularly and published. In future, the Cohesion Fund and the Structural Funds could act as a source of financial support for these plans.

3.4.6 With a view to better securing the above-mentioned objectives, it would make sense to adopt measures under Article 122 or 194 TFEU as soon as possible to regulate the supply of certain energy products when Member States face severe difficulties, and to fix the procedure for determining financial aid to Member States facing natural disasters or exceptional events. The potential for Article 149 of the TFEU to be used as an additional tool to achieve the objectives mentioned

above should also be considered, provided that this is appropriate in the specific circumstances which require supranational measures to be adopted.

3.4.7 Given the challenges and objectives facing the European Union with regard to energy, it seems necessary to call for a proper European public service in energy which, in compliance with the subsidiarity principle, would be responsible among other things for drawing up a public register of energy consumption patterns in the Member States, the types of energy consumed in each country, measures to prevent disasters resulting from the use and transport of energy, and coordination of civil protection to that end.

Brussels, 16 September 2010.

*The President
of the European Economic and Social Committee*
Mario SEPI

APPENDIX

to the Opinion of the European Economic and Social Committee

The following Section Opinion texts were rejected in favour of amendments adopted by the assembly but obtained at least one-quarter of the votes cast:

Point 1.1, 4th phrase:

'It is necessary to boost all aspects of the operation of the internal energy market as regards infrastructure, the public procurement system, proper operation of the market and consumer protection. The EESC emphasises that the basic issue here is the need to develop energy infrastructure and the trans-European networks in order to establish the internal market in energy.'

More specifically, mechanisms must be established for identifying price-formation criteria to prevent serious and unjustifiable disparities, often wrongly based on the type of energy being consumed, supply sources, or distribution facilities.

Similarly, supranational criteria and methods must be created to rationalise energy production in the Member States, bearing in mind a sustainable use of resources and based on geographic and climatic aspects, such as identifying peak activity periods for photovoltaic, wind or tidal energy generation.'

Outcome

27 votes for deleting the word 'supranational', 17 against and 2 abstentions.

Point 1.1.5

'To this end, consideration should be given to a regulation that might include the rights enshrined in the European Charter on the Rights of Energy Consumers (COM(2007) 386 final, CESE 71/2008, rapporteur: Mr Iozia)⁽¹⁾, plus the specifics of the services of general interest which Member States might mention in this area, through minimum common rules on public service obligations, which will have to be defined clearly and be transparent, objective and non-discriminatory. It is thus understood that a distinction should be made between citizens' rights and the scope for Member States to introduce or retain public service obligations deriving from the provision of economic services of general interest.'

A regulation is a more appropriate instrument than a directive for the following reasons:

- a regulation is directly applicable to the competent authorities in the Member States, to energy undertakings and to customers;*
- it does not require a lengthy transposition period;*
- it guarantees clarity and coherence of the rules and obligations throughout the Community and*
- defines directly the participation of Community institutions.*

⁽¹⁾ Communication from the Commission: "Towards a European Charter on the Rights of Energy Consumers" (COM(2007) 386 final).'

Outcome

28 votes for deleting the paragraph, 16 against and 2 abstentions.

Point 3.4.5

'To strengthen security of supply and solidarity among Member States in the event of a Community emergency and, in particular, to support Member States which face to less favourable geographic or geological conditions, the Member States should establish joint preventative action or emergency plans at supranational or even transnational level (trade agreements among businesses; increase in exports; compensation mechanisms, etc.). These plans should be updated regularly and published. In future, the Cohesion Fund and the Structural Funds could act as a source of financial support for these plans.'

Outcome

30 votes for deleting the words in brackets, 11 against and 3 abstentions.

Opinion of the European Economic and Social Committee on 'EU-Canada relations' (own-initiative opinion)

(2011/C 48/16)

Rapporteur: **Mr RODRÍGUEZ GARCÍA-CARO**

On 26 February 2009 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

'EU-Canada Relations'.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 September 2010.

At its 465th plenary session, held on 15 and 16 September (meeting of 16 September), the European Economic and Social Committee adopted the following opinion unanimously.

1. Conclusions and recommendations

1.1 European and Canadian civil societies share common values, including economic values, which underpin the identity of their societies in the 21st century. Pooling these values can bring added value to the European Union and Canada, and thus to the international community as a whole.

1.2 Canada must therefore be a key partner for the EU. Existing relations are adequate, but could be described as unambitious. In this regard, the EESC welcomes the opening of the negotiations on a Comprehensive Economic and Trade Agreement. The agreement raises expectations not only for the future of EU-Canada relations, but also for transatlantic relations more generally. It should be borne in mind that the US and Canada, together with Mexico, are NAFTA signatories, and Canada could thus provide a way in to the very significant US market.

1.3 The EESC hails the results of the recent EU-Canada Summit, held on 6 May 2010. The EESC welcomes the fact that the leaders undertook to resolve their differences on granting visas and considered that Canada's intention to revise its asylum policy should make a positive contribution to making it easier for all EU citizens to obtain visas under fully reciprocal arrangements.

1.4 The EESC considers that inclusion of specific arrangements for the participation and consent of the provinces and territories and of civil society in the negotiations will therefore be vitally important to the successful implementation of the agreement. Opening up the public procurement markets is one of the EU's main areas of interest. Canadian provinces have very wide powers in this field, which is why they must also be included in this aspect of the negotiations. In

view of the differences between the various economic and social actors on this point, the EESC believes that the active involvement of the social partners in this aspect of the negotiations will be vital.

1.5 The EESC would like to see the European Parliament take part in the process through sufficient monitoring and information throughout the negotiations, and not just at the point agreement and ratification of the final version, as set out in the Lisbon Treaty.

1.6 Once the agreement has been concluded, the EU-Canada Joint Cooperation Committee should perform tasks similar to those of the Transatlantic Economic Council between the EU and the USA, in order, amongst other things, to facilitate progress towards legislative convergence between the EU and Canada.

1.7 The EU must negotiate an ambitious agreement covering all aspects of EU-Canada trade relations, including public procurement. In this respect, there is an urgent and pressing need to tackle the real obstacles facing businesses, by harmonising regulations and removing non-trade barriers.

1.8 Environmental and sustainable development aspects must be included within the scope of the agreement.

1.9 The EESC believes that neither the EU nor Canada can afford to miss this opportunity to forge closer relations, as it will be of benefit to their societies. To this end, the two sides should maintain an open dialogue with the representatives of organised civil society, not only during the negotiations but also in order to monitor the implementation and results of the future agreement so that they can be enhanced.

1.10 The EESC proposes that in conjunction with the agreement, a joint consultative body of EU-Canada organised civil society be set up. This body would perform a consultative function for the future joint body that is to provide the agreement's political leadership and could issue opinions regarding the consultations emanating from the joint body on matters covered by the agreement. This consultative committee could be modelled on other civil society joint consultative committees, the most recent example of which is the Joint Consultative Committee under the 2010 Association Agreement between the EU and Central America.

2. Introduction

2.1 The European Economic and Social Committee (EESC) analysed relations between the European Union (EU) and Canada in 1996 ⁽¹⁾. Since then, numerous events have occurred as a result of which the context for these relations is now different, creating the need for the present opinion.

2.2 European and Canadian civil societies share common values which continue to underpin the identity of their societies in the 21st century. Pooling these values can bring added value to the European Union and Canada, and thus to the international community as a whole, in areas such as economics, environmental policy, security, immigration and so on. Greater multilateral cooperation on issues such as economic governance, climate change and conflict-resolution would also be desirable.

2.3 In this regard, many sectors of their economies are complementary, and both regions share common economic values: this would facilitate any agreement. An EU-Canada Summit was held in Prague on 6 May 2009, the main outcome of which was the opening of negotiations on a Comprehensive Economic and Trade Agreement (CETA) between the two sides.

2.4 The EESC welcomes the opening of the negotiations for an agreement and hopes that this agreement will mark the beginning of a new stage in relations between the EU and Canada, fostering cooperation of benefit to both parties. By the same token, it will send a clear signal to the international community that both the EU and Canada reject a protectionist approach at this time of economic and financial crisis. Moreover, seeking to reinvigorate transatlantic relations without Canada's full involvement would be inconceivable.

2.5 It is worth pointing out that, once concluded, the agreement will be the first trade agreement in recent times between a group of countries mostly belonging to the OECD, all of whom are equally sensitive regarding economic growth

and job creation. It is thus hoped that the agreement will lay down solid foundations regarding (i) sustainable economic, social and environmental development aspects, and (ii) consultation of civil society and monitoring of the trade agreement's implementation.

3. Civil society in Canada

3.1 The Canadian system for consulting civil society is different to its European counterpart. Civil society is consulted on an ad-hoc basis by both parliamentary committees and by federal ministers. This regular consultation is a compulsory element of Canada's parliamentary procedures, under which proof that consultation has actually taken place must be provided. Consultation of civil society at provincial level is also widespread.

3.2 In Canada, approximately 4.6 million workers ⁽²⁾ are affiliated to a trade union, representing 26.1 % of all workers. Although union membership has risen by more than half a million in the last ten years, due to the proportional increase in the number of jobs, the percentage of unionised workers has scarcely changed, remaining at a similar level throughout the period.

3.3 The Canadian Labour Congress (CLC) ⁽³⁾ is the leading national voice of the trade union movement. Most national trade unions in Canada belong to the CLC, which comprises 12 provincial and territorial federations and 136 labour councils, representing around three million unionised workers. It campaigns for more acceptable pay and working conditions, for tighter health and safety rules, for a fair tax system and social programmes, including childcare services, sickness insurance and pensions. It also calls for improved training programmes and job creation.

3.4 The Canadian Council of Chief Executives ⁽⁴⁾ is the country's main employers' organisation. It is made up of some 150 members from leading Canadian companies and outstanding businessmen from all economic sectors. The main aim of the Council is to put forward employers' views at three levels: within Canada, in North America and globally. In Canada, its work focuses on national issues such as monetary and fiscal policy, the environment, competitiveness, company law and regulation. Across North America, its main focus is economic interdependence between the USA and Canada and the North American Free Trade Agreement (NAFTA). Globally, its work concentrates on international tax questions, trade, investment and development policy, and bilateral and multi-lateral relations.

⁽¹⁾ Opinion EXT/142 on *Relations between the EU and Canada*, Brussels, 27 November 1996.

⁽²⁾ Labour Force Survey 2008, Statistics Canada.

⁽³⁾ <http://canadianlabour.ca>.

⁽⁴⁾ <http://www.ceocouncil.ca/en/>.

3.5 The Canadian Federation of Independent Business ⁽⁵⁾ has 105 000 members nationwide from every sector, and seeks to represent SMEs' interests at federal, provincial and territorial level. There is also a Canadian Chamber of Commerce ⁽⁶⁾, an influential national-level body.

3.6 With regard to consumers, the Consumers' Association of Canada ⁽⁷⁾ is probably the most representative group. Its main objective is to inform consumers ⁽⁸⁾, at the same time articulating their views to government and business in order to resolve consumer disputes.

3.7 Canada also has a number of farmers' organisations. The largest is the Canadian Federation of Agriculture (CFA) ⁽⁹⁾, with more than 200 000 members. The CFA was founded in 1935 to provide a single voice to speak on behalf of Canadian farmers. It is an umbrella organisation representing provincial organisations and national commodity groups. It promotes the interests of Canadian agriculture and the agri-food sector.

3.8 The fisheries sector is represented chiefly by the Fisheries Council of Canada (FCC) ⁽¹⁰⁾. The FCC represents the fisheries industry at national level and has some 100 member companies, who process the majority of Canada's fish and seafood production.

4. New impetus in EU-Canada relations: economic exchanges and political relations

4.1 Canada is the world's fourteenth economy, with a GDP of USD 1.51 ⁽¹¹⁾ trillion. The leading sector in the Canadian economy is the service sector, in 2008 accounting for more than 69.6 % ⁽¹²⁾ of GDP and employing three quarters of the Canadian working population ⁽¹³⁾.

4.2 Canada's trade balance for 2009 is estimated to show a deficit of USD 34309 million, compared with a surplus of USD 7606 million in 2008. The main export headings are: automobiles and automobile components, industrial machinery,

aircraft, telecommunications equipment, chemical products, plastics and fertilisers. According to the joint EU-Canada report of March 2009, one in every five jobs in Canada is trade-related.

4.3 Formal relations between the EU and Canada date back to 1959, when an Agreement for Cooperation on the Peaceful Uses of Nuclear Energy was signed. Since then, the two sides have signed a series of agreements and declarations. In line with the New Transatlantic Agenda, signed with the United States in 1995, the EU-Canada Summit of December 1996 adopted a Joint Political Declaration and Action Plan with the dual aim of developing bilateral political and economic relations, and facilitating cooperation on multilateral issues. The plan also provided for twice-yearly summits to review and further develop bilateral relations.

4.4 Canada and the EU maintain very substantial economic relations. In 2009 trade in goods between them amounted to EUR 40.2 billion ⁽¹⁴⁾, and trade in commercial services (excluding public services) to EUR 18.8 billion. Moreover, the trend in recent years has been broadly positive, with EU goods exports to Canada rising from 21.1 to 22.4 billion between 2000 and 2009, while EU imports from Canada fell from 19 to 17.8 billion over the same period. The EU goods trade surplus over the last decade has thus risen from EUR 2.1 to 4.7 billion. The main EU exports to Canada are medicines, motor vehicles and aircraft engines. In the other direction, Canada's main exports to the EU are aircraft, diamonds, iron ore, medicines and uranium. In 2009 there was also a EUR 2.5 billion surplus in trade in services in the EU's favour.

4.5 One of the EU's main interests in the economic sphere is the liberalisation of the public procurement market. While Canadian companies enjoy free access to European public procurement, as both Canada and the EU are signatories to the World Trade Organization (WTO) Agreement on Government Procurement (GPA, 1994), European businesses do not receive reciprocal treatment in Canada. The provinces have authority over sectors such as energy, the environment, transport and health. The importance of including this aspect in the negotiating process, in order to achieve a satisfactory agreement of economic benefit to the EU, is therefore obvious. At the beginning of this year, Canada signed a trade agreement with the United States, opening up its public procurement markets at sub-regional level. Canada came up with this proposal in response to the protectionist 'Buy America' steps taken by the United States to stimulate its own economy. The agreement shows that the provinces are willing to open their public procurement markets to international competition.

⁽⁵⁾ <http://www.cfib.org>.

⁽⁶⁾ <http://www.chamber.ca>.

⁽⁷⁾ <http://www.consumer.ca>.

⁽⁸⁾ Other consumer organisations in Canada include the Consumers Council of Canada, the Society of Professional Consumers of Canada, Option consommateurs, and the Union des consommateurs.

⁽⁹⁾ <http://www.cfa-fca.ca/pages/home.php>.

⁽¹⁰⁾ <http://www.fisheriescouncil.ca/>.

⁽¹¹⁾ Estimated at 1.3 for 2009, 1.4 for 2008. IMF. World Economic Outlook Database. October 2009.

⁽¹²⁾ <https://www.cia.gov/library/publications/the-world-factbook/geos/ca.html>.

⁽¹³⁾ Source: Spanish External Trade Institute - ICEX.

⁽¹⁴⁾ Eurostat.

4.6 Bilateral EU-Canada relations are based on the following instruments:

- The 1976 Framework Agreement for commercial and economic cooperation.
- The 1990 Declaration on Transatlantic Relations, creating the institutional framework for both the EU-Canada Summits and the ministerial meetings.
- The 1996 EU-Canada Joint Political Declaration and Action Plan, comprising three basic sections on economic and trade relations, foreign policy and security issues, and transnational issues.
- The Ottawa Summit in March 2004 adopted a new Partnership Agenda, extending the relations into a number of as yet unexplored areas (international coordination, joint participation in peace missions, development cooperation, scientific cooperation, justice and external affairs, etc.), and a negotiating framework for a Trade and Investment Enhancement Agreement (TIEA).

4.7 Relations between Canada and the EU can generally be described as excellent. The main points of political friction between Canada and the EU centre upon Arctic issues, the European ban on the trade in seal products and Canada's visa requirements for certain EU Member States.

Firstly, the imminent opening of navigable Arctic sea routes raises a series of questions relating to sovereignty, since it had not previously been thought possible to exploit this zone commercially. It is estimated that the region could hold 20 % of the world's oil and gas reserves, as well as offering new, alternative and highly attractive trade routes. The lack of multilateral legislation or regulation is an issue that must be addressed in the medium term, before divergences or disputes arise over territorial sovereignty. In December 2009 the EU Council laid down three main objectives for EU Arctic policy: (1) to protect and preserve of the Arctic in consensus with its population (2) to promote sustainable use of natural resources, and (3) to contribute to multilateral governance in the Arctic based on the United Nations Convention on the Law of the Sea (UNCLOS).

Secondly, Canada requires visas for citizens of the Czech Republic, Romania and Bulgaria, alleging that abuses have occurred in applications for asylum by citizens of those countries. Bearing in mind that EU visa policy is based on reciprocity, a solution must be found urgently before the EU is compelled to impose similar measures. Bulgaria and Romania are working to meet the criteria laid down by Canada for visa

exemption. Canada has not yet undertaken any specific measures to lift the visa requirement concerning the Czech Republic. Canada justifies its attitude on the grounds that it has no defence against false asylum applications. It is currently working on legislative reform, but this will take time before reaching Parliament.

4.8 In this regard, the EESC hails the results of the recent EU-Canada Summit, held on 6 May 2010, at which the leaders undertook to resolve their differences on granting visas and considered that Canada's intention to revise its asylum policy should make a positive contribution to easing the question of visas for all EU citizens.

5. Assessment of the Comprehensive Economic and Trade Agreement between the EU and Canada

5.1 It was decided at the EU-Canada Summit held in Prague on 6 May 2009 to launch negotiations towards a Comprehensive Economic and Trade Agreement.

5.2 A study on the costs and benefits of a closer EU-Canada economic partnership, drawn up jointly by the EU and Canada, concluded that major benefits for both sides would result from removing tariffs, liberalising trade in services and lowering non-tariff barriers for goods and investment.

5.3 According to this report, the most relevant areas for the agreement will lie in trade in goods, sanitary and phytosanitary issues, technical barriers to trade, trade facilitation, customs procedures, cross-border trade in services, investment, government procurement, regulatory cooperation, intellectual property, movement of persons, competition policy, institutional arrangements and dispute settlement, and sustainable development. Non-trade barriers and regulation are the two main items to be discussed during the negotiations.

5.4 Liberalising the trade in goods and services between the two sides could boost bilateral trade flows by 20 %. It is also estimated that, seven years after the entry into force of an agreement of this kind, the real income gain to the EU would be EUR 11.6 billion, and to Canada EUR 8.2 billion. Total EU exports to Canada would go up by 24.3 %, or EUR 17000 million, while Canadian exports would grow by 20.6 % or EUR 8600 million by 2014.

5.5 The study suggests there is scope for enhancing science and technology cooperation through collaboration on a common research agenda, mainly in key strategic areas such as energy and the environment, clean coal, carbon capture and sequestration, biofuels and intelligent power grids.

5.6 Other areas for closer cooperation under the agreement could be security, social security matters, a system for the mutual recognition of qualifications, and cooperation within the Northwest Atlantic Fisheries Organisation.

5.7 In trade terms, the tariff aspects do not seem to be a source of difficulties in the negotiations. Legislative harmonisation will be an important element in the negotiations, since the shift towards a service economy and foreign investment makes the regulatory framework more important than ever. However, the system of legislative powers shared between the federal state, the provinces and the territories could be an obstacle for the agreement negotiations in this regard.

5.8 For this reason, the provinces have, by way of exception, been granted direct involvement in the negotiating process, with the EU supporting their presence. A federal government representative is in charge of the negotiations, but differences could emerge in areas of shared or exclusive competence, both between the provinces and between them and the federal government.

5.9 Canada does not have a real single market. Both the federal government and the provinces understand the need to create an internal market, but for the moment, there is only a strong political willingness. The world economic crisis is nevertheless pushing Canada to conclude an agreement as soon as possible to allow it to diversify its external markets beyond the United States.

5.10 Regarding the most sensitive sectors, the automotive sector is the main point of trade-related controversy between the EU and Canada. In contrast, relations are good concerning fisheries, and this will not be prominent issue in the negotiations. In energy, the EU wishes to diversify its energy suppliers and is consequently considering negotiating a special energy agreement, although for the moment this is only a proposal. Other sectors where European companies experience difficulty in conducting business in Canada are aviation, banking and public procurement. The EU and Canada also take different views of geographical indications and agricultural issues.

5.11 The federal and provincial governments still have to develop a common position on environmental questions, particularly regarding greenhouse gas emissions. The provinces have different stances: while Quebec, Ontario, British Columbia and Manitoba belong to the Western Climate Initiative, and have implemented measures to mitigate and adjust to climate change, Alberta and Newfoundland – whose economies are heavily dependent on oil production – have not signed up. This matter remains unresolved and it is unlikely that this part of the negotiations will produce a binding agreement on the question, which under no circumstances must be allowed to

result in positions being adopted that would put the competitiveness of European businesses at a disadvantage. Canada has however undertaken to invest in clean energy and to establish bilateral cooperation on nuclear energy strategy.

6. The position of civil society regarding the EU-Canada agreement

6.1 Employers

6.1.1 European employers (BUSINESSEUROPE) are calling for: the removal of tariff and non-tariff barriers, without excluding any tariff headings; much easier access to government procurement at all levels (national and subnational); a commitment to legislative convergence in priority sectors; greater protection of intellectual property (including protection for designations of origin, especially for alcoholic beverages); a dispute resolution mechanism; and greater labour mobility, including reciprocal recognition of the qualifications of business staff and of certain professions such as nurses or barristers.

6.1.2 The agreement opens the door to new business opportunities between the partners, who share similar levels of development and comparable approaches to trade policy. Prosperity has been closely linked with an economic policy based on liberalising trade and attracting foreign direct investment. It is now more important than ever to keep the markets open, as this provides a significant stimulus for competition, innovation and growth.

6.1.3 The business sector is convinced that multilateral trade rules should prevail in governing international trade, but also believes that there is room for further progress through more ambitious bilateral agreements allowing for faster removal of barriers, especially regarding non-tariff ones, trade in services and investment.

6.1.4 An ambitious and far-reaching agreement between the EU and Canada will have a positive effect in strengthening economic relations between the two sides: these relations have been stepped up in recent years, in terms not only of exports but also of more complex transactions in the services sector and in setting up businesses.

6.1.5 The agreement will provide impetus towards increased bilateral economic and trade flows. The negotiations should lead to the creation of business opportunities in sectors where companies have clearly demonstrated their competitive capacity on the global markets, such as energy, especially in the renewables segment, infrastructure management, financial services, construction, environmental services and technologies, and telecommunications.

6.1.6 The overall aim is to create more opportunities with fewer barriers: to offer new business opportunities to companies by removing obstacles to the export of goods, services and capital.

6.1.7 The agreement will make a decisive contribution to closer integration between the economies of the European Union and Canada, facilitating economic recovery on both sides during periods of crisis by expanding trade and investment flows.

6.1.8 International trade can and must play a key role as a motor for growth and development around the world – consequently, trade policy must, by opening up markets, be a major element of EU economic policy.

6.2 Trade unions

6.2.1 The European and international trade unions (EPSU, ETUC, ITUC) have set out a number of recommendations concerning workers' rights and compliance with the ILO's fundamental labour Conventions Nos 98 (collective bargaining), 138 (minimum age), 94 (labour clauses in public contracts) and 29 (forced labour), together with other factors for decent work. They call on both sides to publish regular reports on the progress they have made in fulfilling these commitments. They recall, in this regard, that the Canadian Labour Congress has often lodged complaints with the ILO for breaches of labour standards in Canada at provincial level. In practice, although federal law guarantees workers the right to join trade unions, different legal systems at provincial level impose restrictions on trade union rights throughout the country, consequently attracting criticism from the ILO.

6.2.2 Both sides must also undertake to comply with OECD guidelines for multinational enterprises and the ILO Tripartite Declaration on multinational enterprises and social policy, and not to push down labour standards in order to attract foreign investment.

6.2.3 The European Trade Union Confederation (ETUC) would like to see the agreement contain a robust chapter on sustainable development, including a binding mechanism guaranteeing implementation of fundamental labour conventions.

6.2.4 For its part, EPSU urges that the agreement should protect current and future public services, and should to this end guarantee national regulation.

6.2.5 For the Canadian unions, the Canadian Labour Congress strongly supports the use of public procurement to achieve social environmental and economic development objectives and therefore opposes opening up public procurement to include Crown corporations and sub-federal governments.

6.2.6 The CLC is also deeply concerned that possible disputes of interest between investors and the State could threaten public services and domestic regulation, as well as the impacts of excessive intellectual property protection, particularly on pharmaceutical prices.

6.2.7 There must be a binding mechanism through which employers' and workers' organisations from both sides can appeal against government actions.

6.2.8 They call for a Trade and Sustainable Development Forum to be set up, to consult workers, employers and other civil society organisations on a balanced basis. The Canadian labour organisations argue that the consultative process is at present biased towards business views.

6.2.9 They also call for robust clauses ensuring compliance with multilateral agreement on the environment, including the Kyoto Protocol. In this area, they consider that compliance with human rights conventions, including those on political and civil rights, should be included, as this is of great importance to the social dimension of sustainable development.

6.3 Various interests

6.3.1 The agricultural sector calls for EU negotiators to take sensitive products in this area into consideration. Regarding rules of origin, they recommend using the agreement with South Korea as a model. The milk sector is crucial, and it is hoped that the agreement will generate new market opportunities for European producers. The EU's interests in the meat sector are defensive, and producers are calling for quotas for pigmeat, poultry, eggs and egg products. The sector also has very offensive interests regarding cereals, particularly wheat, and is opposed to any increase in Canada's quota. It would also be helpful for the Canadian government to notify the World Trade Organisation of what regulations might entail barriers to trade, so that the Technical Barriers to Trade Committee can analyse their compatibility, as in the case of Canadian law C-32 on ingredients in tobacco products.

6.3.2 Turning to education and training, the EESC recalls that the possibility of cooperation between the EU and Canada in this sphere was mentioned as far back as the joint declaration of November 1990. In 2006, the EU and Canada extended the agreement in the fields of higher education, training and youth for the 2006-2013 period. This makes it the first bilateral agreement signed by the EU that mentions cooperation for young people outside the domain of higher education. The agreement does not however appear to have been matched with funding. The EESC calls for these measures to be properly financed, and for financial assistance also to be provided for the many social workers involved with children and young people in the EU, and who would be willing to work through exchanges of experience and joint activities with similar organisations in Canada.

7. The position of the European Economic and Social Committee on the Comprehensive Economic and Trade Agreement

7.1 The EESC supports increased and liberalised trade and consequently welcomes the opening of the negotiations for an EU-Canada agreement, although it regrets the failure of the Doha Round and restates its preference for a multilateral approach and its rejection of protectionism in trade.

7.2 The EESC supports all measures intended to resolve the few points of friction that remain in bilateral issues (access to the Arctic, visas and the trade in seal products), and recalls the importance of the agreement to boosting exchanges between the EU and the North American region as a whole under the NAFTA. In this regard, it recommends that sufficient moni-

toring by the European Parliament be guaranteed at every stage of the negotiations, thereby facilitating the final approval of the agreement by Parliament.

7.3 The EESC expresses its satisfaction at the excellent relations between the EU and Canada, and encourages both sides to use these relations to strengthen alliances with multilateral aims in the political sphere, and in particular energetic and practical steps in favour of world economic recovery and others such as non-proliferation of nuclear weapons, climate change and joint crisis management (peace missions or natural disasters).

7.4 The EESC strongly upholds the European model of social dialogue and civil dialogue. It therefore lays emphasis on the need to listen to and actively involve the social partners and organised civil society in the process of negotiating the agreement, and in its subsequent implementation.

7.5 The EESC considers that the future agreement should consider the possibility of setting up an EU-Canada joint consultative committee comprising representatives of organised civil society, with the task of promoting dialogue and cooperation on the economic, social and environmental aspects of relations between the EU and Canada that may arise in connection with the application of the agreement. Since there is no counterpart institution representing Canadian organised civil society, the EESC proposes examining, together with Canadian civil society organisations, the best way of framing their participation in the future committee.

Brussels, 16 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on 'The situation of people with disabilities in the Euromed countries'

(2011/C 48/17)

Rapporteur: **Meelis JOOST**

On 16 July 2009, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on:

The situation of people with disabilities in the Euromed countries.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 September 2010.

At its 465th plenary session of 15 and 16 September 2010 (meeting of 16 September), the European Economic and Social Committee adopted the following opinion unanimously.

1. Conclusions

1.1 The EESC is pleased that many Mediterranean partner states have ratified the United Nations Convention on the Rights of Persons with Disabilities and thus laid the foundation for improving the quality of life of people with disabilities.

1.2 The EESC considers that civil society organisations representing people with disabilities in the Mediterranean partner states should be involved more effectively than hitherto in cooperation in the framework of the Euro-Mediterranean partnership. The active participation of these organisations in the development of civil society requires that financing be ensured.

1.3 The EESC calls on the Mediterranean partner states to promote the Design for All approach in shaping the environment in which people live, since a barrier-free and user-friendly environment contributes in particular to the development of the potential for tourism.

1.4 The EESC calls on the European Commission to ensure that the funding for the Mediterranean partner states is also available to civil society organisations representing people with disabilities and that resources from the European Neighbourhood Policy programmes are not used in such a way as to create additional barriers to the equal participation of people with disabilities in the life of society.

1.5 In view of the cultural background of the Mediterranean partner states and with due recognition for the work of charities to improve the quality of life of people with disabilities, the EESC calls on the parties concerned to move towards a rights-based approach, so that society shoulders its responsibility for the well-being of people with disabilities and their day-to-day livelihood, and to create an environment and services appro-

priate to the needs of all users. This kind of approach is in line with the United Nations Convention on the Rights of Persons with Disabilities.

1.6 The Mediterranean States must do more to promote educational courses which are appropriate for people with disabilities in order to create high-quality jobs and to ensure that the skills of the labour force meet the requirements of the market. They also need to mitigate the negative consequences of the exodus from the land, which is reflected in employment and waves of migration.

1.7 Based on the statistical finding that people with disabilities make up at least 10 % of the population, it is likely that there are up to 25 million people with disabilities living in the Mediterranean partner states. The EESC calls on decision-makers in the Mediterranean region to work for the creation of equal opportunities and, inter alia, to promote the integration of people with disabilities into the labour market.

1.8 In order to improve cohesion in states on both sides of the Mediterranean, the Mediterranean partner states should be involved in as many initiatives as possible, including the 'European Years ⁽¹⁾', the Cultural Capital of Europe and the most recent initiative, the annual designation of a European Capital of Universal Accessibility ⁽²⁾.

2. Introduction

2.1 In earlier opinions the European Economic and Social Committee investigated social development in the Mediterranean partner countries.

⁽¹⁾ 2010 is the European Year for Combating Poverty and Social Exclusion.

⁽²⁾ OJ C 354, 28.12.2010, p. 8.

2.2 The Committee decided to draw up this own-initiative opinion in order to draw attention to the situation of people with disabilities in the Mediterranean area and to make a contribution to improving their situation. The social sphere is currently undergoing a radical phase of development, with major global challenges.

2.3 The Barcelona process, initiated in 1995, gave a new impetus to relations between the EU and its Mediterranean neighbours⁽³⁾ and led to new provisions for the establishment of an area of peace and economic prosperity in the region. Fifteen years after the adoption of the Barcelona Declaration, however, only modest progress has been made.

2.4 The 2008 Union for the Mediterranean initiative gave a new impetus to cooperation, which the participants in the Mediterranean partnership can use to achieve balanced development in the region. Social issues have an important role to play in this development, including improvements in the situation of people with disabilities.

2.5 The European Commission could give greater weight to the question of development in the social sector in the partnership agreements and lay greater stress on the urgent need for improvements in social cohesion.

