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## I

*(Resolutions, recommendations and opinions)*

## OPINIONS

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

456<sup>TH</sup> PLENARY SESSION HELD ON 30 SEPTEMBER AND 1 OCTOBER 2009**Opinion of the European Economic and Social Committee on 'How flexicurity could be used for restructuring against the backdrop of global development' (Exploratory opinion requested by the Swedish presidency)**

(2009/C 318/01)

Rapporteur: **Mr SALVATORE**Co-rapporteur: **Mr CALVET CHAMBON**

In her letter of 18 December 2008 and in accordance with Article 262 of the Treaty establishing the European Community, Ms Cecilia MALMSTRÖM, Swedish deputy vice prime minister and minister for European affairs, asked the European Economic and Social Committee, on behalf of the future Swedish Presidency, to draw up an exploratory opinion on

*'How flexicurity could be used for restructuring against the backdrop of global development.'*

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 10 September 2009. The rapporteur was Mr SALVATORE and the co-rapporteur was Mr CALVET CHAMBON.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October), the European Economic and Social Committee adopted the following opinion by 111 votes in favour and nine abstentions.

**1. Conclusions and recommendations**

1.1 The Commission has defined 'flexicurity' as 'an integrated strategy to enhance, at the same time, flexibility and security in the labour market.' In this position paper the EESC highlights certain aspects of the Flexicurity concept which it regards - in these times of crisis - as especially relevant for keeping as many people as possible in employment and giving people outside the labour market as many chances as possible to find a new job as quickly as possible. Employers and employees must work together in the context of the social dialogue to ensure that as many workers as possible are retained in the labour market.

1.2 In these times of deep crisis and soaring unemployment it is more important than ever that flexicurity should not be understood as measures to facilitate the dismissal of workers currently in employment or to undermine social protection, either in general or for the unemployed in particular. The

EESC considers that measures enhancing the security side (in the broadest sense) of flexicurity must currently be the top priority.

1.3 The EESC has highlighted the significance of internal flexicurity in previous opinions. The crisis underlines the importance of internal flexicurity measures to allow companies to adapt to the sharp decline in orders without being forced to dismiss employees. Companies with working time accounts agreed by the social partners are much better able to react quickly to the new market situation brought by the crisis than companies which are lacking these types of instruments. One of the clear lessons learnt from the crisis is that working time accounts and flexible working time arrangements have to be promoted by the social partners. The EESC regards it as necessary to make these instruments as attractive as possible for companies and employees.

1.4 Flexicurity can only work if employees are properly trained. There is a strong link between new skills and the creation of new jobs. It is in companies' full interest to invest in the continuous training of their staff. It is the employees' responsibility to continue to undergo training. It is to be hoped that the 'Lisbon 2010 +' strategy will provide solutions to these problems.

1.5 The crisis underlines the importance of social dialogue. The last months have shown how committed the social partners are to finding joint solutions for the pressing problems. The EESC proposes to the Swedish EU-Presidency and the EU Commission that a web-based platform be established to foster the exchange of experience with regard to these initiatives of the social partners, bearing in mind the range of different situations at national, regional and local levels.

1.6 At European level social partners are currently negotiating an autonomous framework agreement on inclusive labour markets. The EESC believes that a future agreement can have real added value for helping the most vulnerable people who have lost their jobs as a result of the crisis to get back into employment. The EESC also looks forward for the joint monitoring and assessment of the implementation of flexicurity, to which European social partners have committed themselves in their work programme for 2009-2010.

1.7 The great speed and drastic nature of the economic downturn make many employers think back to the boom years, when they discovered how hard it is to find adequate numbers of sufficiently qualified people. Since they are now looking further ahead into the future and contemplating the economic upswing that will surely come, they are not rashly shedding too many jobs as they might if they were motivated by short-term cost savings. However, no company can ignore basic economic rules. Ultimately, every company is primarily concerned with ensuring its survival. For the affected workers it is of crucial importance to get back into employment as quickly as possible. The EESC stresses the need to provide them with rapid and high quality assistance. Member States should seriously consider increasing the quantity and the quality of staff in the employment agencies in order to help people get back into employment as quickly as possible.

1.8 Given the national and regional specificities and the differences between sectors of industry, the Committee urges the Union to continue its work using a European approach and in compliance with the principle of subsidiarity. This would create the European framework necessary for ensuring the strengthening of a European social model which is in full

transition from a theoretical model to an unavoidable reality<sup>(1)</sup>. It is necessary to plan for a post-Lisbon process (Lisbon 2010 *plus*) to meet the goals not already attained and those that will emerge during the crisis, which may prove long and painful. Flexicurity should certainly play an important role. The Committee believes that there should be balance in the scale on which flexicurity is applied.

1.9 The EESC stresses that the reform of the labour markets in the Member States should ensure that the number of insecure jobs offering more flexibility than security, which has steadily increased over the past few years, does not increase further. The EESC shares the concerns expressed in the Committee of the Regions' opinion of 7 February 2008<sup>(2)</sup>. A weighting of the balance towards external flexibility might 'allow for extensive deregulation of normal working conditions so as to increase precarious employment'.

## 2. Background

2.1 The Swedish Presidency is calling on the EESC to issue an opinion on 'flexicurity', on which it has already given its view<sup>(3)</sup>, but which is presented in a different context. The urgent need for taking another look at the subject in the light of the financial crisis was confirmed during a hearing held by the Swedish Presidency in Stockholm on 7 July 2009.

2.2 Flexicurity is interpreted differently. In its communication COM(2007) 359 final, the European Commission has defined it as 'an integrated strategy to enhance, at the same time, flexibility and security in the labour market<sup>(4)</sup>.' Since this definition was also used in the conclusions to the special summit in Prague on 7 May 2009, this opinion is also based on this shared interpretation.

(1) EESC own initiative opinion Social Cohesion: Fleshing out a European Social Model, OJ C 309, 16.12.2006, p. 119.

(2) OJ C 105, 25.4.2008, p. 16, point 22.

(3) OJ C 256, 27.10.2007, p. 108;

EESC opinion on communication entitled Towards common principles of flexibility. More and better jobs through flexibility and security, C 211, 19.8.2008, p. 48.

(4) It is worth drawing attention to the European Commission's exact wording for the four principles of flexicurity, 'Flexibility, on the one hand, is about successful moves ("transitions") during one's life course: from school to work, from one job to another, between unemployment or inactivity and work, and from work to retirement. It is not limited to more freedom for companies to recruit or dismiss, and it does not imply that open-ended contracts are obsolete. It is about progress of workers into better jobs, "upward mobility" and optimal development of talent. Flexibility is also about flexible work organisations, capable of quickly and effectively mastering new productive needs and skills, and about facilitating the combination of work and private responsibilities. Security, on the other hand, is more than just the security to maintain one's job: it is about equipping people with the skills that enable them to progress in their working lives, and helping them find new employment. It is also about adequate unemployment benefits to facilitate transitions. Finally, it encompasses training opportunities for all workers, especially the low skilled and older workers.'

2.3 The EESC stresses that, in accordance with the principle of subsidiarity, labour market policies are the preserve of the Member States. Any attempt to harmonise labour laws would run counter to this principle and would prove inappropriate, by harming traditions and geographical structures that have proved their worth and solidity. Moreover, it should be borne in mind that the Member States do not all enjoy the same level of economic development and this is reflected in their respective social systems. In this context, the EESC feels that the EU should focus primarily on:

- promoting cooperation between the Member States by means of the European Employment Strategy, which has been integrated into the guidance mechanism for the Lisbon Strategy since 2005. In guideline 21 of the Guidelines for the Employment Policies of the Member States, the latter agree to promote flexibility combined with employment security. The European Union must act as a catalyst to ensure that the Member States meet their commitments and, simultaneously, disseminate and exchange best practice in the framework of the European employment policy.

### 3. New developments

#### 3.1 *The crisis*

3.1.1 The short-term effects of the greatest economic crisis in the Community's history are fairly obvious. Public debt in the EU Member States is growing at an unprecedented rate. Although the world's central banks have flooded markets with liquidity, the banking system is still not operating normally. In particular, small and medium-sized enterprises (SMEs) and self-employed workers are finding it extremely hard to secure access to new credit. It will not be long before the deleterious impact of unemployment on societies and the internal market begins to be felt. At the same time, there are far fewer opportunities for job creation, and far more difficulties involved.

3.1.2 The EESC believes that it is essential to adapt the flexicurity model in the short term in the light of the serious current socio-economic situation, even though its last opinion on the matter dates from spring 2008. The Committee welcomes the Swedish Presidency's request for an assessment of how the Member States might use flexicurity for restructuring against the backdrop of global development. Global development refers to the financial crisis and its tragic repercussions on the real economy and on employment. This crisis has already proved to be the worst for 80 years. Its effects will very probably mark the whole of the 21<sup>st</sup> century. It is all the more serious for occurring in parallel with two other crises that represent major challenges at global level: the climate crisis and the demographic crisis.

3.1.3 The crisis is changing the socio-economic environment for any potential labour market reforms. This is clearly true whatever one thinks about the appropriateness and feasibility - or indeed the necessity or impossibility - of such structural reforms at a time of crisis. Nevertheless, the EESC emphasises

that reintegrating the unemployed back into the labour market and getting them back to work must be an absolute priority.

3.1.4 Nevertheless, the Committee intends to draw conclusions from its observations, with a view to formulating specific, positive proposals on the constituent elements of 'flexicurity', namely flexibility and security. The Committee stresses that the balanced management of flexibility and security measures is vital if we wish to avoid further social conflict of the kind that has already arisen in Europe.

#### 3.2 *Internal and external flexibility*

3.2.1 Internal flexibility must flow from the social dialogue between management and the workforce, or its representatives, the social partners, in the company or sector in question. It prevents job losses and can thus be a major stabilising factor for social cohesion in Europe in difficult times. Good relations between business and the workforce are essential to guarantee businesses' commitment to social responsibility and to keep workers in the labour market by increasing employment. The role of governments is crucial in supporting these measures, but they should not intervene at the expense of their capacity to provide basic social services, such as safety (be this in the context of food products, air traffic, the universal nature of public services or policing) or education, which is now seen in terms of life-long learning.

3.2.2 Any social reform must be set in its socio-economic and political context. In fact, the aspects of 'flexicurity' highlighted by the European Commission describe an ideal and model situation that can serve as a reference and example for any structural reform of the labour market. There is no doubt that at a time of crisis, 'flexicurity' raises many serious issues, if there is no guarantee that the sacrifices required for hypothetical employability will actually bear results. Therefore, it must be borne in mind that flexicurity will only be useful if it is jointly understood by the social partners and not just by one of them. In this context, it is essential to look very closely at security and the balance between security and flexibility. The Committee believes that the European Commission should focus its analysis more on the options of internal flexibility which could be a useful tool in flexicurity to combat unemployment <sup>(1)</sup>.

3.2.3 The Committee believes that these aspects need to be balanced and that flexicurity must not be applied to the detriment of security. Yet, how can Member States ensure this balance in a time of crisis? The Committee proposes that reforms based on the flexicurity model be examined extremely carefully at this time to avoid undesired social and political repercussions. In the case of 'external' flexicurity, there is a need for more precautions.

<sup>(1)</sup> OJ C 105, 25.4.2008, p. 16. Even before the crisis, the Committee of the Regions expressed its doubts about the predominance of external flexibility in the Commission's approach. The Committee of the Regions 'suggests that a phrase such as "flexible and reliable contractual arrangements" gives reason for concern, since this would also allow for extensive deregulation of normal working conditions so as to increase precarious employment'.



3.2.4 In accordance with the above, every aspect of the flexicurity measures and particularly the budgetary aspects must be credible. This will probably lead Member States to change their spending priorities – and perhaps also to a strengthening of Community aid, since there can be no flexicurity without security.

3.2.5 Unlike the prudent use of various kinds of internal flexibility, it would be risky under current circumstances to undertake labour market reforms with the aim of promoting more external flexibility. Hitherto, the European Commission's analyses have stressed this aspect of flexicurity. In Europe, many collective agreements include provisions covering the internal organisation of flexibility within companies. Such flexibility can take various forms, including organising working time to incorporate periods of training.

### 3.3 Social dialogue

3.3.1 The EESC continues to urge that the social partners be the key players in a forum designed to facilitate regular dialogue on reform, so that both ends of the spectrum – employers and employees – can work to ensure that a balance is consistently maintained between flexibility and security. This approach is important and useful for the future of employment in Europe. It is for this reason that civil society must also be involved in the debate. Any employment policy or reform of the labour market has a major impact on society. Moreover, these reforms must not be seen in isolation from the economic, social and sustainable development of society.

3.3.2 Flexicurity is an important tool for mitigating the impact of the financial crisis and the crisis in the real economy on work and jobs. However, it must not be abused, for example by being used to facilitate redundancies in countries which have labour legislation giving a certain level of protection against 'hire and fire' practices. The Committee welcomes the clarity with which the European Commission has stated that flexicurity may in no circumstances become a right to fire workers.

3.3.3 The Committee strongly emphasises that any reform of labour law must be conducted together with the social partners, or it will be doomed to failure. Social dialogue is a guarantee of modern, social participatory democracy. Changes to labour legislation must be the result of negotiations between the social partners. Moreover, social dialogue also allows the adoption of diverse forms of internal flexibility, giving enterprises considerable latitude to adapt, regardless of whether they are experiencing an upward or downward trend in business activity.

3.3.4 The EESC welcomes the joint initiatives and efforts made by Europe's social partners in connection with flexicurity. The Committee is pleased that the European social partners have included monitoring and assessment of the implementation of flexicurity on their work programme for 2009-

2010. The Committee awaits the report on this assessment and expects the joint evaluation to have a considerable impact on shaping the ways in which flexicurity is applied in the various Member States.

### 3.4 Short- and medium-term European objectives

3.4.1 In the short term, the analysis of flexicurity and the ways in which it might be applied must – whilst always taking account of the existence of social dialogue at all levels, the financial constraints and the role of governments – focus on the objective of preserving as many jobs as possible with the highest possible added value and on strengthening the overall level of social protection for all workers, whatever their situation on the labour market.

3.4.2 The EESC draws attention to the conclusions of the Council report of 8 and 9 June on flexicurity in times of crisis. It is essential for the unemployed to find work again as quickly as possible. The EESC emphasises the need to give them help, support and effective guidance very quickly. Member States should be encouraged to make better use of the existing European funds and they must be absolutely committed to improving the quality of instruments for encouraging employment, for example, agencies offering quality jobs, to strengthen their services and effectiveness.

3.4.3 The EESC shares the Commission's opinion that the agreements on allowances for lay-offs can be an effective short-term tool for preserving jobs, avoiding unemployment and maintaining purchasing power. These provisions have a threefold impact, ensuring that businesses do not lose workers' know-how and skills, that workers are not excluded from the labour market and that national economies are not destabilised by preventing a wave of unemployment. The crisis has highlighted the need for promoting 'working time accounts' and the flexible management of working hours. Companies with 'working time accounts' are much more capable of reacting quickly to new market situations and adapting to sudden falls in demand. The EESC calls on EU Member States to make this instrument as attractive as possible to employees and companies.

3.4.4 The EESC encourages the social partners at all levels, including the micro-economic level, to focus the social dialogue and the compromises that it will require from all the partners during this severe crisis, on maintaining and creating jobs whilst upholding workers' overall purchasing power. Governments must find the means to act as catalysts and promote or even reward such agreements. The EESC proposes to the Swedish Presidency and the European Commission that a web platform be set up to increase exchanges of information and experiences of practical initiatives by the social partners, taking account of the different range of situations at national, regional and local level.

3.4.5 The EESC believes that the four dimensions of flexicurity and its principles as defined by the European Commission could effectively contribute to reducing unemployment in Europe. Nevertheless, it is essential to ensure that high-quality jobs are created. Real social protection plays an important role in this respect and is essential for social cohesion in the EU. In this context, the EESC stresses that labour market reforms in the Member States should stem the steady rise noted over the past few years in the number of precarious jobs, characterised by too much flexibility to the detriment of security. The Commission should carry out periodical evaluations of how the principles of flexicurity are being applied in legislation and regulatory provisions relating to the labour market. The EESC believes that the principles of flexicurity should be further integrated into the post-Lisbon agenda. Moreover, the EESC suggests that the work of the European social partners be coordinated with this agenda.

### 3.5 *A new European debate*

3.5.1 The EESC feels that it is appropriate for the Swedish presidency to be launching a debate on the aspects of flexicurity which could, judging from the example of a number of Member States which have introduced it, help the Union to get through this global financial and economic crisis while safeguarding as many jobs as possible, so as not to endanger its social cohesion. The EU has much to gain from ensuring that workers are not deskilled, since it will need their skills after the crisis, especially since demographic changes will lead to a considerable reduction in the potential skilled labour force in most European countries.

3.5.2 Making skilled workers redundant during a recession is a threat to future recovery. It risks compounding lack of know-how. Worse still, many European companies seem to be cutting their apprenticeships or posts intended for young graduates. In doing so, they are endangering their own future. Moreover, flexicurity itself can only function if employees are properly trained. Therefore, putting a halt to training would run counter to this reform tool. There is a strong link between new skills and creating new jobs. The 'Lisbon 2010 plus' strategy must provide solutions for these problems. Companies are supposed to invest in ongoing training for their employees. At the same time, it is clear that individual workers are responsible for continuing their own training.

3.5.3 The countries within the EU must set a global example by making life-long learning, as a component of flexicurity, part

of a sustainable development approach. Worker training must be focused on Europe's objectives of creating more, better quality jobs and endeavouring to develop a sustainable economy.

3.5.4 The bedrock of flexicurity is greater employability, which is determined by the quality of education systems and the effectiveness of ongoing training. As long as the Member States continue to declare their support for lifelong learning without reforming their education systems or attaching more importance to preschool education, without allocating more resources to education and without encouraging work-based vocational and ongoing training and putting in place tax incentives to that end, a key condition for flexicurity cannot be met. The Committee calls on national governments to make all these education-related issues an absolute priority. The Committee supports joint action by the Member States to promote the education and training sector in Europe.

### 3.6 *Flexicurity against the backdrop of the Lisbon Treaty*

3.6.1 Under the Lisbon Treaty, which the Committee supports and hopes to see adopted by the EU's 27 Member States, the internal market is defined as a social market. Article 2 of the Treaty establishing the European Community cites 'a social market economy' as one of the objectives of the Community. This is an important new development. This new direction, which gives far more space to social interpretations of community law, cannot fail to have an impact on future European legislation and, above all, on the case law of the European Court of Justice.

3.6.2 It is true that some political developments in a minority of European countries are leading to concerns about the likelihood of the Treaty ever being adopted at all. Nevertheless, the Committee remains optimistic, since there is no alternative, no 'plan B'. In a 27-strong Union, especially during a time of crisis, the institutions need to be able to work more effectively than the Treaty of Nice allows. The Committee therefore feels that the European institutions need to work on the flexicurity file in the expectation that the Lisbon Treaty will enter into force this year or in 2010 at the latest – and with an eye to the ongoing development of the crisis. One of the consequences of the Treaty entering into force will be that a new and more current dimension of 'security' will be reflected in Community law.

Brussels, 1 October 2009.

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

**Opinion of the European Economic and Social Committee on Macro-regional cooperation 'Rolling out the Baltic Sea Strategy to other macro-regions in Europe' (Exploratory opinion)**

(2009/C 318/02)

Rapporteur: **Mr SMYTH**

On 18 December 2008, Ms Cecilia MALMSTRÖM, Minister for European Union Affairs, asked the European Economic and Social Committee, on behalf of the Swedish Presidency, to draw up an exploratory opinion on

*'Macro-regional cooperation - Rolling out the Baltic Sea Strategy to other macro-regions in Europe.'*

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 11 September 2009. The rapporteur was Mr SMYTH.

At its 456th plenary session, held on 30 September and 1st October 2009 (meeting of 30 September 2009), the European Economic and Social Committee adopted the following opinion unanimously.

## **1. Conclusions**

1.1 The EESC supports the aims embodied in the four pillars of the Baltic Sea Region strategy, to make the region a prosperous place, a safe and secure place, an environmentally sustainable place and an attractive and accessible place.

1.2 The EESC recognises the comprehensive consultation process that preceded the finalisation of the strategy and the role played in the process by the social partners and stakeholders. The EESC re-emphasises the crucial role of organised civil society in the implementation of the Baltic Sea Region strategy and reaffirms its support for the establishment of a Baltic Sea Civil Society Forum that would help to embed civil society in the evolution of the strategy.

1.3 The EESC welcomes the strategy's Action Plan which comprises 15 priority actions each of which will be the responsibility of a Baltic Member State to implement.

1.4 The Baltic Sea Region strategy has both strengths and weaknesses. Its major strengths are that it is comprehensive in its intended coverage and that it will be reviewed regularly by the Commission and the European Council. Its weaknesses stem from its complexity and from governance issues surrounding its implementation. The strategy encompasses the remit of 21 Directorates General as well as 8 Member States plus Russia. Taken with the 4 pillars, 15 priority actions and numerous horizontal actions, there is a complex 'variable geometry' at the heart of the strategy which might make it unworkable. The EESC believes that every effort should be made to simplify the governance arrangements for the implementation of the strategy.

1.5 The EESC has an important role to play in ensuring a spirit of cooperation during the development and implemen-

tation of the strategy. The creation of a Baltic Sea Civil Society Forum goes some way towards giving organised civil society a stake in the future evolution of the strategy.

1.6 The Baltic Sea Region strategy poses a major challenge to the EESC in general and in particular to those committee members from the Baltic region. It obliges them to take the initiative in representing organised civil society in the evolution of the strategy through the operation of the Civil Society Forum. In view of the fact that the Baltic Sea Region strategy will operate for several years there is a compelling case for setting up a permanent group within the EESC to ensure that the committee can participate effectively in what may become the template for macro-regional cooperation across the European Union.