2.6 The Arab Decade of Disabled Persons was proclaimed in Lebanon in October 2002. It ends in 2012. 19 Arab states and representatives of more than one hundred Arab civil society organisations for the disabled took part in the launch of the Decade. The Declaration adopted on the occasion was the fruit of long drawn-out consultations between the ministers for social affairs of the participating states.

2.7 Some Mediterranean countries⁽⁴⁾ have ratified the United Nations Convention on the Rights of Persons with Disabilities, the aim of which is to guarantee the rights of people with disabilities and to improve their quality of life. In the EU context the process of ratifying the Convention is connected with the draft anti-discrimination directive, on which the EESC has issued an opinion. The directive, which sets out to combat discrimination in various areas of life has not yet been adopted, but the process is underway, and the EU is making major strides towards the legal protection of people with disabilities.

⁽³⁾ The current members of the Union for the Mediterranean are the 27 Member States and the following Mediterranean countries: Algeria, Morocco, Tunisia, Turkey, Egypt, Israel, the Palestinian National Authority, Syria, Lebanon, Jordan, Croatia, Albania, Montenegro, Bosnia and Herzegovina, Monaco, Mauritania and Libya (with observer status).

⁽⁴⁾ <http://www.un.org/disabilities>.

2.8 Progress is being made on cooperation in developing human resources. The Human Development Index rose from 0.694 in 1995 to 0.736 in 2007⁽⁵⁾. The current crisis is adversely affecting the trend, which makes it important to pay particular attention to equal opportunities in the context of the social and economic development of the Mediterranean partner countries.

2.9 The situation regarding the rights and quality of life of people with disabilities varies between individual Mediterranean partner states. The purpose of this opinion is to draw the attention of states to the need to improve the situation of people with disabilities and the efficiency of the civil society organisations working in this area as well as to involve the representatives of these organisations more than hitherto in the ongoing civil society cooperation between the EU and the Mediterranean partner countries. The examples of individual states and reference to the studies carried out in these countries and the collected data make it clear that these states take the integration of people with disabilities seriously and have taken steps to improve social cohesion.

3. Social involvement and equal opportunities

3.1 Underlying the 1995 Barcelona process is the objective of bringing about convergence of socio-economic trends on either side of the Mediterranean. It did not, however, take account of the special needs of certain groups of people. EU cohesion policy has shown that promoting equal opportunities for vulnerable groups and improving social cohesion can bring advantages for the whole of society.

3.2 In creating a joint free trade area, it is particularly important to ensure that the living environment and livelihoods of people with disabilities are increasingly brought into line with EU standards. In order to achieve this, people with disabilities have to be involved more effectively in the decision-making processes at national, regional and local level.

3.3 An inclusive educational system, employment policy, regionally balanced development and participation in decision-making processes help to reduce poverty. They also make the Mediterranean partner countries more attractive places to live and work and thus combat emigration. Ultimately social involvement improves human mobility. In many Mediterranean partner countries children with disabilities are refused the necessary access to education, so that the labour market and its opportunities remains largely closed to them when they reach working age.

⁽⁵⁾ UNDP.

3.4 In most schools in the Euromed countries there is a lack of training facilities for children with disabilities. Around half of all children with disabilities live separated from their families in care institutions. People with disabilities cannot claim their right to participation in the labour market, although specific laws have been adopted in the Euromed countries which requires that they receive support and be ensured access to employment opportunities. A report drawn up in 2003 by the Lebanese Physically Handicapped Union makes it clear that institutions which receive the bulk of the public money made available for people with disabilities do not provide people with disabilities with the education they need in order to find employment.

The United Nations Convention on the Rights of Persons with Disabilities in the Euro-Mediterranean area

3.5 The United Nations Convention on the Rights of Persons with Disabilities has been ratified by the following non-EU Euromed partner states: Algeria, Bosnia and Herzegovina, Morocco, Tunisia, Turkey, Egypt, Syria, Jordan, Croatia and Montenegro. It has not yet been ratified by Israel, the Palestinian National Authority, Lebanon, Albania, Mauritania, Monaco or the observer country Libya. Some EU Member States have also not ratified the Convention.

3.6 The articles of the Convention guarantee people with disabilities protection against discrimination in all areas of life: employment, access to transport, public buildings and housing. The Convention particularly stresses the availability of services and appropriate social protection both in towns and in the countryside.

3.7 Particularly important features of the convention are access to education, the right to free choice of place of residence, the right to family life and participation in political life. There are separate chapters in the Convention dealing with women and children with disabilities, two groups of particular importance for the improvement of social cohesion in cooperation between the EU and the Mediterranean region.

3.8 In addition to the actual text of the Convention there is also a voluntary protocol. States which have signed and ratified the Convention undertake to monitor its implementation. By ratifying the Convention participating States also undertake to report to the United Nations on the extent to which the situation of people with disabilities meets the requirements of the Convention.

3.9 Ratification of the Convention is the first step on a long road to changing society's attitude to people with disabilities and their living environment, both in the EU Member States and in the Mediterranean partner states. Today the social and economic situation of various population groups, including people with disabilities, in the southern Mediterranean States does not comply with the requirements of the Convention.

The equal opportunities dimension in regional development

3.10 Regional cooperation between the Mediterranean partner states has an important role to play in improving the everyday lives of people with disabilities. Mobility, access to information, services for people with disabilities and the implementation of joint projects need to be promoted much more effectively than they are today. Domestic regional cohesion, which is expressed in the sustainable development of rural areas and the availability of services for people with disabilities - and not only in urban areas - improves the competitiveness of the Mediterranean partner states.

3.11 Relations between the Mediterranean partner countries and relations in the framework of the Euro-Mediterranean partnership should be characterised by mutual understanding, including tolerance between different population groups and the combating of discrimination.

3.12 The social vulnerability of rural areas in the Mediterranean region shows itself in the form of poverty, unemployment, inadequate infrastructure, soil degradation and an ongoing exodus from the land. States should do everything possible to reverse this damaging trend.

Civil society organisations representing people with disabilities, and their social role

3.13 In the EU Member States there are usually umbrella organisations bringing together the various bodies working for people with disabilities. The existence of umbrella organisations for people with disabilities helps the various groups of disabled people to understand each other's needs better and to speak with one voice when shaping policy. The Mediterranean partner states should support the establishment and strengthening of umbrella organisations of this kind.

3.14 Umbrella organisations for people with various kinds of disability have been set up in the following Mediterranean partner states: Morocco, Jordan, Tunisia and Egypt.

3.15 Handicap International has launched a competition for non-profit organisations with a view to involving people with disabilities in their activities.

Tunisia and Jordan have been integrated into the United Nations Development Programme (UNDP). In Jordan the Al Hussein Society for the Habilitation and Rehabilitation of the Physically Challenged, an organisation for people with physical disabilities, was set up as a partner for the UNDP. By setting up IT facilities, equipped with special computer programs, including graphics-based applications, and by offering IT courses, the aim is to give people with physical disabilities the opportunity to participate in information technology.

3.16 The international umbrella organisation for people with disabilities, DPI, states on its web site that the organisation is developing a sixth region, the Arab countries. According to the organisation ten states have expressed the wish to join and the preparatory work should be completed within two to three months.

4. Combining charity with the principle of rights to improve the quality of life of people with disabilities

4.1 The cultural background of the Mediterranean area means that attitudes to people with disabilities and their role in society are strongly influenced by religion. The various explanations for the causes of a disability should be replaced by scientifically valid information which would be conducive to an approach to the problem of disability based on rights. Society's attitude to people with congenital and acquired disabilities varies between the different Mediterranean partner countries, and those who suffer from a congenital and visible disability suffer the greatest discrimination. It is therefore very important to provide information on the various forms of disability and to stress the abilities and skills of people with disabilities.

4.2 In Morocco for example, taking the broadest definition, some 25 % of families are affected by disability. Access to services is particularly difficult in the case of a visible disability. The important role of religion and the family in Morocco is the reason for the widespread focus on charity in society. The noble principle that one should support people who need help is, however, not enough to ensure that people with different kinds of disability or chronic illnesses are able to cope.

4.3 Apart from improving the quality of life of people with disabilities by charitable means, efforts should also be made to ensure ongoing improvements in services and the living environment. Disabled people's associations and other social

civil society organisations could - with appropriate support from society - successfully complement charity with a rights-based model. People with disabilities must be involved in the decision-making processes affecting the development of the social system. In Morocco for example, there is a tendency to replace the charity-based model with an approach based to a greater extent on rights. The projects of Handicap International (HI) in Morocco are a good example from the Mediterranean partner countries of a case where the state or a local authority has made use of this model. Handicap International is a non-governmental organisation which has been active in Morocco since 1993.

4.4 A survey of the situation of people with disabilities, including disabled children and their families, carried out with the financial support of the Ministry for Social Affairs in 2004 showed that 70 % of people with disabilities had no access to education and that only 30 % of children with disabilities received schooling. The survey showed that the central problem was the lack of social services and of specialists, as well as the fact that the exclusion from schooling in 50 % of cases meant that society had a negative attitude towards children with disabilities. In conclusion, the following recommendations were made:

- Society as a whole must change its behaviour towards people with disabilities.
- In Morocco and Tunisia a comprehensive government strategy was drawn up for the years 2006 to 2011 which aimed to broaden the range of services available to people with disabilities by networking local centres. In Morocco there are currently some 100 associations working for people with disabilities.
- The central plank of the strategy was the training of service providers (e.g. the development of a network of physiotherapists in cooperation with the Health Ministry).
- All local interest groups were to be involved in the work of the network for people with disabilities.
- In addition to the development of measures for medical rehabilitation, more should be done to promote the local, community-based dissemination of relevant knowledge.

4.5 The situation of children with disabilities, or of families in which people with disabilities live in the Mediterranean partner countries needs special attention. People with disabilities and the families which look after them should participate in decisions on necessary new services and in the establishment of appropriate rehabilitation facilities and other services. In the present social welfare and rehabilitation system the family is the partner of the local authority, the representatives of national authorities and the service providers. It makes proposals for services, is involved in the shaping of services and is a valued adviser on all disability-related issues. In the absence of a developed network of services it is possible to apply this approach on the basis of community-based rehabilitation and to involve informal groups in the support of people with disabilities as well as non-profit associations (legal persons) working in this area.

Economic and social trends and measures to improve the living conditions of people with disabilities

4.6 Only through systematic, ongoing support can people with disabilities be helped to cope with everyday life and to assert their rights. Differences in the level of economic and social development in the individual Mediterranean countries together with the current crisis leave little room for the development of services, and people with disabilities should themselves be actively involved in the search for solutions.

4.7 Social involvement is most successful when provision is made for employment opportunities. Consideration should be given here to employment in the main, open labour market as well as to sheltered work. Steps have been taken in the European Union through legislative measures and the application of tried and tested procedures to improve the employment situation of people with disabilities. To coincide with the European Year of People with Disabilities in 2003 the associations of the EU's social partners reiterated their joint declaration on the promotion of employment for people with disabilities. The central idea behind this declaration, which focused not on disability but on abilities, is a useful tool for initiating the necessary steps for promoting the employment of people with disabilities in the Mediterranean partner countries, particularly through social economy enterprises.

4.8 The involvement of people with disabilities in the labour market can be backed up in the Mediterranean partner countries by the 1993 agreement of the Arab states to promote the employment and rehabilitation of people with disabilities. The agreement highlights the need to create a working environment free of barriers and to make it possible for people with disabilities to use public transport appropriately. It is also

proposed that an employment quota be introduced for people with disabilities, a measure which has been applied in some of the EU Member States, in order to improve the employment situation of people with disabilities.

4.9 People with disabilities want to make a contribution to society, but this requires a suitable, rights-based environment and the possibility of full integration into society. It is also important to support the work of associations for the disabled. The state should care systematically for people, including people with disabilities, who are the weakest link in society.

4.10 Women are generally actively involved in the implementation of measures to improve the quality of life of people with disabilities, either privately in the family or in the context of social measures. Women's role in this work deserves recognition. At the same time, the implementation of social measures should not rest solely on the shoulders of families. In the Mediterranean partner countries it is the women, i.e. the mothers of children, who often take on the greater part of the burden of care in the families in which children with disabilities live, a tendency which is accentuated by religious convictions and cultural characteristics.

The general situation of women and children as well as minorities in the Mediterranean partner countries is described in the 2002 Arab Human Development Report, according to which in 2000 some 53 % of women were illiterate; the forecast for 2015 is 37 %.

4.11 The projects of Handicap International (HI), carried out in Tunisia in order to develop social security and solidarity and involving both networked specialists and end users, i.e. the people with disabilities and their families, are a good example of a social welfare programme from the Mediterranean area. In 1998-2002 a project for the prevention of disabilities in children was carried out in order to improve the quality of services for children with disabilities by training specialists in rehabilitation and providing specialised centres with the necessary equipment. In the period 1998-2003 under a separate project two rehabilitation clinics were set up together with a rehabilitation centre, a technical assistance workshop and two mobile technical repair workshops. The project for promoting the self-determination of people with disabilities in the Maghreb carried out in Morocco, Algeria and Tunisia in 2004-2006 aimed to encourage local initiatives to promote the social integration of people with disabilities and to give them more self-confidence and dignity. The Tunisian Ministry for Social Affairs and various associations for the disabled took part in this project.

4.12 A good example of an EU project in this area in a Mediterranean partner country aimed at changing behaviour towards people with disabilities is the EuroMed Youth Programme, one of the pillars of the youth work carried out by the European Commission in Third World countries. This is one of the regional programmes in the third chapter of the Barcelona process which aims to develop informal training and cross-cultural dialogue in the 27 Euromed partner countries. The number of participating States will in the short-term increase to 37. The Euromed youth programme is a specific initiative in the Euro-Mediterranean partnership. The resources available under this initiative can be used to improve mutual understanding among young people in the Mediterranean partner states, promote the democratisation of civil society, increase the civil courage of young people, particularly young women, ensure that youth organisations get a greater say and stimulate the exchange of information and experience among youth organisations. A change in behaviour towards people with disabilities and the chronically ill can be achieved by measures of this kind. The program was set up in 1999 and can be regarded as an extension of the European Commission's youth programme in this region.

5. Design for All - creation of a barrier-free environment in the Mediterranean area

5.1 Building specifications and transport in the Mediterranean partner countries are still not geared to the needs of people with disabilities. It should not be forgotten that, alongside people with disabilities, other social groups benefit from a barrier-free and user-friendly environment, such as families with children, older people and people who, as the result of an accident, are temporarily restricted in their mobility.

5.2 Design for All means designing products and the living environment in such a way that everyone can use them with as few restrictions as possible, without the need for adaptation or special solutions. It is effective in conjunction with other social objectives and is an integral part of a holistic solution.

5.3 The essential principles of the Design for All concept, to be observed when shaping our living environment, are as follows:

- equal right of use for different population groups;
- in the Design for All concept the question of human rights has a central place;
- user-friendliness/flexible use - changes can be made easily;

- simple and intuitive - takes account of the user's thinking;
- comprehensible user information;
- robustness - the environment thus created is resistant to wear and damage;
- the environment and associated aids do not require great physical exertion;
- the environment thus created is roomy and suitable for use by people using various aids.

5.4 Apart from the shaping of the physical environment, people's attitudes also play an important role. Urban traffic safety depends to a high degree on transport users paying attention to other users. When creating a barrier-free and user-friendly environment, publicity plays an essential part.

5.5 A legal framework for access to public areas has already been created in some Mediterranean partner countries (Jordan, Morocco, Tunisia etc.). The United Nations Convention on the Rights of Persons with Disabilities clearly states that failure to observe the principle of access for people with disabilities constitutes discrimination. Workplace access and safety are also essential.

5.6 Public transport is better adapted to people with disabilities in places where rail transport has been promoted and modernised. In Morocco, for example, rail transport is well developed and it is possible for people with disabilities to use the train if the station buildings and platforms allow them access.

5.7 Good examples of barrier-free access in the transport sector and other projects carried out in a Mediterranean partner countries under the Design for All initiative should be highlighted.

5.8 In Jordan, for example, steps have been taken to ensure that the legal provisions guaranteeing people with disabilities access to public areas are complied with in day-to-day life. To this end the city authorities of the Greater Amman Area, in conjunction with the Council for People with Disabilities, held a two-day hearing. Comparable initiatives throughout the region would be welcome.

A barrier-free environment as a driving force for the tourism sector

5.9 Every year more than 40 million tourists visit the EU's Mediterranean partner states. A barrier-free environment and application of the Design for All principles play a very important part in the tourism sector. Convenience and accessibility are important factors in determining tourists' choice of holiday destination. Regions which are making an effort to create a barrier-free environment tend to be preferred.

5.10 The Design for All principles should be applied when carrying out joint projects, i.e. all projects financed by the EU. It is also important to promote barrier-free access in the transport sector <http://www.euromedtransport.org>.

5.11 The Council of Europe's report, *Achieving full participation through Universal Design*, contains a number of good examples of ways of using the advantages of an environment accessible to all for integrating people with disabilities. The EU's Mediterranean partner countries could make use of these positive examples.

5.12 The recognition that a barrier-free environment, based on the principles of Design for All, can have a positive impact on the economic development of society is an important argument in persuading decision-makers to work for the creation of an environment accessible to all people, including people with disabilities.

5.13 In applying the Design for All approach, account needs to be taken of the many obstacles encountered by people with hearing disabilities and the blind/ partially sighted. Obstacles of this kind need to be removed in order to ensure that everyone can enjoy the same right of access to goods and services in all areas of life.

6. Intensification of cooperation between the EU and the Mediterranean partner countries in connection with people with disabilities

6.1 There are EU representative offices in all Mediterranean partner countries. This makes it easier to become familiar with specific thematic areas of EU policy. These offices should set a good example and be open to associations for the disabled. It should also be ensured that the public premises of EU representative offices are laid out in accordance with the principles of the Design for All concept.

6.2 Since the 1999 Treaty of Amsterdam combating discrimination against people with disabilities has been a major EU objective. The EU's anti-discrimination directive, on which the EESC has issued an opinion, is currently being discussed⁽⁶⁾. 2010 is the European Year for Combating Poverty and Social Exclusion, which, particularly against the background of the social situation in the Mediterranean countries, should be exploited for the further development of cooperation with these States. Civil societies and governments in the Mediterranean partner countries could be more closely involved in activities conducted in connection with the Year.

6.3 European Years and other initiatives aimed at publicising the European Union's priorities with a broader public could be used for publicity purposes by civil society organisations in the Mediterranean partner countries working in the social arena and concerned with human rights issues and combating discrimination. This is very important with a view to changing behaviour and improving the quality of life of people with disabilities and other disadvantaged groups.

6.4 The most recent proposal, the award of the title of European Capital of Universal Accessibility, based on the model of the European Capital of Culture, should certainly be incorporated into the Euro-Med process so that cities in the partner countries would also be able to compete for the title.

6.5 The EESC also believes that investment in R&D would promote the development of new technical tools and ICT-based products and services, thus helping to improve the quality of life of people with disabilities, reduce their health and social costs, improve their access to the labour market and promote job creation.

6.6 The promotion of cooperation between the European Disabled Forum (EDF) and associations for the disabled in the Mediterranean partner countries as well as the development of direct contacts between associations for the disabled in the EU Member States and the Mediterranean partner countries would have a positive impact on the development of umbrella organisations in those countries in which they have so far been lacking.

⁽⁶⁾ OJ C 182, 4.8.2009, p. 19.

6.7 The European Disabled Forum works with Arab organisation for people with disabilities, founded by several countries in Cairo in 1989 as an independent umbrella organisation of civil society associations working for people with disabilities. Naser Al-Mahmood, chairman of the Arab organisation for

people with disabilities, took part in the 2010 general assembly of the EDF in Madrid as leader of the delegation. Cooperation is of great importance with a view to improving the situation of people with disabilities in the Mediterranean partner countries.

Brussels, 16 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

**Opinion of the European Economic and Social Committee on ‘The EU’s multilingualism policy’
(additional opinion)**

(2011/C 48/18)

Rapporteur: **Ms LE NOUAIL MARLIÈRE**

On 14 July 2009, the European Economic and Social Committee, acting under Rule 29(a) of the Implementing Provisions of the Rules of Procedure, decided to draw up an additional opinion on

‘The EU’s multilingualism policy’.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 9 July 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September 2010), the European Economic and Social Committee adopted the following opinion by 145 votes to 2, with 5 abstentions.

1. Introduction

1.1 In recent years, the European Economic and Social Committee has drawn up two opinions for the European institutions on Europe’s multilingualism strategy:

1) The first, *A new framework strategy for multilingualism*, related to the framing of a new strategy presented by the European Commission in 2005 ⁽¹⁾;

2) The second came in response to a request from Commissioner Orban on 4 February 2008 to help the Commission draft a communication on *Multilingualism: an asset for Europe and a shared commitment* ⁽²⁾.

1.2 Multilingualism policy is part of the EESC’s political priorities and its presidency’s programme for 2008-2010, since it helps improve the economy’s competitiveness, achieve the Lisbon strategy goals and strengthen European integration through intercultural dialogue (‘unity in diversity’).

1.3 The multilingualism policy drawn up in 2006 is now in its implementation and development phase. This additional opinion therefore aims to monitor developments in this area as well as the measures adopted by the Commission, more specifically by DG EAC, and to complement and update the EESC’s recommendations, particularly on life-long learning, training for adults, employment and the sustainable economic, cultural and social impact of multilingualism.

⁽¹⁾ COM(2005) 596, 22 November 2005; JO C 324, 30.12.2006, p. 68.

⁽²⁾ COM(2008) 566, 18 September 2008; JO C 77, 31.3.2009, p. 109.

2. Multilingualism in Europe: inventory

2.1 The (Education, Youth and Culture) Council of 21 November 2008 published its conclusions on encouraging cultural diversity and intercultural dialogue in the Member States’ and Union’s external relations, together with a resolution on a European strategy for multilingualism ⁽³⁾.

2.2 The Commission and the Council had previously adopted a number of the proposals tabled by the Economic and Social Committee:

— encouraging diversity in the way education is taken up and made available;

— encouraging interculturalism and the use of migrants’ languages;

— spreading European languages through cultural relations with third countries;

— encouraging life-long learning and diversity in the economic sphere and in business; and

— support for translation and interpretation.

2.3 The Commission has since set up two consultation platforms: one for associations and NGOs active in the education and culture sector and another for economic interests, which brings together the social partners and universities ⁽⁴⁾, with the EESC as an observer.

⁽³⁾ OJ C 320, 16.12.2008, p.1.

⁽⁴⁾ ‘The business platform for multilingualism’.

2.4 The unions, for their part, have organised or taken part in a number of initiatives since 2006: conferences on the use of languages at work, steps to obtain court rulings enforcing the right to work in one's own language and countering discrimination, and cooperation with other French-speaking countries (the launch of a French language portal with workers in the aeronautics sector in Quebec).

2.5 The Commission has taken advantage of several replies from local and professional trades unions (8) to its public consultation exercises, but until 2009 had never formally consulted the European Trades Union Confederation (ETUC/CES).

2.6 The EESC attended the European Conference on Plurilingualism organised in Berlin in June 2009 by the 'European Observatory for Plurilingualism', a network of associations bringing together businesses and universities. The ETUC and sectoral social partners also took part in this conference.

2.7 At national level, a report on the use of the French language is submitted to Parliament every year by the French Minister of Culture and Communication under Law 94-665 (9) which provides for a stock-taking exercise setting out how French is being used in France and the extent to which it is used in international organisations. The 2009 report details the use of French in the EU institutions and in international organisations based in Africa. It also covers the use of French and Plurilingualism in the public services, the working environment and corporate language strategies, the social environment and the scientific community. It addresses illiteracy and the integration of migrants and provides a breakdown of figures for staff training in the public and private sectors.

2.8 The ETUC is going to launch an initiative to finance an assessment study and at that point will set up a task force to look into 'languages and working conditions', focusing on several aspects of language use at work:

- bringing together knowledge workers, teachers and those engaged in adult education, together with interpreters, translators and scientists, to set out their specific needs as well as those of more general interest;
- upholding the use of national languages at work and promoting proportional, non-discriminatory compliance with criteria on knowledge of foreign languages in the working environment;

- examining in greater depth the economic advantage derived by states whose language is one of those most used trans-nationally;
- extending the rights of bodies such as European Works Councils which currently have only twenty or so hours annually for language training;
- focusing on safety aspects for workers and users in respect of the resources made available to them and the requirements imposed by employers as regards recognition of qualifications, language skills and corresponding salary levels.

2.9 The Commission (DG EAC) has published a restricted call for proposals to participants in the consultation platforms it has set up, with a view to:

- supporting projects for service provision to companies;
- identifying the training courses needed to boost language skills, extending good practices and drafting concrete proposals;
- working on initiatives to better integrate 'disadvantaged' groups such as migrants, early school leavers and senior citizens;
- disseminating learning methods and models based on new technologies; and
- generally implementing the measures adopted in its strategy and in recommendations to the Council.

2.10 It is regrettable that all the *consultative platforms' working documents* and the *call for proposals to encourage multilingualism* have been published in just one language. **Recommendation No 1 to the Commission: The Commission should set a good example, operate efficiently and show some consistency in its strategy for defending and encouraging multilingualism for as many people as possible, by respecting the fundamental rights of participants in the consultative platforms it has set up, which comprise representatives of civil society and/or the social partners - in other words by allowing them to speak, listen, write and read in their own languages or in one of the languages of the Union (10), allowing for at least three or four pivot languages, including at least one language of a Member State that joined the EU in 2004 and 2007.**

(9) Law of 4.8.1994 concerning the use of the French language.

(10) Article 22 of the Charter of Fundamental Rights, in particular 'The Union shall respect cultural, religious and linguistic diversity'.

2.11 The Commission has also published the 2010 guide to the 'Lifelong Learning Programme' (7); whose seventh objective is specifically to encourage language learning and linguistic diversity. This programme combines four sectoral programmes: COMENIUS, for schools; ERASMUS, for higher education; LEONARDO DA VINCI, for vocational training; and GRUNDTVIG for adult education, with a number of cross-cutting elements where the second 'key activity' involves languages. In addition to EU Member States, the programme is open to the EEA, Turkey, overseas countries and territories, the Republic of Croatia and FYROM as part of the activities in the preparatory measures phase, and to third country partners either under the ENP or which are a specific priority in the development of a strategic dialogue policy in education and training or multilingualism. The Committee attaches great importance to a European integrated reference framework that ensures the quality of lifelong learning and it would encourage civil society organisations to consult the first part of the guide which has been issued on this. It awaits the second part with interest to see the share allocated to multilingualism, both proportionally and in absolute terms. **Recommendation No 2:** The Committee would point out yet again to the Commission that, **despite clear improvements over previous programmes, a comprehensive approach would make it easier to understand the steps to take for accessing programmes and procedures**, which are still complicated and do little to encourage the involvement of bodies less adept at dealing with red tape, whose experience and innovative input, regardless of their size and administrative capability, could be of interest to those parties targeted here. Some public teaching establishments have also expressed criticism at procedural and organisational shortcomings which mean they are poorly adapted to the inadequate administrative resources they have to manage with and the paucity of the amounts allocated by programmes which could help with training young interpreters (mobility, immersion) or those who train them.

2.12 The annual report by the European Court of Auditors (8) for the 2008 financial year shows EUR 1060 million allocated from European funds for education and culture, including multilingualism, with centralised (European agency) and decentralised (national agencies) management, together with the various direct and secondary controls carried out because of the large number of direct beneficiary operators, without, however giving details of the share earmarked for multilingualism. It is therefore difficult, if not impossible, to ascertain the respective European and national shares or the funding granted overall for the various facets of the European multilingualism strategy. As a result, the strategy can be assessed neither beforehand nor afterwards, **and this is a shortcoming that the Commission could already be thinking of rectifying. Recommendation No 3: Draw up a clear picture of the situation showing the funds set aside**

(7) http://ec.europa.eu/education/lifelong-learning-programme/doc78_en.htm -'Lifelong learning programme'.

(8) OJ C 269 of 10.11.2009.

solely for promoting multilingualism, budgeted for and already paid out, at both European and national levels.

3. Policy and multilingualism at the EESC

3.1 Within their joint services, the EESC and CoR have their own translation service (with 4 to 6 % outsourcing to date) and use the Commission's interinstitutional services for interpreting (SCIC), which meets 49 to 52 % of its demand by using non-staff free-lance interpreters to cope with seasonal variations and to meet the demand from each institution.

3.2 The EESC and the CoR have each signed a Service Level Agreement (SLA) that sets out the conditions for the provision of interpreters by the SCIC, the criteria for invoicing these services and the responsibilities of both parties. The pay and working conditions of free-lance interpreters are governed by an Interinstitutional Agreement negotiated between the European Institutions concerned and the International Association of Conference Interpreters (AIIC).

3.3 To cover the language requirements arising from the addition of 11 new official languages (462 possible combinations), the joint services set up a *system of pivot languages* (9) following the 2004 and 2007 enlargements. Furthermore, a *Code of Conduct for Translation* was adopted by the secretaries-general of the two Committees on 25 May 2010 to make it easier to establish priorities and deadlines, bearing in mind the specific nature of the documents produced by the respective assemblies and administrations.

3.4 A draft information brochure for members and rapporteurs has been prepared by the language service, which intends to step up cooperation on language issues between itself and the Committees' members. This brochure highlights the fact that there is a personalised language service which provides assistance to rapporteurs for drafting the original version of documents, particularly when these documents are not drafted in the rapporteur's mother tongue. This service, together with the possibility of having documents edited before being sent for translation, makes it possible to improve document quality and thus make it easier for translators to do their work properly and also to shorten deadlines.

(9) 2009-106 of 23.11.2009.

3.5 This improved cooperation, aimed at providing a better service and better conditions for rapporteurs, members and translators should, in the medium term, **bring together members or their representatives in a contact group and build on existing contacts between the translation service, administrative services and the secretaries-general in order to carry out the necessary comprehensive, transparent and more long-term assessment of the language policy which is particular to the Committees, comprising both qualitative and quantitative elements (Recommendation No 4).**

4. Specific comments

4.1 Consultation with AIIC and the European civil servants' trade union, Union Syndicale, has shown that, apart from defending the interests of staff and free-lance professionals relating to problems with staffing levels and working hours, along with material conditions (working space and booths), these organisations play a part in regulating the profession. By virtue of agreements concluded with the European institutions, free-lance interpreters and translators have the same rights and rates of pay as officials carrying out the same duties, with the difference that free-lance staff only enjoy this equality for the days they work and for the duration of each mission, which – in practice – does give rise to de facto differences. Nevertheless, the agreements also set out quality standards for services provided, and interpreters who members of AIIC tend to negotiate for the whole team when the interpreters employed by the institutions for a specific mission are AIIC members. Up to now, in their capacity as leading opinion-shapers, the European institutions have played a positive role that complements that of AIIC as regards the profession's social welfare and professional standards.

4.2 Given the wide range of demand, it would appear that some practices have evolved where certain clients are less strict about accreditation and quality criteria, even going as far as accepting the provision of 'all-in-one' booths and interpreting services, where suppliers hire out equipment (booths and sound equipment), as well as the interpreters' services, all of which is billed on the same invoice. This means that:

- staff are being hired out and commissions levied illegally (these companies are not registered as recruitment agencies and are not allowed to take commission on salaries either under European law or under international agreements);
- there is no monitoring of the quality of services claiming to be of 'European' standard, which misleadingly implies using the services of interpreters whose qualifications are recognised by the institutions.

4.3 With regard to the Institutions, AIIC had drawn the attention of the Directorate-General for Interpretation to the fact that some calls for tender issued by Commission DGs for conference services - sometimes including interpreting services - did not always comply with the terms of the Agreement. After

consulting the Legal Service, DG Interpretation informed the other Commission Directorates-General of this approach.

4.4 Interpreting as a profession is not regulated. In this connection, AIIC has pointed out that, bearing in mind the considerable diversity of demand (companies, social services sector ...), it might prove necessary to **look into promoting the profession by drafting clear criteria for using the title of interpreter (university degree, professional criteria, experience, ...)** to prevent any negative impact on the whole of the interpreting profession and to protect users or clients against improper practices (such as expensive invoices for services which do not meet promised quality levels). **The Commission could launch Europe-wide consultation of the social partners to this effect (Recommendation No 5).** Furthermore, all the institution's staff and free-lance linguists consulted – interpreters and translators – agree that there is a need to promote a positive, attractive image of both professions to be able to satisfy future needs for replacing staff in the medium and long term.

4.5 The European Parliament (EP) has its own services in both areas as well as a code of conduct⁽¹⁰⁾. It also uses professional free-lancers to cover 40 % of its needs and will have spent EUR 22 million on translation in 2010.

4.6 As part of studies on the language arrangements for the institutions, the European Court of Auditors has produced two special reports⁽¹¹⁾ on the EP, Commission and Council's spending on interpreting (RS 5/2005) and translation (RS 9/2006).

5. Language arrangements and cultural diversity in the wake of the Lisbon treaty

5.1 Apart from the number of languages and the language framework established for sending draft legislative acts to the national parliaments (Protocol No. 1, Article 4), the Lisbon Treaty has not substantially altered the language arrangements for the EU, but it does confirm the goal of respecting European cultural and linguistic diversity⁽¹²⁾.

5.2 The rules governing the language used in the institutions of the Union, without prejudice to the provisions contained in the Statute of the Court of Justice of the European Union (CJEU), are determined by the Council, acting unanimously by means of regulations (Article 342 TFEU, ex Article 290 of the TEC). The rules governing the language used in the CJEU are also determined by the Council, acting unanimously (Protocol No. 3, Article 64). Article 3 of the TEU (ex Article 2) stipulates *inter alia* that the Union 'shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced.'

⁽¹⁰⁾ EP 413.599/BUR of 18.11.2008.

⁽¹¹⁾ OJ C 291, 23.11.2005 and OJ C 284, 21.11.2006.

⁽¹²⁾ See also: EP 431.591.0. Study on structural and cohesion policies after the Lisbon Treaty of 15.2.2010.

5.3 Article 55 of the TEU (ex Article 53 of the TEC) sets down the languages in which the treaty is drafted and translated. Declaration 16, which supplements Article 55(2) of the TEC, stipulates that *The Conference considers that the possibility of producing translations of the Treaties in the languages mentioned in Article 55(2) ⁽¹³⁾ contributes to fulfilling the objective of respecting the Union's rich cultural and linguistic diversity as set forth in the fourth subparagraph of Article 3(3). In this context, the Conference confirms the attachment of the Union to the cultural diversity of Europe and the special attention it will continue to pay to these and other languages*.

5.4 In the section on non-discrimination and citizenship of the Union (second part of the TFEU), the citizens of the Union have the right to address the institutions and advisory bodies of the Union in any of the Treaty languages and to obtain a reply in the same language (Article 20 of the TFEU, ex Article 17 of the TEC).

5.5 In Title XII on Education, Vocational training, Youth and Sport, it is stated *The Union shall contribute to the development of quality education by encouraging cooperation between Member States and, if necessary, by supporting and supplementing their action, while fully respecting the responsibility of the Member States for the content of teaching and the organisation of education systems and their cultural and linguistic diversity ...* (Article 165 of the TFEU, ex Article 149 of the TEC).

5.6 On common commercial policy: Article 207(4) of the TFEU (ex Article 133 of the TEC) stipulates that *'... For the negotiation and conclusion of agreements the Council shall act by a qualified majority: (a) in the field of trade in cultural and audiovisual services, where these agreements risk prejudicing the Union's cultural and linguistic diversity; ...'*

5.7 The Charter of Fundamental Rights includes language in the list of grounds for discrimination and also prohibits *'any discrimination based on any ground such as sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation'* (Article 21) and makes clear in Article 22 that *'the Union shall respect cultural, religious and linguistic diversity.'*

5.8 In this connection, the EESC also has a duty to give content precedence over form and, before making any change to its website, to ensure that every page and document is already translated into all the languages of the EU. The money spent on presentational changes could be shared with the language services whose role, more than any other service, is one of communication (Recommendation No 6).

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

⁽¹³⁾ That is to say "any other languages as determined by Member States among those which, in accordance with their constitutional order, enjoy official status in all or part of their territory ...".

III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

465TH PLENARY SESSION HELD ON 15 AND 16 SEPTEMBER 2010

Opinion

of the

European Economic and Social Committee

on the

'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Third strategic review of Better Regulation in the European Union'

COM(2009) 15 final

'Commission Working Document — Reducing Administrative Burdens in the European Union — Annex to the 3rd Strategic Review on Better Regulation'

COM(2009) 16 final

'Commission Working Document — Third progress report on the strategy for simplifying the regulatory environment'

COM(2009) 17 final

(2011/C 48/19)

Rapporteur: **Mr CAPPELLINI**

Co-rapporteur: **Ms ANGELOVA**

On 15 July 2009 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Third strategic review of Better Regulation in the European Union'

COM(2009) 15 final

'Commission Working Document – Reducing Administrative Burdens in the European Union – Annex to the 3rd Strategic Review on Better Regulation'

COM(2009) 16 final and

'Commission Working Document – Third progress report on the strategy for simplifying the regulatory environment'

COM(2009) 17 final.

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 8 July 2010.

At its 465th plenary session, held on 15-16 September 2010 (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 103 votes with 2 abstentions.

1. Summary of conclusions and recommendations

1.1 Enterprises and civil society need a legal framework that is easy to understand and to apply. Better Regulation helps to increase competitiveness by removing the unnecessary costs and burdens of this legal framework.

The EESC firmly supports this policy and sees Better Regulation as a way to support business during these times of economic crisis without incurring additional costs and investments.

1.2 Better Regulation should enhance the quality, coherence and delivery of a proportionate and targeted legal response to market failures and the EU 2020 agenda. Better regulation can be reached by cutting unnecessary regulation but at the same time it does not mean a complete deregulation⁽¹⁾. It aims to make rules simple, workable and less costly for users and taxpayers. Better Regulation should promote swift and effective decisions, effective implementation, and procedures should be monitored to ensure full accountability.

1.3 Better Regulation should be seen as a single and coherent policy that embodies a full set of principles, such as the 'Think Small First' principle of the Small Business Act SBA, using 'The Small Business Test' more regularly and systematically than at present. The EESC proposes that the policy should be comprehensive and consistent and that it draws more systematically on stakeholders to this end. Consultations should follow transparent priorities and be authentic, inclusive, and consequential.

1.4 Better Regulation would be greatly advanced if it was less technocratic and more informed through broad civil society involvement at all levels of regulatory activity. Impact assessments should be directed to ESCs at the national and EU level in a timely fashion and a full evidence base should be made available. EU regulations would benefit from the innovative solutions, greater awareness and legitimacy derived from these deliberations.

1.5 A shift from Directives to Regulations would greatly improve transparency, implementation and enforcement. Many regulatory problems take place during transposition into national law. Member States should not duplicate or add complexity to EU legislation and they should be closely monitored to this end by the Commission and all social partners⁽²⁾.

1.6 The Committee encourages the Commission to address Better Regulation in the use and administration of European funds by Member States, especially by avoiding unnecessary

or undue national rules and administrative procedures that hinder the proper and swift allocation of such resources⁽³⁾.

1.7 Better Regulation could be supported by the EESC in representing the successes as well as the challenges of the policy to civil society and other bodies. This would provide tangible evidence of the EESC role in the participatory democracy described in Article 11 of the Lisbon Treaty⁽⁴⁾.

2. Introducing Better Regulation

2.1 Regulation is a central instrument of EU policy. The EU's legal instruments have delivered the Single European Market, enhanced competitiveness and wider consumer choice and protection, lower transaction costs, environmental protection and a wide range of other benefits to businesses and citizens of the EU. They have also provided legal certainty in the market place by replacing a wide range of national regulations with clear sets of common rules that businesses can adapt to and comply with and that citizens, employees and consumers can benefit from across Europe.

2.2 The success of regulatory reform has increased the demand for regulation to manage non economic risks. While the use of regulation to achieve social goals is not new in the Member States, the development of EU level regulatory behaviour presents problems of implementation, overlapping, gold-plating and misunderstanding. Regulations may also hinder the use of non regulatory tools. The credibility of the EU depends on the coordinate delivery of its policies so a Better Regulation-strategy is now vital.

2.3 Better Regulation should enhance the quality, coherence and delivery of a proportionate legal response to market failures, as markets do not always provide optimum outcomes, and often fail to reflect all external costs. The poor allocation of resources that result have to be addressed by effectively protecting the interests of key users (such as consumers, workers, and small and medium size businesses) managing key risks (environmental, health, safety and social needs), while fully preserving competitiveness and the entrepreneurial spirit. Thus, Better Regulation, should never be considered as tantamount to de-regulation, even as it aims to make rules simple, workable and less costly for users and taxpayers. The rule of law is the cornerstone of any organised society but if poorly designed can hinder its proper functioning and lead to unequal treatment for citizens, workers and businesses.

⁽¹⁾ OJ C 175, 28.7.2009, p. 26, point 4.4; OJ C 24, 31.1.2006, p. 39; OJ C 93, 27.4.2007, p. 25.

⁽²⁾ OJ C 277, 17.11.2009, p. 6; OJ C 24, 31.1.2006, p. 52; OJ C 204, 9.8.2008, p. 9; OJ C 93, 27.4.2007, p. 25.

⁽³⁾ For example on State aid or on public procurement applied to undertakings.

⁽⁴⁾ OJ C 354, 28.12.2010, p. 59.

2.4 Proper consultation is vital. A well designed and targeted regulation delivers certainty by ensuring clarity and consistency in the rules as well as facilitating compliance and enforcement. It needs to spell out its objectives and the most effective, least cumbersome and cheapest ways to achieve them. An improved evidence base that draws on a broader range of indicators does help, but most policies cannot be judged on this alone. Broad consultation with stakeholders and experts plays a vital role in striking the balance between attaining policy goals and limiting the administrative burden for businesses and individuals. Failure to strike this balance may lead to complex rules that are difficult to use, comply with or enforce, and involve disproportionate costs. Better consultation will raise awareness and so improve application.

3. The Commission's Actions

3.1 The Commission's Third Progress Report on the implementation of its 2005 Communication⁽⁵⁾ reviews progress to improve existing legislation, to reduce administrative burden for businesses and individuals, and to anchor new initiatives that promote a better regulatory culture.

3.2 The Report shows the performance and new targets for the updating, modernising and simplification exercise⁽⁶⁾. The Communication estimates that simplification in the 13 priority areas identified in 2007 will cut EUR 115-130 billion of administrative costs. SME exemptions from statistical reporting will save more than EUR 200 billion from 2010. Removing barriers to electronic invoicing under the VAT Directive and creating a paperless environment in EU customs will also realise significant savings.

3.3 The Review highlights how integrated impact assessments improve the quality and coherence of the EU's legal framework. This impact assessment mechanism will be further improved and reinforced. The Report underlines the need for Better Regulation to be made a priority at all levels in the EU and across all Institutions and bodies. Cooperation with Member States to improve the application of Community law is also essential, despite limited progress to date. The Report also stresses the need for closer cooperation with EU trading partners and for convergence in setting global regulation by shaping the G-20 agenda in this field.

3.4 The EESC welcomes the Commission's results and its new priorities to enhance effectiveness. The commitment to pursuing this policy contributes to competitiveness and job

creation and so will aid economic recovery but also needs to engage urgently more broadly with those benefitting from these policies.

4. Better Regulation and EU policy making

4.1 Better Regulation is a fully-fledged policy. By acting in a comprehensive and coordinated way its aim is to reduce the burden for businesses and to transform lawmaking into an effective tool to address society's needs in a proportionate and useable manner. It should embody a full set of principles, such as the 'Think Small First' principle of the SBA, choose priorities transparently and in close cooperation and extensive consultation with stakeholders, make swift and effective decisions and monitor implementation and procedures to ensure full accountability.

4.2 Better Regulation needs to be pursued in a more coherent and comprehensive way as isolated initiatives do not add value. The Communication provides a description of its actions and specific plans but fails to provide an overview of how these plans interact and respond to the shortcomings identified in the original agenda⁽⁷⁾. If Better Regulation is to be coherent it must provide more clarity on how it is shaped. The EESC believes that all EU Institutions, and in particular the Commission where performance can be varied, should resolve this issue together.

4.3 Improving existing legislation involves more than cutting the Official Journal and the number of acts. The EESC thus welcomes the Commission's commitment towards a more integrated approach that targets overlaps, redundant legislation, gaps, inconsistencies and above all the reduction of administrative burdens⁽⁸⁾. Key areas in this field are the effective reduction of information or disclosure requirements, in particular for SMEs, in areas like statistics, VAT or company law. The EESC supports the general thrust behind the new steps to simplify, update and improve existing legislation.

4.4 The EESC welcomes the scrutiny undertaken under the impact assessment process as it leads to a more comprehensive evaluation of the need for new rules. The EESC also praises the Impact Assessment Board for the quality of its delivery. Independent scrutiny by this body, coupled with its transparency and wide consultation with stakeholders, are vital for better lawmaking. The EESC endorses the improvements envisaged under this line of action.

4.5 However, the completion of the Commission's screening

⁽⁵⁾ COM(2005) 535 final, 25.10.2005.

⁽⁶⁾ Including the Simplification Rolling Programme, the screening of the acquis, codification and recasting, repeal of obsolete acts among others.

⁽⁷⁾ COM(2005) 535 final, 25.10.2005; COM(2007) 23 final, 24.1.2007.

⁽⁸⁾ COM(2009) 16 final.

exercise clearly demands a political conclusion on this issue⁽⁹⁾. No such mention is to be found in the Communication, leaving doubts as to whether the Commission considers it has already undertaken this task.

5. Better Regulation in Member States

5.1 The EESC notes with some concern that plans to coordinate efforts with Member States are lagging behind. This reduces the effectiveness of the initiative. Member States need to make impact assessments before regulations are adopted, when possible – whenever substantial changes are introduced and their national impact assessment bodies need to be brought more into EU level discussions. The coordination of national programmes to reduce red tape is vital and any delay in realising this threatens the competitiveness of the European economy. Promoting this agenda should be considered as a matter of common interest.

5.2 Better Regulation should not be reduced to improving the production of laws or the prevention of legislative inflation alone. It needs to reflect on alternative ways to reach similar results by promoting co-regulation and the more extensive use of codes of conduct through deliberative methods⁽¹⁰⁾. The standardisation of technical requirements provides examples of good practice in tackling this complex issue without resorting to cumbersome harmonisation directives that do not keep pace with consumer and business needs. The achievements in industrial goods should be mirrored by other activities, in particular services⁽¹¹⁾.

5.3 While the Commission fails to promote such complementary activity the legislative gap is being filled by an increasing number of national rules, and these undermine the coherence of the Internal Market. Ambiguous national legislation should be avoided. The exchange of best practices and benchmarking between the Member States should be encouraged in this respect. Better Lawmaking can only feed into tangible benefits to citizens if national authorities become fully involved in the process. Transposition should preserve the spirit of simplification and enhanced lawmaking by blocking the reintroduction of barriers and burdens through the back door.

5.4 The achievements of the Internal Market are too often offset by barriers raised at the national level. Mapping results show that *'a very significant proportion of administrative burdens appear to be the result of inefficient public and private administrative practices (between 30 and 40 %)*'⁽¹²⁾. Yet no indication on such practices is provided in the Communication nor are measures envisaged to redress such unwarranted moves. The EESC is concerned that the imposition of additional requirements through the transposition of directives into national law may

undermine the enforcement of common rules across the Internal Market. The EESC believes that more should be done at the EU level to reduce the scope of potential burdens from being introduced by national authorities. A more comprehensive approach to Better Lawmaking, closely involving national authorities, private bodies and stakeholders seems essential. Directives should not only target minimum requirements but also the limits of discretionary lawmaking by Member States. Telecom rules provide an example where such limits have been imposed to curb any such unilateral action.

5.5 The EESC also believes that Member States should refrain from transposing EU rules that do not need to be transposed in national law as this introduces uncertainty and leads to potential incoherence. The original 2005 agenda proposed changing Directives to Regulations whenever practical and feasible under the Treaty. This idea has not been developed further and the Communication makes no reference to it. Regulations convey more certainty, create a level playing field and can ensure the simultaneous implementation of measures, which directives often do not. Where Regulations and State aid guidelines are turned into national law but with different words and meaning the Commission should provide guidance to Member States. In some cases the 28th regime could be considered as an option⁽¹³⁾.

6. A greater role for civil society and social partners in Better Regulation

6.1 The EESC has devoted extensive analysis and time to the Better Regulation agenda. It has delivered general and targeted opinions on enhancing EU lawmaking and challenged Commission proposals. It has advanced precise proposals to reinforce the legal framework of the EU on how to improve EU legislative procedures, legislation and implementation⁽¹⁴⁾. It has fostered an integrated approach to lawmaking by emphasising the importance of a proactive approach, of enhanced transparency and consultation, and of institutional accountability⁽¹⁵⁾. It has also extended Better Regulation to cover national law as a necessary complement to the EU level exercise⁽¹⁶⁾.

6.2 The EESC's Single Market Observatory (SMO) has channelled stakeholder's views and initiatives to show good practice in better lawmaking. As an institutional forum of expression for organised civil society it has closely cooperated with EU institutions and in particular with the Commission, offering advice

⁽⁹⁾ 6.2 of COM(2009) 17 final.

⁽¹⁰⁾ OJ C 175, 28.7.2009, p. 26.

⁽¹¹⁾ COM(2005) 535 final, 25.10.2005, par. 3d.

⁽¹²⁾ See 2.3 of COM(2009) 16 final.

⁽¹³⁾ CESE 758/2010 (INT/499, not yet published in the OJ).

⁽¹⁴⁾ OJ C 24, 31.1.2006, p. 39, OJ C 24, 31.1.2006, p. 52.

⁽¹⁵⁾ OJ C 175, 28.7.2009, p. 26.

⁽¹⁶⁾ OJ C 277, 17.11.2009, p. 6.

and support on Better Regulation issues. This Opinion builds on previous contributions, day-to-day cooperation and on good practice.

6.3 TEU Article 11 gives a special role for the EESC in the realisation of vertical and horizontal dialogue⁽¹⁷⁾. Consultation with stakeholders for reducing administrative burdens are still not at a satisfactory level. While the High Level Stakeholders group makes a useful contribution the European associations and organisations that represent the major stakeholders - employers, employees, consumers, environmental and other interests - should also be more involved in the consultation process. Only 148 submissions have been made on-line and only 237 ideas for cutting red tape have been submitted in reports and letters⁽¹⁸⁾. Civil society groups need to be more involved in the Better Regulation agenda. They engage more broadly, communicate its value to citizens, businesses and workers and underline Europe's commitment to designing policies that are easy to grasp and to use.

6.4 In this respect, the Communication is too technocratic in its presentation. It does not sufficiently convey the benefits from the Better Regulation drive to Europe's citizens and enterprises. Organised civil society can help here by disseminating results and articulating the demand for a policy that will both monitor and promote implementation of Better Regulation principles at the national and EU levels⁽¹⁹⁾.

6.5 The EESC believes that closer involvement with civil society and social partners should be sought in order to deliver a more balanced overview. All too often, stakeholders represent particular interests that need to be combined with more general ones from civil society as a whole. The SMO and the Committee of the Regions are already playing an active role in this respect and the EESC reiterates its willingness to become more closely involved in the production of a sound evidence base to inform decisions.

6.6 The EESC supports the view that all EU Institutions should coordinate their approaches to Better Regulation. The

swift adoption of simplification measures by legislative bodies is essential, as are amendments to original proposals that clearly spell out their compliance cost and benefits.

6.7 Impact assessments should therefore be carried out on a comprehensive and comparative basis, regardless of the institutions that perform them. They should develop a range of evidence bases to explore the impact of laws across the full range of economic, social and environmental interests.

6.8 The EESC proposes that Better Regulation draws more on the higher education sector to expand its evidence base in making impact assessments. Academics undertake research and educate students to produce high quality objective data that is often validated through peer review. However much of this is not engaged with in policy debates. This would improve the capacity to deliver Better Regulation as well as engaging with a broader section of European society.

7. Specific issues

7.1 Effectiveness in implementing EU funds is often hampered by national rules on State aid or public procurement that go far beyond Community requirements. The EESC invites the Commission to prioritise the improvement of the legal framework governing EU Funds to address this issue. The low absorption rate and poor allocation of resources demonstrate that EU Funds suffer from barriers imposed by national legislation.

7.2 The EESC welcomes the desire to shape global regulation referred to in the Communication and the practical steps taken to ensure better cooperation with our trading partners. Europe should play a leading role in this area by offering its expertise for the development of a more integrated and coherent global regulatory environment. It is exerting a key influence in shaping financial reforms and should pursue efforts in all fields, especially by facilitating trade through common standards and enhancing legal certainty for businesses and direct investments around the world.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

⁽¹⁷⁾ OJ C 354, 28.12.2010, p. 59. (Article 11).

⁽¹⁸⁾ According to 5.1 of COM(2009) 16 final.

⁽¹⁹⁾ OJ C 204, 9.8.2008, p. 9.

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Preparing for our future: Developing a common strategy for key enabling technologies in the EU’

COM(2009) 512 final

(2011/C 48/20)

Rapporteur: **Mr MORGAN**

On 30 October 2009, the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Preparing for our future: Developing a common strategy for key enabling technologies in the EU’

COM(2009) 512 final.

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 8 July 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 112 votes to 2 with 1 abstention.

1. Conclusions and recommendations

1.1 The EESC supports the proposed focus on Key Enabling Technologies (KETs). It also underlines the need for powerful KET oriented R&D in universities and research centres to stimulate development and to support the commercial and industrial application of these technologies.

1.2 However, as it stands, this proposal appears to be just another in a long series of EU initiatives designed to improve innovation and R&D intensity in the internal market. Previous schemes have not been successful, as is evidenced by the present state of affairs described in the Commission analysis (paragraph 3.8 below). A new approach is called for.

1.3 The Communication states that ‘while the required R&D and its specific applications are primarily the responsibility of business, policy makers need to put in place the right framework conditions and support instruments for strengthening the EU’s industrial capacities for the development of KETs’. The responsibility for this lies with the Member States but the EESC believes that this approach is problematical because, as explained in Section 5, the Member States do not have enough leading high-tech companies to adequately exploit KETs.

1.4 Because the spectrum of large high-tech companies is incomplete, SMEs face particular problems in the EU. Some SMEs start small and become big players on the global stage.

Most high-tech start-ups need a large company relationship to underpin their growth and survival. Many SMEs go on to be acquired by large companies which use acquisitions to supplement their own R&D efforts. In the absence of EU hi-tech companies, US and Asian companies become the partners and owners of EU SMEs.

1.5 Implicit in this Communication is the assumption that EU interests are well defined and understood, but in fact they are not. Most technology companies are multinational or global. The head office and stock market listing may be anywhere. The shareholders will be global institutions. Links in the value chain of basic research, product development, fabrication and assembly may be located on different continents. Acquisitions may be made wherever the necessary technology can be found. Branding and selling will be global. In effect, every product is available everywhere.

1.6 Where does the European interest lie in this matrix of interests? It is linked to the success or failure of Member States in stimulating enterprise. More companies are needed to exploit KETs. Company formation needs to be encouraged, company growth needs to be supported and inward investment needs to be attracted. The existing business culture in Europe needs to be challenged. Since the Treaty of Rome and the subsequent Single Europe Act, the EU has failed to keep up with the rest of the world as technology has advanced. KETs provide what is probably Europe’s last chance to take the lead in hi-tech products and services.

1.7 For this policy to succeed, there will need to be a build up of manufacturing operations in Europe. There will need to be a paradigm shift. The idea that manufacturing can be sub-contracted to the developing world is no longer tenable. Production engineering and technology are key to the innovation embodied in hi-tech products. This source of competitive advantage must be brought back to Europe and new technology start ups should be scaled up in Europe. In addition, Europe needs the jobs.

1.8 The EESC emphasises the need for a sound balance between applied research and research into science fundamentals. Basic research efforts sow the seeds from which long-term and sustainable innovations and new key enabling technologies can grow. A sound balance between applied and basic research is also important in order to attract high quality researchers.

1.9 An EU-centric strategy in a global market place is difficult to achieve. The EESC notes that the Communication does not contain any indication of performance measures, targets or target dates which might be applied to the outcome of this initiative. Putting some shape into this programme should be the first task of the High Level Group.

1.10 A point by point response to the KET policy proposals is given in section 4. In summary, the main points are:

- Face up to the failure of the internal market to encourage enterprise and develop an industrial strategy to address Europe's considerable deficit in hi-tech companies
- Bring back manufacturing to Europe and scale up new companies in Europe
- Make it easier for companies to obtain funding for innovative technologies
- Create financial incentives to make the EU a profitable location for KET innovation and enterprise
- Initiate radical reform of schools and universities to provide the necessary skills
- Encourage university and research centre based clusters of hi-tech innovative companies

- Recognise that the world has changed and adopt aggressive international trade policies

- Ensure that this initiative is all embracing, pulling in all related initiatives from all DGs.

1.11 The Commission is rightly concerned that without correct information, a public misled by disinformation may unreasonably oppose the introduction of KET based products and services. The EESC would support the engagement of civil society so that the necessary progress can be made. A high priority needs to be given to engaging the interest of the public in general and the young in particular in the amazing science and technology that surrounds our everyday lives, whether it be the extraordinary TMT ⁽¹⁾ convergence represented by the iPhone class of products or the chain of biology, chemistry, physics and logistics which brings meals to our table via the microwave oven. Europe needs more scientists with a mission to change the world.

1.12 At the same time, the EESC insists that a precautionary approach is adopted towards KET developments so that, while there must be risk, climate, health and social problems are mitigated and the developments made sustainable. Development and discovery will be inhibited if no risks are taken in research, but when applications of the KETs are in mass production, the EESC would expect that neither the welfare of the general public nor the sustainability of the environment would be compromised.

2. Introduction

2.1 In Section 1 of the Communication it is stated that 'the EU needs a strong innovative performance in order to equip itself with all the means needed to address major societal challenges ahead'. The Commission invites Member States to agree upon the importance of deploying KETs in the EU. This agreement is a prerequisite for developing the EU into a breeding space of innovation. It is also required if Europe is to become a key international player, translating its engagement into welfare gains at home and abroad.

2.2 The Commission proposed that a high-level expert group be set up to address the action areas set out in section 4 below. This has now been done. Group members are industrial and academic experts from Member States. To create synergies, this group should cooperate with other high-level expert groups, Commission expert groups and other technology bodies.

2.3 The group should:

- Assess the competitive situation of the relevant technologies in the EU, with particular focus on industrial deployment and relevance to societal challenges.
- Analyse in depth the available public and private R&D capacities for KETs in the EU.

⁽¹⁾ Telecommunications, media and (information) technology.

— Propose specific policy recommendations for a more effective industrial deployment of KETs in the EU.

The EESC expects the work of the Group to be based on foresight, vision and an all-embracing approach.

3. Key enabling technologies

3.1 The following have been identified as the most strategically relevant KETs:

3.2 *Nanotechnology* is an umbrella term that covers the design, characterisation, production and application of structures, devices and systems by controlling shape and size at nanometre scale.

3.3 *Micro and nano electronics* deal with semiconductor components and highly miniaturised electronic subsystems and their integration into larger products and systems.

3.4 *Photonics* is a multidisciplinary domain dealing with light – its generation, detection and management.

3.5 *Advanced material technologies* lead to both reduced cost substitutes for existing materials and to new higher added-value products and services. At the same time, they will reduce both resource dependency and environmental hazards and waste.

3.6 *Industrial Biotechnology* includes the use of micro-organisms or their components, such as enzymes, to generate industrially useful products, substances and chemical building blocks with capabilities that conventional petrochemical processes cannot provide.

3.7 Gaining Community agreement on the selection of Key Enabling Technologies is the focal point of the Communication. Software to run on these technologies and applications of these technologies will follow from the choice of the technologies themselves. The EESC is content to leave any refinement of this list to the high-level expert group. The EESC suggests that consideration be given to High Performance Computing and Simulation Science.

3.8 According to the Commission, the EU faces significant obstacles in achieving a wider deployment of KETs. It has been less effective than the US and some Asian countries in terms of commercialisation and exploitation of nanotechnologies, some aspects of photonics, biotechnology and semiconductors. These are all areas where substantial public R&D efforts are undertaken, however they do not sufficiently translate into economic and societal gains. There are several reasons for this:

— The EU does not effectively capitalise on its own R&D results.

— Public knowledge and understanding of KETs is often lacking.

— There is a shortage of skilled labour tailored to the multi-disciplinary nature of Key Enabling Technologies.

— The levels of venture capital funding and private investment available for KETs remain comparatively low.

— The fragmentation of EU policy efforts is often caused by a lack of long-term vision and coordination.

— In some third countries, KETs may benefit from state support which is often opaque and needs to be better understood in the EU.

4. Policy proposals

4.1 For an effective industrial deployment of KETs, ten policy areas need to be addressed. In the following paragraphs, the text in *italics* is the gist of the Commission proposal.

4.2 Increased focus on key enabling technologies:

— A key objective of public support for R&D and innovation should be to ensure that the flow of innovation is maintained, especially in the economic downturn, and that technology adoption is facilitated.

4.2.1 The EESC gives its full support to the proposal to reinforce publically supported programmes to offset the impact of the crisis on technological development. The squeeze on business profits is certainly holding back company R&D. The emphasis on collaboration in EU funding schemes is often an insurmountable handicap for small high-tech start-ups with a messianic commitment to their mission. Public money should be available without strings attached to provide seed money while innovators and entrepreneurs work on proof of concept.

4.3 Increased focus on technology transfer and EU-wide supply chains:

— The process of technology transfer between research institutions and industry needs to be strengthened⁽²⁾. Greater access for SMEs to enabling high technologies manufactured in Europe and the promotion of regional innovation clusters and networks are essential for creating and maintaining world class innovation.

⁽²⁾ See OJ C 218 of 11.9.2009, p. 8.

4.3.1 This policy relates to the relationship between research institutes and industry, particularly SMEs. It does not discuss industrial clusters based at universities and research centres. There is a big difference between existing SMEs in the industry supply chain which need access to the latest technology relevant to their position in the supply chain and small new SMEs which are established to take forward new science or technology which may have emerged from a scientific institute, a university or a company research department. While the EESC supports the policy proposal as outlined, it also advocates a more determined effort to improve university science and technology and venture capital support for university related venture capital clusters.

4.3.2 For this policy to succeed, there will need to be a build up of manufacturing operations in Europe. There will need to be a paradigm shift. The idea that manufacturing can be sub-contracted to the developing world is no longer tenable. Production engineering and technology are key to the innovation embodied in hi-tech products. This source of competitive advantage must be brought back to Europe. It is also an opportunity to create employment. As small companies scale up, they should have incentives to manufacture in Europe.

4.4 Increased focus on joint strategic programming and demonstration projects:

- The Community, but also Member States and regions, should pursue a more coordinated and strategic approach to avoid uneconomical duplication and more effectively capitalise on R&D results related to KETs.

- Innovation programmes financed in Member States should provide stronger incentives for collaborative joint programming actions between Member States. This would unlock the benefits of scale and scope and facilitate strategic alliances between European companies.

- As the costs of demonstration projects are sometimes an order of magnitude greater than those of upstream R&D, greater collaboration across the EU with stronger industry and user involvement could allow progress to be realised efficiently and affordably.