## **2. Introduction**

2.1 The issue of macro-regional cooperation has grown in importance in recent years. Within the EU macro-regions are now seen as having the potential to make a significant contribution to cohesion policy and the achievement of comparable levels of development across Member States. Europe already embraces forms of macro-regional cooperation. The Visegrad Group, for instance, which comprises the Czech Republic, Hungary, Poland and Slovakia, represents the efforts of the countries of the Central European region to work together in several fields of common interest in the spirit of European integration<sup>(1)</sup>. More recently in 2008 the Euro-Mediterranean Partnership, formerly known as the Barcelona Process, was re-launched at the Paris Summit for the Mediterranean. This Partnership comprises all 27 Member States of the European Union together with 16 partner states across the southern Mediterranean and the Middle East and it aims to tackle common problems such as maritime pollution and maritime safety, energy issues and business development<sup>(2)</sup>.

<sup>(1)</sup> <http://www.visegradgroup.eu/>

<sup>(2)</sup> [http://ec.europa.eu/external\\_relations/euromed/index\\_en.htm](http://ec.europa.eu/external_relations/euromed/index_en.htm)



2.2 In November 2006, the European Parliament adopted a resolution to draw up a Baltic Sea Strategy. This strategy for the designated Baltic Sea macro-region was adopted by the Commission on 10 June 2009 and was submitted to the European Council on 19 June 2009. The Swedish Presidency will take it forward for further discussion ahead of adoption by the Council in late October 2009. This exploratory opinion has been requested by the Swedish Presidency as it forms an important element of its work programme. The purpose of this opinion is to assess the proposed Baltic Sea Strategy, its preparation, its structure and its Action Plan from the perspective of organised civil society. The opinion builds upon the analysis set out in the recently adopted EESC opinion 'Baltic Sea Region: the role of organised civil society in improving regional cooperation and identifying a regional strategy' <sup>(1)</sup>.

2.3 The call for a Baltic Sea Strategy stems from the view that there is a need to achieve greater and more effective coordination between the European Commission, Member States, regions, local authorities and other stakeholders in order to bring about a more efficient use of programmes and policies. The Baltic Sea is one of the busiest and most congested maritime regions in the world as can be seen from the mapping of daily ship movements set out in the Appendix to this opinion. The Baltic Sea region comprises eight Member States which border the Baltic (Finland, Sweden, Denmark, Germany, Poland, Estonia, Latvia, Lithuania) along with Russia. The European Council, when it asked the Commission to undertake the production of the strategy, determined that the external relations aspects of the strategy should be linked to the existing Northern Dimension framework <sup>(2)</sup>. The EESC supports the move to produce a macro-regional development strategy that includes all the Baltic Sea states.

2.4 The process that led to the development of the strategy is unprecedented. The Commission's view is that, if the Baltic Sea Strategy is valid and workable in the Baltic, a similar approach may be applicable to other macro-regions such as Danube Region <sup>(3)</sup>, the Alpine region and the Mediterranean:

- the Commission undertook a comprehensive set of consultations throughout 2008. These consultative conferences were spread geographically across the macro-region and culminated in February 2009 in Rostock. They were themed around the four pillars upon which the Baltic Sea Strategy is built to make the Baltic Sea Region an environmentally sustainable place;

- a prosperous place;

- an accessible and attractive place;

<sup>(1)</sup> EESC Opinion 888/2009 adopted on 13 May 2009 (not yet published in the OJ).

<sup>(2)</sup> The Northern Dimension is an arrangement under which the EU, Russia, Norway and Iceland can implement policies in agreed areas of cooperation.

<sup>(3)</sup> This point has been made by Commissioner Hübner in Towards a Strategy for the Danube Region [http://ec.europa.eu/commission\\_barroso/hubner/speeches/pdf/2009/07052009\\_u1m.pdf](http://ec.europa.eu/commission_barroso/hubner/speeches/pdf/2009/07052009_u1m.pdf)

- a safe and secure place.

2.5 The strategy is accompanied by an Action Plan which comprises 15 priority areas across the four pillars. Each priority area is to be coordinated by a Baltic Member State and they are expected to work on its implementation together with all relevant stakeholders <sup>(4)</sup>.

2.6 The Baltic Sea Strategy and its proposed actions are to be funded from existing sources of funding, namely the EU Structural Funds (EUR 55 billion between 2007-13), funding from each Baltic Sea state, NGOs, private sourcing as well as funding from financial institutions such as the EIB, NIB and the EBRD.

2.7 In addition to the four pillars, the strategy also contains horizontal actions designed to develop territorial cohesion. These include:

- measures to align existing funding and policies to the priorities and actions of the Baltic Sea Strategy;

- measures to coordinate the implementation of EU Directives and to avoid unnecessary bureaucratic barriers;

- measures to encourage the use of maritime spatial planning in Member States as a common approach in cross-border cooperation;

- the development of land-based spatial planning in Baltic Member States;

- the translation of successful pilot projects within the strategy into full-scale actions;

- the expansion of research as a base for policy decisions;

- measures to improve and coordinate the collection of maritime and socio-economic data in the Baltic macro-region;

- the building of a regional identity.

### 3. Comments on the Baltic Sea Strategy

3.1 The EESC welcomes the approach taken by the Council and Commission to the development of the Baltic Sea Strategy and in particular the comprehensive set of consultations of stakeholders in the macro-region. The Strategy is innovative as it will operate on a transnational governance structure and hence it goes beyond the scope of traditional EU regional policies. This new governance structure sits between the nation state and the supranational community.

<sup>(4)</sup> The Baltic Sea Strategy and Action Plan can be found at: [http://ec.europa.eu/regional\\_policy/cooperation/baltic/documents\\_en.htm](http://ec.europa.eu/regional_policy/cooperation/baltic/documents_en.htm)

3.2 The four pillars of the strategy and the ensuing action plan represent a serious attempt to produce a better coordinated development framework for such a diverse area as the Baltic and thus to try to promote territorial cohesion.

3.3 The concept of Baltic Sea Region Strategy is described by the Commission as 'a work in progress'. Defining individual aspects of the Baltic Sea Region is necessarily imprecise because the geographies change depending on the question being addressed. For example the issue of the environment gives rise to a different geography from the economic geography or the transport geography. The approach taken in designing the Baltic Sea Region strategy is to start by defining the problems and issues and letting these define the geography of the macro-region. The EESC believes that the complexity of the challenges facing the Baltic Sea Region necessitates greater emphasis on the effective governance of the strategy.

3.4 The EESC recognises the high level of political 'buy in' to the strategy achieved through the consultation phase. BASTUN the Baltic Sea Trade Union Network which represents trade union members in all the Baltic Member States plus Russia has played a prominent role in the consultation process which has shaped the Baltic Sea Region strategy to date. The momentum created must be maintained during the implementation of the strategy. To this end, the EESC welcomes the commitment to raise the strategy to the level of the European Council every two years under the Polish (2011) Latvian (2013) and Lithuanian (2015) presidencies.

3.5 The completion of Annual Progress Reports on this strategy coupled with a Bi-annual Review is also an important mechanism for ensuring that stakeholders remain committed. During consultations with the Commission it emerged that while the Baltic Sea Strategy will be formally launched on 19 June, it remains in essence a work in progress. The EESC supports this and is pleased to note that there will be a top level conference and ministerial meeting on the strategy in September and October 2009 under the Swedish presidency. Bearing in mind the prominence given to stakeholder consultation in the preparation of the strategy, it is important that the EESC takes an active part in its development, implementation and dissemination.

3.6 While there appeared to be consensus emerging from the consultations on the implementation of the strategy, there was less general agreement about whether or not the existing institutional frameworks were appropriate for this implementation. This and other related issues will no doubt be the subject of further discussions between stakeholders and the Commission <sup>(1)</sup>.

<sup>(1)</sup> For a good general discussion of these institutional and governance issues see C. Schymik and P. Krumrey: EU Strategy for the Baltic Sea Region: Core Europe in the Northern Periphery?, Working Paper FG1 2009, SWP Berlin.

3.6.1 In the meantime, however, the strategy should make use of the opportunities provided by existing European initiatives such as the Joint Programming in Research, which has received strong support from the EESC. This initiative will contribute to the Commission's recommendation contained in the Baltic Sea Strategy, namely to exploit the full potential of the Baltic Sea Region in research and innovation in order to make it a prosperous place.

3.7 In terms of the funding of the strategy, the EESC wishes to underline its support for the more effective use of the existing multivariable EU funding channels. This may be made more transparent by the creation and presentation of budgets for the priority areas of the strategy. Unless it is made possible to pledge appropriate funding resources to the Baltic Sea Region Strategy initiatives, there is a risk that the entire strategy will become incoherent, diffuse and that it will lose the commitment of stakeholders in Member States. To this end, the EESC reiterates its view that the effective implementation of the Baltic Sea Strategy requires the establishment of its own separate budget, in order to avoid the risk that the strategy becomes merely a political statement with its aims unfulfilled <sup>(2)</sup>.

3.8 There are tensions clearly evident in the Action Plan. It represents an attempt to ensure the continued 'buy-in' of stakeholders by proposing a very wide range of high profile actions. This approach runs the risk of trying to be all things to all men. The strategy's complexity is also one of its main weaknesses.

3.9 The Commission attempts to deal with the complexity of implementation by making each member state responsible for one or more of the priority actions. In theory this is a clever approach; in practice it may be very difficult to achieve. Each member state will be required to co-ordinate actions across the macro-region and across multiple Directorates General. The full strategy embraces the competences of 21 Directorates General. The experience to date with some other intergovernmental policy cooperation has been mixed. The Leipzig Charter on Sustainable European Cities which adopted a similar approach to implementation has been somewhat disappointing and has made slow progress to date <sup>(3)</sup>. The Baltic Sea Region strategy is arguably even more complex than the Leipzig Charter and there is a risk that its governance may prove to be too unwieldy.

<sup>(2)</sup> See EESC Opinion on Baltic Sea Region: the role of organised civil society in improving regional cooperation and identifying a regional strategy, paragraphs 2.6 and 2.7. The Euro-Mediterranean Partnership, for instance, has a budget which is both substantial and dedicated to EuroMed. Opinion adopted on 13 May 2009 (not yet published in the OJ).

<sup>(3)</sup> Charter signed on 24th May 2007 under the German Council Presidency during an informal meeting of EU Ministers responsible for Urban Development and Territorial Cohesion. This intergovernmental charter makes two main recommendations, namely to make greater use of an integrated urban development policy and to grant special attention to deprived neighbourhoods.

#### 4. Potential role for the EESC in Baltic Sea Region Strategy

4.1 The EESC has already put forward a proposal to establish a 'Baltic Sea Civil Society Forum' and has indicated its readiness to begin preparing the groundwork for such a Forum <sup>(1)</sup>. This Forum should run in parallel with the strategy and it should make an input into the Bi-annual strategy Review. The success of the consultation conferences leading to the preparation of the strategy lends further weight to the need for ongoing public discussion and awareness raising about the strategy's implementation.

4.2 The EESC together with the Economic and Social Committees of the Baltic Member States have important roles to play in ensuring an atmosphere of cooperation and working together during the implementation of the strategy. In order to strengthen institution building and participatory civil society structures especially in new member countries and in neighbouring states such as Russia, it might be useful to establish cross-border relations and cooperation between sister organisations such as trade unions, consumer bodies and community and voluntary sector organisations. The membership of the EESC from the eight Baltic Member States in particular should develop the roles of emissary, interlocutor and rapporteur to enable the Committee to maintain an informed position on the strategy's progress, successes and challenges and can therefore support the achievement of its objectives.

4.3 The EESC welcomes the serious attempt being made in the Baltic Sea Region Strategy to develop an integrated approach to macro-regional cooperation. The Committee has been an advocate of such an approach for some time, as has the European Parliament.

4.4 The EESC supports the broad approach to implementation advocated in the strategy whereby Member States take the lead in coordinating implementation of the 15 priority areas and the associated flagship projects.

4.5 It could be argued that the Baltic Sea Region strategy represents an important test of the role of the EESC. It challenges the Committee to play a full part in the evolution of the strategy, notwithstanding the difficult governance issues discussed earlier in this opinion. It throws down a challenge in particular to those members of the EESC from the 8 Baltic Member States covered by the strategy. It obliges them to take the initiative in representing organised civil society in the ongoing implementation of the strategy through the operation of the Baltic Sea Region Civil Society Forum. Given that the strategy is likely to operate for many years to come, there is a strong argument for the establishment within the EESC of an *ad hoc* Baltic Sea Region observatory or study group so that the entire EESC can participate effectively in what is sure to become a template for macro-regional cooperation across the Union.

Brussels, 30 September 2009.

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

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<sup>(1)</sup> See EESC Opinion on Baltic Sea Region: the role of organised civil society in improving regional cooperation and identifying a regional strategy, paragraph 3.4. Opinion adopted on 13 May 2009 (not yet published in the OJ).

**Opinion of the European Economic and Social Committee on 'How to make the EU strategy on alcohol related harm sustainable, long-term and multisectoral' (Exploratory opinion)**

(2009/C 318/03)

Rapporteur: **Ms Van TURNHOUT**

In a letter dated 18 December 2008, in the context of the forthcoming Swedish Presidency of the European Union, the Swedish Minister for European Affairs asked the European Economic and Social Committee to draft an exploratory opinion on the following subject:

*'How to make the EU strategy on alcohol related harm sustainable, long-term and multisectoral.'*

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 September 2009. The rapporteur was Ms Van TURNHOUT.

At its 456th plenary session, held on 30 September 2009 and 1 October 2009 (meeting of 30 September 2009), the European Economic and Social Committee adopted the following opinion by 128 votes to 5 with 4 abstentions.

## 1. Summary and recommendations

1.1 Drawn up in response to a request by the Swedish Presidency to the EESC, this exploratory Opinion focuses on how to make the EU strategy on alcohol related harm sustainable, long-term and multisectoral<sup>(1)</sup>. The goal of the Swedish Presidency is to support the implementation of the horizontal EU alcohol strategy and the establishment of long-term preventive work at both EU and national level.

1.2 This Opinion builds on the previous EESC Opinion on alcohol related harm, which looked at five priority themes: protecting children; reducing alcohol related road accidents; preventing alcohol related harm among adults and in the workplace; information, education and raising awareness; and common evidence base<sup>(2)</sup>.

1.3 The Opinion highlights the following four priorities of the Presidency:

- the impact of advertising and marketing on young people;
- the influence of price on the development of damage;
- children in focus – specifically foetal alcohol spectrum disorder and children in families; and
- the effects of harmful alcohol consumption on healthy and dignified ageing.

to achieve a comprehensive approach, all of the themes dealt with in both opinions and other relevant matters should be taken together.

1.4 Drinking patterns vary significantly across countries, but most consumers drink responsibly most of the time (see 3.2)<sup>(3)</sup>. Having said that, the EESC is concerned that 15 % of the EU adult population are estimated to drink at harmful levels on a regular basis, and that children are the most vulnerable to the harms caused by alcohol. Policy measures should be designed to reach those already drinking at harmful levels.

1.5 Alcohol marketing is one of the factors that increases the likelihood that children and adolescents will start to use alcohol, and will drink more if they are already using alcohol. Given this, the EESC calls for a reduction in the exposure of children to alcohol marketing.

1.6 Appropriately designed alcohol pricing policies can be effective levers in reducing alcohol related harm, particularly among low income and young people. The EESC believes that regulation governing the availability, distribution and promotion of alcohol is needed; self-regulation in this area is not enough.

1.7 To raise awareness about the risk of Foetal Alcohol Spectrum Disorder (FASD), the EESC supports national and EU level awareness-raising campaigns.

1.8 The EESC believes that more information is needed about the effects of harmful alcohol consumption on healthy and dignified ageing at an EU level.

1.9 The EESC recognises that alcohol policies should be comprehensive and include a variety of measures for which there is evidence of reducing harm.

<sup>(1)</sup> Multisectoral is defined as 'covering several sectors, including civil society, trade unions and business'.

<sup>(2)</sup> EESC opinion of 30.5.2007 on 'An EU strategy to support Member States in reducing alcohol related harm', rapporteur Ms Van Turnhout, Co-rapporteur: Mr Janson, OJ C 175 of 27.7.2007.

<sup>(3)</sup> Konnopka, A & König, H-H, 'The Health and Economic Consequences of Moderate Alcohol consumption in Germany 2002', in: Value in Health, 2009.



## 2. Background

2.1 The European Union has competence and responsibility to address public health problems related to harmful and hazardous alcohol use on the basis of article 152 (1) of the Treaty <sup>(4)</sup>, which states that Community action shall complement national policies.

2.2 Following the Council Recommendation of 2001 on the drinking of alcohol by young people <sup>(5)</sup>, it invited the Commission to follow and assess developments and the measures taken, and to report back on the need for further actions.

2.3 In its Conclusions of June 2001 and of June 2004, the Commission was invited to put forward proposals for a comprehensive Community strategy aimed at reducing alcohol-related harm which would complement national policies <sup>(6)</sup>.

2.4 In 2006, the Commission adopted the Communication: An EU Strategy to support member states in reducing alcohol related harm <sup>(7)</sup>. It aims to 'map actions' put in place by the Commission and Member States, and explains how the Commission can further supports and complements national health policies. The EESC believes that the Communication falls far short of a 'comprehensive strategy' <sup>(8)</sup> as it does not provide a comprehensive and transparent analysis of all the relevant policy areas and of the difficulties some Member States have experienced in maintaining quality public health alcohol policies due to EU market rules <sup>(9)</sup>. The Strategy also fails to acknowledge that alcohol is a psychoactive drug, a toxic substance when used to excess, and, for some, an addictive substance.

2.5 The European Court of Justice has repeatedly confirmed that reducing alcohol related harm is an important and valid public health goal, using measures deemed appropriate and in accordance with the principle of subsidiarity <sup>(10)</sup>.

2.6 The EESC acknowledges the work performed by all relevant stakeholders within the European Alcohol and Health Forum since its launch in 2007. The EESC welcomes similar developments at local levels.

## 3. Overview of harmful effects

3.1 Globally, the European Union is the region where most alcohol is consumed, with 11 litres of pure alcohol consumed

per person each year <sup>(11)</sup>. Overall consumption declined between the 1970s and mid-1990s, since when it has remained relatively stable; however there are still differences between countries in terms of both consumption and harm, also in terms of the form the harm takes <sup>(12)</sup>; however, harmful drinking patterns remain significant <sup>(13)</sup>.

3.2 Most consumers drink responsibly most of the time. However, the EESC is concerned that 55 million adults in the EU (15 % of the adult population) are estimated to drink at harmful levels on a regular basis <sup>(14)</sup>. Harmful alcohol consumption is estimated to be responsible for approximately 195 000 deaths a year in the EU due to accidents, liver disease, cancers and so forth. Harmful alcohol use is the third biggest cause of early death and illness in the EU <sup>(15)</sup>.

3.3 The EESC believes that harmful alcohol consumption by individuals is not a problem that develops in isolation, but rather one that can have a variety of causes including poverty, social exclusion, family environment, and work-related stress.

3.4 While different cultural habits related to alcohol consumption across Europe exist, it can also be observed that different cultural habits related to harmful and hazardous alcohol consumption, including among children and adolescents, exist <sup>(16)</sup>. The EESC urges the Commission and the Member States to take account of these national and local patterns when defining policies.

3.5 Children are particularly vulnerable to harms caused by alcohol. It is estimated that in the EU 5 to 9 million children in families are adversely affected by alcohol. Alcohol is a causal factor in 16 % of cases of child abuse and neglect, and an estimated 60 000 underweight births each year are attributable to alcohol <sup>(17)</sup>.

3.6 Harmful alcohol consumption can cause harm not only to the individual but also to third persons. Alcohol-related harm should also be addressed in the workplace, in the framework of health and safety regulations, which is primarily the responsibility of the employer. Workplace alcohol policies could help reduce alcohol-related accidents, absenteeism and increase working capacity. The EESC urges employers, trade unions,

<sup>(4)</sup> Treaty establishing the European Community.

<sup>(5)</sup> Council recommendation of 5 June 2001 (2001/458/EC).

<sup>(6)</sup> Council Conclusions of 5 June 2001 on a Community strategy to reduce alcohol-related harm (OJ C 175, 20.6.2001, p. 1) and Council Conclusions of 1 and 2 June 2004 on alcohol and young people (not published in the OJ).

<sup>(7)</sup> COM(2006) 625 final.

<sup>(8)</sup> See footnote 2.

<sup>(9)</sup> Ibid.

<sup>(10)</sup> Franzen case (C-89/95), Heinonen case (C-394/97), Gourmet case (C-405/98), Catalonia (joined cases C-1/90 and C-179/90), Loi Evin (C-262/02 and C-429/02).

<sup>(11)</sup> 'Alcohol in Europe, a public health perspective' – Report for the European Commission by P. Anderson and B. Baumberg, Institute of Alcohol Studies, June 2006.

<sup>(12)</sup> EESC opinion of 30.5.2007 on 'An EU strategy to support Member States in reducing alcohol related harm', rapporteur Ms van Turnhout, Co-rapporteur : Mr Janson, OJ C 175 of 27.7.2007

<sup>(13)</sup> See footnote 11

<sup>(14)</sup> More than 40 g of alcohol, i.e. 4 drinks a day, for men and over 20 g, i.e. 2 drinks a day, by women.

<sup>(15)</sup> Alcohol-related harm in Europe - Key data October 2006, Brussels, MEMO/06/397, 24 October 2006.

<sup>(16)</sup> ESPAD survey, 2007

<sup>(17)</sup> See footnote 11.



local authorities and other relevant organisations to closely cooperate and to undertake joint actions to reduce alcohol-related harm in workplaces.