4.4.1 This focus could provide one way of addressing the gaps in the spectrum of EU high-tech companies. Development and demonstration of market facing products and services meeting real market needs could be the means of transforming smaller high-tech companies into larger ones. The EESC believes that this policy is more applicable at the applications of science and technology, rather than to basic research. The EESC would like to see a concentration of EU and Member State funds on realising the market potential of the technologies which have featured in so many policy papers and vision documents. There needs to be a concerted effort to both stimulate new business

formation and the subsequent up-scaling to enterprises of global presence and competitiveness.

4.4.2 Additional synergy could be created based on the Commission initiatives on joint programming in research and macro regional cooperation. Special incentives might be made available specifically for joint cooperation on KET projects.

4.5 State aid policies:

- Well targeted state aid that addresses market failures is an appropriate instrument to increase R&D and foster innovation in the EU. The Commission intends to review the 2006 framework for state aid to R&D and innovation to determine its adequacy.

4.5.1 Clearly, EU established companies do not want to have to compete with other EU companies supported by state aid. However, in the view of the EESC, the biggest issue is the paucity of large EU high-tech companies as described in section 5. The EESC believes that there is scope for public intervention in these sectors, in order to stimulate the working of the market.

4.5.2 It may be appropriate to devise specific policies to help some states in the East and South of Europe to accelerate the development of a hi-tech infrastructure together with a complementary university science infrastructure. Research potential may be unexploited due to a lack of resources.

4.5.3 It should be a priority for the Commission to understand why there are gaps in the spectrum of EU high-tech companies and what can be done to fill them. In all the major regions of the world, high-tech companies emerge from a mix of market forces and public intervention. Apple, Google, Microsoft and Dell are pure products of the market. In the EU the significant aerospace presence is the product of public intervention (ESA, EADS). EU market forces have produced Nokia, but virtually no other comparable company has emerged in the life of the EU. The expert group must find a way to enable the EU to re-establish itself in the global ICT industry. In addition, if the EU is to succeed in, the renewable energy field, it must clearly identify companies with the capacity to develop and deploy new fuels and energy sources. It must then support such companies to scale up.

4.6 Combining the deployment of KETs and Climate Change policy:

- The combination of fostering KETs and fighting climate change would offer important economic and social opportunities and would also facilitate considerably the financing of the European share of the burden which international agreements will impose.

4.6.1 The EESC believes that priority should be given to the development of alternative fuels and technologies for transport power, heat and light. The best strategy for climate change is to develop energy options ⁽³⁾.

4.7 Lead markets and public procurement:

— The EU needs a favourable environment for effective capitalisation of research results in products. It needs to promote demand through public procurement and schemes such as the lead market initiative. Member States could use pre-commercial procurement and procurement for large-scale, close-to-market innovations to stimulate emerging enabling technology markets.

4.7.1 The EESC supports this proposal in concept. It would expect the high-level expert group to establish priority projects to ensure that this policy has maximum effect.

4.8 International comparison of high-tech policies and enhanced international cooperation:

— The Commission will conduct an international comparison of high technology policies in other leading and emerging countries such as the US, Japan, Russia, China and India and explore the scope for closer cooperation.

4.8.1 The EESC supports an extensive programme of international benchmarking to provide a basis for KET policy development ⁽⁴⁾. International cooperation could be valuable for large scale developments, particularly in the climate change arena, but competitiveness should come first. The Commission should seek to learn from the industrial strategies employed elsewhere.

4.9 Trade policy:

— Particular attention should be paid to ensure favourable trade conditions for KETs through bilateral and multilateral means, in order to avoid international market distortions, facilitate market access and investment opportunities, improve IPR protection, and reduce the use of subsidies and tariff and non-tariff barriers at global level.

4.9.1 The EESC believes that the EU must discard the previous paradigm that distinguished between developed and developing countries and caused policy makers to tolerate subsidies and other trade distortions in third countries while conducting multi-year negotiations to remedy the situation. In many technologies, the EU trails Asia. The EESC believes that

the EU should now be prepared to confront subsidies and trade distortions with subsidies and trade distortions of its own. The EU should, of course, be ready to agree appropriate treaties when the other parties are ready to come to the table. In the meantime, the EU should implement an industrial strategy to rebuild its companies and its technological leadership.

4.10 EIB financing instrument and venture capital funding:

— The Commission will further stimulate high-tech investment and encourage the EIB to give priority to the high-tech industry by both using existing schemes and designing new instruments in order to facilitate investments, taking account of the current financial and economic crisis.

— Venture capital funds specialised in early stage investment need strengthening. Sufficient availability of venture capital can be assured through public private partnerships which play a critical role in the creation and expansion of R&D intensive companies.

4.10.1 Money is the most vital of market forces. More and expanded sources of development finance are a prerequisite for the KET programme.

4.10.2 The EESC believes that the bureaucratic technicalities relating to existing EU investment and finance mechanisms should not be allowed to divert or prevent funds necessary for KET development from reaching the target.

4.10.3 It is very easy to lose money on high-tech investments. The Commission needs to look further than venture and bank capital in whatever form. High net worth individuals must have every incentive to put their money at risk in high-tech start ups at the early stage before VCs become involved. High-tech R&D should receive maximum tax relief. Tax on the capital profits from the sale of high-tech start-ups should receive favourable treatment. The rewards of success need to compensate for losses on other investments. The EU is less friendly towards investors and entrepreneurs than other regions.

4.11 Skills, higher education and training:

— Natural sciences and engineering must achieve their rightful place in the education system. The percentage of graduates in these fields should be increased and further strengthened by the attraction of international talent.

⁽³⁾ See CESE 766/2010 of 27.5.2010.

⁽⁴⁾ See OJ C 306 of 16.12.2009, p. 13.

4.11.1 The scale of Asian investment in education and skills is well known. The output of PhDs from Asian universities overwhelms the numbers produced in the EU. The best EU universities have a large quota of Asian students. Given that national wealth in the 21st century is being determined in the class rooms of the world, most EU Member State educational performance, whether in school or university, falls way behind the requisite standards. The evidence can be found in the tables of global school achievement and international university ranking.

4.11.2 Priority should be given to improving the standard of school teaching, especially in mathematics and science, creating incentives for students to major in maths and science in both school and university and for qualified science graduates to enter the teaching profession. Furthermore, an elite group of universities must be identified where teaching and research standards can be made world competitive, together with the development of university linked infrastructures (science parks) to incubate spin out SMEs and provide the necessary seed capital funding.

4.11.3 The scale of the educational challenge in many member states is so great, and the compound failure of politicians to deal with the problem over the years is so manifest, that society will need to deploy its resources on a war footing until the necessary results are secured.

4.11.4 Moreover, the framework conditions for teaching and R&D in universities and research centres need to be made much more attractive. The EU needs to attract the best brains from other regions. At the moment, conditions are such that the reverse is true, many of the EU's best brains move to other regions for better conditions ⁽⁵⁾. Even so, it is important to facilitate international mobility ⁽⁶⁾ because this has become a prerequisite for a successful career.

4.11.5 Likewise, a sound balance must be struck with regard to support for applied research and research into science fundamentals. Basic research efforts sow the seeds from which long-term and sustainable innovations and new key enabling technologies can grow. A sound balance of this kind is also important in order to attract high quality researchers.

5. Hi-Tech Companies

5.1 The EESC is extremely concerned about the European deficit amongst global high technology companies. The two tables below have been compiled from the 2010 Financial Times listing of the global and regional top 500 companies by market value. They contain data on the industry sectors best able to exploit KETs.

5.2 The first table is extracted from the Global 500 list. In this analysis there is no hi-tech sector in which Europe leads the world, except for Chemicals.

FT Global 500 - Technology Sectors					
Sector	Number of Companies				
	Global	USA	ASIA	EUR	
Pharmaceutical & Biotechnology	20	10	3	6	Novartis*, Roche*, GSK, Sanofi-Aventis, AstraZeneca, Novo Nordisk
Technology Hardware	21	13	5	2	Nokia, Ericsson
S/W & Comp Services	12	6	5	1	SAP
Automotive & Parts	11	2	6	3	Daimler, VW, BMW

⁽⁵⁾ See OJ C 110 of 30.4.2004, p. 3.

⁽⁶⁾ See OJ C 224 of 30.8.2008.

FT Global 500 - Technology Sectors					
Sector	Number of Companies				
	Global	USA	ASIA	EUR	
Chemical	13	4	1	5	Bayer, BASF, Air Liquide, Syngenta*, Linde
Health Care Equipment	12	11	0	1	Fresenius
General Industrials	13	4	6	2	Siemens, ThyssenKrupp
Industrial Engineering	11	3	4	4	ABB*, Volvo, Atlas Copco, Alstom
Aerospace & Defence	10	7	0	3	BAE Systems, Rolls Royce, EADS
Oil Equipment & Services	7	4	0	1	Saipem
Leisure Goods	4	0	3	1	Phillips Electrical
Electronic & Electrical	6	2	3	1	Schneider Electric
Alternative Energy	1	1	0	0	

Industrial sectors excluded from this analysis are oil and gas producers, industrial metals and mining, construction and materials, as well as food, drink and tobacco producers.

Operational sectors excluded from this list are fixed line and mobile telecommunications, industrial transportation, electricity, gas, water and multi-utilities.

Asia is predominantly Japan, but includes companies from Taiwan, S. Korea, Hong Kong, China, India and Australia.

Europe includes the EU and EFTA. Companies marked with an asterisk (*) are Swiss.

5.3 The second table is extracted from the top 500 listings for the USA, Japan and Europe. It includes regional market values in each sector. Of the thirteen high-tech sectors, Europe leads in Chemicals, Industrial Engineering and Alternative Energy, although the latter is still a fledgling sector. Europe also holds a respectable position in pharmaceuticals and Biotechnology. Japan leads in Automotive, Electronic and Electrical and Leisure Goods. Other Asian countries also hold strong positions in these sectors. The USA dominates the sectors which it leads: Pharmaceutical and Bio-tech, Technology Hardware, Software and Computer Services, Health Care Equipment and Services, General Industrial, Aerospace and defence and Oil Equipment and Services. These are all important sectors for the exploitation of KETs.

FT Regional 500 - Technology Sectors						
Sector	Number of Companies (#) and Market Value (\$ billions*)					
	USA		Japan		Europe	
	#	\$	#	\$	#	\$
Pharmaceutical & Biotechnology	21	843	24	147	18	652
Technology Hardware	34	1 049	18	164	8	140
S/W & Comp Services	25	884	12	58	8	98
Automotive & Parts	5	81	37	398	9	186
Chemical	12	182	36	134	18	293
Health Care Equipment	31	511	4	24	11	94
General Industrials	9	344	8	38	6	127
Industrial Engineering	11	165	36	185	18	210

FT Regional 500 - Technology Sectors						
Sector	Number of Companies (#) and Market Value (\$ billions*)					
	USA		Japan		Europe	
	#	\$	#	\$	#	\$
Aerospace & Defence	12	283	—	—	7	84
Oil Equipment & Services	17	271	—	—	9	62
Leisure Goods	5	42	14	181	1	31
Electronic & Electrical	10	124	29	159	6	54
Alternative Energy	1	10	—	—	2	16

A billion* is one thousand million This table is compiled from the FT listing of the top 500 companies in each of the three regions. The sector mix and balance in each region is quite distinct, but the comparative market value of each sector in each region is a useful measure of relative technological intensity.

5.4 The conclusion from this analysis is that the EU needs an industrial strategy to secure its position in the world of KETs in 2020 and beyond.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the 'Green Paper on the Interconnection of business registers'

COM(2009) 614 final

(2011/C 48/21)

Rapporteur: **Ms BONTEA**

On 4 November 2009, the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

'Green Paper on the Interconnection of business registers'

COM(2009) 614 final.

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 8 July 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 16 September), the European Economic and Social Committee adopted the following opinion by 65 votes to 13, with 18 abstentions.

1. Conclusions and recommendations

1.1 The Committee is in favour of developing and strengthening cooperation between business registers across all EU Member States; this should be underpinned by the principles of transparency, rapidity, reduced costs, administrative simplification, adequate protection of personal data and interoperability. Cross-border cooperation between business registers should guarantee better and more reliable official information for creditors, business partners, shareholders and consumers. It will provide greater legal certainty and help the internal market to function more smoothly.

1.2 The interconnection of business registers should reflect the goals of two strategic documents: the Europe 2020 strategy ⁽¹⁾ and the Small Business Act (SBA) ⁽²⁾. Interconnecting business registers should increase transparency and facilitate cooperation between businesses, as well as lower the barriers to cross-border business activities and reduce administrative burdens, particularly for SMEs. All of this is crucial to consolidating the single market and promoting balanced and sustainable economic and social progress, as highlighted in the Commission communication *Think Small First: Priority to SMEs – A Small Business Act for Europe* (COM(2008) 394 final).

1.3 The EESC recommends adding new objectives to those set down in the Green Paper, with a view to:

- setting up a compulsory cooperation instrument to facilitate and strengthen the electronic interconnection of central Member State registers, and in particular with the e-Justice portal, making it the main access point for legal information

⁽¹⁾ Commission Communication: Europe 2020 – A strategy for smart, sustainable and inclusive growth, COM(2010) 2020 final.

⁽²⁾ Commission Communication: 'Think Small First' – A Small Business Act for Europe, COM(2008) 394 final.

in the EU, in order to apply the Company Law Directives effectively, and;

- boosting cross-border cooperation, especially regarding cross-border mergers and branches in other Member States, making use of the advantages offered by IMI.

1.4 The Committee broadly supports the Green Paper, subject to a comprehensive impact assessment and provided that no additional administrative burdens are imposed on companies.

1.5 The Committee believes that interconnecting business registers can only create real added value if the network comprises not only central registers, but all local and regional registers from across the 27 Member States and if the information transmitted within the network – regardless of country of origin – is up-to-date, secure, standardised, readily available via a simple procedure and in all official EU languages, and, preferably, free of charge (at least for basic information).

1.6 Should legislative action be taken at EU level, the Committee would highlight the need to take this opportunity to amend the rules on publication, in order to reduce the administrative burden on companies, and particularly SMEs, without reducing transparency, bearing in mind that disclosing information to national official journals entails considerable additional costs for businesses, without providing real added value, given the possibility of accessing this information in online registers.

1.7 A governance agreement could be the solution to establishing the technical details of business register cooperation.

1.8 To achieve the objectives set out in the Green Paper, the Committee proposes opting for a solution that integrates and builds on all of the existing cooperation mechanisms and initiatives, especially the EBR ⁽³⁾, BRITE ⁽⁴⁾, IMI and e-Justice, by extending the EBR and developing it as an advanced and innovative interoperable system – in the form of an ICT service platform and as an effective forecast management instrument that interconnects business registers across the EU and boosts cooperation between businesses and the assessment of their development – which is integrated into the European e-Justice portal.

1.9 As regards connecting the network of business registers with the electronic network set up under Directive 2004/109/EC, the Committee believes that an impact assessment should be carried out, subsequent to the interconnection of all business registers.

1.10 With regard to branches of companies in other countries, the Committee supports introducing IMI, as an information system providing a framework for administrative cooperation that can be used in support of the application of any piece of internal market legislation.

1.11 By designating the competent body to take over, expand and develop the EBR – which should be mandatory and not voluntary – and ensuring proper funding of the project from EU funds, the construction of a network of cross-border cooperation that includes business registers from all Member States and the achievement in the short- and medium term of these objectives will be accelerated.

1.12 Creating a network of business registers should fulfil a range of functions and provide more tools to facilitate communication.

1.13 Cooperation in this field between national and EU institutions and the social partners and civil society is particularly important.

2. Background

2.1 The EU has 27 business registers, operating on a national or regional basis. They register, examine and store information on companies established in the relevant country or region, in

accordance with the minimum standards applicable to the core services they provide under EU legislation.

2.2 However, while official information on companies is easily available in the country of their registration (business registers in almost all Member States went electronic and online from 1 January 2007), access to the same information from another Member State may be hindered by technical (different search conditions and structures) or language barriers.

2.3 There is increasing demand for access to information on companies in a cross-border context, either for commercial purposes or to facilitate access to justice, given that the opportunities offered by the single market have facilitated expansion beyond national borders. Moreover, a large number of mergers and divisions involve companies from different Member States of the EU, especially as a consequence of Directive 2005/56/EC, which requires cooperation between business registers, and it is possible to be registered in one Member State and conduct business activity partly or entirely in another.

2.4 Cross-border business activities have made the day-to-day cooperation of national, regional or local authorities and/or business registers a necessity; many tools and initiatives are in place to facilitate voluntary cooperation.

3. Summary of the Green Paper

3.1 The *Green Paper on the Interconnection of business registers* describes the existing framework and considers possible ways forward to improve access to information on businesses across the EU and to ensure more effective application of the company law directives.

3.2 According to the Green Paper, the interconnection of business registers serves two distinct but related purposes:

— facilitating access to official, reliable information on companies across borders to increase transparency in the single market and enhance the protection of shareholders and third parties;

— strengthening cooperation between business registers in the case of cross-border procedures, such as cross-border mergers, seat transfers or insolvency proceedings, as required explicitly by the Directive on cross-border mergers and by the Statutes for a European Company and a European Cooperative Society.

⁽³⁾ European Business Register.

⁽⁴⁾ Business Register Interoperability Throughout Europe.

3.3 The Green Paper outlines the existing cooperation mechanisms and initiatives:

- **EBR:** a voluntary initiative undertaken by business registers from 18 Member States and six non-EU States with the support of the European Commission. This is a network of business registers whose objective is to offer reliable information on companies. It has certain limitations, however, as regards the scope of the network and the issue of cooperation in cross-border procedures;
- **BRITE:** a research initiative completed in March 2009, led by some of the EBR partners and funded largely by the European Commission. Its objectives were to develop and implement an advanced and innovative interoperability model, an ICT service platform and a management instrument for business registers to interact across the EU, focusing in particular on cross-border seat transfers and mergers, and on enhancing control of branches of companies registered in other Member States;
- **The Internal Market Information System (IMI):** a secure web-based application set up in March 2006 and run by the Commission. It is a closed network that provides the competent authorities in the Member States with a simple tool for finding the relevant partner authority in other Member States and communicating with them in a fast and efficient way. It is being used to support the implementation of the Professional Qualifications Directive and the Services Directive;
- **e-Justice:** an initiative launched in June 2007 to assist the work of judicial authorities and practitioners and facilitate public access to judicial and legal information. One tangible result of the initiative is the European e-Justice portal, which will be the key point of access to legal information, legal and administrative institutions, registers, data bases and other services. The European e-Justice action plan for 2009-2013 deals with issues relating to the integration of the EBR into the portal, through a phased approach (as a link in the first phase, leading on to the possibility of its partial integration).

3.4 Essentially, the Green Paper proposes three possible ways forward for developing the existing mechanisms of cooperation between business registers:

- option one is to use the results of the BRITE project and designate or establish a body that is in charge of maintaining the necessary services, extended to all Member States;
- option two is to use the IMI system, which is already operational and could be extended in the coming years to new areas of EU legislation;
- and option three is to combine the two options.

4. General comments

4.1 The Committee is in favour of developing and strengthening cooperation between business registers across all EU Member States with a view to facilitating access to official, reliable information on businesses and companies and ensuring transparency in the single market, while enhancing the protection of shareholders and third parties (creditors, business partners, consumers, etc.), particularly in cross-border procedures (such as cross-border mergers, seat transfers or insolvency proceedings).

4.2 Considering possible ways forward to improve access to information on businesses across the EU and more effectively apply the company law directives is a worthy Commission initiative. Indeed, the Committee broadly supports the Green Paper, bearing in mind that a comprehensive impact assessment is necessary, and provided that no additional administrative burdens are imposed on companies.

4.3 The interconnection of business registers should reflect the goals of two strategic documents: the Europe 2020 strategy (which calls for stronger cross-border cooperation) and the Small Business Act (which aims to '[minimise] costs and burdens for business' in order to 'make a major contribution to the success and growth of SMEs by saving them time and money and hence freeing resources for innovation and job creation', with rigorous assessment of the impact of future legislative and administrative initiatives).

4.4 Interconnecting business registers should increase transparency, improve access to official information on companies and cooperation between them, and is crucial to consolidating the single market and promoting balanced and sustainable economic and social progress.

5. Responses to the questions raised in the Green Paper

5.1 Need for a better network of Member State business registers

5.1.1 In the light of the current situation, the Committee is in favour of developing and strengthening cooperation between business registers across all EU Member States; this should be underpinned by the principles of transparency, rapidity, reduced costs, administrative simplification, adequate protection of personal data and interoperability (automatic communication with local and regional registers).

5.1.2 The Committee believes that creating a network of business registers can only bring real added value if it comprises all local and regional registers from across the 27 Member States and if the information transmitted within the network – regardless of country of origin – is up-to-date, secure, standardised, readily available via a simple procedure and in all official EU languages, and, preferably, free of charge (at least for basic information).

5.2 Possibility of determining details of cooperation through a 'governance agreement' between the representatives of the Member States and the business registers

5.2.1 Subject to a cost-benefit analysis as part of a comprehensive impact assessment, the Committee stresses the need to expand and strengthen current cooperation between business registers, and points out that to this end all Member States must fulfil the obligation to develop their partnership in this field, by actively participating in its expansion and taking decisions on its terms and conditions.

5.2.2 Following the impact assessment, should EU-level legislative action be deemed necessary in order to create a legal requirement for cooperation between business registers, the Committee would highlight the need to take this opportunity to amend the rules on publication in the register, in order to reduce the administrative burden on companies, and particularly SMEs, without reducing transparency, bearing in mind that disclosing information to national register journals entails considerable additional costs for businesses, without providing real added value, given the possibility of accessing this information in online registers.

5.2.3 It may be useful to create a firmer legal basis for some features of the network, but the details of the cooperation should be determined through an agreement on the governance of the electronic network of business registers. At the very least, consideration should be given to factors such as the conditions for joining the network, the designation of a body to manage the network, aspects relating to liability, funding, settlement of disputes, maintenance of the central server and guaranteeing access in all official EU languages, along with minimum rules on data protection and security.

5.3 Whether there is any added value in connecting, in the long term, the network of business registers to the electronic network set up under the Transparency Directive (2004/109/EC)

5.3.1 As regards connecting the network of business registers with the electronic network of regulated information on listed companies set up under the Transparency Directive (2004/109/EC), the Committee believes that this objective should be subsequent to the full interconnection of all business registers, and that an impact assessment should be carried out on the technical difficulties involved, the effectiveness of such a measure, its real added value and the costs involved. It might be more appropriate to use Directive 2003/58/EC, which introduced electronic business registers.

5.3.2 Enhanced cooperation between business registers will also be beneficial as regards potential synergies with the disclosure of company information by other bodies (with respect to improving the transparency of financial markets, enhancing the availability of financial information on listed companies across Europe and ensuring the effective operation of cross-border insolvency proceedings).

5.4 Best solution for facilitating communication between business registers in the event of cross-border mergers and seat transfers

5.4.1 To achieve the objectives set out in the Green Paper, the Committee proposes opting for a solution that integrates and builds on all of the existing cooperation mechanisms and initiatives, especially the EBR, BRITE, IMI and e-Justice, by extending the EBR to all Member States, and developing it as an advanced and innovative interoperable system – in the form of an ICT service platform and as an effective forecast management instrument that interconnects business registers across the EU and boosts cooperation between businesses and the assessment of their development – which is integrated into the European e-Justice portal.

5.4.2 The solution proposed by the Committee (to expand the EBR to all Member States and enhance its functioning by building on the results of the BRITE project and potentially bringing the IMI system into play, while integrating the network into the e-Justice portal) would have the following effects: it would ensure the continuity of the experience already built up in managing and administering these IT platforms and maintain their level of recognition and avoid the confusion that might arise were a new instrument to be launched providing similar or even identical information to that contained in the EBR; and multiply the results of the investment already made, including via EU funding, and thus entail lower implementation costs, particularly in the event that the IMI is brought into play or the network integrated into the e-Justice portal.

5.5 *Solution proposed for branches of companies*

5.5.1 The disclosure requirements for foreign branches, established by Directive 89/666/EEC, render the cooperation of business registers indispensable in practice to ensure that information and documents are disclosed when a branch is opened. The Committee supports building on and developing the results of the BRITE project and the solution of automatic notification among registers in order to verify that the relevant data is accurate and up-to-date and thereby protect the interests of creditors and consumers coming into contact with the branch.

6. **Specific comments**

6.1 In order to achieve full interoperability of business registers, we need to work out the best solutions to the problem of removing the current technical (different search conditions and structures) and language barriers (with the EBR, the solution is that searches can be made in all languages and the requested information is provided in the language of the query).

6.2 By designating the competent body to take over, expand and develop the EBR and ensuring proper funding of the project from EU funds, the construction of a network that includes all Member States and the achievement in the short- and medium term of these objectives will be accelerated. In future, limitations consisting of high fees for joining and using EBR software or subscriptions should be overcome, and national-level obstacles to participation abolished.

6.3 The interconnection of business registers should not be limited to maintaining, developing, administering and updating the network and software; it should also successfully manage relations between participants, promote the system properly among citizens and businesses, participate in programmes funded by the EU, extend services for new countries and even perform commercial services to generate income, all of which would be ploughed back into developing the network.

6.4 The interconnection of business registers should include more tools to facilitate communication: search criteria, a set of transparent procedures, agreed upon by all Member States, for receiving queries and forwarding responses, the option of receiving electronic documents and certificates, instruments for managing queries/responses and monitoring progress, procedures for submitting and settling complaints, multilingual search facilities, set but open questions and answers, a director with contact details, etc.

6.5 The initiative to interconnect business registers should include all the information which it is mandatory to disclose, giving access to this information from the electronic files in national registers and reducing the administrative burden on companies, without imposing additional fees, particularly on SMEs. The IMI would appear to be a viable means of facilitating communication between the various Member States' business registers.

6.6 When carrying out the impact assessment, the application of the following aspects should be taken into consideration:

- a single access point to the network of registers;
- a single identifier for a company at European level;
- a uniform system of invoicing;
- a European certificate, in the form of an extract from the business register standardised across the EU;
- a minimum set of data which should be harmonised and applied at EU level, including information services of the same quality in every Member State.

6.7 Cooperation in this field between national and EU institutions and the social partners and civil society is particularly important.

Brussels, 16 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

APPENDIX

to the opinion of the European Economic and Social Committee

The following amendment, which received at least a quarter of the votes cast, was rejected in the course of the debate [Rule 54(3) of the Rules of Procedure]:

Point 2.1

Amend as follows:

~~The EU has 27 business registers, operating on a national or regional basis. They register the listing of company directorships and other legal entities and the auditing of company accounts, the appointment of independent experts and auditors and the filing and publication of accounts in line with under EU legislation examine and store information on companies established in the relevant country or region, in accordance with the minimum standards applicable to the core services they provide.~~

Reason

Will be given orally.

Voting

For: 22
Against: 24
Abstentions: 2

The following section opinion texts were rejected in favour of amendments adopted by the assembly but obtained at least a quarter of the votes cast:

Point 2.2

‘However, while official information on companies is easily available in the country of their registration (business registers in all Member States went electronic and online from 1 January 2007), access to the same information from another Member State may be hindered by technical (different search conditions and structures) or language barriers.’

Voting

For: 44
Against: 29
Abstentions: 2

Point 4.1

‘The Committee is in favour of developing and strengthening cooperation between business registers across all EU Member States with a view to facilitating access to official, reliable information on companies and ensuring transparency in the single market, while enhancing the protection of shareholders and third parties (creditors, business partners, consumers, etc.), particularly in cross-border procedures (such as cross-border mergers, seat transfers or insolvency proceedings).’

Voting

For: 49
Against: 29
Abstentions: 5

Point 4.4

'Interconnecting business registers should increase transparency and cooperation between businesses, remove the barriers to cross-border business activities and reduce administrative burdens. All of this is crucial to consolidating the single market and promoting balanced and sustainable economic and social progress.'

Voting

For: 50
Against: 40
Abstentions: 6

Point 4.5

'The EESC believes that the two objectives set down by the Green Paper are limited, and recommends that two further objectives be added. The main objective for the interconnection of business registers should be to set up a forecasting instrument as a management tool for assessing the development and performances of EU businesses. This would strengthen strategies and policies in the field, at all levels (European, regional and local). The interconnection of business registers should also aim to boost cooperation between businesses in the EU.'

Voting

For: 54
Against: 44
Abstentions: 7

Point 5.3.1

'As regards connecting the network of business registers with the electronic network of regulated information on listed companies set up under the Transparency Directive (2004/109/EC), the Committee believes that this objective should be subsequent to the full interconnection of all business registers, and that an impact assessment should be carried out on the technical difficulties involved, the effectiveness of such a measure, its real added value and the costs involved.'

Voting

For: 61
Against: 31
Abstentions: 8

Point 5.4.1

'To achieve the objectives set out in the Green Paper, the Committee proposes opting for a solution that integrates and builds on all of the existing cooperation mechanisms and initiatives, especially the EBR, BRITE and e-Justice, by extending the EBR to all Member States, and developing it as an advanced and innovative interoperable system – in the form of an ICT service platform and as an effective forecast management instrument that interconnects business registers across the EU and boosts cooperation between businesses and the assessment of their development – which is integrated into the European e-Justice portal.'

Voting

For: 51
Against: 37
Abstentions: 7

Point 5.4.2

'The solution proposed by the Committee (to expand the EBR to all Member States and enhance its functioning by building on the results of the BRITE project, while integrating the network into the e-Justice portal) would have the following effects: it would ensure the continuity of the experience already built up in managing and administering these IT platforms and maintain their level of recognition and avoid the confusion that might arise were a new instrument to be launched providing similar or even identical information to that contained in the EBR; and multiply the results of the investment already made, including via EU funding, and thus entail lower implementation costs.'

Voting

For: 55
Against: 33
Abstentions: 7

Point 6.5

'When settling on a final solution, due consideration must be given to the legal aspects regarding copyright, transmission of data and the protection of personal data, in line with national and European legislation.'

Voting

For: 53
Against: 42
Abstentions: 3

Point 6.6

'The initiative to interconnect business registers should envisage including all the information that is required to be disclosed, giving access to this information from the company's electronic file in national registers and reducing the administrative burden on companies, without imposing additional fees, particularly on SMEs.'

Voting

For: 56
Against: 33
Abstentions: 3

Point 6.7

'Cooperation and partnerships should be promoted with businesses that provide services similar to those carried out by the new network of business registers.'

Voting

For: 53
Against: 40
Abstentions: 1

Point 1.3

'The EESC recommends adding two objectives to those set down in the Green Paper, with a view to:

— *setting up a forecasting instrument as a management tool for assessing the development and performances of EU businesses. This would strengthen strategies and policies in the field, at all levels, and;*

— *boosting cross-border cooperation.'*

Voting

For: 54
Against: 38
Abstentions: 1

Point 1.8

To achieve the objectives set out in the Green Paper, the Committee proposes opting for a solution that integrates and builds on all of the existing cooperation mechanisms and initiatives, especially the EBR ⁽¹⁾, BRITE ⁽²⁾ and e-Justice, by extending the EBR and developing it as an advanced and innovative interoperable system – in the form of an ICT service platform and as an effective forecast management instrument that interconnects business registers across the EU and boosts cooperation between businesses and the assessment of their development – which is integrated into the European e-Justice portal.

⁽¹⁾ European Business Register.

⁽²⁾ Business Register Interoperability Throughout Europe.

Voting

For: 51
Against: 37
Abstentions: 7

Point 1.10

'With regard to branches of companies in other countries, the Committee supports building on and developing the results of the BRITE project and the solution of automatic notification among registers.'

Voting

For: 56
Against: 33
Abstentions: 3

Point 1.11

'By designating the competent body to take over, expand and develop the EBR and ensuring proper funding of the project from EU funds, the construction of a network that includes business registers from all Member States and the achievement in the short- and medium term of these objectives will be accelerated.'

Voting

For: 54
Against: 38
Abstentions: 1

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Simplifying the implementation of the research framework programmes’

COM(2010) 187 final

(2011/C 48/22)

Rapporteur: **Gerd WOLF**

On 29 April 2010 the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Simplifying the implementation of the research framework programmes’

COM(2010) 187 final.