3.7 Alcohol is an important commodity in the Europe creating jobs, generating revenue through taxes and contributing to the balance of trade. However, harmful alcohol drinking also affects the economy, due to increased health care and social costs, and loss of productivity. The cost of alcohol related harm to the EU's economy was estimated at EUR 125 billion for 2003, equivalent to 1,3 % of GDP <sup>(18)</sup>.

#### 4. The impact of advertising and marketing on young people

4.1 The EESC urges the Commission to acknowledge the WHO European Charter on Alcohol <sup>(19)</sup> adopted by all EU Member States in 1995 and, in particular, the ethical principle that all children and adolescents have the right to grow up in an environment protected from the negative consequences of alcohol consumption and, to the extent possible, from the promotion of alcoholic beverages.

4.2 The EU Council recommendation urged Member States to establish effective mechanisms in the field of promotion, marketing and retailing and to ensure that alcohol products were not designed or promoted to appeal to children and adolescents.

4.3 Binge drinking by young adults (15-24 years) is a growing concern at EU and Member State level; 24 % of drinkers in this age group reported binge drinking at least once a week in 2006 <sup>(20)</sup>. Beer (40 %) and spirits (30 %) are the most often consumed alcoholic drinks among teenagers <sup>(21)</sup>, followed by wine (13 %), alcopops (11 %) <sup>(22)</sup> and cider (6 %). Alcohol sales promotions such as 'happy hour' and 'two for one' promotions also increase alcohol consumption and the likelihood of binge drinking among youth <sup>(23)</sup>. As a step forwards, the stricter enforcement of legal drinking age by authorities is required.

4.4 Alcohol advertising and marketing are influential in shaping young people's attitudes to and perceptions of alcohol, and encouraging positive expectations of alcohol use

amongst young people <sup>(24)</sup>. A review of longitudinal studies by the Science Group of the European Alcohol and Health Forum found 'consistent evidence to demonstrate an impact of alcohol advertising on the uptake of drinking among non-drinking young people, and increased consumption among their drinking peers. This finding is all the more striking, given that only a small part of a total marketing strategy has been studied' <sup>(25)</sup>.

4.5 The EESC is concerned that alcohol marketing attracts underage drinkers <sup>(26)</sup>, and draws attention to consistent findings that exposure to television and sponsorship that contains alcohol predicts the onset of youth drinking and increased drinking <sup>(27)</sup>.

4.6 The WHO Expert Committee considered that 'voluntary systems do not prevent the kind of marketing which has an impact on younger people and that self-regulation seems to work only to the extent that there is a current and credible threat of regulation by government' <sup>(28)</sup>.

4.7 Actors in the alcohol beverage chain have declared their willingness to be more proactive in enforcing regulatory and self-regulatory measures <sup>(29)</sup>. They have a role in working together with the Member States to ensure their products are produced, distributed and marketed in a responsible manner, contributing to reduce alcohol related harm.

4.8 The Audiovisual Media Services Directive helps set minimum standards for alcohol advertising. It specifies that '[...] alcohol advertisements shall [...] not be aimed specifically at minors, shall not link the consumption of alcohol to enhanced physical performance, social or sexual success and shall not claim that it is a stimulant, a sedative or a means of resolving personal conflicts' <sup>(30)</sup>. The EESC believes that this Directive alone is not sufficient to fully protect children from alcohol marketing.

4.9 The EESC urges that a reduction in the exposure of children to alcohol products, advertising and promotions be

<sup>(18)</sup> DG SANCO

<sup>(19)</sup> World Health Organisation European Charter on Alcohol (1995).

<sup>(20)</sup> See footnote 11

<sup>(21)</sup> The 2007 ESPAD Report (2009).

<sup>(22)</sup> Alcopop is a term used to describe bottled alcoholic beverages that resemble drinks such as soft drinks and lemonade.

<sup>(23)</sup> Independent Review of the Effects of Alcohol Pricing and Promotion (2008).

<sup>(24)</sup> Scientific Opinion of the Science Group of the European Alcohol and Health Forum (2009) and Impact of Alcohol Advertising and Media Exposure on Adolescent Alcohol Use: A Systematic Review of Longitudinal Studies (2009).

<sup>(25)</sup> See footnote 24, part 1

<sup>(26)</sup> See footnote 11.

<sup>(27)</sup> Ibid.

<sup>(28)</sup> WHO Expert Committee on problems related to Alcohol Consumption, 2nd Report, 2007.

<sup>(29)</sup> COM(2006) 625 final.

<sup>(30)</sup> The affordability of alcoholic beverages in the European union: understanding the link between alcohol affordability, consumption and harms (2009).

stated as a specific objective by the Commission, and that tighter regulation in this area be introduced.

## 5. The influence of price on alcohol related harms

5.1 There is increasing pan-European interest in measures to combat alcohol related harms. Alcohol is an important commodity in Europe, creating jobs, generating revenue through taxes and contributing to the EU economy through trade. However, an estimated 15 % drinks at harmful levels generating harm for individuals and societies. In 2003, the cost of alcohol misuse in the EU was estimated at EUR 125 billion, equivalent of 1,3 % GDP <sup>(31)</sup>.

5.2 Based on the RAND study, there is a trend across the EU towards more off-trade alcohol consumption, which tends to be cheaper than alcohol sold on-trade <sup>(32)</sup>. However, it should be noted that the study focused only on off trade alcohol prices and did not compare off trade prices to on trade prices.

5.3 Studies show that alcohol became more affordable across the EU between 1996 and 2004, in some countries by more than 50 % <sup>(33)</sup>. Evidence shows that there is a positive relationship between alcohol affordability and alcohol consumption in the EU <sup>(34)</sup>.

5.4 Young people are sensitive to alcohol price increases, which lead to reduced frequency of drinking among young people and, to smaller quantities drunk in each drinking event <sup>(35)</sup>. However, other studies show that young people may turn to more harmful drinking patterns in response to price increase, e.g. pre-drinking <sup>(36)</sup> where people consume cheaper alcohol at home before going out. This finding has important implications for alcohol policy in the EU, particularly given the increase in harmful youth drinking.

5.5 An estimated 3.8 % of all global deaths and 4.6 % of global disability-adjusted life-years are attributed to alcohol. There is a positive relationship between alcohol consumption and traffic injuries and traffic deaths <sup>(37)</sup>. Alcohol is the sole cause of some diseases such as alcoholic liver disease and

alcohol-induced pancreatitis, and is a contributory cause of other diseases and injuries (e.g. certain types of cancer, heart disease and strokes and liver cirrhosis) <sup>(38)</sup>. Harmful alcohol consumption is a contributory factor for crime, violence and family deprivation, risky sexual behaviour and sexually transmitted disease <sup>(39)</sup>.

5.6 It is estimated that across the EU heavy episodic drinking contributes to 2 000 homicides, 17 000 traffic deaths (or one in three of all traffic fatalities), 27 000 accidental deaths and 10 000 suicides <sup>(40)</sup>.

5.7 Alcohol pricing policies can be effective levers in reducing alcohol related harms <sup>(41)</sup>. The EESC nevertheless believes that pricing policy should be considered when developing strategies to address alcohol related harm in a long-term, sustainable and multi-sectoral way.

5.8 Alcohol policies should be comprehensive and include a variety of measures for which there is evidence of an impact in reducing harm, such as drink drive policies and primary health based interventions. The EESC recognises that no single measure can solve alcohol related harm.

5.9 The EESC believes that efficient enforcement of regulation governing the availability, distribution and promotion of alcohol is needed. Self-regulation in this area is part of the solution, but in itself not sufficient. Restrictions on sales below cost and on sales promotions should be possible without being trade restrictive or in contravention with EU law.

## 6. Children in focus – specifically foetal alcohol spectrum disorder and children in families

6.1 The destiny of Europe depends on a healthy and productive population. The evidence that a higher proportion of the disease burden from harmful and hazardous alcohol consumption is experienced by young people is therefore of grave concern to the EESC <sup>(42)</sup>.

6.2 The Commission recognises that children have a right to effective protection against economic exploitation and

<sup>(31)</sup> DG SANCO 2006.

<sup>(32)</sup> See footnote 11. On-trade refers to pubs, clubs, restaurants and other retailers selling alcohol for consumption in the venue; off-trade refers to supermarkets and off-licences, selling alcohol for consumption elsewhere.

<sup>(33)</sup> Affordability is measured by looking at the net effect of price and income.

<sup>(34)</sup> See footnote 30.

<sup>(35)</sup> Modelling the Potential Impact of Pricing and Promotion Policies for Alcohol in England: Results from the Sheffield Alcohol Policy Model Version 2008(1-1).

<sup>(36)</sup> Alcohol Price and Consumer Behaviour. Market Research, by IPSOS Belgium (2009).

<sup>(37)</sup> See footnote 30.

<sup>(38)</sup> 'Global burden of disease and injury and economic cost attributable to alcohol use and alcohol use disorders', The Lancet, (2009).

<sup>(39)</sup> 'Effectiveness and cost-effectiveness of policies and programmes to reduce the harm caused by alcohol', The Lancet (2009).

<sup>(40)</sup> See footnote 11.

<sup>(41)</sup> WHO Global Status Report: Alcohol Policy, (2004). See also 'Paying the tab. The costs and benefits of alcohol control (2007)', and footnotes 35 and 37

<sup>(42)</sup> See footnote 11

all forms of abuse<sup>(43)</sup>. The EESC strongly supports this position.

6.3 The EESC notes that harmful and hazardous alcohol consumption impacts negatively not only on the drinker but on people other than the drinker, especially in relation to accidents, injuries and violence. In families, the EESC recognises that the most vulnerable group at risk are children.

6.4 It is estimated that 5 to 9 million children in families are adversely affected by alcohol, that alcohol is a contributing factor in 16 % of cases of child abuse and neglect, as well as contributing to an estimated 60 000 underweight births each year<sup>(44)</sup>. Further negative effects for children include poverty and social exclusion, which can affect their health, education and well-being both now and in the future.

6.5 Domestic violence, a serious problem in many countries<sup>(45)</sup>, is strongly linked to problems of heavy drinking by the perpetrator<sup>(46)</sup>. While domestic violence can occur in the absence of alcohol, heavy drinking can contribute to violence among some people. A reduction in heavy drinking benefits the victims and perpetrators of violence, and the children living in such families.

6.6 Alcohol can affect children even before they are born. Foetal alcohol spectrum disorder (FASD) describes a continuum of permanent birth defects (physical, behavioural and cognitive) caused by maternal consumption of alcohol during pregnancy.

6.7 Awareness about FASD and its effects is low. Disseminating evidence-based examples of preventive programmes to reduce alcohol harm during pregnancy is critical. The EESC supports the use of targeted EU and national Government campaigns to raise awareness about the risk of FASD.

## **7. The effects of harmful alcohol consumption on healthy and dignified ageing**

7.1 Older people are more sensitive to the effects of alcohol. Specific problems include balance and risk of falling and the onset of health problems that can make older people more susceptible to alcohol. About a third of older people develop drinking problems for the first time in later life, often due to bereavement, physical ill-health, difficulty getting around and social isolation<sup>(47)</sup>.

7.2 Harmful alcohol consumption can affect older people's mental health in the form of: anxiety, depression and confusion.

7.3 Alcohol Use Disorders are common among older people, particularly among males who are socially isolated, and living alone<sup>(48)</sup>. Problematic alcohol use is associated with widespread impairments in physical, psychological, social and cognitive health. Around 3 % of those over 65 years suffer from these disorders<sup>(49)</sup>, though many cases may go undetected as diagnostic criteria and screening are directed at younger adults. However, treating older people for alcohol problems is often easier than treating younger adults.

7.4 Alcohol can add to the effects of some medications, and reduce the effects of others. Raising awareness among care professionals, informal carers and older citizens of potential interaction between medication and alcohol is important.

7.5 The EESC believes that more needs to be done to address the wellbeing of the ageing population in the EU, including information about the effects of harmful alcohol consumption on healthy and dignified ageing at an EU level.

Brussels, 30 September 2009.

*The President  
of the European Economic and Social Committee*

Mario SEPI

<sup>(43)</sup> COM(2006) 367 final.

<sup>(44)</sup> See footnote 11.

<sup>(45)</sup> EESC own-initiative opinion of 16.3.2006 on 'Domestic violence against women' rapporteur Ms Heinisch, OJ C 110 of 9.5.2006 and EESC own-initiative opinion of 14.12.2006 on 'Children as indirect victims of domestic violence' rapporteur Ms Heinisch, OJ C 325 of 30.12.2006.

<sup>(46)</sup> See footnote 11.

<sup>(47)</sup> See Royal College of Psychiatrists, UK, <http://www.rcpsych.ac.uk/mentalhealthinfoforall/problems/alcoholanddrugs/alcoholandolderpeople.aspx>

<sup>(48)</sup> 'Alcohol use disorders in elderly people: redefining an age old problem in old age', British Medical Journal, (2003).

<sup>(49)</sup> Prevalence of mental disorders in Europe: results from the European Study of the Epidemiology of Mental Disorders project, (2004).

**Opinion of the European Economic and Social Committee on 'Links between gender equality, economic growth and employment rates' (Exploratory opinion)**

(2009/C 318/04)

Rapporteur: **Ms OUI**

In a letter dated 18 December 2008, in the context of the forthcoming Swedish presidency, the Swedish Minister for European Affairs, Cecilia MALMSTRÖM the European Economic and Social Committee to draft an exploratory opinion on the following subject:

*'Links between gender equality, economic growth and employment rates.'*

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 September 2009. The rapporteur was Ms OUI.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October 2009), the European Economic and Social Committee adopted the following opinion by 138 votes to 6 with 6 abstentions.

## **1. Conclusions and recommendations**

1.1 The issue raised by the Swedish presidency – exploring the links between gender equality, growth and employment – is a useful one in that it provides an opportunity to step back and take stock. Gender equality has been the subject of a large number of reports, studies, directives, laws, recommendations and agreements. Yet real life has proved doggedly resistant and the inequalities remain – legacies of bygone centuries that have been challenged only in the past fifty years. Gender equality may now be enshrined in law, but mind sets and practices – both of individuals and of society as a whole – still need to be changed. This opinion proposes a change of outlook in three areas in particular: organisation of time, the recognition of qualifications in jobs providing services to individuals, and gender balance in professional sectors and decision-making posts.

1.2 The Committee's recommendations are thus addressed to the Member States, the European Commission, the social partners and all those playing an active role in society.

To the Member States:

1.3 Growth is measured in terms of rising GDP. However, this indicator is not sufficient to reflect the economic contribution made by women. For the purpose of studying the links between gender equality and growth, it would be helpful to look again at how the latter is calculated.

1.4 Working for gender equality must be considered as a means:

— of promoting growth and jobs, and not as a cost or a constraint;

— of strengthening the economic independence of women, who will consume more goods and services;

— of investing in human resources by requiring equal access to vocational training and lifelong learning, placing more emphasis on experience and diversity;

— of creating the conditions for better reconciling work, family and private life, by offering flexible ways of organising working time chosen in the interests of businesses and their staff, by enhancing care services, by considering early years childcare not as a burden but as an investment, and by encouraging men to do their share of family tasks;

— of stimulating entrepreneurship among women by supporting business start-ups and transfers, and improving their access to finance;

- of ensuring that the gender perspective is taken into account in the short-, medium- and long-term measures taken in the light of the economic and financial crisis, at both at the level of the European Union as a whole and within each Member State;
- of reducing in-work poverty (single parents in under-paid, unstable jobs are often women) by stepping up access to work, a secure job and a decent wage.

To the Commission:

1.5 Request to monitor and evaluate Member States' efforts to implement the roadmap for equality between women and men, and request to become a forum for exchanging good practice and experience.

To the social partners:

1.6 Request to implement their common framework for action on gender equality by focusing on gender roles, promoting women in the decision-making process, supporting work-life balance and closing the pay gap;

1.7 to improve knowledge and instruments for combating job segregation and promoting gender balance;

1.8 to professionalise jobs providing services to individuals by better recognising the skills needed to carry them out.

To all civil society actors and political leaders:

- to consider more flexible retirement arrangements, where people could take time off before they actually retire so that they can meet family commitments;
- to improve the availability of household support services by developing public services and setting up new businesses;

- to increase the number of women in *management positions in public administrations and on boards of directors and executive boards in public and private enterprises*;

- to take a broadminded approach to this issue, planning for very short-term measures as well as long-term work strategies.

## 2. Introduction

2.1 The need for measures aimed at improving female participation in the labour market is an integral part of the Lisbon Strategy, the purpose of which is to make Europe a more competitive, knowledge-based society.

2.2 The Commission's 2008 report on equality between women and men in Europe <sup>(1)</sup> states: 'Female employment has been the main factor in the steady growth of employment in the EU in recent years. Between 2000 and 2006 employment in EU-27 grew by nearly 12 million, including more than 7.5 million women (...). [The] employment rate for women with dependent children is only 62.4 %, compared with 91.4 % for men, a difference of 29 points. More than three-quarters of part-time workers are women (76.5 %), corresponding to one woman in three, as against less than one man in ten.'

2.3 The 2009 report <sup>(2)</sup> puts the female employment rate at 58.3 % compared to 72.5 % for men, and the proportion of women in part-time work at 31.2 % compared to 7.7 % for men. It points out that women are over-represented in sectors with lower wages, and highlights the unequal distribution of power in institutions and businesses.

2.4 Although gender equality has not yet been achieved, the situation of working women in Europe is among the best in the world; the European Union deserves credit for having tackled this issue from the start and for putting in place statistical tools, studies, analyses and legislation.

2.5 Despite the progress made and the positive results achieved, the economic potential of women has not been adequately realised. Moreover, the unprecedented international economic and financial crisis will probably have a different impact on men and women, given their different situations in the economic, social and family circle.

<sup>(1)</sup> COM(2008) 10 final, page 4.

<sup>(2)</sup> COM(2009) 77 final.



2.6 As a very large number of studies are available, recommendations have been made, and decisions have been taken by the European institutions and social partners – in nine years, the Committee has adopted 14 opinions on subjects related to gender equality<sup>(1)</sup> – this opinion deliberately does not attempt to deal with the entire subject of gender equality. Instead, its scope is limited to the subject's link with growth and jobs, focusing on the goals set by the Lisbon Strategy on increasing female participation in the labour market<sup>(2)</sup>.

<sup>(1)</sup> See EESC opinions of:

- 24.3.2009 on the Proposal for a Directive of the European Parliament and of the Council on the application of the principle of equal treatment between men and women engaged in an activity in a self-employed capacity and repealing Directive 86/613/EEC, rapporteur: Ms SHARMA (OJ C 228, 22.9.2009)
- 13.5.2009 on the Proposal for a Directive of the European Parliament and of the Council amending Council Directive 92/85/EEC on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding, rapporteur: Ms HERCZOG, CESE 882/2009 (OJ C 277, 17.11.2009), (OJ C 277, 17.11.2009)
- 22.4.2008 on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Tackling the pay gap between women and men, rapporteur: Ms KÖSSLER (OJ C 211, 19.8.2008)
- 11.7.2007 on Employability and entrepreneurship — The role of civil society, the social partners and regional and local bodies from a gender perspective, rapporteur: Mr PARIZA CASTAÑOS (OJ C 256, 27.10.2007)
- 11.7.2007 on The role of the social partners in reconciling working, family and private life, rapporteur: Mr CLEVER (OJ C 256, 27.10.2007)
- 12.7.2007 on the Employment of priority categories (Lisbon strategy), rapporteur: Mr GREIF (OJ C 256, 27.10.2007)
- 13.9.2006 on the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - A Roadmap for equality between women and men 2006-2010, rapporteur: Ms ATTARD (OJ C 318, 23.12.2006)
- 14.2.2006 on the Representation of women in the decision-making bodies of economic and social interest groups in the European Union, rapporteur: Mr ETTY (OJ C 88, 11.4.2006)
- 14.12.2005 on the Proposal for a Decision of the European Parliament and the Council on the European Year of Equal Opportunities for All (2007) — Towards a Just Society, rapporteur: Ms HERCZOG (OJ C 65, 17.3.2006)
- 29.9.2005 on Poverty among women in Europe, rapporteur: Ms KING (OJ C 24, 31.1.2006)
- 28.9.2005 on the Proposal for a Regulation of the European Parliament and of the Council establishing a European Institute for Gender Equality rapporteur: Ms ŠTECHOVÁ (OJ C 24, 31.1.2006)
- 15.12.2004 on the Proposal for a Directive of the European Parliament and of the Council on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation rapporteur: Ms SHARMA (OJ C 157, 28.6.2005)
- 3.6.2004 on the Proposal for a Council Directive implementing the principle of equal treatment between women and men in the access to and supply of goods and services, rapporteur: Ms CAROLL (OJ C 241, 28.9.2004)
- 25.1.2001 on the Proposal for a Directive of the European Parliament and of the Council amending Council Directive 76/207/EEC on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions, rapporteur: Ms WAHROLIN (OJ C 123, 25.4.2001).

<sup>(2)</sup> 60 % by 2010.

### 3. General comments

#### 3.1 History

3.1.1 Female employment has risen steadily since the 1960s. Women accessing jobs in large numbers since the 1970s has been a big step towards gender equality. As soon as women were able to choose when to have children and to access higher education, they, like men, wanted to use their skills in society and not just in their families, and to become financially independent. Paid work means personal income, better social security and pension benefits, and a cushion against poverty in the event of separation, divorce or widowhood.

3.1.2 The entry of women into employment created new needs that the market had to satisfy. Women used to work in the home, which was not accounted for in gross domestic product. As women moved beyond the domestic sphere, jobs were created to carry out the tasks that they had been doing at home. One thinks of childminders or cleaners, but not exclusively.

3.1.3 Female employment created needs that helped boost economic development. As women went out to work, couples bought themselves household electrical appliances and a second car; they bought ready meals; children and parents ate out; families needed services and care homes for invalids, people with disabilities and elderly people, who had previously been looked after by housewives; and children needed looking after before and after school. With two salaries, couples were able to purchase a home, enjoy cultural activities, travel, etc. Jobs were thus created in industry (domestic appliances, cars and food), mass catering, health and social care, the extra-curricular activity and pre-school sector, and in education, as well as in construction, tourism, leisure, culture, passenger transport, etc.

3.1.4 Over the last forty years, this trend, which has transformed domestic work into jobs, has been a driver of growth. But is this genuine growth – or merely a reflection of the method used to calculate it? The economy takes no account of domestic and family work, which is, nonetheless, necessary for society to function. This makes one wonder about the way growth is calculated.

### 3.2 Gender equality and growth – facts and observations

3.2.1 According to an EU analysis note <sup>(1)</sup>, the contribution of gender equality to the economy should not be measured purely in terms of the profitability of businesses. It is a productive investment that contributes to overall economic progress, growth and employment. Gender equality can contribute to development 1) through increased female labour market participation, which means that better use is made of the investment put in to their education and training; 2) through greater economic independence; 3) through the integration of women into the fiscal system, thus contributing to the welfare state.

3.2.2 Despite the economic contribution being regarded as wider than the business approach and diversity management at the company level, there is some evidence of positive economic outcomes associated with the business approach. Companies with more women on the boards are more profitable.

3.2.3 Equality policies can be seen as an effective investment in human resources. Even if the aims of economic development are limited to economic growth, from an investment perspective equality policies have the potential for a positive impact on individuals, firms, regions and nations. The more effective use of women with higher levels of education has also potential economic benefits.

3.2.4 A greater economic independence of women has benefits through their contribution as consumers of goods and services in the economy and the purchasing power of households. The economic contribution of women should be more recognised in the economic policies at national, regional and local level.

### 3.3 Current situation

3.3.1 At a time when the economic and environmental crises are raising the question of what type of development is desirable, some voices are questioning the use of GDP as the sole indicator of growth. Other indicators should be considered <sup>(2)</sup>.

3.3.2 Whatever indicators one uses, the situation of women remains unequal, and this has a cost for society. Governments invest the same amount in education for boys as for girls – yet 60% of graduates from European universities are girls. It is not logical that countries do not then do more to support women

in the labour market. Equal public spending on education for both sexes should enable women to attain the same levels of responsibility and pay as men. Women should take advantage of the changes currently under way to acquire the new skills needed for new jobs. However the contributions of women, their high education and their potential to address the future labour market needs remain undervalued and unrecognised.

3.3.3 Combating gender inequality is not just a moral issue: it is also a matter of better managing human resources. A larger number of women in employment will create more wealth and consume more goods and services, and will help to increase tax receipts. Mixed teams in the workplace give more potential for innovation. Giving couples the means to fulfil their desire to have a child by enabling parents to keep their jobs is a way of combating the demographic deficit. If Europe wants to invest in people, it must first address the disadvantages women suffer <sup>(3)</sup>.

3.3.4 Women's development potential is held back in particular by:

- the unequal sharing of family responsibilities (children, invalids, elderly parents, housework, etc)
- the insufficient (in terms of both quantity and quality) public childcare facilities for pre-school children, along with alternative childcare facilities, that are affordable for all
- stereotypes
- the horizontal and vertical segregation of the labour market
- segregation in terms of school and university guidance
- the failure to recognise their qualifications and the skills used in many occupations
- involuntary part-time work
- and insecure employment
- informal employment

<sup>(1)</sup> Analysis Note: the Economic Case for Gender Equality, Mark Smith and Francesca Bettio - financed by and prepared for the use of the European Commission, DG EMPL.

<sup>(2)</sup> For example, the indicators used by the UNDP (United Nations Development Programme): the Human Development Index (HDI), which classifies countries according to the average of three indicators: GDP per capita, life expectancy at birth and the level of education; the GDI (gender-related development index), which makes it possible to assess differences between the situation of men and that of women; and the GEM (Gender Empowerment Measure), an indicator of participation by women in political and economic life.

<sup>(3)</sup> COM(2009) 77 final: 'The Member States with the highest birth rates are currently those which have also done the most to improve work-life balance for parents, and which have a high rate of female employment.'

- low pay
- the gender pay gap <sup>(1)</sup>
- violence and harassment of a sexual nature and/or on grounds of gender
- the unduly low number of women with responsibilities in business and politics
- unfavourable conditions for female entrepreneurs, inadequate support for business start-ups and transfers, and limited access to financing
- retrograde steps brought about by some communities
- the lack of role models
- themselves – women do not promote themselves in the same way men do. (They hesitate at applying for positions of responsibility, lack self confidence, do not network, or associate themselves with opportunities and are unwilling to challenge discrimination.)

3.3.5 Focusing efforts on the conditions whereby women can enter the labour market and stay there, and closing the pay gap between men and women, promises more growth and better jobs, a means of preventing poverty, and a reduction in the cost of dealing with the consequences of social breakdown. Poverty in Europe can mainly be found among single women with children <sup>(2)</sup>.

3.3.6 In the past, the division of tasks was such that the man earned an income that financed the family-related, social and domestic work done by his wife. When couples have two salaries, they do not devote one of them to financing services to carry out work that the housewife used to do, but instead prioritise the consumption of goods.

3.3.7 The unpaid work done by housewives was priceless, but when it becomes paid work, it has a cost that users are unwilling or unable to pay. Child minders, home helps and domestic cleaners are paid the lowest wages and work part-time for multiple employers (they are employed by private individuals for a few hours a week) and often in the informal economy. Domestic work is the largest sector of undeclared work in Europe.

3.3.8 Parents entrust that which is most precious to them, their baby, to people who earn much less than average, though they would like them to have a high level of skills. Similarly, cleaners are trusted with the key to people's homes, yet are not paid a salary that reflects that trust. It is difficult to get these skills recognised, because families consider tasks that they can

do themselves to be 'easy'. Yet, whilst looking after one's own children is not a profession, looking after other people's is (knowledge of psychology, dietetics and hygiene; concentration; a listening ear; attention; constant watchfulness, etc.). The required skills, often considered 'naturally' feminine and therefore overlooked in the 'professional' sphere, are usually passed on informally within the family rather than taught in school.

#### 4. Specific comments

4.1 The march towards gender equality may continue to create growth and employment:

- because the female employment rate may rise, which will create additional needs for services;
- because women's salaries may be reassessed, which will increase spending power, the ability to consume and tax receipts;
- because women will be able to occupy more political and decision-making positions, which will have a positive impact on the performance of businesses and institutions;
- because more female entrepreneurs will add value and financial contributions to the economy through innovation and job creation.

4.2 As there is no point in repeating what other EU documents have already said, the EESC will limit its proposals to a few avenues that have not been explored as much as others.

##### 4.2.1 Tackling job segregation

4.2.1.1 The main obstacle to gender equality is currently job segregation. There are 'male' and 'female' professions. Salaries in female-dominated professions are often lower, and involuntary part-time work more widespread.

4.2.1.2 For as long as a profession is restricted to one gender, stereotypes will be associated with it. It has now been proven that men and women can do any kind of job. Women are now becoming dominant in professions that have traditionally been the preserve of men (such as those of teacher, judge and GP). Why is it so difficult to establish gender

<sup>(1)</sup> See the Commission's excellent campaign 'Equal pay for work of equal value', <http://ec.europa.eu/equalpay>

<sup>(2)</sup> COM(2009) 77 final: '[...]women are more [at] risk of falling into poverty, especially for single parents, who in most cases are women (the at-risk-of-poverty rate is 32 %)'.

balance in employment? More research is needed in this area to tackle job segregation and promote gender balance. This will also alleviate the labour shortages from which some sectors suffer.

4.2.1.3 The obstacles to gender balance in jobs and functions are unintentional and have to do with perceptions. They have their roots in the education system, where boys and girls choose different careers. Parents and teachers need to be made more aware of the consequences of the career choices young people make. Management and union representatives who negotiate wage structures, which determine a hierarchy of skills during pay negotiations, have a key role, which means that they need to understand the value of the skills learned in the domestic and family sphere. Gender balance is also lacking in leadership roles. Steps must be taken to foster greater gender balance in large businesses and the senior civil service.

#### 4.2.2 Upskilling and professionalising jobs in services to individuals

4.2.2.1 Jobs in services to individuals need to become real professions with recognised skills, training, qualifications, and career progression. To move away from the individual relationship between families and home helps, businesses and public bodies providing services to individuals should be created. Families should no longer be employers, but clients or users, who buy or receive a number of hours of cleaning, care for an elderly person, childminding, scholastic assistance, etc. Action is needed to roll out a system that already exists in a number of European countries, whereby the employing business or public body is responsible for the safety and security of property and people and must check the qualifications of staff sent to people's homes. Said staff thus have a single employer, are paid for the journey time between two homes and have access to vocational training and applicable collective guarantees. A European frame of reference for home help services should be drawn up, including the psychological dimensions of these roles (trust, empathy, attention, listening, watchfulness, etc.), the necessary skills (dietetics, impact of products used on health and the environment, etc.) and not only the material and technical aspects of domestic work.

4.2.2.2 The recognition of qualifications will increase the cost of such services, which are already unaffordable for most families. Public financing and contributions from businesses – in cases where this is part of the business-level agreements – could make these services more affordable for all.

4.2.2.3 Professionalising jobs in services to individuals and improving salaries will make it possible to develop gender balance in the sector. Once men want to work as cleaners, childminders and home helps, a big step towards gender equality will have been taken.

#### 4.2.3 Better sharing family responsibilities

4.2.3.1 Fathers spend less time than mothers on domestic and family tasks. Raising fathers' awareness of the importance of their role vis-à-vis their children, and encouraging men to take responsibility for their elderly parents and for those in the family who are sick, is a prerequisite for equality.

#### 4.2.4 Early-years childcare

4.2.4.1 Developing early-years childcare should be seen not as a cost but as an investment. According to G Esping-Andersen<sup>(1)</sup>, in the long term, working mothers pay back the subsidy 'thanks to the increase in their lifetime earnings and the taxes they pay'. This revenue reimburses the initial public subsidy and has a beneficial impact on the child that attends a creche. Such investments could also help mitigate Europe's demographic decline.

#### 4.2.5 Developing the provision of services

Equality can be boosted by developing services that can free women from domestic and family tasks, thus better enabling them to take up stable, full-time, skilled jobs. Developing these services (early-years childcare; extra-curricular activities; care for elderly people and those with disabilities; domestic work; ironing, etc.) means creating jobs.

4.2.5.1 Developing these services also means funding them collectively (State, businesses, customers)<sup>(2)</sup>. Some recent company-level agreements offer such services to staff as an alternative to pay rises. Offering services that help to improve work-life balance is part of corporate social responsibility.

<sup>(1)</sup> Three lessons on the Welfare State, Paris, Le Seuil, 2008.

<sup>(2)</sup> The example of 'che-emploi-service', a scheme in France whereby these services are part funded through tax deduction, is an interesting avenue. It has had a positive impact in combating informal work in this sector. The system was the result of an agreement between the banks, central government and social insurance schemes, under which banks issue special cheque books for the payment of domestic services. The aim is to eliminate undeclared work and to make it easier for private individuals who are employers to comply with social security and tax declaration requirements.

#### 4.2.6 Provision of time credit

4.2.6.1 Services alone are not sufficient to reconcile work and family life. Bringing up and educating children takes time over part of one's life. Although part-time work, where chosen, can help family carers better reconcile their professional, family and private life, this must not make women less secure in their jobs, and in their lives, particularly when they are heads of family, or discourage fathers from devoting time to family life. Both parents need to be able to look after their children.

4.2.6.2 Other members of the family need time: those whose life is coming to an end, people who are sick, elderly parents. At a time when pensions are being reformed at all levels, we need to move away from the notion that life is divided into three segments: studies, work and retirement. Everyone needs to be able to study throughout his or her life and to have a sufficient number of years of time credit for family, social, voluntary, political and civic activities. It should be possible for people to choose to put back their retirement age if they prefer to take time out (financed in the same way as retirement) during their working lives.

#### 4.2.7 Increasing the number of women in management positions

4.2.7.1 Women are under-represented in all forms of leadership positions: political leadership, the senior civil service and corporate boardrooms. At the same time, the companies where women are most strongly represented at board level are also the companies that perform best financially. Women set up fewer businesses and are less likely to head companies. Men are under-represented in the family circle and are less likely to take parental leave.

4.2.7.2 Women who have succeeded in male-dominated environments could mentor women who aspire to the same career. Binding measures may be necessary: big public-sector institutions and large private enterprises should act to ensure that a significant number of their management positions are held by women.

#### 4.2.8 Support for women as entrepreneurs

Women considering entrepreneurship or running a business in the EU face many difficulties setting up and running businesses as they are unfamiliar with the world of business, types of business and sectors, and because of the lack of information, the lack of contacts and networks, stereotypes, the inadequacy and lack of flexibility of children's services, the difficulty of reconciling business and family duties, and the different ways in which men and women perceive entrepreneurship. The EU roadmap for equality between women and men identified steps to be taken to support entrepreneurship among women, to help them to start their own business or take on an existing one, to receive information appropriate to entrepreneurs and to facilitate their access to finance.

#### 4.2.9 The role of the social partners

In 2005, bearing in mind that the causes of inequality that persist in the labour market are complex and inter-related, the social partners adopted – as part of their first common work programme – a gender equality action framework that focused on four areas: addressing gender roles, promoting women in the decision-making processes, supporting work/life balance and reducing the pay gap.

Brussels, 1 October 2009.

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

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**Opinion of the European Economic and Social Committee on the 'Diverse forms of enterprise'  
(Own-initiative opinion)**

(2009/C 318/05)

Rapporteur: **Mr CABRA DE LUNA**

Co-rapporteur: **Ms ZVOLSKÁ**

On 10 July 2008, the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on the

*'Diverse forms of enterprise.'*

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 9 September 2009. (The rapporteur was Mr CABRA DE LUNA and the co-rapporteur was Ms ZVOLSKÁ).

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October), the European Economic and Social Committee adopted the following opinion by 113 votes to none, with 4 abstentions.

**1. Conclusions and recommendations**

1.1 The purpose of this opinion is to describe the diversity of forms of enterprise that are found in the European Union (EU). Protecting and preserving this diversity is very important for achieving the single market and maintaining the European social model, as well as for meeting the Lisbon Strategy's objectives for jobs, competitiveness and social cohesion.

1.2 This opinion centres around the need for the legal framework regulating enterprises, together with competition policy, to promote the diversity and plurality of forms of enterprise, which is one of the main assets of the EU, in a coherent fashion so that a level playing field is created between all different forms of enterprise taking into consideration the characteristics of each form.

1.3 The pluralism and diversity of the various forms of enterprise are recognised in the Treaty and borne out by reality, through the different legal statutes that have been approved or are currently under consideration.

1.4 This diversity contributes to the EU's wealth and is of key importance to Europe, whose motto is 'United in Diversity'.

All forms of enterprise reflect an aspect of European history and each is a bearer of our collective memory and culture – 'our cultures'. This diversity is worth preserving.

1.5 This diversity is also an essential basis for achieving the Lisbon objectives for growth, jobs, sustainable development and social cohesion based on maintaining and developing the competitiveness of enterprises.

1.6 The aim of competition law should not be to ensure uniformity but to provide a balanced legal framework that can be applied to the different forms of enterprise, which must be able to develop whilst preserving their own aims and working methods.

1.7 The EESC requests that the Commission begin work on approving separate European statutes for associations and mutual societies. It welcomes the start of work on a European Foundations Statute and hopes that this will conclude shortly with the adoption of a statute in this field. The Committee welcomes the simplification of the European Cooperative Society (ECS) regulation, whose complexity is slowing down its development.

1.8 Services and networks providing support and information, legal advice, marketing assistance and other services should also cover the whole range of enterprise types.

1.9 The EESC urges the Commission to respect the identity of cooperatives in accounting matters and treat the members' share capital as the cooperatives' shareholders' equity rather than debt as long as the member does not become a creditor by leaving the cooperative.

1.10 Economic statistics on cooperatives, mutual societies, associations, foundations and similar enterprises are very limited and heterogeneous, making it difficult to analyse them and to assess their contribution to major macroeconomic objectives.

1.10.1 For this reason, the EESC calls on the Commission and the Member States to foster the creation of statistical registers of the above-mentioned forms of enterprise. In particular the preparation of satellite accounts, according to the harmonised criteria of the 1995 European Accounting System (ESA) detailed in the *Manual for drawing up the satellite accounts of companies in the Social Economy: Cooperatives and Mutual Societies* <sup>(1)</sup> and in the EESC's *Report on the Social Economy in the European Union* <sup>(2)</sup>.

1.11 The EESC calls on the Commission to encourage Member States to study the possibility of granting compensatory measures to enterprises on the basis of their confirmed social value or of their proven contribution to regional development <sup>(3)</sup>.

1.12 The EESC calls on the European Commission, in conjunction with a monitoring centre for the diverse forms of enterprise, as an essential element for European competitiveness, to further develop the necessary basic instruments that already exist, whose role would be to ensure that enterprises are not

discriminated against in any of the policies affecting them and to coordinate with the different Commission departments on this issue.

1.13 Lastly, in cases where they demonstrate their representativeness, the EESC calls for all organisations which are most representative of the diverse forms of enterprise to be involved in the social dialogue.

## 2. The diverse forms of enterprise and the internal market in the European Union

2.1 The diverse forms of enterprises existing in the European Union derive from our complex and varied historic evolution. Each of them responds to a particular historical, social and economic situation, often different in every European country. Moreover, enterprises have to evolve and be continuously adapted to the changing societies and market trends, even modifying their legal form. Therefore, the pluralism and diversity of the different forms of enterprise are valuable aspects of the European Union's heritage and are crucial to achieving the aims of the Lisbon Strategy for growth, jobs, sustainable development and social cohesion based on maintaining and developing the competitiveness of enterprises. Protecting and preserving this diversity are of the utmost importance to guarantee competitive markets, economic efficiency and the competitiveness of the economic agents, as well as maintaining the EU's social cohesion.

2.2 This is recognised by the European institutions in the provisions of Articles 48, 81 and 82 of the Treaty and in the Lisbon Treaty <sup>(4)</sup>, Article 3.3 of which proposes, as one of the objectives of the Union, a social market economy based on a balance between market rules and the social protection of individuals as workers and as citizens.

2.3 The diverse forms of enterprise can be defined according to different criteria such as their size, legal structure, forms of access to funding, their objectives, financial and political rights assigned to capital (distribution of profits and dividends, voting rights) or the composition of the capital, public or private, the appointment of managers, their importance to the economy (European, national and local), jobs, risk of bankruptcy, etc. All of these create a matrix of diversity that may be observed in simplified form in the following table:

<sup>(1)</sup> Manual for drawing up the Satellite Accounts of Companies in the Social Economy: Co-operatives and Mutual Societies. CIRIEC, on behalf of the European Commission, 2006.

<sup>(2)</sup> CIRIEC, 'The Social Economy in the European Union'. EESC, Brussels, 2008.

www.cese.europa.eu, ISBN number 928-92-830-08-59-0.

<sup>(3)</sup> OJ C 234, 22.9.2005.

<sup>(4)</sup> Consolidated version of the Treaty on European Union following the adoption of the Treaty of Lisbon, OJ C 115, 9.5.2008.

### DIVERSE FORMS OF ENTERPRISE IN THE EUROPEAN UNION

SIZE TYPE	Multinational	Large	Medium and Small
Public sector-owned	X	X	X
Listed	X	X	X
Unlisted		X	X
Family		X	X
Partnership	X	X	X
Cooperative	X	X (*)	X (*)
Mutual society		X (*)	X (*)
Foundation		X (*)	X (*)
Association		X (*)	X (*)
Other non-profit forms that may be found in Member States		X (*)	X (*)

(\*) In some Member States, the European Parliament, the European Commission and the EESC, these types of enterprise are known as social economy enterprises (SEEs). This is a sociological category, not a legal term.

According to the case-law of the Court of Justice of the European Communities <sup>(5)</sup>, foundations, associations and other non-profit organisations can be 'economic operators' if they carry out 'economic activities' within the meaning of Articles 43 and 49 of the EC Treaty, and are therefore included in this classification.

2.4 Even though the common purpose of any type of enterprise is to *create value and maximise results*, the parameters or concepts for measuring value and results can differ according to the type of enterprise and the objectives pursued by those who control it or benefit from its activity. In some cases, maximising the results consists in achieving the best return on the capital invested by the shareholder members; in others, creating value and optimising the results mean maximising the quality of the services provided to the members or to the general public (e.g. in an educational cooperative where the owner members are the families, or in a mutual provident society or in public service obligations).

2.4.1 It is also possible for some large enterprises not to have shareholder members and to allocate their financial profits to reinvestment or to social objectives of public benefit, as occurs in the savings banks of some European countries <sup>(6)</sup>.

2.4.2 Besides, in many locally based, micro-enterprises and SMEs, the generation of value is not only expressed in financial profit objectives but also in social purposes such as working conditions, or self management, etc.

2.5 There now follows a more detailed description of the diverse forms of enterprise, according to their size and then according to their type of ownership.

<sup>(5)</sup> See, for example, Cases C-180/98, C-184/98, Pavlov, and Case C-352/85, Bond van Adverteerders.

<sup>(6)</sup> For the past 50 years the economics literature has been emphasising the diversity of objective functions according to the type of enterprise – cf. B. Ward (1958), E.D. Domar (1967), J. Vanek (1970), J. Meade (1972) and J.L. Monzón (1989), authors cited in the Manual for drawing up the Satellite Accounts of Companies in the Social Economy (footnote 1).

2.6 Multinationals and large enterprises, which are usually listed on the stock exchange, due to their size, tend to thrive in the field of productivity and the competitiveness of economic systems and when they post good results, can also keep employment levels high <sup>(7)</sup>.