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 1 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 114 votes, with 1 abstention.

1. Summary and recommendations

1.1 The EU research framework programmes must be made more efficient and attractive. To that end, it is essential to simplify how they are implemented.

1.2 Accordingly, the Committee welcomes the Commission communication and in principle endorses the proposals set out therein.

1.3 Moreover, the Committee welcomes the conclusions of the Competitiveness Council of 26 May 2010 on the same subject.

1.4 Increasingly diverse projects and tools which sometimes follow very different rules and procedures have created a key problem for EU research funding. The result has been a system of virtually incomprehensible complexity for applicants and awardees which is further exacerbated by the different rules in place in the various Member States and their funding providers.

1.5 The Committee therefore recommends a gradual harmonisation of the relevant rules and processes, initially as regards research funding from the EU but also, in the long-term, between Member States and vis-à-vis the Commission. Only then will the European research area be completed.

1.6 The EU’s research funding needs a better balance between freedom and supervision. This applies both to drafting the rules and implementing them in practice. The Committee recommends an approach based on trust and feels that this should be a central aspect of European research funding. In this respect, the Committee supports the

Commission proposal to increase the *tolerable risk of error in the research field* ⁽¹⁾.

1.7 The Committee also recommends the following practical measures that largely tie in with the Commission communication:

- Admission of the awardees’ settlement procedures carried out under existing national rules
- Appropriate and efficient practical implementation of the rules
- Lump sum amounts as options, but not as a pretext for reduced support; actual costs as a basis for calculation
- Maximum possible coherence and transparency of the procedures
- Maximum possible continuity and stability of laws and procedures
- Experienced, internationally recognised experts acting as coordinating officials with adequate latitude in decision-making
- Coherent audit strategy defined by transparent procedures
- Further development of software tools
- Eligibility of value added tax

⁽¹⁾ In this regard, see also COM(2010) 261.

- Simplification specifically for SMEs
- Reliable, clear and timely guides (instruction manuals) for support programmes and instruments.

1.8 The Committee is fundamentally sceptical about the Commission's more far-reaching proposal to consider 'results-based funding' as an alternative support method for the next framework programme, given that it has not yet received any detailed, clear information from the Commission on which to objectively assess, among other things, the (potential) procedural impact of such a move. Nonetheless, the primary purpose and concern of any support programme should clearly be to obtain new and important knowledge by opting for the best and most efficient means of achieving this and making the rules and how they are applied subject to this goal.

1.9 However, as well as simplifying the legal, administrative and financial rules and procedures, it is equally important to streamline scientific and thematic application, evaluation and monitoring procedures, in order to curb overregulation and the deluge of European and national institutional reporting requirements, application procedures, reviews, evaluations, authorisation arrangements, etc., and to work towards harmonisation.

2. The Commission communication

2.1 The purpose of the Commission communication is to continue to simplify the way in which the European research programme is implemented. The communication deals primarily with financing issues.

2.2 The possibilities for further streamlining outlined in the communication are based on three strands:

- Strand 1: Streamlining proposal and grant management under the existing rules
- Strand 2: Adapting the rules under the current cost-based system
- Strand 3: Moving towards result-based instead of cost-based funding.

2.3 The first strand provides for practical improvements to processes and tools that the Commission has already started implementing.

2.3.1 The second strand covers changes to the existing rules allowing a broader acceptance of usual accounting practices (including average personnel costs), the reduction of provisions for different kinds of activities and participants, a provision for owner-managers of SMEs and a change to the grant selection process. Most proposals under this strand are geared towards the development of future framework programmes.

2.3.2 The third strand covers options for moving towards result-based instead of cost-based funding. This should result in a major shift of the reporting and control efforts from the financial to the scientific-technical side.

3. General comments

3.1 **Importance, efficiency and attractiveness of the R&D framework programme.** The R&D framework programme is one of the most important Community instruments for safeguarding and strengthening European competitiveness and prosperity, complying with the new 'Europe 2020' strategy and shaping the European research area. It is therefore vital that the research framework programme be implemented as efficiently as possible. It has to be attractive for the best scientists and relevant bodies, but also for industry and SMEs, to take part in the framework programme; participating must be worthwhile and be considered a mark of distinction. Attractive and efficient administrative and financial parameters for awardees are essential to this end.

3.2 **Necessary streamlining.** Overall, there has been and continues to be a clear need to considerably improve and simplify the rules and procedures. The Committee has thus repeatedly called for a streamlining of the procedures involved in making use of the research framework programme and was pleased to note that initial measures are already being taken to this end under the 7th R&D framework programme.

3.3 **Council conclusions.** The Committee therefore also welcomes the Council conclusions of 28 May 2010⁽²⁾. The Committee's further remarks and recommendations are also designed to build on and back up the points made in these conclusions.

3.4 **Overall endorsement.** In principle, the Committee therefore welcomes and supports the Commission initiative and the ideas and options presented in the communication. Many of the proposed measures are capable of securing considerable improvements, and thus receive the Committee's full support. This is the case for the streamlining of proposal and grant management under the existing rules or the broader acceptance of the awardees' usual and nationally recognised book-keeping and accounting practices. However, this still does not eliminate the root causes of the current complexity, but merely mitigates its impact. Longer-term efforts should thus also be geared towards eliminating the root causes of the problem in the interests of the single market and the European research area.

⁽²⁾ Council of the European Union of 28 May 2010 - Council's conclusions for simplifying European research and innovation support programmes and making them more effective 10268/10.

3.5 Major cause of the current complexity. A central problem in EU research funding is the increasing diversification of EU programmes and instruments. Some of the new support tools and programmes that have evolved have their own, highly diverse funding rules and procedures (such as JTI's under Article 187, initiatives under Article 185, EIT, ERA-Nets, PPP, etc.). This means more complications for awardees, which not only makes the invested resources less effective, but also makes the framework programme less attractive to top scientists. This in turn compromises the success of the framework programme.

3.5.1 Different rules in different Member States. This complexity is further aggravated by, in some cases, widely differing sets of rules in the individual Member States and their national funding providers, which, after all, play an important and often decisive role in the support projects. To understand the full implications of the problem, it should be remembered that, for nearly all of the projects supported by the Commission (with the exception of those of the European Research Council [ERC]), the participation of researchers and funding bodies **from at least three Member States (!)** is required.

3.6 Harmonisation of the rules. The Committee's recommendation is therefore that all those responsible for developing the European research area should reduce this diversity and variety in the legal, administrative and financial rules within the R&D framework programme: **the rules governing the R&D framework programmes need to be harmonised/simplified and scaled back.** Tried and tested support tools under the framework programme must be identified, and must continue to be used in a uniform way. A single legal framework must be applied to all European R&D support measures under the framework programmes.

3.7 A further objective. A further objective would, however, be to simplify support tools and settlement procedures (see also point 4.1) not only within the R&D framework programme itself, but also among Member States and with the Commission. This might also eliminate some of the known obstacles to greater cross-border mobility by scientists. All in all, this would be an important step towards completing the European research area. Although this important goal might currently be viewed as utopian, it should nevertheless be pursued with patience and persistence, perhaps just one step at a time, **since achieving this goal would be a key step towards completing the European research area.**

3.7.1 Plurality in research. This kind of streamlining must under no circumstances limit the plurality of research methods, approaches and choice of issues⁽³⁾, which the Committee

regards as vital. Plurality (in research) is not wasteful, but is a necessary means of optimising and making progress in the search for new knowledge and techniques and is a *sine qua non* for scientific advancement.

3.8 Balance between freedom and supervision. Basically, an appropriate balance needs to be struck between freedom and supervision. This is true both in the framing of the rules themselves and their application in practice. As long as the rules are not simplified, it is all the more important to take a more flexible and pragmatic approach to their **implementation.** In applying and interpreting the rules it is vital to give priority to efficient project management and use of funding rather than to avoiding any risk of error. Some degree of latitude is permitted in this regard under the abstractly worded provisions of the participation rules and the financial regulation. These should be used consistently to ensure optimum research support and efficient resource management. The Committee therefore recalls its earlier recommendations, in principle permitting more latitude in decision-making by individual players within the Commission and, linked to that, a greater tolerance of risk of error. *Fear of individuals making mistakes or behaving wrongly should not lead to overregulation and obstructions for everyone. The same principle should apply to the modus operandi of funding bodies and researchers.*

3.9 An approach based on trust. Mistakes or errors detected in settling costs are largely due to the complexity of support criteria and generally speaking have no fraudulent intent. A clearer distinction should therefore be made between mistakes, errors and fraud. The Committee thus recommends that the Council, Parliament and Commission follow an approach based on trust and make this a central aspect of European research support. In this respect, the Committee supports the Commission proposal to increase the tolerable risk of failure⁽⁴⁾ in research.

3.10 Skilled and committed officials. The Commission needs skilled officials to implement the R&D programme, whose specific scientific expertise is recognised by the international scientific community⁽⁵⁾. Their commitment to achieving optimal results and implementing the programme efficiently must not therefore be unduly undermined by an entirely comprehensible concern about making procedural mistakes and the consequences thereof as a result of the bewildering complexity of the system. This also means, however, they must not be held unduly responsible for mistakes that have occurred. For this reason too, procedures need to be streamlined and made more flexible and clear.

⁽⁴⁾ See also COM(2010) 261 final.

⁽⁵⁾ The Committee refers to OJ C 44, 16.2.2008, p. 1, point 1.12 of which states: 'The Committee believes it is essential that funding bodies, especially the Commission, involve staff with proven scientific expertise, who are familiar with the particular features and community of the scientific area in question – and maintain their knowledge over the long term (making regular job rotation counterproductive).'

⁽³⁾ OJ C 44, 16.2.2008, p. 1., points 1.10 and 3.14.1.

3.11 Transparency as an additional supervisory mechanism. The greater latitude that the Committee recommends be given to decision-makers within the Commission, not least in a bid to boost efficiency, inevitably also brings with it the potential for additional errors or preferential treatment. However, as the Committee has always emphasised the need for complete openness and transparency in research funding, the fact that the user community is well-informed and able to react accordingly also means that an additional corrective factor is in place to counter any undesirable developments.

3.12 Importance of continuity and stability. Dealing with such complex systems requires a difficult learning process and proper experience; this applies not only to Commission officials but also to potential awardees, especially SMEs, which cannot afford to set up their own legal departments to deal specifically with these matters. A steady continuity of approach therefore not only enhances legal certainty, but also inherently simplifies continued dealings with the system. All planned changes, even if they serve to streamline the system, must therefore be weighed against the loss of continuity and stability: **the planned streamlining measures must provide a clear added value vis-à-vis the loss of continuity and stability.**

3.13 Simplifying scientific application and evaluation procedures. As well as simplifying legal, administrative and financial rules and procedures (points 3.6 and 3.7) it is equally important to streamline scientific and thematic application, evaluation and monitoring procedures, in order to *simplify overregulation and the deluge of European and national institutional reporting requirements, application procedures, reviews, evaluations, authorisation arrangements, etc. and if necessary condense and reduce them to what is strictly necessary.* The Committee finds it regrettable that this aspect was not mentioned at all in the Commission communication. The Committee therefore recommends once again that the Commission seek, in agreement with the Member States and their representatives, to harmonise and integrate *the plethora of application, monitoring and evaluation procedures, which often overlap with each other, at institutional, national and European level.* This would help avoid wasting the resources of highly-skilled researchers – and ‘human capital’ in general – on unnecessary work. While progress has already been made here as part of the 7th framework programme, most of this task remains unresolved. Potential solutions must ensure that Member States continue to participate as appropriate in the grant decision process within the framework of bodies and committees.

4. Specific comments

4.1 Member States’ accounting procedures. The Committee believes that the Commission’s proposal for a **‘broader acceptance of usual accounting practices’** would indeed result in a significant simplification. That only applies, however, if the genuine aim – endorsed by the European Court of Auditors – is to make it possible to use the arrangements and settlement procedures in place under the national rules governing research funding in each Member State for the R&D framework programmes as well. The Committee is aware that this may lead to certain inequalities of treatment

but these should nevertheless be tolerated for the sake of the desired simplification. The Committee therefore strongly recommends that this Commission proposal be implemented efficiently and unreservedly for all cost categories, with the proviso noted here.

4.1.1 Eligibility of value added tax. Value added tax is considered as part of the costs incurred for some research projects. Under the European financial regulation, value added tax may be deemed eligible under certain conditions. This provision is already being implemented in most European funding programmes. The Committee thus recommends that value added tax should in future be recognised in the R&D framework programme as an eligible cost.

4.2 Limiting the variety of rules. There is a pressing need to limit the variety of rules within the various programmes and instruments (see also point 3.6). However, the objective cannot be to secure a single solution for all awardees since, even if this does help streamline provisions, such an approach cannot possibly reflect the interests of the many different participants in the R&D framework programmes. That is why the existing differentiation between different organisations should, at least, be retained. The Committee therefore does not recommend the introduction of a uniform funding rate for all types of organisations and activities as proposed by the Commission in this regard.

4.3 Allowing ‘trial balloons’. However, limiting the variety of rules and the requirement for continuity and stability in the rules (see also point 3.12) must not result in the system becoming too rigid. New instruments should rather be permitted initially as ‘trial balloons’ before any decision is made to include them in the normal rules.

4.4 Clear definitions and guidance – an instruction manual. A clear and unambiguous definition of the concepts, rules, practices and proceedings is crucial, especially in complex systems, in order to make it clear to stakeholders how they have to proceed. The same is true for the timely availability of reliable guidance and ‘instruction manuals’ drawn up by the Commission. On the one hand, the guidance must provide sufficient leeway in order to properly reflect the different parameters of different awardees. On the other hand, the awardees must be able to trust the guidance given. This recommendation is not inconsistent with the need for greater flexibility, but rather allows that flexibility to be used to the full. However, in this respect, the Committee sees particular problems vis-à-vis the last and positively revolutionary part of the Commission’s proposals (see point 4.8 below).

4.5 Coherent audit strategy. The Commission’s future audit strategy is an important part of the simplification process (see also points 3.9 and 4.1). The Committee thus recommends that the audit strategy be re-defined with a view to increasing the efficiency of the R&D framework programme and simplifying the administrative procedures. At this point, it would also be necessary to clearly set out the conditions under which the application of existing accounting practices applied in the Member States, including any settlement arrangements for average personnel costs, are to be checked.

4.6 More lump sum elements in the current cost-based approach. The Committee basically supports this Commission proposal which can be applied to different cost categories. The Commission also sees it as a means for **improving the participation conditions for SMEs**. However, the Committee's endorsement comes with the proviso that lump sums must cover actual expenditure and must not be used as a pretext for reducing the level of support; this arrangement must also remain optional.

4.6.1 Actual costs as a basis for calculating lump sum amounts. Essentially, the level of financial contributions – i.e. also the lump sums available – must be related to awardees' actual costs. Given the requisite administrative and other outlay involved, it is only worthwhile, – for the most efficient stakeholder organisations – to take part in European research programmes once the R&D framework programme support reaches an appropriate level. And only then can the competitiveness and innovation goals be fully achieved.

4.7 Robust software tools for project management. The use of web-based systems for the whole duration of a project, from submission of applications to completion, offers considerable potential for a radical reduction in administrative outlay both for the Commission and for applicants. In this respect, the Commission's efforts in this direction are warmly welcomed. However, the tools designed by the Commission for applicants to use must operate together flawlessly. However, although the newly developed software tools for the 7th framework programme do facilitate procedures within the Commission, applicants must not be left shouldering the burden. Poorly developed software (e.g. NEF) and incompatible document structures (e.g. between project phases) generate additional and unnecessary work for all applicants. The Committee recommends that due account should be taken of this aspect at every stage of the project and at every level and that even more resources should be invested in the further development of software tools for the future.

4.8 Moving from cost-based to result-based funding. One particularly distinctive new form of simplification and alternative support concept proposed by the Commission for the upcoming 8th research framework programme is a move

towards result-based instead of cost-based funding. Since the primary purpose and concern of any research funding is to obtain new knowledge and achieve results and therefore opt for the best and most efficient means to this end, this concept does, at first sight, seem particularly attractive, as the rules and how they are applied should naturally serve precisely this goal and be subject to it.

4.8.1 For the time being, scepticism. Prior agreement on practical results in a research project would certainly seem problematic: it suggests elements of contract research. This not only throws up difficulties in relation to public procurement and tax law, but also raises issues about the basic understanding of research itself. What is the result of basic research? That is why the Committee remains sceptical about this proposal without any detailed information from the Commission on which to judge objectively what exactly is to be understood by result-based funding and which instruments are to be applied. The Committee's scepticism seems confirmed by the Commission's own cautious position expressed as follows: *Result-based approaches require a careful definition of output/result at the level of each individual project and a thorough analysis in order to fix lump sums (...)*. The Committee therefore recommends that all potential participants engage in a very careful and considered discussion, followed initially by an additional clear communication on result-based research funding, before any further practical steps are taken.

4.8.2 Feasibility study and definitions. For the reasons outlined above, the Committee would welcome a feasibility study (see also point 4.3) on result-based funding in order to objectively assess the practical prospects, risks, problems and any potential for simplification. Perhaps terms such as 'science-based funding'⁽⁶⁾ or 'programme-based research funding' might be more appropriate.

4.8.3 Consideration of the specific requirements of SMEs. Making funding contingent on project results to be achieved sometime in the future could be particularly problematic for SMEs. If the Commission's funding commitment came with a high degree of uncertainty, then essential additional financing, for example, might be difficult to obtain.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

⁽⁶⁾ Proposal of the informal working group 'FP7 Implementation' under the chairmanship of Mr Herbert Reul MEP.

Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council amending Directive 97/68/EC as regards the provisions for engines placed on the market under the flexibility scheme'

COM(2010) 362 final — 2010/0195 (COD)

(2011/C 48/23)

Rapporteur working alone: **Mr PEZZINI**

On 7 September 2010, the Council and the European Parliament decided to consult the European Economic and Social Committee, under Article 114 of the Treaty on the Functioning of the European Union (TFEU), on the

'Proposal for a Directive of the European Parliament and of the Council amending Directive 97/68/EC as regards the provisions for engines placed on the market under the flexibility scheme'

COM(2010) 362 final – 2010/0195 (COD).

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 1 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 16 September), the European Economic and Social Committee adopted the following opinion unanimously.

1. Conclusions and recommendations

1.1 The Committee is convinced that placing progressively greener **non-road mobile machinery – NRMM** – on the EU market that emits less and less *carbon monoxide, nitrogen oxides, hydrocarbons and particulates* ⁽¹⁾, is a vital objective in line with the EU's 2020 targets for cutting emissions that are harmful to health and cause climate change.

1.2 The Committee is also convinced that – particularly during a global financial, economic and employment crisis – the EU's NRMM-engine manufacturing industry needs to be ensured:

- adequate competitiveness;
- sufficient opportunity and time to carry out technological research and development; and
- sufficient flexibility as regards innovative manufacturing applications and the modifications needed to install the engines ⁽²⁾, enabling the emission limits to be reached and respected, without putting jobs at risk.

1.3 The Committee supports the Commission's proposal to increase the flexibility percentage to 50 % for the sectors already

covered by the flexibility arrangements laid down in the NRMM Directive ⁽³⁾, and to adapt the total number of engines that can be placed on the market under those arrangements, as well as to extend the flexibility scheme to railcars and locomotives, under the lower percentage of 20 %.

1.4 As the Committee has previously pointed out ⁽⁴⁾, *type-approval of engines using the reference fuel guarantees that they operate in line with the limit values set down for stage III B, but emissions will only meet the new limit values if suitable fuels are actually available on the market.*

1.4.1 Given the technology needed to meet the stage III B ⁽⁵⁾ particulate and NO_x emission limits ⁽⁶⁾, the sulphur content of fuel will need to be reduced below current levels in many Member States, and it would seem necessary to define the characteristics of the reference fuel.

1.5 If the targets are to be met, the Committee believes that – beyond setting stringent limits – testing methods need to be in keeping with real-life situations and should limit the use of laboratory tests, which give theoretical results, and of irrational emission control methods. It is also necessary to carefully track the behaviour of exhaust from NRMM during their actual use, rather than the behaviour of and emissions from the engines in isolation, tested on a test bench.

⁽¹⁾ CO; NO_x; HC; PM.

⁽²⁾ Machine manufacturers will have to fully redesign the structure of the machinery where the new engine is to be installed.

⁽³⁾ Directive 97/68/EC.

⁽⁴⁾ OJ C 220, 16.9.2003, p.16.

⁽⁵⁾ From 1 January 2011.

⁽⁶⁾ Cf. footnote 1.

1.6 The Committee would highlight its concerns as regards compliance with the dates set for the entry into force of stages III B and IV, and the relevant type-approval procedures, and wonders whether it would be advisable to move back the deadlines for stages III B and IV by two and three years respectively, to ensure full and proper compliance.

1.7 The Committee believes that the flexible compliance provisions and the transition period allowed between successive stages are particularly burdensome and demanding for SMEs, given that the costs involved – in the case of both machinery and engines – particularly for RTD and conformity assessment would naturally be significantly higher for a smaller company than for a major industrial group.

1.8 In the Committee's view, given that *the mechanical wear and tear on non-road machinery is probably faster than the wear and tear on the engines* ⁽⁷⁾, it is important to consider the emission performance during the full useful life of the engine, including after mechanical parts of the machinery have been replaced. Generally accepted technical durability requirements should be introduced to avoid deterioration of emission performance over time.

1.9 The Committee thinks that the type-approval certificates referred to in Annex I should include not only a sample of the labels to be affixed to NRMM placed on the market under the flexibility scheme, and a sample of the supplementary label, but also a detailed description of the mandatory devices enabling compliance with the emission limits laid down in the directive under which type-approval was granted.

1.10 The Committee considers it vital to promote joint efforts at EU and international levels to draw up clear technical standards accepted by all, aimed at fostering exchanges across the industry at global level and progressively aligning the EU's emission limits with those in force or envisaged in third countries.

1.11 The Committee recommends that updated implementation guidelines be drawn up to facilitate implementation of the provisions laid down for the various stages not just by engine manufacturers but also, most importantly, by machinery manufacturers; it also recommends a participatory foresight exercise on the prospects for environmental protection in the area of NRMM and the possibility of promoting use of ecolabels in the sector.

1.11.1 The information campaign must make it clear, not just to manufacturers of NRMM and the machinery in which the modified engines are incorporated, but also to end users, that the provisions for the various stages of development of

activities generating fewer emissions must be implemented correctly, opening up new green careers and user profiles with a European system for certifying new skills and appropriate support mechanisms, with the assistance of the social partners and public authorities

2. Introduction

2.1 Directive 97/68/EC (NRMM – non-road mobile machinery) concerns compression ignition engines with a power of 18 kW to 560 kW. It sets limits for emissions of carbon monoxide, nitrogen oxides, hydrocarbons, and particulates. The Directive sets out emission limit stages of increasing stringency with corresponding compliance dates, in respect of exhaust from:

- diesel engines installed in construction machinery;
- agricultural and forestry machinery;
- railcars and locomotives;
- inland waterway vessels;
- constant speed engines; and
- small petrol engines used in different types of machinery.

2.2 The NRMM legislation – on which the Committee has expressed its views on several occasions ⁽⁸⁾ – has been amended several times, by Directives 2001/63/EC, 2002/88/EC, and 2004/26/EC. The latter introduced the flexibility scheme to facilitate the transition between the different emission limit stages.

2.3 Most recently, Commission Directive 2010/26/EU of 31 March 2010 extended the derogation period for petrol (SI) engines used in certain small hand-held equipment to 31 July 2013 and clarified certain technical type-approval requirements which are necessary to meet Stage IIIB requirements. It also simplified the administrative procedure for flexibility applications.

2.4 Similar legislation exists in the USA, and to a lesser degree in Japan, while in other major economies such as China, India, Russia and Brazil these requirements do not exist.

2.5 The flexibility scheme gives manufacturers the chance to adapt to the new standards, given that the technical solutions enabling engines to comply with the stage III B emission limits are not in general yet finalised and that *further research and technological development is required by industry in order to ensure that machinery can be placed on the market with compliant III B engines* ⁽⁹⁾.

⁽⁸⁾ OJ C 407, 28.12.1998, OJ C 260, 17.9.2001, p. 1, OJ C 220, 16.9.2003, p. 16.

⁽⁹⁾ SEC(2010) 829, 7.7.2010 accompanying the proposal COM(2010) 362 final.

⁽⁷⁾ Cf. footnote 4.

2.6 Moreover, the European NRMM industry has been badly hit since Autumn 2008 by the consequences of the global economic and financial crisis, particularly in the construction ⁽¹⁰⁾ and agricultural machinery sectors.

2.6.1 To safeguard both development of the industry and environmental protection:

- the competitiveness of the European NRMM industry should be preserved, and the immediate pressure of the economic crisis alleviated;
- the industry should be able to continue to fund R&D activities concerning all kinds of products, as part of Stage III B;
- emissions should be limited, and old NRMM replaced with models with cleaner engines.

2.7 The approximation of the laws of the Member States relating to the measures to be adopted to reduce the emission of gaseous and particulate pollutants from internal combustion engines for installation in non-road mobile machinery is governed by Community provisions incorporating reduced flexibility mechanisms, which lay down increasingly stringent emission limits in the periods established for compliance.

2.8 The Commission has set itself the aim of attenuating as far as possible the rigid elements introduced, in order to take into account the impact of the economic crisis and the need to step up endeavours required for research and technological development, new applications and technical standardisation.

3. The proposed amendment to the Directive

3.1 The proposal makes the following changes to Directive 97/68/EC.

3.1.1 An increase in the percentage relating to the number of engines used for application in land-based machines placed on the market under the flexibility scheme in each engine category. An increase from 20 % to 50 % of the OEM's annual sales of equipment and a change to the maximum number of engines that may be placed on the market under the flexibility scheme as an optional alternative, in the period between emission Stage III A and emission Stage III B.

3.1.2 The possibility of including engines used for the propulsion of railcars and locomotives in the flexibility scheme. This would allow the OEM to place a small number of engines on the market under the flexibility scheme.

3.1.3 The measures are intended to expire on 31 December 2013.

⁽¹⁰⁾ http://ec.europa.eu/enterprise/sectors/mechanical/non-road-mobile-machinery/publications-studies/index_en.htm.

3.2 The proposed option therefore aims to strengthen the existing flexibility scheme and extend it to other sectors. This solution is considered to be the most appropriate in terms of balance between environmental impact and economic benefits as it reduces the costs of bringing the market into line with the new emission limits.

4. General comments

4.1 The Committee supports the Commission's approach of introducing greater flexibility into the various stages of applying the limits permitted for NRMM, in terms of emissions of carbon monoxide, nitrogen oxides, hydrocarbons and particulates.

4.2 The Committee supports the Commission in its concern to preserve competition and job levels in the European NRMM industry from the impact of the international financial and economic crisis, while, at the same time, pursuing high levels of environmental protection and well-being for the European public.

4.3 As in previous opinions on Commission legislative proposals on reducing emissions, the Committee confirms its support for all Community initiatives aiming to achieve specific goals in reducing greenhouse gases, believing this to be a key element in combating climate change and in environmental and health protection.

4.4 The Committee therefore supports the Commission's proposal to increase the flexibility rate to 50 % for sectors already covered by flexibility mechanisms under the 1997 NRMM Directive and subsequent amendments, and to include railcars and locomotives in the flexibility scheme with a flexibility rate of 20 % of annual sales of machinery fitted with engines in the specified category.

4.5 The Committee reiterates once again ⁽¹¹⁾ that emissions will only meet the new limit values if suitable fuels are actually available on the market, and warns that – given the technology needed to achieve the Stage B and IV limits for particulate and NO_x emissions – the sulphur content in fuel will have to fall below current levels in many Member States, and a single reference fuel will have to be defined which is consistent with the fuel market situation ⁽¹²⁾.

4.6 Moreover, the Committee stresses the complex, sensitive nature of this review of the directive, which aims with good reason to further reduce emissions of carbon monoxide, nitrogen oxides, hydrocarbons and particulates, without diminishing the competitiveness of the sectors concerned, which operate in a highly-competitive global market that is currently undergoing a huge-scale crisis.

⁽¹¹⁾ See footnote 4.

⁽¹²⁾ See Directive 2003/17/EC of the European Parliament and of the Council of 3 March 2003 amending Directive 98/70/EC relating to the quality of petrol and diesel fuels.

4.7 In this connection, the Committee believes it is essential to encourage joint European and international endeavours to draw up clear, universally-accepted technical standards, to promote global trade with the aim of increasingly reconciling Community emission limits and those applied or planned in third countries.

4.8 The Committee shares the concerns of those who fear that the impact on industrial costs, R&TD costs and NRMM conformity assessment costs will be too high. If they are not anticipated and spread over time, these costs could jeopardise employment levels in the sectors concerned.

4.9 The Committee notes that, in order to be able to meet the objectives, in addition to stringent limits test procedures measuring tangible situations are needed; results solely from laboratories and irrational emission control strategies should be avoided, with the aim of recording, clearly and accurately, the behaviour of exhaust gases from non-road mobile machinery actually in use rather than just its performance on a test bench ⁽¹³⁾.

4.10 The sector's SMEs warrant particular attention. The Committee feels that the flexible compliance mechanisms, the implementation deadlines and the timeframes laid down for transition between the various phases for SMEs are particularly burdensome, given the costs of bringing machinery and engines into line, which are always much heavier for small businesses than for large industrial groups.

4.10.1 The Committee recommends that updated implementation guidelines be drawn up to facilitate implementation of the provisions laid down for the various stages not just by original engine manufacturers but also, most importantly, by the manufacturers of the machinery in which these engines

will have to be inserted; it also recommends best practice manuals and a participatory foresight exercise on the prospects for environmental protection in the area of NRMM and the possibility of promoting use of ecolabels in the sector.

5. Specific comments

5.1 The Committee stresses its concerns regarding compliance with the dates laid down for the entry into force of Stage III B and Stage IV, and the respective type approval procedures.

5.1.1 The Committee wonders whether it would not be appropriate to extend the implementation period by two years for Stage III B and three years for Stage IV, in order to ensure full, practical compliance with the provisions.

5.2 With regard to Annex I, the Committee believes that the type approval certificates provided for should include not just a sample of the labels for placing on the market under the flexibility scheme and a sample of the additional label, but also a detailed description of the devices required for compliance with the limits laid down by the provisions under which approval has been granted.

5.3 Lastly, the Committee feels it would be useful for the Commission to submit a report to the European Parliament, the Council and the Committee itself, describing, on the basis of data provided by producers, users and Member States, progress made in implementing the proposed directive and the impact thereof, in terms of both labour-market compatibility and tangible reduction of emissions and the contribution of NRMM to environmental protection and achievement of the EU 20-20-20 targets.

Brussels, 16 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

⁽¹³⁾ See, in particular, the UNECE work on *Exhaust emissions test protocol of non-road mobile machinery (NRMM) – Draft global technical regulation concerning the test procedure for compression-ignition (CI) engines to be installed in agricultural and forestry tractors and in non-road mobile machinery with regard to the emission of pollutants by the engine.*

Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council on combating the sexual abuse, sexual exploitation of children and child pornography, repealing Framework Decision 2004/68/JHA'

COM(2010) 94 final — 2010/0064 (COD)

(2011/C 48/24)

Rapporteur: **Ms SHARMA**

On 22 July 2010 the Council and European Parliament decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union (TFEU), on the

'Proposal for a Directive of the European Parliament and of the Council on combating the sexual abuse, sexual exploitation of children and child pornography, repealing Framework Decision 2004/68/JHA'

COM(2010) 94 final – 2010/0064 (COD).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September 2010), the European Economic and Social Committee adopted the following opinion by 110 votes with 7 abstentions.