2.7 Increasingly, the competitive advantages of enterprises are based on competitive strategies in which research, development and technological innovation (R&D&I) occupy a central position. Multinational firms and large enterprises play a leading role in the R&D&I carried out by the private sector of the economy in the EU, although there may still not be enough multinationals or large enterprises in the leading sectors of the global economy. Additionally, as well as large and multinational enterprises themselves being important for the economy and employment, it must be remembered that each one is often the hub of large, world-wide production networks made up either of SMEs with close links to each other (large enterprise in a network) or of independent enterprises (modular production networks). It is precisely the European countries with the greatest proportion of multinationals and large enterprises that are seeing the earliest slowing down of the loss of production and jobs triggered by the current economic situation.

2.8 Because these enterprises have outsourced many stages in their production processes and services infrastructures to SMEs in recent decades, the levels of production and employment in the latter often depend, among many other factors, on demand from the multinationals and large enterprises, which therefore constitute an avenue for positioning Europe in the global market. Although 30 % of the 40 largest industrial enterprises in the world are in the EU <sup>(8)</sup>, their market value is only 24 % of

<sup>(7)</sup> In some cases large companies may not have shareholder members or distribute profits in any way, as in the savings banks of some European countries. There are also large companies, cooperative societies that issue shares, which are not listed on a stock exchange or mutual societies that operate with their own capital and reserves rather than with capital acquired by the members.

<sup>(8)</sup> www.forbes.com The Global 2000, 4.2.2008.

the total, and in some cutting-edge technology sectors, such as those based on information and communication technology, the EU share is confined to a single large enterprise.

2.9 SMEs, SME networks, micro-enterprises and independent workers have promoted substantial technological changes in recent decades and form the backbone of the European economy: 99 % of EU enterprises are SMEs and they provide 66 % of the jobs <sup>(9)</sup>. Although they are not normally listed on any stock exchange, they may use stock market listing to increase their capital or raise venture capital.

2.9.1 As a rule, SMEs should be supported, and not only through the Small Business Act <sup>(10)</sup>. SMEs often offer a way to keep jobs, since the interest groups that start up and control these enterprises are people with strong links to the area in which they operate, having shown great ability to create and sustain employment. SMEs *'are the natural incubators of enterprise culture'*, permanent training grounds for enterprise executives and leaders.

2.10 Depending on their ownership, enterprises of general interest can be public limited companies or joint ventures and can even take the legal form of a private enterprise. In geographical terms, they can be multinational, national, or local, although most operate in the local or regional sphere. Their activities tend to focus on providing services of general interest, such as public transport, energy, water, waste management, communications, social services, healthcare, education, etc. Nevertheless, these enterprises can also be involved in commercial activities, provided that they comply with the directive on transparency (93/84/EEC <sup>(11)</sup>). Where they operate in the general interest, their profits are re-invested in regional and local activities, thus making a major contribution to social, economic and regional cohesion. Enterprises that provide services of general interest are, as essential service providers, key players in boosting the economy in general, investing in key sectors that act as levers for the rest of the economy (electricity, telecommunications and their infrastructure, transport, etc.).

2.11 The owners of listed enterprises are their registered shareholders. The shareholders buy and sell their shares on the public stock markets.

2.12 Unlisted enterprises can be large or small but their shares (or participation shares or other stock), by definition, are not quoted on the stock market. Nonetheless, in many

cases unlisted enterprises are working towards a listing, especially if venture capital or private investors are involved. Even private SMEs can use stock market quotation when increasing their capital to fund business expansion.

2.13 Family enterprises are a powerful tool for disseminating the enterprise culture and remain the best means of enabling millions of people to go into business, not only in SMEs, where they form the majority, but also in large family enterprises, which in countries as important as Germany, the United Kingdom, Italy or France, account for between 12 % and 30 % of all large enterprises <sup>(12)</sup>. Family enterprises, whether large or small, are defined by the family group's exercising permanent control of the enterprise, even if it is a public limited enterprise. In these cases there may be no ambition to list.

2.14 Partnerships are typical business enterprises in the Anglo-Saxon world, whilst also existing in other EU Member States, frequently set up by people in the liberal professions. Enterprises taking the form of partnerships between individuals are an efficient tool for professionals (lawyers, accountants and others) to take part in the professional services business world. This type of enterprise is owned by the partners, whose main bond, apart from the capital they put up, is their own work. When partners retire or leave the partnership they transfer their share in it to the partnership.

2.15 Finally, to complete this examination of the varied list of types of enterprise in the EU, a widely diverse range of private enterprises, sharing similar features of organisation and operation, conduct activities with a social purpose with the prime objective of meeting the needs of persons rather than providing returns to investors of capital <sup>(13)</sup>. These enterprises are mainly identified with cooperatives, mutual societies, associations and foundations <sup>(14)</sup>. The documents of the Commission, Parliament and EESC usually group this set of enterprises together under the heading of social economy enterprises (SEE) <sup>(15)</sup>. Although this term is not employed in every EU country and others use the expressions 'third sector' <sup>(16)</sup>,

<sup>(12)</sup> A Colli, P Fernández and M Rose, (2003): 'National Determinants of Family Firm Development? Family Firms in Britain, Spain and Italy in the Nineteenth and Twentieth Centuries', *Enterprise & Society*, 4, 28-64.

<sup>(13)</sup> *The Social Economy* (footnote 2).

<sup>(14)</sup> European Parliament report on the social economy (2008/2250 (INI)).

<sup>(15)</sup> The Commission refers to the 'social economy' sector in numerous documents e.g. COM(2004)18 final, 'On the promotion of co-operative societies in Europe' (point 4.3).

<sup>(16)</sup> For example, the United Kingdom has the Office of the Third Sector (OTS) which covers 'voluntary and community groups, social enterprises, charities, cooperatives and mutuals', in other words, the same set of enterprises that is called 'social economy enterprises' in this document. The Office of the Third Sector (OTS) is a government organisation which is part of the Cabinet Office ([www.cabinetoffice.gov.uk](http://www.cabinetoffice.gov.uk)).

<sup>(9)</sup> OJ C 120, 20.5.2005, p. 10 (point 2.1); OJ C 112, 30.4.2004, p. 105 (point 1.7); Small Business Act (OJ C 182, 4.8.2009, p. 30).

<sup>(10)</sup> COM(2008) 394 final – 'Think Small First' A 'Small Business Act' for Europe.

<sup>(11)</sup> Directive 93/84/EEC of 30 September 1993, amending Directive 80/723/EEC on the transparency of financial relations between Member States and public undertakings (OJ L 254, 10.12.1993, p. 16).

'third system', 'solidarity economy', or others, all these terms describe enterprises that 'share the same features in every part of Europe' <sup>(17)</sup>.

### 3. The social dimension

3.1 Although multinationals, large enterprises and SMEs do not have an explicit social welfare purpose, their operation on the markets makes a decisive contribution to competitiveness and employment and has an overarching social dimension. This general social and regional dimension is very evident in the case of locally-based SMEs and micro-enterprises strongly linked to the territory.

3.2 Cooperatives, mutual societies, associations and foundations are also very important actors in the EU, with considerable economic activity in three of the five institutional sectors in which the European System of Accounts (the 1995 ESA) groups all centres of economic decision-making in each of the national economies <sup>(18)</sup>. The social economy accounts for 10 % of European enterprises as a whole, in other words, two million enterprises <sup>(19)</sup>, and 7 % <sup>(20)</sup> of total wage-earning employment. The cooperatives have 143 million members, the mutual societies 120 million, and associations bring together 50 % of the EU population <sup>(21)</sup>.

3.2.1 Whether large or small, these enterprises are located in areas and/or social spheres with problems and challenges that jeopardise the internal market and social cohesion, where they internalise social costs and generate positive externalities.

3.2.2 Because they are rooted in the local communities and because their priority aims are to meet people's needs, these enterprises do not relocate, effectively combating the depopulation of rural areas and contributing to the development of disadvantaged regions and municipalities <sup>(22)</sup>.

3.3 *Enterprises providing services of general interest* are a lynchpin of Europe's social dimension. They have a specific role to play as an integral part of the European social model, because through their service provision activities they observe and promote the principles of high quality, safety and reasonable prices, equal treatment, universal access and users' rights. Consequently, they also have a direct and indirect effect on employment, because sound infrastructure attracts private investment. General interest enterprises form an essential part of the economy, employing between 25 % and 40 % of the workforce and accounting for over 30 % of GDP.

3.4 *Social enterprises* (social cooperatives and other similar enterprises, under many different legal forms) work in the field of providing services such as healthcare, the environment, social services and education. They frequently bring major resources in the form of altruistic contribution into their production processes, acting as effective instruments of public social welfare policies. Moreover, a large part of social enterprises are WISEs, ('Work Integration Social Enterprises') whose objectives are those of creating employment and integrate persons that are disadvantaged on the labour market.

3.5 A *social enterprise* is not always a legal category but includes enterprises of social and economic benefit in very diverse sectors. They are not easy to classify. The essential point should be how to support these entrepreneurs by providing conditions that allow them to develop their capacity for innovation, an ability that is particularly valuable at times of crisis <sup>(23)</sup>. The EU Commission should seriously consider drawing up a policy for social enterprises <sup>(24)</sup>.

3.6 In cases where they demonstrate their representativeness, the organisations which are most representative of the diverse forms of enterprise should be involved in the social dialogue.

3.6.1 Some of the sectors mentioned above have already participated in sector talks, such as the Association of European Cooperative and Mutual Insurers (AMICE) in insurance, and some members of Cooperatives Europe <sup>(25)</sup>, and the European Association of Co-operative Banks (EACB) and the European Savings Banks Group (ESBG) in the banking sector <sup>(26)</sup>.

<sup>(17)</sup> Report (2008/2250) (INI).

<sup>(18)</sup> The 1995 ESA groups all the organisations that have a *similar economic behaviour* (ESA 95,2.18) into 5 large sectors (ESA 95, Table 2.2): a) Non-financial corporations (S.11); b) Financial corporations (S.12); c) General government (S.13); d) Households (S.14) and e) Non-profit institutions serving households (S.15). The 1995 ESA also classifies different producer units into *industries*, each comprising those *engaged in the same, or similar, kind of activity* (ESA 95,2.108), and breaks them down into 5 different levels of regrouping containing 60, 31, 17,6 and 3 industries. (ESA 95, Annex IV).

<sup>(19)</sup> Report (2008/2250) (INI).

<sup>(20)</sup> SEEs directly provide 11 million Europeans with full-time jobs and can be found in every kind of economic activity, whether in highly competitive sectors such as finance or farming or in innovative sectors such as services to individuals or renewable energies.

<sup>(21)</sup> EESC (2008), The Social Economy (footnote 2).

<sup>(22)</sup> COM(2004) 18 final, point 4.3 (Promotion of co-operatives in Europe).

<sup>(23)</sup> 'It's time for social enterprise to realise its potential': Trimble, Robert, in The Bridge magazine, p.17. [www.ipt.org.uk](http://www.ipt.org.uk).

<sup>(24)</sup> EESC Opinion 'Entrepreneurship mindsets and the Lisbon Agenda', OJ C 44, 16.02.2008, p. 84.

<sup>(25)</sup> It should be noted that some organisations, such as Cooperatives Europe, are undertaking studies on their representativeness to participate in the consultations on the social dialogue.

<sup>(26)</sup> EESC Opinions OJ C 182, 4.8.2009, p. 71 and OJ C 228, 22.9.2009, p. 149–154.



#### 4. The legal and regulatory framework of the diverse forms of enterprise

##### 4.1 Introduction: the diverse forms of enterprise and the internal market

4.1.1 The formation and development of the internal market cannot make the ends justify the means and a legal and regulatory framework that reflects the characteristics of the different economic operators in the market should consequently be established so that a level playing field is created between all different forms of enterprise, taking into consideration the characteristics of each form. At present, this framework is generally designed for large listed companies and its application to all types of enterprises creates obstacles for smaller enterprises. This framework should be effective in encouraging operators to behave efficiently, which in turn will help to make the system more equitable. This framework will be applied through company law, accounting, competition and tax law, statistical harmonisation and enterprise policy.

##### 4.2 Company law

4.2.1 European Public Limited Companies and European Cooperatives have their own statutes, but other types of enterprise face various barriers in the internal market owing to the lack of European statutes. European SMEs need flexible European legislation to make it easier for them to operate across national borders. Cooperatives also need the European Cooperative Society (ECS) regulation to be simplified, as its complexity is hampering progress in this field.

4.2.2 The lack of legislative cover prevents foundations that operate at a European level from working on an equal footing with other corporate legal forms. The EESC therefore welcomes the results of the feasibility study for a European Foundation Statute and calls on the Commission to conclude the impact assessment in early 2010 by presenting a proposal for a regulation that will enable foundations of European scope to operate on a level playing field in the internal market<sup>(27)</sup>.

4.2.3 For similar reasons, the EESC also requests that the Commission start work on approving European statutes for European associations and European mutual societies.

##### 4.3 Accounting law

4.3.1 Accounting standards should be adapted to different forms of enterprise. The obstacles that introduction of the new International Accounting System (IAS) is causing for listed enterprises are another example of limitations in connection with accounting law. European accounts cannot be harmonised at the expense of abolishing the essential characteristics of some of the different types of enterprise that exist in the European Union.

<sup>(27)</sup> The Commission's feasibility study on a European Foundation Statute estimates that the cost of these barriers to the European foundations' cross-border activities is between 90 and 100 million euros per year.

4.3.2 In the specific case of cooperatives it is obviously difficult to define a concept of *shareholders' equity* that can be generally and indiscriminately applied, which could have negative and destructive effects on entrepreneurial diversity. The EESC urges the Commission to respect the cooperative identity in accounting matters and treat the members' share capital as shareholders' equity rather than *debt* as long as the member does not become a creditor by leaving the cooperative<sup>(28)</sup>.

4.3.3 The Committee agrees with the de Larosière Group's<sup>(29)</sup> recommendation, which argues that accounting standards should not bias business models, promote procyclical behaviour or discourage long-term investment and the stability of enterprises.

##### 4.4 Competition law

4.4.1 Each corporate legal form should be able to conduct its business while preserving its own *modus operandi*. Consequently, competition law cannot be based on a single, uniform model of entrepreneurship and must avoid discriminatory behaviour and value good practice at the national level. It is not a matter of establishing privileges but of promoting equitable competition law. The EESC, in consonance with previous opinions<sup>(30)</sup>, therefore advocates that the competition and tax rules should provide for the differential costs of enterprises that are not bound to inefficient production processes but to the internalisation social costs to be regulated in a compensatory manner.

4.4.2 Certain competition policy tools are not neutral towards the different types of enterprise, as the EESC has already pointed out: *'the social economy sector needs tailor-made solutions as far as taxation, public procurement and competition rules are concerned'*<sup>(31)</sup>. For example, public support for private investment in R&D&I to increase the competitiveness of the production system mainly favours large enterprises, which are

<sup>(28)</sup> As called for by recent accounting literature: CIRIEC-Spain, Review of Public, Social and Cooperative Economy No. 58, August 2007 ([www.ciriec.es](http://www.ciriec.es)), '*Clasificación del capital social de la sociedad cooperativa: una visión crítica*', [*'Classification of the social capital of cooperative societies: a critical view'*] B. Fernández-Feijóo and M. J. Cabaleiro.

<sup>(29)</sup> Report of the High-Level Group on Financial Supervision in the EU, February 2009 [http://ec.europa.eu/internal\\_market/finances/docs/de\\_larosiere\\_report\\_en.pdf](http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf); recommendation 4, page 21).

<sup>(30)</sup> OJ C 234, 22.9.2005 and COM(2004) 18 final.

<sup>(31)</sup> OJ C 117, 26.4.2000, p. 52 (point 8.3.1). Also OJ C 117, 26.4.2000, p. 57. The European Commission makes a distinction between 'state aids' and 'general measures', including among these last ones the 'tax incentives for investments in environmental issues, R&D or training, which only benefit the companies that carry out such investments, without this necessarily constituting State aid' (Commission notice on the application of the rules on State aid to business taxation (OJ C 384, point 14, 10.12.1998, p. 5). In the European Union, large firms are the most active ones in R&D, for example in Spain 27.6 % of large companies invest in R&D, while only 5.7 % of companies with less than 250 employees invested in R&D, according to data from 2007 [www.ine.es](http://www.ine.es).

the ones that mostly conduct these activities. Also, since large enterprises have greater freedom of choice in the location of their production facilities they can take better advantage of public investment in infrastructure for the manufacturing sector. This sometimes generates competitive disadvantages for small enterprises which have few real possibilities of choosing between different business location options.

4.4.3 Competition rules should also consider the singularity of *social enterprises*, which produce and distribute non-market goods and services to marginalised people or those at risk of social exclusion and bring important altruistic resources into their production processes.

#### 4.5 Tax law

4.5.1 Frequently, in some Member States, some enterprises are subjected to situations of competitive inequality for reasons which are unconnected with production processes in themselves but derive from market assignment failures<sup>(32)</sup>, in other words, situations in which the market itself is inefficient, assigning resources in a non-optimum way. The EESC supports the directive on reduced VAT rates for services supplied locally, which essentially involve SMEs and reiterates its agreement with the principle formulated by the Commission whereby the tax advantages granted to a type of enterprise must be proportionate to the legal limitations or proven public value added that are inherent to that form<sup>(33)</sup>. The EESC consequently requests the Commission to encourage Member States to study the possibility of granting compensatory measures to enterprises on the basis of their confirmed public value or their proven contribution to regional development<sup>(34)</sup>. In particular, solutions should be sought to the problem facing not-for-profit organisations arising from the fact that they cannot claim back VAT paid on the acquisition of the goods and services they need to carry out their activities of general interest in those countries where this situation is a problem. The tax regimes applied to NGOs that conduct economic activities unrelated to public benefit purposes should also be mentioned.

4.5.2 At present, SMEs have few real opportunities to invest in R&D&I, which is an important element to make production efficient and keep business competitive. This creates a competitive disadvantage that should be balanced through tax benefits rewarding SMEs investing in this field. The recommendations include a broad range of compensatory measures, varying from state to state, of which the following should be mentioned: special tax concessions for making a number of different investments in R&D, repayments should profits not materialise and lower social security contributions. Taking account of the strategically important role SMEs have in the Community's economy, the EESC recommends that each Member State use the best possible combination of compensatory measures to assist the survival and growth of SMEs in their economies. By far the greatest impact that these programmes have is seen in their support for the development of specialist R&D SMEs in their early years.

#### 4.6 Harmonisation of statistics

4.6.1 The aggregate figures for the different types of enterprise are drawn up in the Member States and in the EU as a whole according to criteria approved by the European System of National and Regional Accounts (ESA 95). However, economic statistics on cooperatives, mutual societies, associations, foundations and other similar enterprises are very limited and are drawn up according to heterogeneous criteria, making it difficult to analyse and assess their contribution to the great macro-economic objectives. Consequently, the Commission commissioned a *Manual*<sup>(35)</sup> which will make it possible to prepare national statistical records of these enterprises based on homogeneous criteria in national accounts terms. The EESC calls for these new analytical instruments to be used to draw up harmonised statistics for the above-mentioned types of enterprise in all the countries of the European Union and for more effective policies to be implemented in this respect.

It would also be advisable to establish the methodology to give impetus to a European observatory for micro-enterprises.

Brussels, 1 October 2009.

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

<sup>(32)</sup> Communication from the Commission COM(2008) 394 final.

<sup>(33)</sup> COM(2004) 18 final.

<sup>(34)</sup> OJ C 234, 22.9.2005, EESC opinion on COM(2004) 18 final, point 4.2.3.

<sup>(35)</sup> *Manual* (footnote 1).

**Opinion of the European Economic and Social Committee on 'Fair trade food products: self-regulation or legislation?' (Own-initiative opinion)**

(2009/C 318/06)

Rapporteur: **Mr COUPEAU**

On 10 July 2008, acting under Rule 29(2) of its Rules of Procedure, the European Economic and Social Committee decided to draw up an own-initiative opinion on

*'Fair trade food products: self-regulation or legislation?'*

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 2 September 2009. The rapporteur was Mr COUPEAU.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October), the European Economic and Social Committee adopted the following opinion by 164 votes to one, with four abstentions.

## 1. Conclusions

1.1 Fair trade in agricultural products aims to introduce the principle of fairer distribution of commercial revenue into international trade, so as to enable producers in developing countries to:

- launch a process of economic development (structuring production chains, organising branches of activity, etc.);
- establish a process of social development (setting up health and education services, etc.);
- start addressing environmental management (preserving biodiversity, managing CO<sub>2</sub> emissions, etc.).

1.2 Europe is the biggest market for fair trade products, laying claim to around 65 % of the world market. Products are sold in mail order catalogues, online, through caterers and in institutional, community and business retail outlets, totalling over 79 000 sales points in 25 countries. Turnover in 2008 exceeded EUR 1.5 billion. Growth in sales has been fairly steady, at around 20 % a year. Nevertheless, the figure remains very modest compared with the European agrifood industry's 2007 turnover of EUR 913 bn.

1.3 There are two complementary approaches to certification: product-based (FLO, which has set standards for 18 categories of food products) and process-based (WFTO, which certifies the supply chain and management system of the main fair trade organisations, in both developed and developing countries). Both have improved consumer assurance and

reduced abuse by companies seeking to capitalise on this form of ethical trade without meeting criteria endorsed by the major international development agencies.

1.4 Certification effectively promotes this type of trade and protects small and medium enterprises wishing to engage in it.

1.4.1 These certifications seek to respect the multi-dimensional nature of fair trade:

- Trade: fostering a balanced relationship benefiting disadvantaged southern producers and workers
- Development: strengthening producer organisations financially, technologically and operationally
- Education: providing information and raising awareness among the general public and southern partners
- Political: a commitment to fairer rules on conventional international trade.

1.4.2 Despite the progress made on self-regulation, the EESC would draw attention to the need to base the model on the European certification system which, among other things, requires compliance with technical requirements to be subject to external monitoring by an independent, accredited body - without prejudice to the requirement to comply with general legal provisions governing the marketing of food products.

## 2. Introduction

2.1 This opinion deals specifically with fair trade itself, that is to say the alternative trade partnership linking producers and consumers which has been built up over recent decades by the fair trade movement. There are other programmes which aim to assess the sustainability of trading activities but they are not dealt with here, since they do not meet all the criteria for fair trade referred to in point 1.4.1.

2.2 Fair trade was developed with the ambition of building trade relations with producers from developing countries sidelined by international trade. Aimed at achieving sustainable development, it makes a major contribution to society in southern countries. It seeks to help reduce poverty, including through support for producer organisations. In northern countries, it aims to foster a more sustainable model of consumption.

2.3 Still young and evolving, the sector is expanding rapidly with increasing interest from European consumers.

2.4 However, consumer confidence needs to be consolidated for while consumers are attracted to fair trade, many say that they lack information and may feel that large companies or retailers may abuse the system.

2.5 Specialised networks continue to be important outlets for fair trade products. There are many such structures, which are small in scale and appreciated by consumers.

## 3. Background

3.1 Article 23 of the 1948 Universal Declaration of Human Rights states that: 'Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity'.

3.2 Fair trade activities began in the 1950s in the USA and then the UK, followed by the rest of Europe, in response to a growing awareness of the social and environmental damage caused by industrialised countries' import chains.

3.3 In 1964, UNCTAD (the United Nations Conference on Trade and Development) denounced inequality in the terms of trade and alerted the international community to the unsustainable nature of the rules governing international trade from a human and social point of view. Southern countries stress the need for more equitable commerce ('Trade, not aid').

### 3.4 Landmarks in fair trade:

- 1860 - Eduard Douwes Dekker's novel 'Max Havelaar' is published
- Late 1940s - Ten Thousand Villages and SERRV, in the United States, start trading with poor communities in southern countries
- Late 1950s - OXFAM UK sells craftwork made by Chinese refugees in its UK shops
- 1957 - Young Dutch Catholics set up an association to import products from developing countries
- 1964 - OXFAM UK sets up the first alternative trade organisation (ATO)
- 1967 - The first fair trade organisation is established in the Netherlands
- 1969 - The first fair trade shops are opened in the Netherlands
- 1971 - The first fair trade cooperative is set up in Bangladesh (jute work)
- 1973 - The first fair trade coffee is sold in the Netherlands
- 1988 - The first coffee with the Max Havelaar fair trade label goes on sale
- 1989 - The International Federation for Alternative Trade (IFAT) is established, and subsequently renamed the World Fair Trade Organisation (WFTO)
- 1990 - The European Fair Trade Organisation (EFTA) is established
- 1993 - The Transfair labelling body is established in Germany
- 1994 - Tea is brought into the fair trade system
- The Network of European Worldshops (NEWS) is established
- 1996 - Bananas are brought into the fair trade system in the Netherlands

- 1997 - The labelling bodies (Max Havelaar, Transfair, Rattvisemarkt, Faire Trade, etc.) unite to form the Fairtrade Labelling Organisations (FLO) Monoprix and Auchan agree to sell fair trade coffee
- 1998 - The fair trade organisations (FLO, IFAT, NEWS and EFTA) unite, forming FINE
- 2004 - Fair trade products distributed in some French canteens.

3.5 The World Trade Organisation rules do not take human, social or environmental concerns into account. The need to redress this situation encourages people to support a form of trade which promotes human values. For them fair trade is proof that it is possible to change the world. Fair trade promotes transparency, good governance and accountability and in this way contributes to sustainable development.

#### 4. Description

4.1 The aim of fair trade, and more generally of ethical, responsible and civic-minded consumption, is to define the means to entrench the success achieved among the general public by:

- ensuring that fair trade is transparent, visible and understandable;
- guaranteeing that the purchase will help agricultural development in developing countries.

4.2 The EESC notes that basic labour rights (ILO), respect for environmental standards and biodiversity and a better return for producers in international trade relations have been taken into account in formulating fair trade standards.

4.3 To some, the expression 'fair trade' may seem an oxymoron, since market laws are devoid of human values. However, linking trade to social dialogue, with a view to achieving greater equity in world trade, will be a challenge for the 21st century and the EESC would like to make a contribution. This new paradigm can make sustainable development possible by offering better trade conditions and guaranteeing the rights of producers and workers sidelined by the Doha round.

4.4 New players' labels and codes of conduct which claim to follow the principles of fair trade also engender confusion among consumers. By watering down the concept, its principles and defining criteria, the multitude of reference and guarantee systems opens the door to opportunistic trading arrangements based on guarantee systems which are less onerous on those who bear the costs, often downstream of the industry, but which also involve less support for the development of emerging countries. The Committee is committed to an international certification system operated by fair trade organisations (see previous proposals on terminology), subject to the establishment of an independent, accredited supervisory body and, obviously, compliance with current food legislation.

4.5 The EESC calls for all fair trade products to meet the same criteria throughout the European Union. There is currently no official European definition of fair trade with legal force. The EESC wishes to support the joint definition adopted by FINE (a network comprising FLO, IFAT, NEWS! and EFTA) and used by the European Commission in its recent communication on fair trade <sup>(1)</sup>:

*'Fair trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, disadvantaged producers and workers – especially in the South.'*

*Fair trade organisations (backed by consumers) are actively engaged in supporting producers in awareness raising and in campaigning for changes in the rules and practices of conventional international trade'.*

#### 5. The producers (principles)

5.1 Fair trade ensures that producers are paid as well as possible, on a stable footing, so as to provide a sufficient income by which to live decently, as determined by producers' organisations and unions in each region and country concerned.

5.2 Price must be determined by average production cost, depending on:

- time spent by the local workforce, at a rate of pay that has been adjusted in order to secure a decent standard of living;

<sup>(1)</sup> COM(2009) 215 final.



— the medium- and long-term investments needed to meet the economic, environmental and social standards of fair trade;

— a market analysis;

— the policy choices of most fair trade players: 60 % pre-financing for producers before the harvest, a stable relationship between producers and distributors so as to secure outlets for producers and supplies for distributors.

5.3 Fair trade must carry certain requirements such as a ban on exploitative work, particularly involving children, and adherence to International Labour Organisation (ILO) standards, even when that is not required by national social legislation.

5.4 Fair trade secures the partial pre-payment of foodstuffs in order to enable producers to finance raw materials.

5.5 It is of the utmost importance that the manufacturing process for foodstuffs be respectful of the environment, natural resources and the laws in force in the European Union.

5.6 Fair trade enables the creation of socially useful jobs both up and downstream (and also enables the most vulnerable members of society to recover their dignity through employment).

5.7 Fair trade provides genuine traceability and total, permanent and public transparency regarding activities at all stages in the process chains (context, price, margin, etc.).

5.8 Fair trade must enable the emergence of a solidarity-based economy with its sights on sustainable development.

5.9 Fair trade should be judged by specific acts and commitments only and not simply by good intentions.

5.10 Fair trade is a well-established way to initiate a new global food policy which respects human rights.

## 6. The products

6.1 Foodstuffs make up the bulk of fair trade's turnover. Coffee ranks first among these products, which include tea, chocolate, dried fruit, spices, rice, cereals, sugar, honey and jam. Fresh produce has recently appeared on the market and is still marginal in fair trade networks owing to the low rate of turnover. Sales have risen considerably, however, since consumer cooperatives and other private retailers began selling fair trade products.

6.2 Fair trade aimed at helping to improve the situation of small producers in developing countries should enable the

establishment of complex food production chains in order to create socially sustainable employment.

6.3 Fair trade must be in a position to concentrate on influencing a larger segment of the supply and distribution chain so as to give greater political weight to this process, while respecting producers' interests.

## 7. The main countries

7.1 All countries involved in fair trade agricultural production are southern countries. Fair trade, through the relative transparency of its trading process, has highlighted the low proportion of the consumer's purchase price that benefits the producer (for every EUR 100 spent, only EUR 20 are ploughed back into the local economy) and how much of the added value (for example in processing and retailing) is retained in the developed world. The real issue at stake is whether fair trade is capable of effecting a lasting change in the rules of international trade.

## 8. Legislation or certification

8.1 The Committee feels that certification offers the best guarantee for consumers. Certification is a process of verification by an independent body which is accredited (having completed a process of accreditation) and impartial, attesting that a service, product or process meets the stated requirements (which may or may not be required by law). So, while certification and accreditation are both verification procedures, accreditation checks competence whilst certification checks compliance with a set of requirements. The aim of fair trade, and more generally of ethical, responsible and civic-minded consumption, is to define the means to entrench the success achieved in order to:

1. guarantee that fair trade is transparent, visible and understandable. Information campaigns must be undertaken to explain the sector's organisation and goals;
2. guarantee that purchasing a food product will help a village, villagers and the agricultural development of developing countries.

8.2 Fair trade has therefore instituted guarantees which are negotiated and involve various stakeholders, conferring legitimacy on the system:

- The guarantee system set up by FLO establishes sets of requirements for products;
- WFTO's requirements and frame of reference focus on the practices of the organisation involved in fair trade.

8.3 FLO and WFTO are endeavouring to ensure that their guarantees are complementary. This involves identifying where their approaches converge and agree. So far, it has been limited to taking stock of the situation.

8.4 These verification systems are vital. The high level of guarantee is essential to avoid the proliferation of differing legislative systems in northern countries and in the interest of consumers. Fair trade bodies have already established an international set of requirements and agreed on a Charter of Fair Trade Principles; they must continue to cooperate on a shared certification system for producers.

## 9. Development aid conditions

9.1 Fair trade helps reduce poverty, while maintaining the foundations of sustainable development.

9.2 The European Union's external policy can promote agricultural development in developing countries. Support to encourage small agricultural producers to turn to fair trade could be made a criterion for the disbursement of subsidies, contributing to sustainable development in these countries.

## 10. The challenges for fair trade

10.1 Fair trade is undeniably part of the commercial, social, educational and political dynamic of local and international stakeholders.

10.2 Fair trade is a social and economic innovation, supported by civil society to change international trade practices in order to take greater account of the human aspect. It should:

- maintain its influence in the field of corporate social and environmental responsibility;
- consolidate its social base with trade unions, consumer associations, environmentalists and cooperatives of local producers;

- extend and diversify its market, as traders need to extend their range of products and their networks;

- ensure that a greater proportion of added value stays with producers;

- help southern producers to organise to give them greater independence;

- promote local development and improvements in fundamental economic, social and cultural rights;

- be able to effect a global improvement in the rules and practices of conventional trade.

## 11. 'Fair' for European producers as well?

11.1 All fair trade agricultural products originate in developing countries. However, some products such as sugar, wine and bananas are also produced by European countries with significantly higher social standards, meaning that they can be more expensive than a certified fair trade product.

11.2 In order to avoid this tricky situation, an international organisation of producers from these sectors should be set up to identify universally beneficial compromises.

## 12. Fair trade, a new basis for the economy

12.1 Many human rights organisations denounce the effects of international trade (WTO).

12.2 At global level, there is a wide range of fair trade players and stakeholders of varying quality. It is this very ability to cover the range of fair trade areas which gives meaning to this approach and opens up the possibility that it will have a significant impact.

Brussels, 1 October 2009.

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

*Appendix I***Margin returned to producers compared with conventional trade**

Trade	Coffee	Darjeeling tea	Sugar	Quinoa	Basmati rice
Conventional	5 %	7 %	2,5 %	6,7 %	6,5 %
Fair	17 %	9,5 %	3,8 %	8,5 %	9,5 %

*Appendix II*

Example of the price breakdown for Max Havelaar Thai rice:

- 15 % producer
  - 26 % processing costs
  - 2 % duties
  - 57 % packaging and distribution costs.
-

**Opinion of the European Economic and Social Committee on 'The northern dimension of the less-favoured areas' (Own-initiative opinion)**

(2009/C 318/07)

Rapporteur: **Mr NURM**

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:

*'The northern dimension of the less-favoured areas.'*

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 2 September 2009. The rapporteur was Mr Kaul NURM.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 30 September), the European Economic and Social Committee adopted the following opinion by 175 votes to 1 with 5 abstentions:

**1. Conclusions and recommendations**

1.1 The underlying aims of the common agricultural policy, including security of food supply, remain just as pertinent now as they were in the past, inasmuch as farming traditions need to be preserved throughout the European Union, including in the northern regions.

1.2 The present opinion focuses on the natural, climatic and geographical particularities and problems of the EU's northern regions, in which farming is hampered by the cold climate, obliging farmers to bear higher costs than their colleagues in more favourable agro-climatic zones.

1.3 Farming is more cost-intensive and productivity considerably lower in the northern areas than in more favourably located regions. Ever shrinking profitability combined with dwindling motivation among farmers puts the future use of farmland in these regions in doubt. This danger can be avoided by the use of appropriate agricultural policy instruments.

1.4 Land must continue to be farmed in regions with natural handicaps in order to preserve the traditional rural landscape and conserve nature-rich areas. This can be achieved through compensation payments for less-favoured areas, but only with the proviso that support is directed more rigorously than hitherto to those regions where the danger of land ceasing to be farmed is greatest.

1.5 In addition to setting new criteria for the way regions with natural handicaps are defined, the principles behind the

funding of this initiative also need to be re-examined if tangible benefits are to be achieved. One possibility that should be considered is to integrate compensation payments for less-favoured areas into the first pillar of the CAP. The system in force to date, in which the level of direct payments is based on historical yields, works to the advantage of farmers in more favourably located areas. The compensation payments do not adequately offset the unfavourable production conditions in areas with natural handicaps.

1.6 When future support payments for less-favoured areas come to be calculated, the total outlay needed to overcome natural handicaps and unfavourable production conditions should be taken into consideration for each individual region: the worse the natural conditions, the higher the support payments should be, albeit with upper and lower ceilings.

1.7 In determining natural handicaps, consideration should be given not only to each region's accumulated positive temperatures in the vegetation period but also to the accumulated negative temperatures in winter.

1.8 The northern regions are remote from Europe's large markets, the rural regions there are extremely sparsely populated, and the arable land is scattered. This drives up production costs. Compensation payments from funding set aside for less-favoured regions are needed to prevent these areas being depopulated and to keep farming alive. Consequently, the EESC recommends that low population density should also be taken on board when the criteria defining less-favoured regions are set and additional criteria drawn up to support farming in heavily forested areas.

1.9 The EESC recommends that the natural, climatic and socio-economic characteristics of the northern regions mentioned in this opinion be taken into account when the criteria for a new definition of less-favoured regions (areas with natural handicaps) are worked out and established. One possibility would be to define the areas concerned as special areas in a similar way to uplands.

## 2. Background

2.1 The European Economic and Social Committee has already addressed the issue of less-favoured areas in earlier own-initiative opinions <sup>(1)</sup>.

2.2 On 21 April 2009, the European Commission published its Communication COM(2009) 161 final, which proposes altering the principles for defining less-favoured areas and establishing corresponding criteria. Among other things, the Commission proposes that these areas be renamed and known in future as 'areas with natural handicaps'. The EESC welcomes this new approach.

2.3 Since the EU single market guarantees the free movement of goods and services, farming in the EU's northern regions, where unit costs are higher, cannot be sustained in the long term without special support. This in turn adversely affects both the social and environmental sustainability of these areas and their biodiversity.

2.4 The rules for less-favoured regions in the various Member States – and the impact they have – are impossible to compare. Since a whole range of criteria are used, the current subsidy rules for less-favoured regions fail to give due consideration to the specific growing conditions arising from an area's natural and climatic characteristics. As a result, these conditions are not adequately or proportionally reflected in any compensation.

2.5 The long-term security of food supply in Europe and the world requires the farming tradition to be kept alive in the European Union's northern regions, where the climate for farming is forecast to improve in the next fifty to a hundred years due to global warming. As a result, the southern regions are set to dry up and farming in Europe is likely to shift northwards.

## 3. Distinctive natural and climatic characteristics of the northern regions, outline of problems and grounds for special treatment of these regions

3.1 Farming in the northern regions of the European Union differs from that in the centre and south of the continent in

having a far shorter vegetation period, a markedly smaller range of temperatures necessary for crop growth, and excessive moisture for most of the year. Rain falls unevenly throughout the year: in spring and summer, when plants germinate, sprout and grow, it is insufficient, while the heavy rainfall in the autumn makes it difficult to bring in the harvest in time and impairs its quality.

3.2 The long winters and concomitant ground frost also have a major impact on farming in northern regions. Temperatures can drop to below -40 °C. Soil frost penetration is contingent on the accumulated negative temperature and the depth of the snow cover, which in Latvia and Estonia can be up to a metre, and up to two metres in the north of Finland and Sweden. It takes time for the snow to melt and the soil to thaw. This in turn sets back the spring sowing and the onset of vegetation. Depending on latitude and distance from the sea, the spring sowing in the northern regions can be any time from late April to mid-June. Thus, in any new criteria for the way less-favoured regions are defined, consideration must also be given to accumulated negative temperatures.

3.3 Building is considerably more costly due to the need to lay frost-free foundations, install water pipes and sewage systems below the frost line and insulate the external walls. Winter heating and snow-clearing costs are also considerable.

3.4 The soil layer in the northern areas was formed over a short period after the Ice Age and is thinner as a result. These areas also have a diverse soil quality and texture: land in the northern regions is usually wet, stony in parts, and excessively loamy, sandy or peaty. Improving the soil requires heavy investment, especially in installing and maintaining drainage systems, but also in liming.

3.5 Characteristic of the northern regions are hilly and fragmented glacial landforms dominated by barren forests, wetlands and other natural areas. As a result, fields suitable for farming are small and scattered. In some areas, average field size is less than a hectare, and the fields themselves are scattered in forest areas quite far from the farmhouse. This makes it impossible to use large, more efficient machinery and at the same time drives up the farm's production and (intra-farm) transport costs. Natural handicaps of this kind cannot be offset by reverting to alternative crops or rationalising farm production in some other way. Thus, additional criteria need to be brought into play to take account of the natural handicaps of heavily forested areas. One such criterion might be the share of farmland per hectare. To further assist less-favoured areas, arrangements should also be made to provide compensation for the extra transport costs faced by farms there.

<sup>(1)</sup> OJ C 318, 23.12.2006, p. 86, OJ C 44, 16.2.2008, p. 56 and OJ C 120, 16.5.2008, p. 47.



3.6 Rural areas in the northern regions are very sparsely populated. With the exception of the big towns, population density stands at less than ten inhabitants per square kilometre, falling to below three in remote areas. This drives up transport costs both for farming and in terms of providing access to public and private facilities. In the twentieth century, mechanisation led to a sharp rise in labour productivity in the northern Europe, with jobs being lost in rural areas. The low density of population and services in turn became a reason for people to leave rural areas – many abandoned farming as there was no younger generation to take over farms. Yet, alongside forestry and tourism, farming remains the economic backbone of rural life in the northern regions. Rural communities are considerably smaller so that per-capita spending on public services such as schools and non-formal education are significantly higher than elsewhere. Life is more expensive in sparsely populated areas since the few people that do live there form only a small customer base for goods and services. The remote areas of the northern regions are too far away from the main centres for people to be able to commute there daily to work or take advantage of the services on offer. To assist less-favoured areas, compensation should be provided to offset the additional transport and shipment costs from the main centres (the market) to the remote farms.

3.7 The fewer people that live on the rural areas in northern Europe, the more expensive life becomes for them, since great distances have to be covered to get access to goods, services, healthcare, education and so on. This is why retaining and creating jobs in farming and other sectors in sparsely populated areas is especially important. Efforts should be made to this end in both the common agricultural policy and regional policy. The successful implementation of these policies will determine whether it will be possible to balance rural-urban migration, halt the rural exodus to the towns and put an end to the economic and social desertification of peripheral areas. From the point of view of security policy too, it is the interests of the European Union as a whole to avoid the depopulation of these EU border areas.

3.8 Together with extensive farming and semi-natural ecosystems, the forests and wetlands of the northern regions are the foundation of natural variety and biodiversity. Besides, the north is a breeding ground for millions of migratory birds that forage for food on the fields and natural meadows.

3.9 Because of the natural limitations and the transport costs entailed by the fragmented nature of the farmland and the low

population density, farms in the northern areas are less profitable and farming incomes are lower. This in turn explains the low direct payments to date under the first pillar of the CAP. In northern regions with natural handicaps, farming of agricultural land, the sustainable production of food and care for the countryside can only be achieved if farmers are guaranteed an income comparable with that of their counterparts in more favourably located areas. Failing this, people will leave their villages and stop cultivating the land, which will then fall fallow and cease to be productive. The EESC would recommend that the European Commission look in greater depth at the specific features of the northern regions and, where appropriate, define them as special areas in a similar way to mountainous areas.

3.10 The type and extent of natural handicaps to be faced can vary greatly from region to region. When future support payments for less-favoured areas come to be calculated, the total outlay needed to overcome natural handicaps and unfavourable production conditions should be taken into consideration for each individual region: the worse the natural conditions, the higher the support payments should be, albeit with upper and lower ceilings.

#### **4. Natural limitations to arable farming, outline of problems and grounds for special treatment of these areas**

4.1 The cold winters, short vegetation period, low effective accumulated temperature and, finally, the wetness in the northern regions – requiring heavy investment in drainage systems – all take their toll on arable farming. Depending on the materials used, drainage systems have a lifespan of between thirty and fifty years before they need to be replaced. Moreover, extra costs are incurred every year for their care and maintenance. Wet soil cannot be cultivated unless drainage systems are installed and maintained.

4.2 Soil in the northern areas is often acidic due to crystalline parent rock or sandstone. To be cultivated, fields must be regularly limed (every six to eight years), thereby incurring extra costs that do not have to be borne in areas with pH neutral soil. This is not about improving soil fertility: liming is simply indispensable for cultivating on acidic soil and for offsetting permanent natural handicaps. In the EESC's view, the problem of acidic soil merits greater attention than hitherto in the definition of less-favoured areas and the establishment of new criteria.