1. Conclusions and recommendations

1.1 **The EESC strongly condemns all sexual abuse and exploitation of children** and praises the Commission for strengthening Europe's commitment to fight child abuse by replacing Framework Decision 2004/68/JHA with a new, more objective Directive. The seriousness of the crimes, the degree of harm, and the level of risk and vulnerability of children worldwide must never be underestimated. The protection of children at all levels must be a priority, with victims and offenders given maximum assistance to support their recovery, in order to promote future social protection.

1.2 The EESC reiterates its call for those Member States that have not yet done so, **as well as the European Union, under the new Lisbon Treaty, to sign and ratify, as a matter of urgency, the Council of Europe Convention on the Protection of Children against Sexual Exploitation and Abuse and the Optional Protocol to the UN CRC on the Sale of Children, Child Prostitution and Child Pornography**, to enable the EU to effectively review how it deals with Europeans who abuse children⁽¹⁾. The European Union could

be influential, in the context of bilateral agreements, in persuading other European countries (e.g. Russia, Bosnia and Herzegovina) to sign the Convention. **Incorporating provisions from the Convention into EU law will be more effective than national ratification procedures in facilitating the rapid adoption of national measures, and will ensure better monitoring of implementation.**

1.3 It is important to have a legal framework to deal with the prosecution and sentencing of perpetrators of sexual abuse and sexual exploitation. However, **it is prevention that must be paramount across Europe, and it must be considered in parallel to legislation.** This is highlighted as one of the aims of the directive but is insufficiently addressed in it. The EESC could issue an opinion to review preventative actions, highlighting best practice case studies from civil society and governments worldwide in the field of prevention mechanisms.

1.4 The EESC recommends setting up a platform to exchange best practices in responding to these crimes, using both legislative and non-legislative mechanisms to develop methodological tools and training. This should include greater cooperation with civil society organisations, social partners and NGOs to support education and awareness raising at local level.

1.5 The EESC calls on the EU institutions (European Commission, Council and Parliament), which are all in a powerful and privileged position, to put joint pressure on third countries, particularly in the well-developed parts of the world (e.g. USA, Canada, Japan, Australia, Russia) to demand the **removal** of websites which host child sexual abuse material. The EU needs to be stronger in demanding responsible action from ICANN⁽²⁾.

⁽¹⁾ See reference in EESC opinion OJ C 317, 23.12.2009, p. 43. 'Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse', 25.10.2007, available at:

<http://conventions.coe.int/Treaty/EN/treaties/Html/201.htm>. The following Member States have not signed this Convention: Czech Republic, Hungary, Latvia and Malta (<http://conventions.coe.int/Treaty/Commun/ChercheSig.asp?NT=201&CM=&DF=&CL=ENG>).

'Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography'. Adoption: May 2000. Entry into force: Jan. 2002. Available at <http://www2.ohchr.org/english/law/crc-sale.htm>. The following Member States have not yet ratified this CRC Optional Protocol: Czech Republic, Finland, Ireland, Luxembourg and Malta (http://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=IV-11-c&chapter=4&lang=en).

⁽²⁾ Internet Corporation for Assigned Names and Numbers.

1.6 The EESC wishes to see the removal of websites containing child sexual abuse material as a priority, followed by blocking where removal is not possible. In this context, the EESC could draft an opinion, following consultation with stakeholders and civil society, on the implications of both removal and blocking.

1.7 The EESC would encourage Member States to use the opportunity presented by this new directive to open a debate on setting a minimum age of sexual consent across Europe. In the context of mobility, immigration and changing societal values across Europe, debates and consultations should be held on what impact 'traditions' have in this regard.

1.8 The EESC recommends that the Commission should provide clear definitions of certain terminology which could lead to ambiguities on transposition into national legislation.

1.9 The EESC requests that the directive should provide for uniform 'time limitations' across all Member States. Where appropriate the EESC would go further in suggesting that the 'statute of limitations' should begin when the victim reaches the age of 18.

1.10 The EESC has been supported in its work by many NGOs and experts working in the field of child protection, and their recommendations concerning the new directive can be found on their websites⁽³⁾. The EESC recognises the commendable work of all the NGOs working around the world to protect children and praises the European institutions, the Council of Europe and the UN for providing legal mechanisms in the field of protection against child sexual exploitation.

2. Background and objectives of new Directive

2.1 The EU recognises children's rights in Article 3 (TEU) of the Lisbon Treaty and in the Charter of Fundamental Rights, especially in Article 24 and its legal basis, which lays down a positive obligation to act with the aim of ensuring the necessary protection of children. It requires that in all actions relating to children **the child's best interests must be a primary consideration**, consistent with the UN Convention on the Rights of the Child. This has been translated into targeted policy on the promotion, protection and fulfilment of children's rights, including the EU Youth Strategy, in the internal and external policies of the EU.

2.2 The new Directive, in line with proposals on preventing and combating trafficking in human beings and protecting victims and with the 'Safer Internet' programme, takes forward more substantive rules of procedure and criminal law in Member States concerning the protection of children. The effectiveness of prevention measures across the EU will be enhanced, avoiding situations where perpetrators choose to go to Member States with less strict rules to commit their crimes. Common definitions would make it possible to promote the exchange of useful common data, improve the comparability of

data and make international cooperation easier.

2.3 The new directive will cover:

- New criminal offences in IT including the **new offence of 'grooming'**.
- **Assistance with investigating offences and bringing charges.**
- Prosecution of offences committed abroad, with both EU nationals and habitual residents **facing prosecution even if they commit their crimes outside the EU.**
- New provisions dealing with protection of victims to ensure they have easy **access to legal remedies and do not suffer as a result of participating in criminal proceedings.**
- Prevention of offences through actions concentrating on previous offenders to prevent reoffending and to **restrict access to child pornography on the internet.**

3. General comments on the explanatory memorandum

3.1 Considering that *'The child's best interests must be a primary consideration when carrying out any measures to combat these offences in accordance with the Charter of Fundamental Rights of the European Union and the UN Convention on the Rights of the Child'*, the EESC supports the decision to respect the principle of subsidiarity, whilst updating, extending and strengthening national legislation. Member States must be able to exclude the double criminality requirement for establishing extraterritorial jurisdiction for offences. **Member States should have the authority to prosecute all forms of sexual abuse against children.**

3.2 **Existing and new legislation must be better enforced** and requires monitoring by the Commission, with support from Europol and enforcement agencies, to ensure that the protection of children is a priority. Common principles and criteria to determine the degree of seriousness of the crimes of sexual abuse and sexual exploitation must be established. Here the EESC recommends setting up a platform to exchange best practices in responding to these crimes, using both legislative and non-legislative mechanisms to develop methodological tools and training. This could include greater cooperation with civil society organisations, social partners and NGOs to support education and awareness raising at local level.

⁽³⁾ IWF (www.iwf.org.uk), ECPAT International (<http://www.ecpat.com>), Save the Children (www.savethechildren.org), Missing Children Europe (www.missingchildreneurope.eu), Amnesty International (www.amnesty.org).

3.3 High profile cases, especially those with alleged political, religious or multiple case implications, must be monitored transparently at EU level in order to avoid repetition ⁽⁴⁾.

3.4 In order to enhance prevention mechanisms and to mitigate the vulnerability of victims, the Directive should also be consistent with other EU policy, including social security, education, family, employment and the digital agenda. Particularly vulnerable groups of children at high risk include immigrants, asylum seekers, unaccompanied minors, socially deprived, excluded or disabled children, those in substitute care, and those living in a family with a history of violence and abuse.

3.5 Law enforcement intelligence from the US and Europe shows a strong correlation between downloading child sexual abuse material involving prelingual infants and offline child sex offending. Grading penalties solely on the basis of contact is likely to put more children (particularly infants) at risk of serious abuse.

3.6 92 % of online child sex abuse content is hosted in North America, Europe and Russia ⁽⁵⁾. The EESC feels that the European Commission, Council and Parliament are in a powerful and privileged position to put pressure on countries outside the EU, particularly in the well-developed parts of the world, to demand the **removal** of websites which host child abuse material.

3.7 There needs to be greater promotion of a 'cybersecurity culture' and the European Digital Agenda ⁽⁶⁾ amongst citizens. With an increase in peer-to-peer sharing of child abuse images ⁽⁷⁾ and in grooming on social networking sites, immediate action must be taken to identify and prosecute the abusers, those viewing the sites or images and the service providers hosting the sites, and to trace and stop the flow of financial transactions undertaken to access child abuse images. The technology exists to identify all the components in the chain of abuse and the EU needs to be stronger in demanding responsible action from ICANN ⁽⁸⁾.

⁽⁴⁾ A number of recently reported cases of abuse, some uncovered due to State intervention, demonstrate wide-scale, systemic abuse in religious institutions, paedophile rings and schools/orphanages, many of which have been covered up for decades to protect individuals' and institutions' image or reputation.

⁽⁵⁾ http://www.iwf.org.uk/documents/20100511_iwf_2009_annual_and_charity_report.pdf.

⁽⁶⁾ http://ec.europa.eu/information_society/digital-agenda/index_en.htm.

⁽⁷⁾ The ISIS Project has established that thousands of files per minute containing child sexual abuse images are shared in peer-to-peer networks. 'Supporting Law Enforcement in Digital Communities through Natural Language Analysis', International Workshop on Computational Forensics, Springer Lecture Notes in Computer Science 5158 (2008), pp. 122-134.

⁽⁸⁾ Internet Corporation for Assigned Names and Numbers.

3.8 The Directive is clearly centred on 'the best interests of the child' and the 'protection of children'. Overall, however, the Directive lacks details on 'preventative' measures to be implemented. **Prevention must be paramount across Europe and considered in parallel to legislation.** The Commission has little competence in prevention but, within the Directive, it should promote and create mechanisms to enable others to implement preventative measures.

3.9 In the context of prevention, further funding could be requested to expand Commission programmes (for instance, DAPHNE and the Framework Programme) and develop new programmes to be delivered by civil society partners. The EESC believes that educating the public on the existence of specific laws to punish specific conducts harmful to children could act as an effective prevention mechanism.

3.10 Intervention is crucial to preventing child sexual abuse, and must be used in conjunction with legal sanctions. Therefore, the EESC would suggest that, under 'Grounds for and objectives of the proposal' where it reads '*specific objectives would be to effectively prosecute the crime; to protect victims' rights; and to prevent child sexual exploitation and abuse*', the text should be amended to add '**including through the rapid identification of child victims by appropriately trained personnel and the provision of child-centred victim and offender intervention**'.

3.11 Consideration must be given to identifying preventative action and prosecution with regard to '**peer-to-peer**' abuse and trading of images. With an increase in file sharing and in grooming on social networking sites, immediate action must be taken to identify and prosecute the abusers, those viewing the sites and the service providers hosting them.

3.12 The proposal ('Grounds and Objectives') highlights that '*a significant minority of children in Europe may be sexually assaulted during their childhood*'. The threat to **children outside of Europe must also be considered**: a child is a child wherever it is in the world, and they need to be protected from travelling sex offenders from Europe abusing other European nationals or non-European children.

3.13 The term '*child pornography*' (title, definition and throughout text) should be replaced with the term '**child sexual abuse images or material**'. Pornography is associated with erotica.

3.14 **'Tourism'**: The directive (recital 9) uses the term 'sex tourism'. The word now used by experts and NGOs in the field is 'travelling sex offenders' ⁽⁹⁾. 'Tourism' is associated with holidays and pleasure, as highlighted in a previous EESC opinion on the protection of children from travelling sex offenders ⁽¹⁰⁾.

3.15 **'Traditions'** (recital 7): *This Directive does not govern Member States' policies with regard to consensual sexual activities in (...) the course of human development, taking account of the different cultural and legal traditions.* The EESC recommends that, in the context of mobility, immigration and changing societal values across Europe, debates and consultations should be held on what impact 'traditions' have in this regard. The consultation, and the legal implications, should also cover cultural practices, for example female genital mutilation, which could be considered as child sexual abuse.

3.16 **'Publicly accessible'** (recital 13): *Child pornography (...) cannot be construed as the expression of an opinion. To combat it, it is necessary to reduce the circulation of child abuse material by making it more difficult for offenders to upload such content onto the publicly accessible Web.* **The Directive must prevent child sexual abuse materials in any medium ⁽¹¹⁾ and in any form.** The term 'visually' does not cover all the material available and the Directive should also cover non-visual child sexual abuse material. Additionally, the Directive should also take account of the concept of 'artistic freedom' as well as 'expression of an opinion', ensuring that neither can be misinterpreted in the context of child sexual abuse material. Therefore, the text of Article 2(b) containing the definition of 'child pornography' should be amended to read in (i): **'any material that presents a child (...)**, in (ii): **'any presentation of the sexual (...)** and in (iii): **'any material that presents any person appearing to be a child (...)**.

3.17 In the context of *'stimulating Internet Service Providers on a voluntary basis to develop codes of conduct and guidelines for blocking access to such Internet pages'* (recital 13), the EESC would stress that the priority must be to remove the content at source and only where this is not possible (outside the EU) to block access to those sites. Within the EU this should be made a legal requirement, if the industry, the ISPs, and economic and financial actors, such as credit card companies, are serious about their commitment to fight this abuse.

⁽⁹⁾ CEOP.

⁽¹⁰⁾ See footnote 1.

⁽¹¹⁾ OJ C 224, 30.8.2008, p.61.

4. Specifics on the Directive articles

4.1 Article 1 ('Subject matter') should include **'sanctions in the area of sexual abuse and sexual exploitation of children, as well as the presentation of child sexual abuse material'**.

4.2 Article 2(b)(iv): *'realistic images of a child engaged'* should include **'or depicted as being engaged'**.

4.3 Article 2(b): The term 'primarily' should be deleted throughout, as it detracts from the focus on 'for sexual purposes'.

4.4 Article 2(e): Delete the exceptions *'for States or public bodies in the exercise of State authority and for public international organisations'*. In the context of a legal person, there can be no impunity relating to the sexual abuse of children.

4.5 Articles 3(3) and 8 on 'sexual consent': As regards the sentence 'Engaging in sexual activities with a child who has not reached the age of sexual consent under national law', it should be noted that the UNCRC and European definition of a child is 'below the age of 18' and that this terminology is therefore contradictory. This is partly addressed in Article 8 (*'Consensual sexual activities between peers'*). Additionally, Articles 3, 4, 5 and 8 do not govern consensual sex between children at or above the age of sexual consent. The EESC believes that this will require further discussion and more clarity. The EESC would encourage Member States to use the opportunity of this new Directive to set a minimum age of sexual consent across Europe. Greater clarification is also required of the concept of 'close in age'.

Article 3(4)(i): In light of the number of cases occurring within the family, *'parental responsibility'* should be itemised as a position of trust. This would be in line with Article 5 of the UNCRC. Additionally the term *'recognised'* should be deleted in reference to *'a position of trust, authority or influence over the child'*: This is of concern in connection with the events in Europe not only surrounding paedophilia rings but also within families and in religious, educational, and alternative care. It is essential that there can be absolutely no immunity from prosecution, questioning or access to the files of anyone in authority, be it political or religious.

4.6 Article 3(5): Offences concerning sexual abuse should also contain 'exhibitionism' in the list of practices following an acceptable definition for exhibitionism from the Commission (12).

4.7 Article 4(2), (3), (4) and (5) cover 'pornographic performances' and concern the direct involvement of the real child. This could be confused with Article 5 which covers 'offences concerning child pornography'. An explanatory note may be valuable to avoid this confusion.

4.8 Articles 4-8: With regard to the words 'knowingly' and 'intentional', the Directive must provide a clear definition of these terms.

4.9 Article 4(1): The term 'intentional' should be deleted since this would allow offenders to claim that they did not know the age of the victim to avoid prosecution (13).

4.10 Article 4(8): 'Engaging in sexual activities (...)' should include '**or agreeing to engage**' and should allow for the possibility of prosecution, '**irrespective of whether or not the sexual act is committed.**'

4.11 Article 6 ('Solicitation of children for sexual purposes') should be expanded to recognise different forms of grooming, including grooming by protective adults and offline grooming.

4.12 Articles 7 and 9: In line with the rest of the Directive, these articles should define a period of sentencing, or punishment, to be attached to the crime.

4.13 Article 7(3)(b): A proportion of travelling abusers are situational offenders who take up the opportunity of sexual abuse when it is offered. Thus, the EESC recommends that '**the organisation of travel and/or other arrangements in connection with the commission of any of the offences referred to in Articles 3 to 7**' should be punishable.

4.14 Article 8: The statement 'insofar as the act did not involve any abuse' should be replaced with '**insofar as the act did not involve any coercion**'.

4.15 Article 9 ('Aggravating circumstances') could also include '**(i) the offence involved serious violence or threat or caused or was likely to cause serious harm to the child.**'

4.16 In view of the damage that such crimes inflict on child victims, even into adulthood, the EESC would suggest that these crimes should not have a statute of limitations, or not lapse for a minimum period of time.

4.17 Articles 10 and 12 do not take into account offenders relocating, and do not go far enough to prevent abusers travelling. In a previous opinion (14), the EESC worked with ECPAT (15) and recommended:

- vetting and barring;
- bilateral cooperation agreements;
- agreements to deport convicted offenders;
- the use of Foreign Travel Orders (FTOs).

4.18 Article 11 ('Liability of legal persons'): Legal persons should be held responsible wherever they have enabled the conduct of the abuser, whether or not they benefit from it. Therefore, the phrase '*for their benefit*' (by any person) should be removed.

4.19 Article 12(b) ('Sanctions on legal persons'): This article should be modified to not only exempt the abuser from taking up commercial activities, but also prevent him from taking up 'any activities' in relation to contact with children.

4.20 Article 13 ('Non-prosecution') should '**ensure**' and not only '*provide for the possibility*' that children who are involved in unlawful activities as a consequence of being subjected to these offences are not prosecuted and do not have penalties imposed on them.

4.21 Article 14 relates to '*investigation and prosecution*'. In order for investigation and prosecution to be practical and effective, adequate provision must be made for access to funds for training and counselling and for research into new and emerging technologies. The investigation process must be fully transparent. This article should also allow for certain types of crimes to have no statute of limitations.

4.22 Article 14(2) With regard to '*a sufficient period of time*', Member States should have flexibility in applying the statute of limitations so that they can also take account of the gravity of the impact on the life, health and/or wellbeing of the victim.

4.23 The EESC recommends that the Directive should specify that the statutes of limitation existing under national law shall begin when the victim has reached the age of majority. It further suggests that the Commission should work to promote harmonisation of the national statutes of limitation in order to avoid confusion or mistakes when law enforcement agencies undertake cross-border investigations.

(12) This issue was recently highlighted in a case in Portugal.

(13) ECPAT recommends a specific provision reversing the burden of proof of the age of the person in child sexual abuse materials so that it lies on the people producing, distributing and/or possessing the materials. This step has already been taken in the Netherlands.

(14) See footnote 1.

(15) ECPAT – End Child Prostitution, Child Pornography and the Trafficking of Children for Sexual Purposes – has special consultative status with the Economic and Social Council of the UN (ECOSOC).

4.24 In Article 14(3), '(...) *the necessary tools are available (...)*', it is essential to ensure that, alongside the tools, fully trained staff are also available to use the tools.

4.25 Article 15 promotes '*reporting*', but it does not identify specifics for mechanisms and funding to effectively support rapid intervention by professionals working with children. Considering the under-reporting of sexual crimes against children, effective and accessible reporting mechanisms should be established in all Member States.

4.26 In order to encourage timely reporting of suspects or actual instances of sexual abuse and exploitation it is important to ensure that professionals who report in good faith are protected from claims under criminal and civil law, complaints before ethical committees or prosecution for violation of the rules of confidentiality.

4.27 Article 16(1)(d) (*'Jurisdiction and coordination of prosecution'*) fails to cover any aspects relating to the extradition of suspects. This is covered in Article 5 of the UNCRC Optional Protocol and should be considered within the Commission Directive. In the same point, the phrase '*(...) a legal person established in a territory (...)*' should be expanded to '*(...) established in or operating from (...)*'.

4.28 Article 16(2): In the sentence '*(...) its jurisdiction includes situations (...) referred to (...) in Articles 3 and 7 (...)*', the EESC would suggest that Articles 3, 4, 5, 6, and 7 should be included.

4.29 Article 16(3): There can be no exceptions if Member States are to be serious about the global protection of children. Hence, the derogation '*A Member State may decide that it will not apply or that it will apply only in specific cases or circumstances (...) as far as the offence is committed outside its territory.*' should be deleted.

4.30 Article 17(1): As regards the sentence '*shall be provided assistance (...)*', the EESC recommends that each Member State should ensure that child victims of offences under Articles 3 to 7 are offered adequate and specialised assistance, including accommodation in a safe place, medical and psychosocial assistance and education. Member States should ensure that these services are provided by trained professionals and respect the child's cultural identity/origin, gender and age⁽¹⁶⁾. Such measures will reduce vulnerability and thus strengthen prevention.

4.31 Article 19 on '*criminal investigations*' is covered in Article 8 of the UNCRC Optional Protocol, which should be taken into account in the Commission Directive.

4.32 Additionally, the EESC would recommend making reference to the guidelines in the UN ECOSOC's Resolution 2005/20 on measures for the protection of child victims and witnesses of crimes⁽¹⁷⁾.

4.33 Many children who have been abused by their parents who have sold them, by traffickers or by adults involved in prostitution have lost their trust in adults, which means that a basis of trust has to be established between adult and child before investigations can take place. Member States therefore need to identify child victims and rebuild the child's life, for example by means of accommodation, care, protection and specialist psychological services, to assist in enforcing laws to prosecute such offences.

4.34 Article 19(e) Following the text '*the number of interviews is as limited as possible and interviews are only carried out where strictly necessary for the purposes of criminal proceedings*', the words '**or to secure the safety and wellbeing of the child**' should be inserted.

4.35 Article 21 (*'Blocking access to websites'*) should be redrafted⁽¹⁸⁾. Priority should be given to removing websites rather than blocking them, which should be a secondary measure where removal cannot take place. Blocking can work alongside removal as a short-term tactic to disrupt access and protect innocent users from exposure to child sexual abuse content⁽¹⁹⁾. This article should require Members States to act immediately to take down the site.

4.36 Where removal is not immediately possible efforts should be directed at tracking movements and activities on websites associated with the distribution of child sexual abuse content, in order to provide information to authorised bodies and international law enforcement to effect the later removal of such content and the investigation of its distributors. The EESC recommends:

- an international effort by domain name registries and relevant authorities to de-register domains associated with child sexual abuse;
- greater efforts to investigate file sharing activity, including peer to peer.

4.37 Article 21(2): Efforts should also be made to order or otherwise ensure that financial institutions take action to trace and stop the flow of financial transactions undertaken through their services which facilitate access to child sexual abuse material.

⁽¹⁶⁾ Rio de Janeiro Declaration and Call for Action to Prevent and Stop Sexual Exploitation of Children and Adolescents.

⁽¹⁷⁾ See: <http://www.un.org/docs/ecosoc/documents/2005/resolutions/Resolution%202005-20.pdf>.

⁽¹⁸⁾ See Internet Watch Foundation report on blocking and removal.

⁽¹⁹⁾ <http://www.iwf.org.uk/public/page.148.htm>.

5. Further elements for consideration for inclusion in the Directive

5.1 There is no mention in the Directive of data protection: child protection should take precedence over data protection and freedom of speech under certain well-defined circumstances as foreseen in the European Convention on Human Rights.

5.2 Greater law enforcement cooperation, national and international management systems for offenders and a 'Missing Child Alert System' must be adopted at an EU Level.

5.3 No consideration is given to child abuse where the perpetrators are children. This must be considered as a special case and could be covered under Article 9. It is only covered by a short comment about intervention programmes in Article 20 ⁽²⁰⁾.

5.4 Whilst fully respecting the principle of subsidiarity, the EESC calls on Member States to consider taking specific measures to ensure that the necessary supervision mechanisms and psychological support are provided for those working to protect victims, in order to avoid mental deterioration. From the personnel perspective, this should be a mandatory requirement and not a voluntary option.

5.5 The EESC praises the Commission for recognising the greater need for 'exchanging information and experience in prosecution, protection or prevention, awareness raising, cooperation with private sector and encouragement of self regulation'. In this connection the EESC would highlight the need to take account of the workplace. This would allow employers and employees to be aware of their responsibilities to report illegal activities which may first come to light in the place of employment or from customers/suppliers ⁽²¹⁾.

5.6 The EESC notes that no additional costs will be incurred in implementing the new Directive. However, there is a need for more resources, including for investigation, publicity, training, counselling and legal support services, to ensure that this abuse is eradicated in the shortest possible timeframe.

5.7 Finally, the EESC would promote the establishment of an **international law enforcement body** dedicated to investigating child sexual abuse around the world, to identifying and prosecuting the content distributors and to rescuing children from suffering. There are a number of tactics ⁽²²⁾ which could be effective in minimising the availability of content and which, if adopted on a global scale, could ensure that the international response to these crimes is more effective, faster and a better deterrent.

Brussels, 15 September 2010.

The President
of the the European Economic and Social Committee
Mario SEPI

⁽²⁰⁾ It is estimated that approximately a third of child sex offenders are under the age of 18 (May-Chahal and Herzog, 2003).

⁽²¹⁾ The EESC has proposed a European project 'Europe Against the Sexual Exploitation of Children – SAY NO!'. See opinion quoted in footnote 1.

⁽²²⁾ See Internet Watch Foundation report.

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — A better functioning food supply chain in Europe’

COM(2009) 591

(2011/C 48/25)

Rapporteur: **Mr NARRO**

Co-rapporteur: **Mr KAPUVÁRI**

On 28 October 2009 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

‘Communication from the Commission to the European Parliament, the European Economic and Social Committee and the Committee of the Regions - A better functioning food supply chain in Europe’

COM(2009) 591 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 31 August 2010.

At its 465th plenary session, held on 15. and 16 September 2010 (sitting of 15 September), the European Economic and Social Committee adopted the following opinion by 121 votes to none, with 5 abstentions.

1. Conclusions and recommendations

1.1 The reports and communications drawn up by the European Commission over the last few years offer a revealing analysis of the weaknesses and dysfunctions within the functioning of the value chain. Price volatility, speculation, sales below cost, lack of transparency, the spread of unfair and anticompetitive practices and disparities in the negotiating power of parties are problems affecting the future of the entire food sector, and threatening the survival of what is known as the ‘European agricultural model’.

1.2 In its Communication on *A better functioning food supply chain in Europe*, the Commission rightly identifies areas for priority action. However, the EESC regrets the slowness in adopting proposals, and urges the European Commission to speed up its decision-making in an area that requires urgent, practical and tangible action. The renewed High Level Group on the Competitiveness of the Agro-Food Industry should resume its work as quickly as possible and become the lynchpin for new and nascent agro-food policies.

1.3 Success will very largely depend on the degree of involvement of the European Commission, the Member States and all actors in the food chain. It is essential for them to work together in a coordinated way in a field where differences between the various national markets and products are considerable. The European Union must provide determined leadership in efforts in this regard, and encourage both

adjustment of available instruments and new measures to facilitate more balanced development of the chain and enhance competitiveness.

1.4 An analysis of initiatives concerning the food chain which have been pursued to date reveals the limited effectiveness of self-regulation and voluntary agreements. The EESC supports the development of voluntary mechanisms but notes that, without supervisory bodies and effective sanctions, it will not be possible to end the systematic non-compliance with these mechanisms by the more powerful links in the chain.

1.5 Changes in economic players’ behaviour must be accompanied by market regulation that lays the foundation for a new approach for the agro-food sector. To make the system more transparent, contractual practices must be strengthened, and the possibility of introducing binding clauses or an obligation to draw up written contracts should be examined on a sectoral basis. Many of the goals mentioned by the Commission in the Communication can only be attained with fair and appropriate legislation.

1.6 With regard to codes of good practice, the EU should take national initiatives as a model and devise an effective control and penalty mechanism by establishing a European ombudsman. As well as the content of these codes of good practice, their efficiency and the level of compliance with them are crucial.

1.7 National and Community competition law must be adjusted significantly in order to foster robust organisation of the sector, ensure that supply chains operate flexibly, and provide legal certainty for operators, to the benefit of consumers. The conclusions of the High Level Group on the Milk Sector⁽¹⁾ and the Spanish Presidency Conclusions concerning the communication on the food supply chain⁽²⁾ tally with the EESC's views on applying competition law in a flexible way to reflect the specific characteristics of the farm sector.

1.8 In contrast to the fragmentation of supply, the EESC takes note of the strong concentration of demand, especially in the large retail sector, which is affecting the proper functioning of the value chain. Developing and strengthening the role of the interprofessional organisations can help to mitigate the lack of organisation in the production sector. This challenge should prompt some serious thinking, not about the size of producers' organisations, but about how to turn them into effective marketing tools in farmers' hands. Producers' organisations should not be the only effective channel for improving the economic organisation of agricultural supply.

1.9 The EESC urges the European Commission not only to focus its attention on how to concentrate supply but act decisively in the demand sector, checking abuses of a dominant position and various unfair and anti-competitive practices that frequently escape effective monitoring by national and community authorities.

1.10 European consumers need prices and appropriate price structures that are predictable and stable. The measures set out in the communication could operate more effectively if widely publicised and if consumer choice is not distorted. Price monitoring centres will only be of use if, instead of being restricted to recording prices, they can react swiftly to possible distortions in price movements.

2. Summary of the Commission's communication

2.1 The European Commission acknowledges the important role played by the food supply chain – comprised of farmers, industry and distributors – in the European economy⁽³⁾. In fact, supervising the workings of the food chain has become a political priority for the Community agenda. The publication of the Communication on **A better functioning food supply chain** is a consequence of this legitimate concern of

(1) Conclusions of the High Level Group on the Milk Sector, adopted on 15 June 2010.

(2) Presidency Conclusions, adopted by a majority at the meeting of the Agriculture Council of 29 March 2010.

(3) The agro-food sector accounts for 7 % of employment in the EU and for 5 % of its added value.

the European legislator and arises from the idea of establishing practical measures at the national and Community levels that help to improve the situation of the food supply chain.

2.2 The Communication puts forward a set of practical proposals for each of the three challenges facing the food supply chain described in the document. To promote sustainable relations, the Commission aims to combat unfair practices and oversee competition-related issues. An attempt is made to address one issue that is always a priority, that of greater transparency in the supply chain, through combating speculation and establishing a European food price monitoring mechanism. Lastly, with a view to boosting competitiveness, the Commission is keen to review labelling and environmental legislation, limit regional supply practices and strengthen farmers' negotiating position through instruments such as producers' organisations.

2.3 In November 2010, the Commission is due to publish a follow-up report on the degree of implementation of the main measures proposed, which will be complemented by a new communication on supervision of the retail market. The Commission has also decided to extend the term and membership of the High Level Group on the Competitiveness of the Agro-food Industry and make it a genuine forum for discussion on the food supply chain.

3. General comments

3.1 With this Communication and other initiatives, the EU has in recent years shown that the situation facing the food supply chain has become one of the key issues on its policy agenda. Price volatility and power imbalances within the supply chain have had a detrimental effect on consumers and on the production sector. Despite the numerous analyses and proposals that have been made in recent years, the situation still contains a number of distortions that seriously question the much sought-after sustainability of the European agro-food model.

3.2 As well as ensuring proper supply of food, quality is an issue of strategic importance: for this reason, it is essential to give adequate protection to products covered by quality marks. Efficiency problems in the food supply chain can narrow the choice of products on the single market, which would threaten the European agricultural model. The Commission has, in numerous documents, discussed the contradictions raised by the way the food supply chain functions in the European Union, but the communication fails to reflect this fact.

3.3 Imbalances in the European food supply chain also represent a serious threat to the interests of European citizens. Due to the discrepancies between the prices of raw materials and of consumer goods, unrealistic price structures have developed, jeopardising the long-term prospects of the links in the value chain, together with the entire economic and social order of the EU. The retail sector is highly concentrated and organised, and keeps consumer food prices under constant pressure. The major food supply chains can do this because, thanks to certain commercial practices, their profit margins are generated not only by consumers but also by suppliers, as shown by the farm prices explosion in 2007 and 2008. Commercial policies based on the 'double profit margin' technique are causing serious problems for consumers and suppliers.