4.3 In northern regions, the entire grain harvest must be dried in special dryers, since its moisture content at harvest may be as high as 30 %. However, a moisture content of between 12 % and 14 % is needed for storage. Building grain dryers requires large investment and the energy needed for drying again entails considerable extra outlay. Dryers and drying facilities can cost as much as EUR 300 000 to build and have lifespan of between ten and fifteen years depending on how heavily they are used. According to data from farms, the average cost of drying grain is between EUR 20 and 25 per tonne, although the energy needed for drying varies from year to year. At an average yield of three to four tonnes per hectare in the northern regions, this drives up production costs by EUR 60 to 100 per hectare.

4.4 The crop varieties cultivated must be more resistant to cold and withstand the night frosts, which often continue into June. This also explains the smaller harvests. The short growth period makes it impossible to cultivate varieties, such as maize feed, that require longer timeframes and thrive better in higher average day- and night-time temperatures. The cultivation of such crops would do much to cut the cost of rearing livestock, which instead have to be fed predominantly on grass silage, which has a higher unit cost than maize feed.

4.5 Night frost is a particular danger for fruit trees, berries and for vegetables. At least once in ten years, night frosts during blossom periods are so severe they wipe out the entire harvest. Although there are various ways to avoid such damage – including sprinkler irrigation, smokescreens and frost blankets – all these methods involve additional outlay and labour.

4.6 The short vegetation period means that all field work has to be completed in a very short period of time. This requires relatively high levels of machinery, thereby increasing average investment per hectare.

#### **5. Natural limitations to livestock farming, outline of problems and grounds for special treatment of these areas**

5.1 In the north, the livestock grazing period is shorter (from mid-May to late September), so more fodder has to be stored for the winter, which in turn drives up production costs. This also requires special stores to be built. Weather conditions often prevent the grass being harvested at the most favourable time,

thus diminishing the nutritional value. Frequent bouts of rain during the hay or grass silage harvest can damage feed quality

5.2 The costs of buildings and livestock facilities are higher than in more clement areas, given the need to lay frost-free foundations and install water pipes and sewage systems below the frost line (in Estonia, over 1.2 metres deep, for instance).

5.3 Additional costs are also incurred in cleaning farmyards and roads from snow and ice. Road surfaces have to be renewed every five to ten years due to frost damage. The low population density means that northern countries have a large number of dirt and gravel roads. Maintaining and improving these requires additional financial resources, especially to repair damage in spring and reduce dust in summer.

5.4 The per-kilogramme cost of milk is higher in sparsely populated areas than in densely populated ones with intensive farming, since long distances have to be covered to collect it. Milk production has, for instance, stopped on many sea and inland islands because transport costs made it unprofitable. It also costs more to deliver other operating materials to farms.

#### **6. Preservation of farming and rural life in the northern regions is important for the European Union as a whole**

Maintaining farming activities and preventing rural exodus in the northern regions are important for Europe as a whole, as this helps:

- ensure that the populations of these regions have a supply of locally sourced food, and safeguard the food security of the EU in the event of global warming,
- save jobs and avert the depopulation of rural areas,
- preserve – and in some cases even increase – biodiversity,
- keep the countryside accessible and make it attractive for the tourism and leisure industry, and
- guarantees the security of the EU border areas.

Brussels, 30 September 2009.

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

**Opinion of the European Economic and Social Committee on 'Enhancing energy efficiency policies and programmes by end users' (Own-initiative opinion)**

(2009/C 318/08)

Rapporteur: **Mr CAPPELLINI**

On 10 July 2008 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

*'Enhancing energy efficiency policies and programmes by end users'*

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 8 September 2009. The rapporteur was Mr CAPPELLINI.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October 2009), the European Economic and Social Committee adopted the following opinion by 126 votes and 2 abstentions.

## **1. Conclusions and recommendations**

1.1 Over the past term the EESC has been working on the various issues covered by European energy efficiency policies and the different aspects thereof (external dimension, short- and long-term energy challenges, supply and security policies) with a view to achieving an economically-viable, sustainable energy policy. It would stress the importance of promoting and building on the results of the EESC's energy efficiency days, in cooperation with all stakeholders, end users and Member States. In view of this, it calls on the Commission and the new Parliament to act firmly on the recommendations already made in previous opinions <sup>(1)</sup>.

1.2 In addition, the EESC feels that implementation of an energy policy promoting efficiency and new 'clean' technologies could be a solution not just to the environmental issue but also as regards reducing dependence on energy supply and coping with the high costs of raw materials and the effects thereof on end users.

The European Economic and Social Committee recommends stepping up endeavours focusing on systematically involving end users (in particular consumers and small businesses) with regard to the new constraints established by the March 2007 European Council and efforts to mitigate the current economic crisis.

1.3 The EESC believes that the European and national social partnership will encourage greater involvement of energy end users, particularly small businesses and their representative bodies, forms of public and private partnership at local level, and cooperatives, contributing more effectively to the achievement of European energy-efficiency targets and the

green economy. This commitment, if addressed in the most appropriate context – for example within the European social dialogue agenda (including at sectoral level) – could make a practical contribution to increasing jobs and creating new skilled occupations related to the energy sector and the distribution of new services.

1.4 The EESC thinks that the decision to strengthen the European dimension of energy policies should also encourage reinforcement in the Internal Market and the domestic markets of a sustainable development strategy as well as greater cooperation in science and technology capable of reviving public and private investment, which could take the form of *enhanced cooperation* between EU Member States.

1.5 The EESC is disappointed and concerned at the shortage of homogenous, detailed information and data on end-use energy efficiency. This makes it difficult to define statistically-sound, harmonised indicators, not least because of the scarcity of historical data at European level accessible to end users.

The EESC reiterates its concern at Member States' failure to draw up the National Energy Efficiency Action Plans (NEEAP), provided for by the Directive in question, *in time*.

1.6 The EESC therefore feels it is necessary and urgent, in order to encourage full, uniform and more rigorous implementation at national level of European energy-efficiency policies, to adopt – in cooperation with the Commission and the Member States and after systematically consulting the bodies representing end users – a widely-accepted European monitoring system that is both fair and makes energy bills easier to understand and compare.

<sup>(1)</sup> OJ C 77 of 31.3.2009, p. 54; OJ C 175 of 28.7.2009, p. 87; OJ C 228 of 22.9.2009, p. 84; OJ C 182 of 4.8.2009, p. 8.

1.7 In addition, the EESC believes that the sectoral dimension of European energy-efficiency policies needs to be reinforced if they are to be better implemented, and to allow for more substantial monitoring and impact analysis in respect of these policies. The impact of energy policy differs according to the kind of economic activity, both as regards businesses which use energy (whose issues vary according to consumption levels, the kind of processes etc.), and as regards businesses which operate in the various sectors of the energy chain (e.g. plant producers and installers, energy providers, construction companies etc.), where there is huge untapped potential for saving energy.

1.8 Moreover, the EESC firmly believes that European programmes such as the Competitiveness and Innovation Framework Programme (CIP), Intelligent Energy Europe (IEE) and others urgently need to be simplified, and this cannot be put off; end users should be more involved in these programmes whose measures should be more coherent and integrated (as is the case, for example, with the ECAP programme). A new integrated programme is therefore proposed, capable of better coordinating these activities for the benefit of end users.

The EESC calls on the EU, the Member States and businesses to invest sufficient resources in applied energy research and its transfer to the end user; in generating savings from using the new information and communication technologies (ICT) in the technical and high-tech professions; and in energy development and innovation; and recommends more inclusive global cooperation in this area.

1.9 The EESC feels that the EU should urgently adopt tax and credit-access instruments and policies more geared to supporting energy saving, thereby facilitating all end users, particularly SMEs and public-private partnerships, which (individually or collectively) use more efficient, sustainable production models.

Aware of the key role played by education and training in disseminating a European energy-efficiency culture, the European Economic and Social Committee proposes to launch an extraordinary consultation with the social partners and all stakeholders at European and national level in order to redirect existing EU funds, reinforcing professional skills and profiles associated with energy efficiency, and to encourage provision of information to the general public and awareness-raising.

## 2. Objectives of European Directive 2006/32/EC

2.1 The objective of European Directive 2006/32/EC was:

- ‘improved energy end-use efficiency’, in order to help increase security of energy supply; and

- to mitigate CO<sub>2</sub> and other greenhouse gas emissions to tackle climate change and exploit potential cost-effective energy savings in an economically efficient way, also boosting innovation and competitiveness.

To this end, the Directive lays down a number of general objectives, including:

- providing Member States with the indicative saving targets and suitable mechanisms for reaching them;
- defining institutional, financial and legal frameworks to remove market barriers and imperfections that impede the efficient end use of energy;
- creating the conditions for development of a market for energy services, particularly for SMEs; and
- achieving an overall national indicative energy savings target of 9 % for the ninth year of application of this Directive, to be reached by means of energy services and other energy-efficiency improvement measures.

## 3. General comments

3.1 The implementation phase of Directive 2006/32/EC fell short of the initial ambitious targets set by the Commission, for the following reasons:

- some measures were too ineffective and easy to get round when transposing the Directive into national legislation;
- National Action Plans and national transposal measures which were less coherent and effective than provided for in the Directive;
- flanking programmes and measures that were piecemeal and insufficiently coordinated;
- the lack of homogeneous data and information, essential to monitor and assess the impact of the Directive on end users, meant that the initiative was utterly inadequate and incapable of facilitating coherent, sustainable development of energy efficiency in the EU.

Experience is showing that only a few of the 27 EU Member States have implemented robust, structured energy policies providing incentives for energy efficiency and development of renewable sources, and launched a process of developing new sectors related to these technologies, thus helping to reduce the cost of energy for small businesses and families.



In its Green Paper Towards a secure, sustainable and competitive European energy network <sup>(1)</sup>, the Commission argues for the establishment of a European Transmission System Operator.

In three recent opinions <sup>(2)</sup>, the EESC expressed the view that studies should be carried on the feasibility of a European energy service of general interest which could be harnessed for the common energy policy. In brief, in these opinions the EESC holds that this debate must be held in advance, because services of this kind will be an expression of European solidarity and a response to the challenges which will face the Union in essential, multinational or transnational areas such as security of energy supply, management of water resources, preservation of biodiversity, maintenance of air quality, internal and external security etc. The existence of Community services of this kind would prompt an awareness on the part of all end users of their responsibility.

### 3.2 End users and Europe's vision for energy policy

The considerable delay in a number of Member States in achieving energy-efficiency targets and the ongoing severe economic crisis confirm the urgent need for more coordinated, planned and joined-up measures aimed at deploying EU and Member State resources and bringing about the recovery of public and private investments. A sustainable development strategy and vision, based on the principles of efficiency, distributed generation and new 'clean energy' sources (including biomass) – with the results being pooled at European level among Member States and the bodies representing end users – could help avoid dispersal of the research activities which are necessary alongside the many international endeavours.

A major aspect of combating the economic crisis and reinvigorating energy-efficiency policies and related investment policies is rethinking European taxation and credit policies to cater for the needs of end users, the credit sector and energy operators, as well as of the local administrations concerned, furthering the development of the Energy Service Companies scheme at European level.

### 3.3 The culture and new knowledge surrounding energy efficiency from the point of view of end users

General and sectoral information is clearly lacking, as is an assessment of the impact of EU energy-efficiency policies on end users (particularly SMEs and other stakeholders), and a methodology that would make it possible to verify consistency between international and European targets. A process for monitoring the results obtained by these end users is also needed.

<sup>(1)</sup> COM(2008) 782 final/2.

<sup>(2)</sup> OJ C 175 of 28.7.2009, p. 43; EESC opinion on the Green Paper – Towards a secure, sustainable and competitive European energy network – CESE 1029/2009 (not yet published), and EESC opinion in preparation on Services of general economic interest: how should responsibilities be divided up between the EU and the Member States? – CESE 966/2009 (not yet published in the Official Journal).

An initial check carried out in a number of Member States revealed that the availability of data on industrial production and energy use is greatly restricted by the lack of detailed information.

Hence the need to launch sample surveys to collect data and define the indicators needed to monitor and assess end-use and service energy efficiency, so as to be able to measure the impact of the Directive itself on the strategies and measures implemented in each Member State.

### 3.4 Energy efficiency indicators and the needs of end users

The Commission and the Member States could – inter alia, by setting up an independent expert task force – also support and encourage the definition of harmonised, reliable indicators for quantifying and evaluating the energy savings that can be made by using new information and communication technologies. These indicators, which must be easy to understand, could provide end users with a guarantee, of which they in turn could make appropriate use. This approach would also help to stem the growth in fraudulent or misleading use of such concepts as 'green' or 'clean' energy as a pure marketing strategy with no real justification that can be demonstrated and quantified in terms of savings and reducing emissions, while also preventing unfair commercial practices.

3.5 Integrated monitoring systems and observatories pooled by all of the Member States would, in particular, give the EU and the Member States the possibility of:

- developing a European expert task force and a network of independent energy-efficiency bodies for end users, particularly businesses (especially SMEs and the craft sector);
- producing periodic reports on EU policies and their impact on end users (especially SMEs);
- an information platform in several languages which is easy to use and easily accessible; and consolidating and enhancing relations between European and national representative organisations and main stakeholders.

### 3.6 Overcoming the delays and deficiencies in the preparation of the NEEAP

The national action plans (NEEAP) suggest that the Member States have not made substantial, serious efforts to achieve the targets laid down by the Directive (they are often very vague and short of information and scientific indicators for accurately assessing the potential impact of the proposed measures and unsuited to meeting the objectives of the Directive) especially as regards reducing consumption in the most significant areas – transport and housing. Hence the need for energy-efficiency initiatives to be more tangible and



feasible and the need to make at least some measures more binding, ascertaining the disparities between the national plans and the actual results, as happened in the case of vehicle emissions, the reduction of CO<sub>2</sub> emissions in general and greenhouse gas emissions and renewable energies.

The Commission's recent online consultation process – *Public Consultation on the Evaluation and Revision of the Action Plan for Energy Efficiency* [COM(2006) 545] – highlights the Directive's shortcomings as regards the consultation of end users. An annual report, to which the EESC could also contribute, based on a suitable methodology for consulting all end users, could be a means of overcoming some of the deficiencies in the preparation of the NEEAP.

### 3.7 New generation of more end-user-friendly EU programmes

The procedures for accessing the relevant programmes (CIP, and particularly IEE) need to be simplified, to make them more accessible to very small businesses and their representative associations and to administrations in disadvantaged areas (mountainous and peripheral regions). Moreover, the Committee advocates encouraging public-private partnerships and ESCOs (energy service companies), in particular at European, national and local levels, by facilitating the involvement of SMEs in the actual implementation of the European Green Public Procurement policy. In addition, as part of the simplification and better regulation process, the Commission, along with representatives of European and national end-user bodies, is asked to look into which procedures and practices are most effective to support end users and stakeholders concerned by the Directive when it comes to implementing energy-efficiency policies.

## 4. Specific comments

4.1 The Directive gives energy operators a role in the energy services sector (Article 6). This provision is particularly negative as in many national markets large energy operators have operated in niches downstream in the energy chain, such as energy services and 'post metering' activities, gaining an advantage by virtue of their dominant position in other stages in the chain (production, distribution, sales) and creating substantial barriers to the development of the energy services sector for small businesses.

4.1.1 The process of transposing the Directive into national legislation is still beset by significant problems and shortcomings as regards end users, in respect of:

— the availability and transparency of the information useful for implementing energy services (often exclusively reserved for energy operators and the competent authorities) – Article 7; and the

— correct metering and informative billing of energy consumption.

Greater surveillance, monitoring and penalty measures are therefore needed from the relevant national and EU bodies, along with more effective, rigorous monitoring of energy operators (see Articles 11 and 13 of the Directive).

4.1.2 The efficiency of the means of access to 'financial instruments for energy savings' and the functioning of the relevant 'mechanisms' should be reinforced and further developed technically and politically, for the benefit of end users, with particular regard to energy taxation. These instruments and their results should be specifically monitored in close cooperation with European and national end-user bodies and with particular regard to ways of mitigating the *rebound effect*. The rebound effect, as emerged at the EESC hearing on 'Enhancing energy efficiency policies and programmes by end users', held at the Italian National Council for Economy and Labour (CNEL) on 9 July 2009, refers to the fact that measures taken to improve energy efficiency can sometimes increase rather than decrease energy consumption.

4.1.3 The energy audits and white certificates (Article 12) are also particularly important for the development of energy services and should therefore be further reinforced by the Member States.

European social dialogue, including at sectoral level, should also make a useful contribution here to the implementation of energy efficiency policies, thus fostering employment and increasing the competitiveness of the productive system.

4.1.4 Calculation methods are laid down for measuring energy savings. These methods have yet to be properly developed and harmonised. Thus, better definition is needed of calculation methods to be shared with end users and harmonised among the Member States.

Lastly, the Commission has launched numerous infringement procedures for failure to transpose all or part of the Directive: the costs and red tape arising from this will be passed on to end users.

Brussels, 1 October 2009.

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

**Opinion of the European Economic and Social Committee on 'The impact of the global crisis on the main European manufacturing and services sectors' (Own-initiative opinion)**

(2009/C 318/09)

Rapporteur: **Mr PEZZINI**

Co-rapporteur: **Mr GIBELLIERI**

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

*'The impact of the global crisis on the main European manufacturing and services sectors.'*

The Consultative Commission on Industrial Change (CCMI), which was responsible for preparing the Committee's work on the subject, adopted its opinion on 10 September 2009. The rapporteur was Mr PEZZINI and the co-rapporteur was Mr GIBELLIERI.

At its 456th plenary session, held on 30 September 2009 and 1 October 2009 (meeting of 1 October 2009), the European Economic and Social Committee adopted the following opinion by 156 votes with two abstentions.

## 1. Conclusions and recommendations

1.1 The EESC is convinced that the consequences of the current financial crisis on the major European manufacturing and services sectors are such that the EU institutions and Member States must undertake a profound review and closer coordination of EU policies and instruments in order to rebuild their values to prioritise the real economy and the needs of businesses, workers and citizens.

1.2 The EESC strongly advocates ratification of the Lisbon Treaty in order to ensure that the EU's architecture can respond to the need to make our continent's development more competitive, sustainable and open via:

- measures to increase cooperation between companies and workers,
- common and better coordinated policies,
- more time-efficient decision-making processes, and
- simpler and more transparent legislation.

1.3 The EESC is convinced that if the European project is renewed, in the spirit of Jean Monnet at the launch of the Treaty of Paris, which brought the ECSC into existence, it will be possible to rebuild the foundations and launch a European economic recovery. The current treaties have shown worrying limitations in their capacity to face up to the crisis and its economic and social consequences.

1.4 The principle of subsidiarity needs to be understood in its original meaning. Decision-making powers and responsibilities must be allocated to the level where they will be most effective for European citizens. Faced with global problems, policies and instruments have to be of a European and global scale.

1.5 The EESC is convinced that the Member State governments and the Council of the EU must make every possible effort to restore public trust in the quest for a stronger Europe, capable of equipping itself with shared, recognised instruments, and able to cope with the present and future global crises.

1.5.1 The EESC is aware that some countries belonging to the original group who set out to create the European Community are, especially in this period of crisis, displaying considerable impatience with the rules of the internal market in areas such as competition and state aid. This is a mistake <sup>(1)</sup>.

1.5.2 In present circumstances, the Council – backed by the European Parliament and the Commission – should devise a 'strategic pact', including:

- strong commitments to the single market, with reinforced instruments, especially in a number of sectors where shortcomings persist <sup>(2)</sup>;

<sup>(1)</sup> Mario Monti, former Commissioner for competition, has voiced his concern about the survival of the European model, which is based on the internal market (editorial in *Corriere della Sera*, 10 May 2009).

<sup>(2)</sup> Recognition of qualifications; capital gains tax; and consolidation of pension contributions resulting from employment in different countries, etc.

- an undertaking to introduce fiscal coordination that respects national fiscal sovereignty but boosts cooperation on certain points;
- an agreed option for Member States that are 'feeling the crunch' to join the eurozone rapidly, and in compliance with certain conditions;
- implementation of proportionate, transparent and gradually scaled-down coordinated public measures to reduce systemic risks, and a swift return to a self-sustaining level of activity on the free market.

1.6 The EESC's message is that citizens, the social partners and civil society as a whole are convinced that the current crisis provides a spur to work for a stronger Europe that can rise above the limited role of individual countries.

1.7 Individual countries must be asked to make practical sacrifices, in terms of their representation and visibility, in order to strengthen Europe's role in the world as expressed democratically: the EP, Council and Commission.

1.8 The EESC is convinced that the first instrument to be put in place should be a real substantial industrial policy that is not influenced by the choices of financial speculators and aims at sustainable development. Fifty years of concrete experience in industrial policy based on the ECSC Treaty in two key European production sectors should be consulted, updated as necessary, amended to foster a sustainable development, and used as a reference for future action <sup>(1)</sup>.

1.9 It is through the development of businesses and the social economy, and their ability to provide innovative responses, that Europe will overcome the crisis and recover economically.