3.4 The increasing tension in relations between the players in the food supply chain is leading to different economic dynamics, which are particularly damaging for a sector of farming that is suffering an unprecedented crisis against the backdrop of a deep general economic crisis.

3.5 The EESC and the Commission also agree on the priority areas for action and on the need to present as a matter of urgency new measures and practical tools to improve the operation of the food supply chain in Europe. Substantial changes are required to bring about a new direction. In order to successfully address the main challenges facing the agro-food sector, the EESC would like to see the development of diversified production, lower costs by increasing farm size, and better marketing strategies.

3.6 The EESC agrees with the main conclusions of the High Level Group on the Competitiveness of the Agro-Food Industry, which tally with the Committee's recent work on agricultural issues ⁽⁴⁾:

'In line with free-market thinking, the market alone currently determines the key issue of who gets what share of the value chain. This works to the detriment particularly of those farmers who, even though unit costs are in many cases on the increase, often still face ever-decreasing producer prices and are often forced to respond with measures that run counter to the aims of the European agricultural model. Since 77 % of the EU-27 food market is already controlled by just fifteen commercial chains, the Committee feels that, as is currently happening in the USA, consideration should be given to whether competition law is enough to prevent the emergence of market dominance and questionable contractual practices. It is important that all stakeholder groups be involved in this exercise.'

3.7 The success of all of these initiatives will depend to a large extent on the involvement of the European Commission, the Member States and all players in the food supply chain.

⁽⁴⁾ Reform of the Common Agricultural Policy in 2013, OJ C 354, 28.12.2010, p. 35.

Coordinated efforts between the different bodies and a revision of the application of competition law are essential. Most of the measures proposed by the European Commission have previously been implemented at the national level ⁽⁵⁾. A study should therefore be made of the different national approaches to the same set of problems and the often insignificant final result of many of the initiatives implemented by the Member States. This is true, for example, of the setting-up of price monitoring centres or establishing codes of good practice which, due to the lack of effective tools for control and application, have failed to limit abuses.

3.8 The Communication broadly addresses some aspects of the food supply chain that have been the subject of detailed study at the national level or within the industry. France's efforts to bring balance to the food supply chain have provided a benchmark for other EU Member States. The French law on modernising farming goes further than the Communication: it defines a mandatory contractual framework for volumes and prices, requires mandatory clauses, extends the duties of industry interprofessional bodies and provides for a system of mediation and sanctions to resolve potential disputes.

3.9 At the sectoral level, the milk sector has been recognised by the Commission as 'requiring urgent action'. For this reason, the High Level Group on the Milk Sector set up in October 2009 has broadened its remit beyond that of the Communication and has focused on establishing a standard contractual framework, the development possibilities for those in interprofessional and producers' organisations and the implementation of the futures market in the milk sector. Given this profusion of Community, national and sector-specific initiatives, the EESC, which is aware of the complexity and range of these issues, wishes to emphasise the need to establish a solid basic Community framework, encourages the exchange of experience and calls for greater coordination of the competent authorities.

3.10 The EESC has highlighted on a number of occasions the importance of adapting legislation to the current situation facing the food supply chain. The far-reaching changes that must be made to national and Community legislation should be accompanied by the creation of a new framework for relations within the supply chain that favour cooperation, transparency and a fair distribution of profits throughout the value chain. Self-regulation in the sector should be encouraged at the same time as the introduction of binding instruments. For the system to be implemented effectively a decided commitment to transparency is needed, and this will require control mechanisms guaranteeing compliance with the voluntary agreements that might be concluded between the various links in the chain.

⁽⁵⁾ Spain has been a pioneer in this regard, setting up a price monitoring centre, France has taken a very close look at compulsory contracts, and the United Kingdom has opted for a watchdog to monitor compliance with codes of practice.

3.11 In the Communication and the accompanying working documents, the Commission gives an accurate assessment of price volatility. A critical examination is needed, however, of how the recent changes to the CAP, set out in the 'health check', have affected the balance of the food supply chain. Abolishing the market regulation instruments for farming (quotas, intervention, storage) have had a detrimental effect on price volatility and market management, which should be taken into account in the Community executive's analysis.

4. Specific comments

4.1 Promoting sustainable market relations

4.1.1 In its analysis, the Commission notes the 'asymmetry' between the different links in the supply chain. These imbalances lead to unfair commercial and anti-competitive practices. Such imbalances are spreading rapidly in the case of perishable goods, where there is less room for negotiation. The EESC agrees with the Commission's intention to strengthen contractual practices with common rules defined at European level. Although contracts could be drawn up on a voluntary basis, a number of cases should be looked at where it could be made legally binding to present a contract and certain specific contractual clauses.

4.1.2 In any case, the Commission should prevent farm produce transactions from taking place without any documentary record, in order to stamp out such widespread and insidious practices as 'open prices', where the price paid to the farmer is only determined in the light of the sale price subsequently obtained by the intermediary. In addition to the contractual arrangements, the EESC believes there is a need to introduce a code of practice⁽⁶⁾ and a monitoring committee to ensure that the code is adhered to. This code of commercial practice should ensure the quality of negotiations between all the links in the value chain, for the benefit of consumers. The European legislator must put an end to the practice of selling at a loss as a normal strategy to attract consumers, and should analyse the impact of the increasing use of distributors' labels on competition, consumer choice and the promotion of quality EU produce.

4.1.3 There are significant differences in the way competition rules are applied at national level. The same conduct by an interprofessional association is treated very differently depending on the national competition authority in each country. There is a tendency in many countries to penalise any initiatives by the production sector to improve the management of supply. This is nothing new: in spite of efforts to step up cooperation with the European Competition Network, the steps taken by the competition authorities have not been successfully coordinated.

4.1.4 The EESC advocates a new model for consumer-producer relations that favours local markets (possibly imposing obligatory minimum local sourcing quotas) and cuts out intermediaries by means of shorter circuits or 'zero food miles' products. The European Commission should encourage initiatives on the part of producers to join consumers in seeking greater added value for their produce and safeguarding the cultural and regional identity aspects of food.

4.1.5 The revision of the Late Payments Directive has triggered an interesting Europe-wide debate on whether the payment period for agro-food products should be reduced. It would be helpful to set a 30-day limit for perishable products, starting from the date of delivery of goods to the client rather than the date of issue of the invoice. In addition to greater control over late payments, a clear definition of unfair practices and clauses should be included, together with efficient tools for eradicating them from trade relations.

4.2 Transparency of the food supply chain

4.2.1 In the EESC's view, there is a real need for price transparency⁽⁷⁾. Setting up a new Community food prices monitoring tool must go hand-in-hand with new powers of surveillance and sanction. The EESC considers that there must be a shift from monitoring to action, so that the appropriate bodies can react rapidly and effectively to distortions in price trends.

4.2.2 The EESC does not agree with the idea that providing consumers with more price comparisons can by itself bring greater transparency to the food supply chain. Greater price transparency and predictability is only one of the many factors influencing price formation processes and trends.

4.2.3 The European Commission's laudable efforts to harmonise and coordinate the different national price monitoring instruments are bound to fail if there is no uniformisation of the reference bases for price transmission. Is the same reference used when data are compiled? Are there common guidelines on how price observatories should be set up and function? Does the EU have bodies able to intervene when unjustified price mismatches, anomalies and fluctuations are detected? The data forwarded to the Commission by the Member States often do not apply the same criteria. It has been noted, for example, that in the case of citrus fruit the prices published by the Commission under the heading of producer prices are in fact warehouse-door prices, which do not include marketing costs. These data differences can give a distorted picture of the situation, making transparency difficult to achieve.

⁽⁶⁾ OJ C 175, 28.7.2009.

⁽⁷⁾ OJ C 128, 18.5.2010, p. 111.

4.2.4 The measures proposed by the communication will only work if properly publicised. This is crucial, given the need to provide consumers with accurate information. Because of the increased concentration in both the agro-food industry and the distribution sector, brand reputations have become more vulnerable, with all the risks this entails for businesses.

4.3 *Improving competitiveness and integration in the food supply chain*

4.3.1 The Commission is doing very important work to develop a single market for food products. However, widely diverging prices between countries are directly connected to differing levels of purchasing power. Not only are the new Member States (EU-12) failing to catch up with the other countries, but the differences are getting bigger. The European Commission must therefore support the new Member States in order to narrow the gap and optimise the functioning of the single market. If the trend is not reversed, the market share of products from the EU-15 in the new Member States will gradually be eroded.

4.3.2 The food supply chain is marked by a high level of fragmentation in the production sector and strong concentration in the retail sector, leading to serious imbalances in their relations. The EESC considers that many of the problems jeopardising the smooth functioning of the food supply chain

stem from the fact that businesses at the end of the chain have developed faster, more evenly and in a more concentrated way. The European Commission, aware of this issue, wants to develop producers' organisations (along the lines of the fruit and vegetable CMO) with a view to reducing supply-side fragmentation; the EESC however emphasises that what is important is not to set up more and bigger producers' organisations, but to enhance their management and marketing abilities so that they become a useful tool in farmers' hands. The EESC urges the European Commission to introduce new anti-crisis and stabilisation measures, such as an income insurance instrument. The positive experiences of Canada and the USA in this field argue in favour of applying this measure, that has been confirmed as legitimate by the WTO, in Europe.

4.3.3 Interprofessional associations must be reinforced and reinvigorated through a joint framework for action. European legislation is required to harmonise and develop the interprofessional associations in each Member State and ensure that they operate under the same rules, so that they are not merely sector round tables responsible for promoting the sector in general. It is essential to remove legislative obstacles that undermine the legal certainty of interprofessional associations in performing their task of market stabilisation, and ensure that these associations have more extensive rights when cross-sector agreements are adopted so that they are not exposed to arbitrary decisions taken by the national competition authorities.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Options for an EU vision and target for biodiversity beyond 2010’

COM(2010) 4 final

(2011/C 48/26)

Rapporteur: **Mr RIBBE**

On 19 January 2010, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the:

‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Options for an EU vision and target for biodiversity beyond 2010’

COM(2010) 4 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 7 July 2010.

At its 465th plenary session of 15 and 16 September 2010 (meeting of 15 September) the European Economic and Social Committee adopted the following opinion by 112 votes to 11 with 11 abstentions.

1. Conclusions and recommendations

1.1 In the Committee’s view it would have been preferable if a communication with this content had never had to be written, and politicians had implemented their 2001 promise to halt the loss of biodiversity by 2010 and to ensure that lost habitats were restored. This goal has not been achieved, however.

1.2 The EESC sees two major shortcomings. For one thing, the maintenance of biodiversity has not been the focus of political action, and at the same time it is clear that, while society is generally favourable to nature conservation, there is nonetheless a serious lack of understanding of ecological processes. These two shortcomings are connected, and they both need to be addressed by the new approach to biodiversity.

1.3 Another question is whether the terms used by a specialist policy-makers and associations are generally understood. ‘Biodiversity’, ‘species’ and ‘ecosystem services’ are concepts which have little meaning or interest for the majority.

1.4 The EESC supports the ambitious targets drawn up in Option 4 of the Commission communication, which has also been adopted by the Council of Environment Ministers and by the European Council. More effort is needed if they are to succeed in the future, and it should be determined in advance what funding and what political changes will be required ⁽¹⁾.

1.5 The Committee therefore calls on the Commission and the European Council not to dress up old objectives with new data but finally to draw up a binding plan of action for all Commission departments, with a clear timetable and interim objectives as well as sufficient funding, and also to provide guidelines as to the changes needed at Member State level.

1.6 The maintenance of biodiversity is not a task which falls solely within the ambit of environmental policy. It is also a long-term economic issue, and the ministers for economic and financial affairs should therefore finally address this issue.

1.7 In view of the frightening lack of knowledge of ecological processes in society, action is needed to develop policy on education concerning the natural environment.

1.8 The budget reform and the reorientation of the common agricultural and fisheries policy, the Structural Funds and other relevant policy areas will be an appropriate test for the seriousness of EU policy on protecting biodiversity.

1.9 The current content of the new EU 2020 strategy does not do justice to the challenges of maintaining biodiversity. The new approach to biodiversity must fill these gaps and in due course become an integral part of this strategy.

⁽¹⁾ OJ C 277, 17.11.2009, p. 62, points 1.4 and 1.5.

1.10 The EESC considers the following areas of action to be particularly important at EU level:

- changes to agricultural and fisheries policy,
- securing and developing the Natura 2000 network,
- establishment and development of 'green infrastructure' through a TEN biodiversity network,
- integration of biodiversity into all other EU policy areas,
- education campaign at EU level.

1.11 It is necessary to find new ways of reconciling agriculture and species conservation once again. There have been positive developments in some Member States, which should be assessed and massively developed. Farmers must be offered incentives for providing the relevant services.

1.12 The EESC expects the EU to prepare thoroughly for the Tenth Conference of the Parties to the Convention on Biological Diversity and to make a significant contribution to the new Strategic Plan for the Convention on Biological Diversity beyond 2010.

2. The Commission communication

2.1 The drafting of the Commission communication in this form was necessary because the EU has not achieved one of its key environmental objectives of the past decade: in Gothenburg in 2001 the European Council - as part of the sustainability strategy - set the objective of halting the loss of biodiversity in the EU by 2010 and restoring lost habitats. Despite the EU Biodiversity Action Plan adopted in 2006 and despite undeniable progress in establishing the NATURA 2000 network, this target has not been met.

2.2 The Commission communication currently under consideration is the first step towards achieving this objective. The communication presents options for development of a post-2010 EU vision and targets.

2.3 The communication describes, emphasises and commends in detail the arguments for protection of biodiversity. In particular, it contains an overall estimate of the economic costs/losses arising from the loss of biodiversity – and thus of ecosystem services. These are estimated in the TEEB report (Economics of Ecosystems and Biodiversity at

around EUR 50 billion(!) annually. Accordingly, the cumulative loss of prosperity by 2050 can be estimated at 7 % of GNP(!).

2.4 The Commission makes it clear that protecting diversity, like climate change, is a long-term task. The biodiversity vision to be developed is therefore intended to be long-term (up to 2050), but the EU - like the international level - it is to set its own (intermediate) objective for 2020.

2.5 Political decision-makers are offered four options, of varying levels of ambition, for the '2020 headline target'.

- Option 1: Significantly reduce the rate of loss of biodiversity and ecosystem services in the EU by 2020;
- Option 2: Halt the loss of biodiversity and ecosystem services in the EU by 2020;
- Option 3: Halt the loss of biodiversity and ecosystem services in the EU by 2020 and restore them insofar as possible;
- Option 4: Halt the loss of biodiversity and ecosystem services in the EU by 2020 and restore them insofar as possible, and step up the EU's contribution to averting global biodiversity loss.

3. General comments on existing EU biodiversity policy

3.1 An assessment of the EU's existing biodiversity policy is sobering.

3.2 Around ten years ago it was promised that the loss of biodiversity would be halted within a decade and efforts made to restore habitats and natural systems.

3.3 Statements were then made almost annually, either by departments of the Commission, commissioners or the European Environment Agency, that more efforts were needed in addition to the measures already undertaken in order to achieve the objective set; these efforts were never forthcoming, however.

3.4 And then last year it was finally admitted that the objective was not being achieved - which came as no surprise to the EESC. The Committee had already warned in various opinions that, in its view, the policy measures adopted were entirely inadequate ⁽²⁾.

⁽²⁾ OJ C 195, 18.8.2006, p. 88 and p. 96, OJ C 161, 13.9.2007, p. 53, OJ C 97, 28.04.2007, point 1.3., p. 6-11.

3.5 The fact that the EU has not achieved its biodiversity objective is not attributable either to a lack of understanding of what needs to be done or to a lack of willingness on the part of civil society to take the necessary steps. Basically it is because the world of politics places short-term economic interests above the long-term effects of ecosystem services. The fact that our economic system is unsustainable, based on overuse of natural resources, is also reflected in biodiversity.

3.6 The EESC is therefore pleased to note that the Commission looks in detail at the TEEB report and thus develops important arguments on the economic importance of biodiversity. The Committee would sound a warning, however, against placing the main emphasis on valuing biodiversity in monetary terms, since:

- there are many important reasons for preserving biodiversity which cannot and should not be assigned a monetary value, such as the rights of nature, the idea of creation, the cultural importance of diversity or simple identification with nature;
- on no account should the need to preserve an individual species be based on a calculation of its economic value

3.7 The EESC is concerned that the TEEB Report might risk a similar fate to the Stern Review on climate change, whose warnings about the long-term economic effects of climate change have also been largely ignored in political circles. It is significant that the ministers for financial and economic affairs have not even begun to address the TEEB Report.

3.8 Against this background, the EESC considers that recycling the old 2001 objectives and rescheduling the original 2010 target for 2020 while setting out new goals for 2050, however important long-term goals may be, is not the right way to proceed. Rather, the existing policies and instruments must be evaluated, and improved measures which are more effective on the ground finally need to be drawn up and implemented. The new EU biodiversity strategy 2020 therefore needs not only specific, quantified final and interim targets but also in particular specific and binding implementation plans with clear allocation of responsibility. There should also be sufficient funding provision.

4. General remarks on the communication

4.1 The EESC understands the purpose of the Commission's communication to be to launch a new debate among the EU's policy-makers and to send out a clear signal to society, leading in turn to a clear programme of work for the relevant departments. The Committee endorses this approach.

4.2 It welcomes the resolution of the Council of EU environment ministers of 15 March 2010, which essentially supports Option 4. It would sound a warning, however,

against – as in 2001 – turning to the agenda without really drawing conclusions. This new objective would then risk the same fate as the 2001 objective.

4.3 The Committee does not consider it sufficient that 'only' the Environment Council is looking at this issue and calls for it to be dealt with in the other relevant Council configurations. The Commission communication makes it very clear that, alongside the environmental and ethical dimensions, the loss of biodiversity also has an economic dimension. The EESC therefore expects the ministers for economic and financial affairs, in particular, also to look at the problem, and that the financial resources will be calculated that will need to be allocated to budgets and the other necessary economic and political changes identified.

4.4 The Committee is particularly disappointed that the European Council, in contrast to 2001, did not send out any real signal. In the new EU 2020 Strategy, which ostensibly sets out to promote a 'green Europe', the terms 'biodiversity', 'habitats', 'protection of the natural environment', 'protection of species' and 'protection of the diversity of genetic resources' do not occur even once. 'Biodiversity' occurs only twice, and then only in passing, under the heading of resource-efficiency. Even in the Conclusions of the European Council of March 2010 this central issue is not given its own chapter. The decision of the Council of environment ministers of 15 March is merely confirmed in connection with climate-policy issues.

4.5 Clearly, the importance of biodiversity maintenance has still not come to the forefront of political discussion and action. This is a disastrous and unacceptable signal to send the European public which already exhibits a significant lack of understanding and willingness to act.

4.6 The new approach to biodiversity must define responsibilities more clearly, e.g. the relationship between the EU, the Member States, the regions and local authorities, and between the business world, associations and society, but also within the Commission's departments.

4.7 The EESC shares the view of the European Commission that biodiversity is a cross-cutting, interdisciplinary task. For this very reason the new biodiversity strategy must 1) made a binding part of the EU 2020 Strategy and 2) be discussed by all Commission departments, taken seriously and followed up with the necessary vigour, for example also by the agriculture, energy and transport departments. With the adoption of the EU 2020 Strategy, including an integrated biodiversity approach, all Commission departments must undertake to contribute to its implementation. This includes assessing their support programmes and regulations for compliance with the requirements of protection of the natural environment, and adapting them accordingly.

4.8 The EESC therefore expects the Commission to publish during the autumn of 2010 a detailed list of those policy areas in which there are shortcomings in the integration of biodiversity targets, referred to only very vaguely in the communication. It should also be established why the 2006 biodiversity strategy, which after all included around 160 measures of various kinds, was not successful.

4.9 The new biodiversity approach developed on this basis should make it clear what instruments and political changes are needed in order to remedy the shortcomings analysed.

4.10 The forthcoming budget reform and the reorientation of the common agricultural and fisheries policies and Structural Funds will therefore to some extent be a test of the EU's biodiversity policy, in terms of both its integration into other policy areas, which has been advocated for years, and the necessary funding (EU expenditure on maintenance of biodiversity amounts to 0.1 % of the budget. On the other hand, there are many kinds of expenditure which have a negative impact on biodiversity).

4.11 In this connection the EESC points to the decisive role of agriculture in the maintenance of biodiversity. A large proportion of biodiversity has arisen in connection with traditional forms of agriculture which today - for mainly economic reasons - have no basis, however.

4.12 It is therefore necessary to find new ways of reconciling agriculture and species conservation once again. There have been positive developments in some Member States, which should be assessed and massively developed. Farmers must be offered incentives for providing the relevant services ⁽³⁾.

4.13 The protection of marine biodiversity is taking on particular significance. The level of awareness of marine ecology issues is low in most EU countries and pressure on governments and the institutions responsible for protecting the marine environment relatively weak. The effectiveness of current systems for protecting marine resources needs to be assessed and efforts made to give their protection higher priority in educational programmes and in the management of the economy.

4.14 The EESC expects the EU to prepare thoroughly for the Tenth Conference of the Parties to the Convention on Biological Diversity and to make a significant contribution to the new Strategic Plan for the Convention on Biological Diversity beyond 2010.

5. Specific comments

5.1 The existing laws, regulations and measures are clearly insufficient to ensure biodiversity, or to put it another way: the

loss of biodiversity is not occurring as a result of permanent breaches of existing laws but – to a great extent – within the framework of these laws. Acting in a way which preserves the environment often proves to be a competitive disadvantage. Although the economic relevance of biodiversity is being increasingly discussed in specialist circles, its importance is still not fully accepted or recognised. The EESC expects the Commission and the Council to pay special attention to this situation and to develop a way of addressing it. The internalisation of external costs, often advocated but still embryonic, could help.

5.2 Biodiversity maintenance must play a greater role, particularly in the CAP. With the 2013 reform of agricultural policy, biodiversity maintenance criteria must play a major part in the CAP, in order to resolve the current conflict between economic production and nature conservation.

5.3 The concept of 'green infrastructure' put forward in the Commission communication should be vigorously developed. What is needed in order to achieve the biodiversity targets is not only a system of individual protected areas, of the kind currently being developed with the NATURA 2000 network, but also a linear European system of linked biotopes or, in EU terms, a trans-European nature network, which could include:

- corridors for terrestrial migratory species like the wolf, lynx, bear and wildcat, e.g. of a linear kind for forest-dwelling species;
- linking water margin and wetland biotopes in implementation of the Water Framework Directive (WFD), which would be helpful for species tied to water margins and wetlands (open land structure); but also
- field margins, headland, copses, species-rich grasslands (lowland meadows), avenues for open-land species (linking with agricultural support).

5.4 A TEN-Nature of this kind would serve to link the NATURA 2000 areas and implement the WFD, and would also partially be a reaction to climate change. It would also give terrestrial animal species the opportunity to react to climate change by migration. But, just as importantly, a network of this kind would also facilitate exchange between hitherto isolated populations of a given species, an essential condition for ensuring their survival.

5.5 In order to maintain and further develop the Natura 2000 areas, at present the core of EU biodiversity policy, the EU must finally develop sufficient support facilities for the development and safeguarding of these areas.

⁽³⁾ OJ C 354, 28.12.2010, p. 35.

5.6 The Commission rightly points to the unequal distribution of biodiversity. There are regions which still have a high level of biodiversity as well as others in which it has been massively cut back, particularly through human intervention. But this should not lead us to mistaken conclusions: political measures, including funding, must not be concentrated exclusively on biodiversity hotspots. Regions with low levels of biodiversity are in particular need of a broad range of policy instruments for maintaining and restoring ecosystem services. On the other hand, Member States which still have a high level of protection or potential must not be 'punished' but rather rewarded.

5.7 Efforts to maintain biodiversity are not only needed across the board. The EU's new biodiversity approach should also stress the positive link between protection of species and the climate and therefore place particular emphasis on protecting and developing marshland, wetland and grassland areas and on improving sustainable forest ecosystems. The policy on the use of biomass for energy purposes should not

run counter to this approach. In order to prevent this, sustainability criteria should be introduced, which should also be applied in other areas (e.g. animal feed).

5.8 The EESC reiterates how important it will be to develop a genuine awareness of the problem of biodiversity maintenance in society and in business. We are still a long way from this despite all the existing programmes and despite the work of environmental organisations.

5.9 The very terminology used in specialised policies needs to be re-examined. What does the average citizen understand by 'biodiversity'? Do concepts like 'species' or 'ecosystem services' mean anything to him? Many surveys point to a frightening ignorance of ecological processes. Clearly, maintaining the natural environment is not just a matter for environment ministers; there is also a role for education policy in disseminating the necessary basic knowledge.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the ‘Green Paper on Forest Protection and Information in the EU: Preparing for Climate Change’

COM(2010) 66 final

(2011/C 48/27)

Rapporteur: **Seppo KALLIO**

Co-rapporteur: **Brendan BURNS**

On 17 May 2010, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

‘Green Paper on Forest Protection and Information in the EU: Preparing for Climate Change’

COM(2010) 66 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 31 August 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 121 votes to 2 with 4 abstentions.

1. Conclusions and recommendations

1.1 The EESC notes that:

— the importance of forests as a renewable natural resource, provider of various ecosystem services and prerequisite for human well-being is expected to grow over the next few decades;

— climate change is predicted to affect the basic functions of the ecosystem, and hence the ecological services provided by forests;

— climate change is predicted to increase uncertainty and the incidence of various phenomena and risks with environmental impacts which transcend national borders such as insect pests, disease, drought, floods, storms and forest fires;

— the role of up-to-date forest information in a context of adaptation in forest management and of research in forest-related decision-making is becoming ever more important.

1.2 The EESC stresses that:

— a balanced approach needs to be applied in catering for the various functions of forests; the focus cannot be exclusively on forest protection;

— maintaining the ecosystem and the ecological services based on it and ensuring the delivery of other public goods requires financial incentives and the provision of information to forest-owners and other operators such as forest contractors and users of wood, who in practice are responsible for decisions concerning forests;

— the knock-on and multiplier effects of climate change can be mitigated by risk prevention and preparing in advance for crisis situations;

— cooperation between states and operators is an important way of controlling cross-border phenomena and improving the production of forest information.

1.3 The EESC proposes that the crucial role of forests and the forest-based sector in a green economy consistent with the EU2020 strategy be taken into account in various areas of EU policy as follows:

— EU forest-related policies, including the Forestry Strategy and Action Plan, should support active forest management and use as well as the competitiveness of the sustainable and environmentally friendly use of wood and wood-based products;

- the coordination of forestry-related matters with other sectors and policies affecting them should be addressed, inter alia, by strengthening the role of the Standing Forestry Committee and other forest-related advisory groups and committees ⁽¹⁾ in EU forest-related decision-making;
- the pricing of various ecosystem services and public goods should be taken into account in EU rural policy.

1.4 The EESC recommends that the Commission:

- set an example to the Member States with regard to coordination of forestry-related matters with other sectors, policies, neighbouring states and other operators with regard to anticipating future developments and risk and crisis management;
- support the production of objective information on the forest-based sector, for example within the framework of the 2011 International Year of Forests, in order to improve the acceptance of the forest-based sector among forest-owners, consumers and the general public;
- support the production of information on the properties of wood and wood-based products, for example their climate benefits, in order to promote sustainable consumption and production;
- commission a study on the various operators involved in gathering information on forests and the information they gather;
- develop forest information and planning systems, as well as good practice based on these systems, in partnership with the forest-based sector technology platform, research centres, national organisations and the various operators in the forest-based sector so as to help locate and respond to sudden changes, such as disasters;
- provide more support to Member States and other operators in implementing and monitoring sustainable forestry, and in the production of the information necessary for this and in the harmonisation of information production.

⁽¹⁾ The Advisory Group on Forest and Cork, the Advisory Committee on Community Policy regarding Forestry and Forest-based Industries; Commission Decision 97/837/EC of 9.12.1997, amending Decision 83/247/EEC, OJ L 346, 17.12.1997, pp. 95-96.

2. Background and objective of the opinion

2.1 The purpose of this Green Paper is to encourage an EU-wide public debate and to secure views on the future of forest protection and information policy, as well as to provide elements for a possible update of the EU Forestry Strategy, especially in relation to climate issues. The issues raised in the Green Paper follow on from the preceding Commission White Paper *Adapting to climate change: Towards a European framework for action* ⁽²⁾.

2.2 The Green Paper outlines the general situation and significance of EU forests, presenting their specific features and functions, and identifying the major challenges they face. It also examines the threats posed by climate change to the functioning of forests and describes the available forest protection instruments and forest information systems.

2.3 Competence for matters related to forest policy lies primarily with the Member States, in accordance with the subsidiarity principle. The EU's principal task is to bring added value to national forestry projects and programmes, by, for instance, raising Member States' awareness of future challenges and making recommendations for timely intervention at EU level.

2.4 The reflections contained in this opinion focus on how climate change will alter European forestry and forest protection and how EU policies should be developed so as to better support Member States' forestry initiatives. It also examines the way in which the EU could facilitate the management of future challenges and what further information is needed. In this context, the aim of EU forest protection should be to ensure that forests continue to fulfil all their productive, socio-economic and environmental functions in the future.

3. Maintaining, balancing and strengthening various forestry functions (question 1)

3.1 United Nations conventions recognise the importance of forests in fighting climate change ⁽³⁾ and maintaining biodiversity ⁽⁴⁾. At pan-European level and in line with the EU Forestry Strategy, EU Member States have committed themselves to an approach which balances forestry's various functions on the basis of sustainable forestry management and multi-functionality ⁽⁵⁾. At EU level, forests' various functions have been taken into account in the EU Forestry Strategy and the EU Forest Action Plan, as well as in the communication on

⁽²⁾ COM(2009) 147 final.

⁽³⁾ United Nations Framework Convention on Climate Change (UNFCCC).

⁽⁴⁾ Convention on Biological Diversity (CBD).

⁽⁵⁾ Forest Europe, Ministerial Conference on the Protection of Forests in Europe (MCPFE).

forest-based industries ⁽⁶⁾. At national and regional level, the functions of forests are managed inter alia through forest programmes. Thus the forest-based sector's own policy framework effectively underpins the maintenance, balancing and strengthening of forests' various functions. By contrast, further efforts are required to coordinate forest-related matters with other sectors and policies affecting them. For example, the Standing Forestry Committee (SFC), other advisory groups and committees on forest-related matters ⁽⁷⁾ and the Commission's Inter-Service Group on Forestry have the potential to do this. The role of the SFC in decision-making on EU forest-related matters should be strengthened. At national level, too, there should be more efficient coordination between sectors on forest-related matters. The example set by the Commission's in pursuing a forward-looking and cross-sectoral approach is important for national operators.

3.2 The importance of forests as a renewable natural resource, provider of ecosystem services and prerequisite for human well-being is expected to grow over the next few decades. For example, responsible consumers ⁽⁸⁾ already account for a substantial share of the market in many European countries. The diversified and sustainable use of forests and forest-based products and services and the stewardship needed to support this create jobs, income and prosperity at various levels in many areas. Forests and forest-based industries, as well as wood production, non-wood products and forest tourism, are particularly important for local communities. It is important, in line with the EU 2020 Strategy, to ensure adequate operating conditions for forest owners, contractors and the wood-consuming industries as there is increasing competition for land available for wood production and for wood to make into processed products and use for energy purposes. The role of information skills is also becoming important. The 2011 International Year of Forests offers an opportunity to improve acceptance of the forest-based sector among consumers and the general public, and to underpin sustainable consumption and production by demonstrating the advantages of wood and wood-based products in addressing climate change issues (e.g. carbon storage, low embedded energy, thermal efficiency, etc.) compared with other materials.

3.3 Forest protection and conservation activities with an environmental dimension have traditionally been ensured through strategic objectives and the rules, guidelines and recommendations designed to achieve those objectives. Over recent years, responsibility for ecosystem services and other public goods has increasingly shifted towards forest owners and contractors. In order to deal with environmental issues, they need new knowledge and information about the various inter-

vention options, such as joint projects to improve cost effectiveness, as well as financial incentives. Challenges include putting an economic value on the protection of biodiversity and river basins, recreational use or carbon storage.

3.4 Forests, wood and wood-based products have a key role to play in climate regulation. Their carbon storage capacity is of particular importance. Wood-based products can be used to replace products made from other materials which are less effective in addressing climate change. For instance, wood-based materials used in construction, interior fittings and furniture provide a relatively long-term carbon sink. To a certain extent, bio-energy derived from timber can also be used to replace energy produced from fossil fuels. As part of the fight against climate change, policy targets and instruments can be used to provide incentives for using 'climate-friendly' materials, such as wood and wood-based products.

3.5 In recent years widespread storm damage and forest fires have also led to increased discussion of the impact of climate change on the forest ecosystem and consequently on forest-related activities. The importance of forests in local and regional climate regulation and soil protection varies from one area to another. Awareness of this crucial role has grown over recent years as understanding of the water cycle and experience with problems of dry regions has increased.

4. Effects of climate change on forests and the forestry sector (Question 2)

4.1 Climate change is predicted to increase uncertainty and the risk of various environmental impacts such as insect pests, disease, drought, floods, storms and forest fires. Another challenge is presented by globalisation and the associated transport of wood and forest reproductive material, which accelerates for instance the spread of pests beyond their natural range. If the environmental risks affecting forests and the forest-based sector are realised, there will be many social and economic consequences. The economic effects may be due to changes in the value of assets and in companies' operating conditions. The social effects may be direct, such as altered living conditions resulting from forest damage, or indirect, such as social knock-on effects of changes in the economic situation of operators in the affected area. The rapidity with which environmental risks materialise creates particular challenges, e.g. in relation to markets and logistics. More information about potential causes and effects is needed in order to reduce uncertainty and manage risk in the context of climate change.

⁽⁶⁾ COM(2008) 113 final.

⁽⁷⁾ See footnote 1.

⁽⁸⁾ Lifestyles of Health and Sustainability (LOHAS).

4.2 The abundance of forest resources and efficiency of forest management make it possible for Europe's forests to adapt to various changes. However, substantial regional differences exist within Europe owing to differences in the natural environment and societal factors. For instance, the risk of forest fires in the dry regions of the Mediterranean is expected to increase considerably under the combined impact of climate change and human activity. If droughts become more frequent elsewhere in Europe, spruce-dominant areas, for example, may suffer. If winters become mild and ground frost-free, the logistics of some logging will become more challenging. The risk of fungal and insect damage is also growing. In areas where exploitation of felling potential has declined, storm damage and consequent insect damage may occur. The economic implications for forest owners and local economies may be substantial, and forest diversity may deteriorate. A changing business environment may bring about changes in the relative advantage of different regions and thus in the division of labour between regions and in society.

4.3 The harmful knock-on effects of climate change can be averted through contingency planning. Systematic foresight is useful both in averting undesirable effects and in anticipating sudden changes and natural disasters. The value of designing adjustment and prevention measures based on foresight at different levels takes on increasing significance. It is also important for EU forest-related policies and bodies such as the forest-based sector technology platform to support active forest management and use and to improve the competitiveness of sustainable use of 'climate-friendly' materials such as wood.

4.4 Knock-on and multiplier effects can be mitigated by preparing in advance for crisis situations, e.g. by developing response mechanisms such as crisis management plans, equipment and good practice. It is particularly important in transition and crisis situations to address security issues, including job security.

5. Tools available for forest protection (Question 3)

5.1 A solid legal basis and range of instruments exist for forest protection, at both national and EU level. In addition to traditional site protection, use is made of various management restrictions or permit requirements. The problem for the forest-based sector is that existing rules and instruments are fragmented, which produces overlaps and potential incongruities.

5.2 Protection measures based on voluntary mechanisms have proved cost-effective, especially in the case of small forest holdings. But putting such approaches into effect means

transmitting skills and information to forest owners, and covering the costs of voluntary protection activity and income loss in full.

5.3 The biggest uncertainty at the moment is the diversity of forests outside protected areas, since not enough information is available on these. In addition, targets for increasing the use of biomass for renewable energy can have implications for forest management and cutting practices, and thus also for diversity.

6. Management and use of forests (Question 4)

6.1 Europe's forestry sector typically has a long rotation time, so that, for example, the impact of new forest management techniques may become apparent only after a number of decades. Social and economic conditions are increasing demand for new silvicultural and harvesting techniques in commercial forests, such as the cultivation of short-rotation energy wood or thinning of mature forest. Ecological conditions, such as climate change, can themselves reinforce the environmental impact of new forest management techniques. The state of forests and changes to them are being monitored continually in the context of adapting forest management, so that this can be fine-tuned as necessary to better meet objectives. Decisions about forest management and use are taken by forest owners, who thus need information about the available management options and their potential impacts. Forest planning by forest owners is one possible way forward.

6.2 One way of supporting efforts to preserve the diversity of the gene pool of forest reproductive material and ensure its adaptation to climate change is to tailor the system of criteria and indicators for sustainable forestry to this end.

7. Adequacy of forest information (Question 5)

7.1 The production of information on Europe's forests is fragmented between three main players:

- the Commission and agencies and projects funded by it;
- national research and statistics bodies;
- businesses and operators in the forest-based sector.

7.2 Under the subsidiarity principle, the Member States generally have competence in matters that concern them and the EU's role is to provide added value through joint action. National research and statistics bodies such as public forest inventories and statistics offices manage the production of forest information needed for planning and implementing national forestry policy. Current EU forest information covers the condition of forests, including forest fires, and, in some cases, wood production and end uses, such as data on wood-based products. These national bodies also have responsibilities in relation to certain international statistics. Eurostat is responsible for EU forest resource and wood production statistics and the Europe's contribution to global statistics, such as compilation and harmonisation of national data⁽⁹⁾. The Commission has also supported national bodies in the harmonisation of their data in the context of international commitments⁽¹⁰⁾. Both the requirements of harmonised statistics and national and regional differences in the content of data such as diversity indicators must be taken into account when statistics are harmonised. The Commission has put in place monitoring systems for phenomena with a cross-border impact such as forest health⁽¹¹⁾ and forest fires⁽¹²⁾, as well as joint European information and communication systems⁽¹³⁾.

7.3 Forest owners and other stakeholders in the forest-based sector generally obtain information concerning or supporting their own activities from national research and statistics organisations or from the private sector. Forest owners and other operators in the forest-based sector also produce and store

information in their own real-time information systems. Up-to-date forest information is becoming ever more important in a context of changing business conditions and adaptation in forest management.

7.4 Member States vary with regard to how complete, precise and up-to-date their forest information is. Most countries can report on the standing volume of their forests almost yearly at national level. Some national bodies can also provide detailed and reliable annual reports on national forest health and conditions, production capacity, carbon balance, protective functions of forests, services and viability of their own country's forests⁽¹⁴⁾. In some EU countries deficiencies persist in relation to information content, precision and updating. With a view to the harmonisation of international statistics, the Commission is funding R&D projects and cooperation networks⁽¹⁵⁾. The main lacunae in terms of forest protection and climate change are forest diversity outside protected areas, sustainable use of bioenergy resources, carbon stocks and sinks, including wood-based products, and rapid location of damaged areas. Support for national operators and the collection of forest information and its harmonisation must be stepped up.

7.5 The challenge in producing harmonised forest information at EU level is the large number of operators involved in gathering data. Thus it is important to carry out a comprehensive study clarifying who is collecting data and what data they are collecting.

Brussels, 15 September 2010.

*The President
of the European Economic and Social Committee*
Mario SEPI

⁽⁹⁾ For example, the annual Joint Forest Sector Questionnaire (JFSQ), in cooperation with FAO, ITTO and the UNECE.

⁽¹⁰⁾ For example, COST E43 (Harmonisation of National Forest Inventories in Europe: Techniques for Common Reporting).

⁽¹¹⁾ Forest Focus Community Scheme 2003-2006/7.

⁽¹²⁾ European Forest Fire Information System (EFFIS).

⁽¹³⁾ European Forest Data Centre (EFDAC) and European Forest Information and Communication Platform (EFICP).

⁽¹⁴⁾ Forest Europe or regional contribution to global forest resource assessment (GFRA).

⁽¹⁵⁾ FUTMON, a LIFE+ co-financed project for the Further Development and Implementation of an EU-level Forest Monitoring System; JRC framework contract for the E-Forest Platform; COST network, Improving Data and Information on the Potential Supply of Wood Resources: A European Approach from Multisource National Forest Inventories (USEWOOD).

Opinion of the European Economic and Social Committee on the 'Proposal for a Council regulation (EURATOM) laying down maximum permitted levels of radioactive contamination of foodstuffs and of feedingstuffs following a nuclear accident or any other case of radiological emergency (Recast)'

COM(2010) 184 final — 2010/0098 (CNS)
(2011/C 48/28)

Rapporteur: **Ms Pirkko RAUNEMAA**

On 27 April 2010 the Commission decided to consult the European Economic and Social Committee, under Article 31 of the Treaty establishing the European Atomic Energy Community, on the

'Proposal for a Council regulation (EURATOM) laying down maximum permitted levels of radioactive contamination of foodstuffs and of feedingstuffs following a nuclear accident or any other case of radiological emergency (Recast)'

COM(2010)184 final – 2010/0098 (CNS).

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 31 August 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 127 votes to 1 with 1 abstention.

1. Conclusions and recommendations

1.1 Radioactive fallout is nearly always transboundary. It causes a prolonged release of radioactive materials, dispersing over long distances and having effect over large areas. Hence, with this type of accident we are facing a potential disaster of international dimension.

1.2 There is a real need for clear and up-to-date legislation that EU institutions and Member States can easily apply in the event of radioactive fallout. For this reason, reform of the legislation is both appropriate and necessary.

1.3 Since the Chernobyl nuclear accident in 1986, the Community has developed standards setting contamination limits for foodstuffs and feeding stuffs following a nuclear accident ⁽¹⁾, as well as arrangements for the early exchange of information in the event of a radiological emergency ⁽²⁾. The validity of the permitted levels was last reviewed by the Group of Experts under Article 31 Euratom in 1995. Permitted levels should therefore be reviewed again.

1.4 The EU has created an effective and internationally respected risk evaluation body, the European Food Safety Authority (EFSA) (Regulation (EC) 178/2002 of 28 January

2002). The EFSA should be entrusted with the task of the health evaluation of radioactive residues in foodstuffs and feedingstuffs, and the Commission should review the existing arrangements.

1.5 To ensure a high level of control of radiation levels in foodstuffs and feedingstuffs, national food authorities should be legally empowered, alongside the national radiation protection agencies, to supervise the maximum permitted levels and to control the import of food and feedingstuffs when the maximum permitted levels are exceeded, without having to obtain confirmation by the radiation monitoring authority.

1.6 The Commission should also seek to ensure, within the framework of the Codex Alimentarius Commission's standards and guidelines, that international regulations are laid down on the presence of radioactive fallout and its effects on foodstuffs and feedingstuffs, and determine which institutions shall primarily be responsible for border controls of imports and exports in the European Union in the event of an accident.

1.7 As water contains one of the major ingredients for foodstuffs and feedingstuffs, it should be included in the Annexes to the Regulation. Moreover, the rules should apply to drinking water of all kinds, not just water in food and feedingstuffs.

⁽¹⁾ Council Regulation (Euratom) 3954/87 of 22 December 1987, as amended.

⁽²⁾ Council Decision (Euratom) 87/600 of 14 December 1987.

1.8 When accidents occur it is important to try to influence people's behaviour and induce them to choose foodstuffs and drinks which are safe or less dangerous. National authorities and sector organisations bear responsibility in providing guidance and raising awareness.

2. Introduction

2.1 Background

2.1.1 Following the accident at the Chernobyl nuclear power station on 26 April 1986, considerable quantities of radioactive materials were released into the atmosphere, contaminating foodstuffs and feedingstuffs in several European countries to levels significant from the health point of view.

2.1.2 For the first, time measures were taken at Community level to deal with this type of nuclear accident, causing a prolonged release of radioactive compounds, dispersing over long distances and having a potential effect over large areas.

2.1.3 Only on one previous occasion, the Committee has set out its views on the issue of radiative contamination of foodstuffs and feeding stuffs following a nuclear accident or any other case of radiological emergency⁽³⁾. However, this opinion represented only an initial viewpoint, as the Commission still had to propose maximum permitted radioactivity levels. Therefore the present consultation provides the opportunity for the Committee to express a more up-to-date opinion on the issue.

2.2 Legislative framework

2.2.1 Council Regulation (Euratom) No 3954/87 of 22 December 1987 lays down the procedure for the adoption of maximum permitted levels of radioactive contamination of foodstuffs and of feedingstuffs following a nuclear accident or any other case of radiological emergency. It has been substantially amended over the years⁽⁴⁾. Maximum permitted 'reference' levels were laid down in separate Annexes with the second amendment of the Regulation.

2.2.2 Where the Commission has received information about the existence of an accident or any other case of radiological emergency during which the maximum permitted levels are likely to be reached or have been reached, it shall adopt a Regulation rendering applicable those maximum levels. The period of validity of such a Regulation shall be as short as possible and not exceed three months.

⁽³⁾ CES 480/1987, OJ C 180 of 8.7.1987, pp. 20-25.

⁽⁴⁾ Commission Regulation (Euratom) No 944/89, and Commission Regulation (Euratom) No 770/90.

2.2.3 The Commission shall submit to the Council a proposal for a Regulation to adapt or confirm the provisions of the first Regulation within one month of adoption, and after consultation of the group of experts under article 31 of the Euratom Treaty. The period of validity of this second Regulation is also limited. In the long term, i.e. after the nuclear accident or the radiological emergency, other legal instruments or another legal basis could be used for the purpose of controlling foodstuffs or feedingstuffs being placed on the market.

2.2.4 The maximum permitted levels laid down in the Annexes to the Regulation may be revised or supplemented in the light of expert opinion on the basis of Article 31. The validity of the established maximum permitted levels was last examined in 1995 by the Group of Experts under Article 31, in the light of the provisions of Council Directive 96/29/Euratom, which requires Member States to stipulate intervention levels in the event of accidents⁽⁵⁾.

2.2.5 As regards imports, the EU has adopted measures to ensure that agricultural products are only imported into the Union according to common arrangements which safeguard the health of the population while maintaining the unified nature of the market and avoiding deflections of trade.

2.2.6 In the event of a radiological emergency, Member States are required to exchange information through the 'Ecurie' system⁽⁶⁾. This system requires Member States to notify and provide information to the Commission and to the Member States affected or liable to be affected whenever a Member State decides to take measures of a widespread nature in order to protect the general public in the event of a radiological emergency. Such information must include the nature and time of the event, its exact location and the nature of the facility or activity involved, the cause, the foreseeable development and the protective measures taken or planned, as well as levels of radioactivity measured by their monitoring facilities in foodstuffs, feedingstuffs, drinking water and the environment.

2.3 The Commission document

2.3.1 The Commission had initiated the codification of Council Regulation No 3954/87 and its successive amendments.

2.3.2 However, in the course of the legislative procedure, it was acknowledged that a provision appearing in the proposal for a codified text provided for a reservation of implementing powers by the Council, which was not justified in the recitals of Regulation (Euratom) No 3954/87.

⁽⁵⁾ Article 50(2) of Council Directive 96/29/Euratom of 13 May 1996 laying down basic safety standards for the protection of the health of workers and the general public against the dangers arising from ionizing radiation.

⁽⁶⁾ See footnote 2 above.

2.3.3 Since the insertion of such a recital would imply a substantive change and would therefore go beyond straight-forward codification, it was considered appropriate to transform the codification into a recast in order to incorporate the necessary amendment.

2.3.4 The additional clause 15 in the Preamble of the Proposal refers to the possibility that, in certain situations, the Council, instead of the Commission, may immediately adopt adjusted measures, within a very short timeframe rendering applicable pre-established maximum permitted levels of radioactive contamination.

3. Assessment

3.1 There is a real need for clear and up-to-date legislation that EU institutions and Member States can easily apply in the event of radioactive fallout. For this reason, reform of the legislation is both appropriate and necessary. The likelihood of nuclear power station accidents and other radioactive fallout could also be increasing in the EU, among other things because of the ageing of existing nuclear power plants, the construction of numerous new plants and the risk of other unexpected accidents.

3.2 Radioactive fallout is nearly always widespread and does not necessarily decrease significantly in intensity when borne over long distances. Hence, we are dealing here with a potential international health and environmental disaster.

3.3 In comparison with 1986, the EU now has an effective and internationally respected risk evaluation body, the European Food Safety Authority (EFSA) (Regulation (EC)178/2002). Radioactive residues in foodstuffs and feedingstuffs are comparable with food contaminants. Therefore one might

have expected that EFSA would have been entrusted with the task of the health evaluation of such residues. However, in its proposal the Commission retains the existing, in some cases decades-old, arrangements without further consideration or justification.

3.4 When accidents occur it is important to try to influence people's behaviour and induce them to choose foodstuffs and drinks which are safe or less dangerous. Moreover, agricultural producers must in any case know about levels of radioactive contamination of feedingstuffs and the feeding of animals during a crisis situation. Here, national authorities and sector organisations can play a lead role in providing guidance and raising awareness.

3.5 It is crucial that the provisions governing radioactive fallout and levels of radioactivity are now recast in such a way that their implementation at EU and Member State level becomes easier and clearer.

3.6 The maximum permitted radioactivity levels must be tailored to the needs of particularly endangered groups in the population: stricter values should apply for infant food than for foodstuffs for consumption by the population as a whole.

3.7 Radioactive materials may find their way into surface water in connection with nuclear tests and the use of nuclear energy or the use of radioactive materials in healthcare, industry and research. Although in normal circumstances the amounts involved are insignificant, the situation can change in the event of a radiation accident. Therefore, as water contains one of the major ingredients for food stuffs and feedingstuffs, it should not have been excluded from the Annexes to the Regulation.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the ‘Proposal for a regulation (EU) No xxxx/2010 of the European Parliament and of the Council of ... amending Council Regulation (EC) No 1234/2007 (Single CMO Regulation) as regards the aid granted in the framework of the German Alcohol Monopoly’

COM(2010) 336 final — 2010/0183 (COD)

(2011/C 48/29)

Rapporteur: **Mr KIENLE**

On 7 July 2010 the European Parliament, and on 8 July 2010 the Council, decided to consult the European Economic and Social Committee, under Article 43(2) of the Treaty on the Functioning of the European Union, on the:

‘Proposal for a regulation (EU) No xxxx/2010 of the European Parliament and of the Council of ...amending Council Regulation (EC) No 1234/2007 (Single CMO Regulation) as regards the aid granted in the framework of the German Alcohol Monopoly’

COM(2010) 336 final - 2010/0183 (COD).

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 31 August 2010.

At its 465th plenary session of 15 and 16 September 2010 (meeting of 15 September) the European Economic and Social Committee adopted the following opinion by 114 votes to two with six abstentions:

1. Conclusions and recommendations

1.1 The EESC welcomes the proposed measures for a temporary extension of the aid arrangements provided for in connection with the German Alcohol Monopoly, with a final expiry date being set at the end of 2017 at the latest, particularly as there is no evidence of market disturbances and as the proposal will have no impact on the Community budget.

1.2 The EESC recommends that the transitional period be used to enable families involved in traditional agricultural distilling to re-orientate their businesses in a socially acceptable way, and particularly to preserve environmentally valuable orchards.

2. Introduction

2.1 The European Commission is proposing that the German Alcohol Monopoly for ethyl alcohol of agricultural origin, which has existed since 1918, be abolished as of 1 January 2018. The national authority has hitherto issued distillation permits and set a price which covers the distilleries’ costs.

2.2 The production/sales of the Monopoly will be gradually reduced:

— the agricultural bonded distilleries, which process mainly cereals and potatoes, must leave the monopoly by the end of 2013 and reduce their production by a third each year

for three years (from a total of 540 000 hl in 2011 to 180 000 hl in 2013);

— the flat-rate distilleries, distillery users and fruit cooperative distilleries, which are locally oriented and produce very small quantities of alcohol, may produce in total up to 60 000 hl annually until the end of 2017.

2.3 The proposal has no impact on the Community budget.

3. Comments

3.1 The EESC welcomes the proposed phasing-out of the German Alcohol Monopoly, with a temporary derogation clause and differentiated rates of reduction of the allowed volume of agricultural ethyl alcohol production.

3.2 In 2008 around 40.5 million hl of agricultural ethyl alcohol were produced in the 27 EU Member States, particularly from cereals, sugar beet/molasses, wine, potatoes, fruit and other products. The EU’s main producers of agricultural alcohol are France (15.4 million hl), Germany (5.9 million hl), Spain (5.4 million hl) and Poland (1.9 million hl). In the same year the EU Member States imported around 13 million hl of ethyl alcohol from non-EU countries. Agricultural ethyl alcohol is used for human consumption (in drinks and as vinegar), in the biofuels sector and in other industrial applications. The most recent boost to demand came from its use as fuel.

3.3 And yet only around 10 % of the agricultural alcohol distilled in Germany is produced in the framework of the German Alcohol Monopoly and with national aid. According to the most recent figures, 674 agricultural distilleries were producing alcohol for the Monopoly with an average production volume of 800 hl. The roughly 28 000 small-scale flat-rate distilleries – of which around 20 000 are operating each year – are allowed to produce a maximum of only 300 l of alcohol per annum under the Monopoly.

3.4 The Monopoly has hitherto allowed this kind of traditional and highly decentralised production to continue in small and very small agricultural distilleries. This does have considerable significance at regional level, however, for example on the fringes of the peri-Alpine region and the

Black Forest. The environmentally sound recycling practised by agricultural distilleries and the contribution of small fruit distilleries to income stabilisation, care of the landscape and the maintenance of biodiversity enjoy a high level of political and social recognition.

3.5 The EESC assumes that, following expiry of the Alcohol Monopoly and the liberalisation of the agricultural alcohol market, industrial alcohol production will not offer an alternative for (small) traditional agricultural distilleries. During the transitional period opportunities should therefore be sought to enable farming families to adapt to new activities offering future prospects in a socially acceptable way, and to preserve environmentally highly valuable meadow and conventional orchards.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 663/2009 establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy’

COM(2010) 283 final — 2010/0150 (COD)

(2011/C 48/30)

Rapporteur: **Mr BUFFETAUT**

On 15 June and 23 June 2010 respectively, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Articles 194(1)(c) and 304 of the Treaty on the Functioning of the European Union, on the

‘Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 663/2009 establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy’

COM(2010) 283 final - 2010/0150 (COD).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 6 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September 2010), the European Economic and Social Committee adopted the following opinion by 133 votes to two with one abstention.

1. Conclusions and recommendations

1.1 The European Economic and Social Committee (EESC) supports the general thrust of the proposal and the Commission’s objectives. The EESC particularly welcomes the idea of using the European funds as a “leverage multiplier” to speed up investment in energy efficiency and renewable energy sources. The EESC would like the distribution of financial assistance between technical assistance and soft loans and bank guarantees from financial institutions to be better substantiated. The EESC would like to see details of what is actually covered by the term “technical assistance”.

1.2 The EESC hopes that the arrangements set out by the Commission will indeed be implemented, i.e. all the financial intermediaries concerned should be authorised to manage the financial facility, with projects selected by the fund managers under the Commission’s supervision. The EESC would like the arrangements for managing and accessing the funds to be clarified so that financial intermediaries and project managers have a clear understanding of how they should be used.

1.3 That said, the EESC feels that some clarification is needed – or would be helpful – on the following points:

1.3.1 Details are needed (or at least an estimate) as soon as possible – by the end of 2010 – of the total amount available under this envelope over and above the EUR 114 million already announced, which, when shared among 27 Member States, actually provides relatively limited input. That said, account must also be taken of the leverage effect from the additional input provided by private investors and from the impetus that will be given to projects and investments in the light of the substantial support provided during the technical assistance phase.

1.3.2 The definition of “bankable projects” must be looked at again. Building insulation, for example, is extremely energy efficient and, in terms of energy saved, is bankable in the long term, especially in the case of old buildings. “Bankable projects” should be understood to mean fundable projects which could not be implemented without EU support. The term “bankable projects” could be defined in the regulation as “projects that secure financial balance through aid provided under European instruments”.

1.3.3 Eligibility criteria:

— The EESC understands and also accepts that none of the various sectors enjoy special priority, and that criteria for investment and compliance with European energy efficiency and renewable energy objectives will be applied. Eligible projects include those subject to energy performance contracts and those already in receipt of European funding support. The EESC stresses that the purpose of this instrument is to promote synergies with the Structural Funds and the Cohesion Fund.

— In the absence of a list of pre-selected projects (as under Regulation (EC) No 663/2009), the EESC will take a close interest in the way funds are allocated between project financing and technical assistance. The EESC believes that the bulk of funding should go to concrete investments or projects.

— The Committee points out that the regulation itself will not include a list of pre-selected projects and that the fund will select projects on the basis of criteria set out in the regulation. A report will be drawn up on funded projects.

- The EESC stresses that this financial assistance to investment projects must comply with the principle of neutrality of treatment vis-à-vis the public or private operator. There should therefore be scope to implement these projects as Public Private Partnerships.
- Broadly speaking, the Committee strongly feels that selection criteria should be based mainly on the projects' technical reliability and financial security and the specific results expected in terms of energy efficiency and renewable energy sources.
- The EESC would like further clarification regarding the eligibility criteria for “measures that have a rapid, measurable and substantial impact”.

1.4 Although the EESC understands why the Commission would like the local authorities concerned to “have made a political commitment to mitigate climate change, including precise targets”, it warns against placing too much trust in positions that have more to do with politically correct thinking and language than with specific actions backed up by sound and innovative techniques or effective and approved management systems in the areas of energy efficiency, heating networks or renewable energy sources.

2. Background and principles underpinning the Regulation establishing the programme to aid economic recovery by granting Community financial assistance to projects in the field of energy

2.1 The European Energy Programme for Recovery (EPR) had been granted an envelope of EUR 3.98 billion, almost all of which should have been committed by 2010. However, around EUR 114 million will not be committed under the EPR and this figure may go up if some projects fail to meet legal, financial or technical requirements.

2.2 Uncommitted funds under Chapter II of the EPR regulation will be used to create a dedicated financial instrument to support energy efficiency and renewable energy initiatives within the Sustainable Energy Financing Initiative.

3. General principles

3.1 This financial facility is designed to support the development of BANKABLE energy efficiency and renewable energy projects and facilitate the financing of investments in these areas, in particular in urban settings.

3.2 In order to foster a large number of decentralised investments, municipal, local and regional public authorities will be the beneficiaries, including under PPP arrangements.

3.3 The sustainable energy projects to be financed include public and private buildings, high-energy efficient combined heat and power (CHP) and district heating/cooling networks, decentralised renewable energy sources embedded in local settings, clean urban transport and local infrastructure such as smart grids, efficient street lighting, and smart metering.

4. Selection and eligibility criteria

4.1 Financing will go to measures that have a rapid, measurable and substantial impact on economic recovery within the EU, increased energy security and the reduction of greenhouse gas emissions.

4.2 The intention is that Community financing should act as leverage for other contributions from stakeholder authorities and businesses, on the basis of precise criteria as regards the policies pursued by the public authorities and the technical and financial features of the relevant projects.

4.3 The rules applicable to the authorities relate to their commitment to fighting climate change and to the specific proclaimed objectives, the nature of the developed strategies, and the follow-up and publicising of implementation and the results obtained.

4.4 The technical and financial rules address issues such as the soundness and technical adequacy of the approach, the soundness of the financial package, the extent to which the EU contribution stimulates public and/or private finance, the social, economic and environmental impacts and the projects' geographical balance and maturity, the aim being to reach the investment stage without delay.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the 'Proposal for a Council Directive amending Directive 2008/9/EC laying down detailed rules for the refund of value added tax, provided for in Directive 2006/112/EC, to taxable persons not established in the Member State of refund but established in another Member State'

COM(2010) 381 *final* — 2010/0205 (CNS)

(2011/C 48/31)

On 4 August 2010 the Council decided to consult the European Economic and Social Committee, under Article 113 of the Treaty on the Functioning of the European Union, on the

'Proposal for a Council Directive amending Directive 2008/9/EC laying down detailed rules for the refund of value added tax, provided for in Directive 2006/112/EC, to taxable persons not established in the Member State of refund but established in another Member State'

COM(2010)381 *final* – 2010/0205 (CNS).

Since the Committee endorses the content of the proposal and feels that it requires no comment on its part, it decided unanimously, at its 465th plenary session of 15 and 16 September 2010 (meeting of 15 September 2010), to issue an opinion endorsing the proposed text.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 2187/2005 as regards the prohibition of highgrading and restrictions on fishing for flounder and turbot in the Baltic Sea, the Belts and the Sound’

COM(2010) 325 *final* — 2010/0175 (COD)

(2011/C 48/32)

On 6 July 2010 the European Parliament and on 8 July 2010 the Council decided to consult the European Economic and Social Committee, under Article 43 (2) and 304 of the Treaty on the Functioning of the EU, on the

‘Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 2187/2005 as regards the prohibition of highgrading and restrictions on fishing for flounder and turbot in the Baltic Sea, the Belts and the Sound’

COM(2010) 325 fin – 2010/0175 (COD).

Since the Committee endorses the content of the proposal and feels that it requires no comment on its part, it decided unanimously, at its 465th plenary session of 15 and 16 September 2010 (meeting of 15 September), to issue an opinion endorsing the proposed text.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the 'Proposal for a directive of the European Parliament and of the Council on the marketing of material for the vegetative propagation of the vine (Recast)'

COM(2010) 359 final — 2010/0194 (COD)

(2011/C 48/33)

On 8 July 2010 the European Parliament and on 7 September 2010 the Council decided to consult the European Economic and Social Committee, under Article 43 (2) and 304 of the Treaty on the Functioning of the EU, on the

'Proposal for a directive of the European Parliament and of the Council on the marketing of material for the vegetative propagation of the vine (Recast)'

COM(2010)359 fin – 2010/0194 (COD).

Since the Committee endorses the contents of the proposal and has already set out its views on the subject in its earlier opinions CES 807/2000 and CESE 1360/2002, adopted on 13 July 2000 (*) and on 11 December 2002 (**), it decided unanimously, at its 465th plenary session of 15 and 16 September 2010 (meeting of 15 September), to issue an opinion endorsing the proposed text and to refer to the position it had taken in the above-mentioned documents.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

(*) ESC opinion on the 'Proposal for a Council Directive amending Directive 68/193/EEC on the marketing of material for vegetative propagation of the vine', OJ C 268, p. 42 of 19.9.2000.

(**) EESC opinion on the 'Proposal for a Council Directive amending Directives 66/401/EEC on the marketing of fodder plant seed, 66/402/EEC on the marketing of cereal seed, 68/193/EEC on the marketing of material for the vegetative propagation of the vine, 92/33/EEC on the marketing of vegetable propagating and planting material, other than seed, 92/34/EEC on the marketing of propagating and planting material of fruit plants, 98/56/EC on the marketing of propagating material of ornamental plants, 2002/54/EC on the marketing of beet seed, 2002/55/EC on the marketing of vegetable seed, 2002/56/EC on the marketing of seed potatoes and 2002/57/EC on the marketing of seed of oil and fibre plants as regards Community comparative tests and trials', OJ C 85, p. 43-44 of 8.4.2003.

III Preparatory acts

European Economic and Social Committee**465th plenary session held on 15 and 16 September 2010**

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