1.10 In order to create a development strategy, the social partners and organised civil society as a whole should work towards developing Territorial Social Responsibility (TSR) with a view to implementing a coordinated set of strategies, including:

- **a resilience and survival strategy** making it possible to operate in mature markets through better specialisation in the same market, with cost cutting, or strong diversification into contiguous sectors, or new formulas;

- **a product and service process innovation strategy** including market and technology change, with new materials leading to new products;

- **new initiatives** involving the development of new types of businesses, sectors or initiatives. Foresight evaluations are **required** to envisage new expanding products (such as lead markets), towards which new investment should be channelled;

- **local marketing** that emphasises excellence through agreements with research centres in order to increase technological cross-pollination;

- **financial support** through development funds, including through loan guarantees under the EIF <sup>(2)</sup>;

- **capitalisation of the risk capital of credit unions** through agreements between administrations and the banking system to allow payment deferrals for micro and small businesses, primarily in order to safeguard employment levels;

- **short-term debt consolidation** to enable micro and small businesses to focus on production, marketing and after-sales services;

- **support for an innovative services sector (green economy)** by taking advantage of innovative training opportunities under the European Social Fund;

- **development of high-standard personal services** in part by enhancing and strengthening the social and health care system <sup>(3)</sup>;

- **implementation of infrastructure policies** contributing to increased innovative choices for a low-carbon economy and creation of conditions making it advantageous to live in the region;

- **stepping up energy efficiency** and environmental criteria in **public procurement** procedures;

- **encouraging new, more efficient products** to substitute old ones, by means of funding;

- **enhanced access to information**;

- **easier use of raw materials**.

<sup>(1)</sup> Cf. The European Manufuture Platform ([www.manufuture.org](http://www.manufuture.org)) and the interview with Étienne Davignon on the application of the Davignon Plan (Brussels, 14.1.2008; [www.ena.lu](http://www.ena.lu)).

<sup>(2)</sup> The European Investment Fund (EIF), financed by the European Investment Bank (EIB). Cf. first pillar of the Competitiveness and Innovation Framework Programme (CIP).

<sup>(3)</sup> Cf. Lead market 'e-Health' (COM(2007) 860) – and point 6.10 below.

1.11 A comparison of the national stimulus packages in the industrialised economies reveals the need for greater shared foresight on the part of European governments, especially with respect to stimulating sustainable development and corporate social responsibility, not to mention closer coordination with the European Commission. Moreover, rhetoric is not enough. Member States must urgently implement their plans as the crisis is hitting businesses and workers hard.

1.12 The EESC takes a positive view of the efforts made at the Prague Employment Summit held on 7 May 2009 in identifying areas for action to be implemented at national and European levels together with the social partners, on the basis of a strengthened social dialogue <sup>(1)</sup>, in order to ensure that greater consideration is given to job creation and the necessary measures to boost demand.

1.13 The Lisbon Strategy must retain its credibility and demonstrate its ability to adapt to this new context by stepping up reform and identifying clear priorities and new methods, and streamlining with the objectives of the EU Sustainable Development Strategy in the post-Lisbon strategy to be defined in the coming months.

1.14 European governments must make greater efforts to ensure that the commitments entered into at Community level are discharged in full and in accordance with the agreed timetables.

1.15 State aid to support employment in businesses affected by globalisation and the credit crisis should be based on assurances that:

- such aid does not have the effect of strengthening protectionism or hampering free competition;
- businesses in receipt of funds should, above all, undertake to sustain employment levels;
- collective agreements should be respected and the workers' purchasing power maintained;
- workers can use periods of reduced production to train for new qualifications and should be supported in this;

<sup>(1)</sup> Cf. EESC Opinion on the Results of the Employment Summit (CESE 1037/2009), not yet published in the OJ.

- public financial support does not become a source of income for shareholders through dividends or other forms of share buy-backs;
- as far as possible, support promotes the development of new environment-friendly products and services;
- aid must not interfere with competition and must be temporary and degressive;
- suitable monitoring mechanisms are in place to protect taxpayers.

1.16 The proposals so far adopted as a social response to the crisis have been inadequate. Insufficient consideration has been given to job creation and the necessary measures to boost demand (e.g. more coordinated fiscal stimulus packages at the EU level and matters of wage policy) <sup>(2)</sup>.

1.17 With regard to the rules, in the case of temporary labour market measures, it must be ensured that short-term employment is combined with appropriate training, especially in the fields of health and safety at work, and guaranteed pay levels.

1.18 The Committee believes that it is urgent and vital for the future survival of the EU's production structure, to implement policies to re-orientate young people towards technological and scientific subjects at all educational and training levels, in order to avoid values associated with production being destroyed and replaced with financial and speculative values <sup>(3)</sup>.

1.19 In order to facilitate a recovery in production and the sustainability of Europe's industrial and services sectors, the EESC considers it necessary to step up research, development and innovation activities by means of available instruments, such as the 7th RTD Framework Programme and the European Institute of Technology (EIT), but also by introducing a clear sectoral approach based on priorities identified by the European Technological Platforms.

1.20 The EESC strongly advocates a Community initiative to support the business services sector, developing innovative services and content of benefit to citizens, consumers, workers and companies, especially with respect to the internationalisation and exports of SMEs.

<sup>(2)</sup> Cf. Proposals adopted at the Luxembourg European Council of November 1997 to reduce VAT on certain labour services defined by the Member States, in a European Framework.

<sup>(3)</sup> 'Aim at achieving that all EU countries should send at least 50 % of students through tertiary education and to attract at least 25 % of tertiary education students into technical, engineering and science education' (Electra report).

1.21 The Committee believes that, as pointed out by the EESC president <sup>(1)</sup>, there is a need to reconsider the criteria for applying the Structural Funds and the ESF in particular, with a view to allowing direct access, at EU level, as well as on a sectoral basis, and, hence, in line with ECSC experience, which proved effective and rapidly applicable.

1.22 With regard to international trade, the EESC considers it a priority to expedite the conclusion of the Doha Round multilateral trade negotiations, which would send out a positive message to international markets and have important repercussions on the ongoing crisis <sup>(2)</sup>: the EU can and must assume a stronger leadership role in the negotiations, speaking with one voice in order to achieve ambitious results that ensure compliance with ILO core labour standards and the decent work concept, that are essential to secure the future growth of European manufacturing and service sectors.

1.23 There is a very real prospect of a dangerous downward protectionist spiral in present circumstances. This requires the Commission to vigorously enforce EU trade defence laws, taking firm action against dumped and subsidised products, to challenge and act against unjustified protectionist measures, and to intensify dialogue with the EU's main trading partners in order to resolve trade disputes.

## 2. Background

2.1 The manufacturing and services sectors are the backbone of Europe's economy. The establishment of the Single Market has led to their strong development based on common standards and rules.

2.2 The manufacturing and services sectors are faced with exceptional challenges:

- **financial collapse**, which has affected the entire global economy and undermined the credibility and reliability of markets with unparalleled force and synchronicity;
- **the new international division of labour**, with the necessary industrial rationalisation and restructuring entailed by the new global market, which the newly industrialised continents have fully penetrated, while being bound by fewer constraints;
- **climate change and the environment**, with the paramount objective, in the interests of public welfare, of ensuring the

protection of the ecosystem and sustainable development, which necessitate improved energy efficiency, modernised production cycles, and new products and processes based on clean technologies;

- **human capital, demographic ageing and strong migration flows**, which require greater professional mobility and flexibility, lifelong learning and higher qualification levels in order to ensure improved quality of life and better jobs;
- **shortcomings in governance** at the international and European level, with the inadequacies of institutions, decision-making capacity and rules, as demonstrated by the current international monetary system and the crisis facing the European project;
- regional disparities, which are becoming more accentuated within the EU;
- **the contraction of available public and corporate budget resources**, which may not be sufficient to cover the reforms required for economic and labour market recovery.

2.3 The current global recession may require these sectors to make even greater efforts to:

- adapt to the new international division of labour;
- protect the ecosystem and ensure sustainable development;
- reposition themselves towards new product and process technologies;
- create and improve jobs through continuous skills improvement and professional development.

2.4 The ongoing crises do not only challenge the survival of businesses, they also offer major development and innovation opportunities. Businesses should not however be left to cope on their own. Entrepreneurship and job creation should be encouraged by implementing reforms as soon as possible in order to improve the business environment by reducing unnecessary administrative burdens, preserving and improving the internal market, encouraging risk capital, stimulating innovation and flexicurity measures, legislating less and better, and investing in the links between academia and science and the world of business, and in educating and training human resources, especially in the technical and scientific disciplines and in the development of lead markets.

<sup>(1)</sup> Letter from the EESC President, Mr Sepi, to the Commission President, Mr Barroso, in connection with the Prague EU Social Summit.

<sup>(2)</sup> See opinion 'New trade agreements negotiations - The EESC position', OJ C 211, 19.8.2008, p. 82-89 and the opinion on 'The external dimension of the renewed Lisbon strategy' (not yet published in the OJ).



2.5 The EESC underlines the importance of focusing on the current situation and possible future prospects for the key manufacturing and services sectors, and tourism in particular, bearing in mind a number of fundamental and interrelated aspects:

- **international dimension:** the crisis developed in integrated international circuits that were able to use innovative instruments far beyond the control of the regulatory and supervisory instruments of individual markets and the international market as a whole; and it comes on top of Europe's efforts to adjust to a global reference framework that will see the BRIC countries<sup>(1)</sup> reaching and possibly exceeding 30 % of global GDP by 2020;
- **institutional dimension:** statutory national, regional and international governance mechanisms proved entirely incapable of identifying problems in advance, defining measures and instruments in good time to prevent contagion spreading from one regional or national economy to another, or developing antibodies to limit the damage;
- **social dimension:** in March 2009 unemployment in the euro area went up to 8.9 % (7.2 % in March 2008) and 8.3 % in EU27 (6.7 % in March 2008), while under-25 unemployment was 18.1 % in the euro area and 18.3 % in EU27<sup>(2)</sup>;
- **'real economy' dimension:** in EU27, industrial production in December 2008 was down by 12.8 % compared with the same month in 2007; construction was down by 6.7 %; and intra-Community trade was down by 13.7 % and EU exports of manufactured products were down by 5.8 %<sup>(3)</sup>. Production downturns primarily affected the chemicals, textiles, automotive and basic metal sectors, with exports contracting dramatically in the automotive, chemicals, telecommunications and radio-TV sectors, and, in the case of services, tourism<sup>(4)</sup>;
- **environmental dimension:** energy efficiency, combating climate change and the sustainable use of resources are urgent challenges for the protection and development of the planet and, especially for Europe, public health, the protection of the ecosystem and the overall economy, with major implications for competitiveness, in particular within a clear, stable and harmonised regulatory framework.

### 3. International dimension

3.1 In the USA, GDP contracted by 1 % during the fourth quarter of 2008, following a drop of 0.1 % in the previous

quarter. In Japan, GDP went down by 3.3 %, following a drop of 0.6 % in the previous quarter. GDP in the euro area fell by 1.5 %, following a drop of 0.2 % in the previous quarter<sup>(5)</sup>.

3.2 The unemployment rate is rising rapidly and looks set to approach 12 % by the end of 2010 according to the OECD. At the same time, salaries are rising more slowly or not all.

3.3 As the Commission points out<sup>(6)</sup>: 'As long as lending remains scarce, efforts to boost demand and consumer confidence will be held back. (...) This is a global crisis, and recovery will not be complete until the major players of the world economy are once again growing and trading together'.

3.4 The European Trade Union Confederation (ETUC) shares this view, stating that 'the outlook for growth in 2009 and beyond is alarming, given that the situation will get worse before it may get better, and it will only get better if there is a fundamental shift in thinking: away from the comforting yet unrealistic notion of a return to "business as usual" towards a new economic reality investing in people, innovation and sustainable development, as well as a revalorisation of the role of government:

- in regulating markets,
- providing public services, and
- and fighting wage and income inequalities'<sup>(7)</sup>.

3.5 In the run-up to the G20 summit in London of 18 March 2009, the Confederation of European Business (BUSINESSEUROPE) stressed that 'the financial crisis is having a devastating impact on companies as the major drivers of growth have been hit by limits on access to finance. (...) Economic stimulus is needed to prevent a global economic meltdown'<sup>(8)</sup>.

### 4. Institutional dimension

4.1 Broader consensus is developing and there is a growing convergence of forces to take extraordinary measures and identify emergency policy responses for the preservation, at all costs, of businesses, manufacturing sectors, production and service activities, jobs, incomes and household consumption, going beyond existing rules.

<sup>(1)</sup> BRIC: Brazil, Russia, India and China.

<sup>(2)</sup> Eurostat STAT, 30.4.2009.

<sup>(3)</sup> SEC(2009) 353.

<sup>(4)</sup> UNWTO World Tourism Barometer, Vol. 7 No. 2 – June 2009.

<sup>(5)</sup> During the first quarter of 2009 there was a 2.5 % drop with respect to the previous quarter. In May 2009, EU industrial production fell by 15.9 % with respect to the previous year (16.8 % in the manufacturing sector) – Cf. SEC 2009/1088 – 20.7.2009.

<sup>(6)</sup> COM(2009) 114.

<sup>(7)</sup> Summary of ETUC resolution on a European Recovery Programme (5.12.2008; <http://www.etuc.org/>).

<sup>(8)</sup> BUSINESSEUROPE, 17.3.2009, in the run-up to the G20 business event (18.3.2009; <http://www.buesseurope.eu/>).

4.2 Policies aimed at limiting the economic, employment and social impacts of the crisis by offloading internally accumulated tensions onto neighbouring countries are not only a false solution to the problem, they risk pushing economies into nationalistic and protectionist behaviour that would destroy international cooperation and regional integration frameworks painstakingly built up over recent years in Europe and around the world.

4.3 The EESC considers the following points to be fundamental, indispensable components of any action taken to tackle the ongoing crisis:

- **setting up** a new international and global cooperation framework based on transparent rules for the preventive elimination of pathologies, even if latent, in the economic, monetary, and international financial system, while entirely preserving free international trade;
- **studying**, without delay, options for a new social contract with the financial sector and a strong re-regulation and better oversight of the international financial market, not to mention better public control over stimulus packages to ensure that financial support reaches employees, consumers and businesses, and also safeguards international free trade;
- **preserving** the foundations of the EU, in terms of:
  - a single European market;
  - free movement of people, goods, capital and services;
  - development and full application of common policies and especially competition policy;
  - entrepreneurial freedom and the protection of the European social model;
- **implementing** proportionate, transparent and gradually scaled-down coordinated public measures to reduce systemic risks;
- **safeguarding** and improving the competitiveness and scale of Europe's manufacturing and services sectors;
- **boosting** the knowledge-based economy;

- **enhancing** workforce and managerial skills;
- **upgrading** products and processes, aimed at environmental protection, energy efficiency and a more efficient use of materials, and establishing framework conditions for introducing them into the market;
- **supporting** the development of Territorial Social Responsibility (TSR);
- **preventing** an increased administrative and regulatory burden for European businesses;
- **developing** a coordinated IPR <sup>(1)</sup> approach;
- **improving access to credit, especially for SMEs.**

4.4 The EESC is convinced that the ongoing crisis should result in an institutional leap towards greater economic integration, geared to the development of a quality economy, and to more and better jobs.

4.5 The EESC nevertheless believes that a qualitative leap towards greater EU political integration is even more necessary. It considers this to be the only way to achieve a trade-off between giving up national egoism and priorities in pursuance of a common future.

4.6 The EESC is convinced that only if the European project is renewed, in the spirit of Jean Monnet at the launch of the Treaty of Paris, which brought the ECSC into existence, will it be possible to rebuild the foundations and launch a European economic recovery.

4.7 We must lose no time in completing the ratification of the Lisbon Treaty in order to ensure an EU architecture that can respond via better coordinated policies.

## 5. Social dimension of the crisis: the impact on workers, companies and households

5.1 In recent months, corporate restructuring has increased dramatically. Many companies have launched redundancy schemes, with significant social consequences, also for the futures of young people <sup>(2)</sup>. Others have declared bankruptcy.

<sup>(1)</sup> IPR = International Product Regulations.

<sup>(2)</sup> In EU-27 the youth unemployment rate reached 18.3 % during the first quarter of 2009, corresponding to 5 million unemployed young people – EUROSTAT 23.7.2009.

5.2 The EESC firmly believes that human resources are the key to a return to EU competitiveness in terms of both workforce skills and qualifications, and a new managerial governance model.

5.3 The EESC believes that investing in the workforce and protecting jobs are vital for the promotion of European industrial competitiveness in terms of both qualifications, new skills for the workforce and a new model for corporate social responsibility <sup>(1)</sup>.

5.4 Given the magnitude of the crisis, vocational training/employment schemes orientated towards growth sectors, such as renewable energies, should be set up without delay for workers who fall victim to the recession.

5.5 Measures to support household consumption should be considered, also in order to stimulate demand <sup>(2)</sup>.

## 6. Real economy dimension: relaunching the manufacturing and services sectors

6.1 **Deindustrialisation:** In recent years, especially at the turn of the century, the Commission and many Member States may have given scant importance to industrial and manufacturing policy in order to prioritise wealth derived from developing complex financial systems, supported mainly by North American models.

6.2 In 2005 the EU adopted an outline integrated European industrial policy based on a mix of sectoral and horizontal measures, followed by a mid-term review in 2007, making a contribution to the EU's growth and jobs strategy <sup>(3)</sup>. Subsequently, in 2008 the EU launched a sustainable industrial policy action plan <sup>(4)</sup>, on which the EESC has already commented <sup>(5)</sup>.

6.3 The central importance of socially responsible and competitive businesses, social economy enterprises and a better qualified and participatory workforce must constitute the reference base for recovery policies for the manufacturing and services sectors.

6.4 The Lisbon Strategy must retain its credibility. The Member States and the EU institutions must demonstrate their ability to adapt policies to the new context by identifying clear priorities and new methods for the post-Lisbon strategy to be defined in the coming months. Reforms should be accelerated by identifying clear specific priorities, with feasible and verifiable roadmaps.

6.5 In the EESC's view, the manufacturing and services sectors in Europe should be developed by upgrading processes and products. The EESC calls on the EU to take firm action in this regard.

6.6 The EESC believes that such an industrial strategy should include:

- **major investments in new buildings and in making existing buildings sustainable**, especially in the case of public and industrial buildings <sup>(6)</sup>, using materials with low transmission factors such as glass-compound systems and ceramics, in order to reduce consumption;
- **major investments to support energy efficiency**, to increase renewable energy production capacity and develop CO<sub>2</sub> capture and storage technologies;
- **investment in low-impact transport schemes**, with more localised production and better waste management, such as the Commission's proposed European Green Car Initiative <sup>(7)</sup>;
- **greater access by the manufacturing sector to investment funds** supported by the government in order to facilitate innovation and develop clean technologies and processes in the automotive and the mechanical engineering sectors to complement and reinforce the Commission's proposed Factories of the Future Initiative <sup>(8)</sup>; and
- **an EU-level boost for hard and soft network infrastructure**, especially to disseminate broadband information technologies, also by strengthening the EU i2010 Initiative; this is smart investment and infrastructure with a view to furthering the integration of an enlarged EU.

<sup>(1)</sup> It will be made all the more difficult by the effect on SMEs of the link between risk capital funds and loans set out in Basel II. Measures should be launched at EU level to see how these effects could be mitigated.

<sup>(2)</sup> Cf. Consumer confidence indicator (table 6), 'Business & Consumer Survey Results', DG ECFIN, June 2009.

<sup>(3)</sup> COM(2007) 374.

<sup>(4)</sup> COM(2008) 397.

<sup>(5)</sup> See the opinion on 'Sustainable Consumption and Production', OJ C 218, 11.9.2009, p. 46–49.

<sup>(6)</sup> Joint Employment Report 2008/2009, EPSCO Council, 9.3.2009.

<sup>(7)</sup> See COM(2008) 800 final, A European Economic Recovery Plan.

<sup>(8)</sup> Ibidem.

6.7 The specific situation facing SMEs has to be addressed, especially with respect to lack of access to credit and loans. At present, funds dedicated to SMEs are not fulfilling their purpose.

6.8 The Small Business Act, on which the Committee issued an opinion <sup>(1)</sup>, 'falls short of what is required, particularly in these difficult economic and financial times', as it is not adequately funded. It is however important to ensure full, timely and systematic application of the Act in the Member States.

6.9 As the Committee has frequently emphasised that, in addition to providing access to credit, it is particularly important under present circumstances to:

- adopt the Statute for a European private company, a matter of urgency for SMEs <sup>(2)</sup>, while respecting workers' rights;
- review the Community directive on late payment;
- promote the role of industrial clusters as drivers for local development by setting up EU-level 'functional production clusters', which are particularly useful in the manufacturing and services sectors;
- launch Community mentoring initiatives for new SMEs and start-ups, to boost their chances of success and their access to international markets; and
- constantly scrutinise sectoral vulnerability, so as to head off sector 'market failures', and develop a positive, forward-looking vision of development.

6.10 With regard to specific sectors, following a wide-reaching public consultation, the Commission had earlier identified a series of manufacturing sectors where stimulus and revitalisation action should be concentrated. Six markets were identified for the initial stage of the lead market initiative <sup>(3)</sup>:

- eHealth,
- protective textiles,
- sustainable construction,
- recycling,

— bio-based products, and

— renewable energies.

6.11 The method used by the Commission should be applied to other sectors. This means identifying the areas where concerted action through key policy instruments and framework conditions, as well as reinforced cooperation between key stakeholders, could speed up market development without interfering with competitive forces <sup>(4)</sup>. The same could be said for the development of the European defence industry, which should be covered by a more coordinated European policy following the establishment of the European Defence Agency and the progress made in terms of joint security <sup>(5)</sup>.

6.12 In order to make European industrial policy effective, we need to take into account the specific context of individual sectors, including the automotive sector (cars, trucks and motor-cycles <sup>(6)</sup>), the chemicals sector, shipbuilding, coal and steel, construction, glass and ceramics, cements, textiles and clothing, the agrifood sector, mechanical engineering, the electromechanical sector, aerospace, IT, telecommunications, energy, and health services.

6.13 The EESC also considers that in order to support the introduction of innovations, it is essential to further develop newly created industrial policy instruments such as the Joint Technology Initiatives, innovative public procurement, and the action plan for sustainable production and consumption.

6.14 The EESC also believes that the liberalisation of the services sector should be stepped up, especially with regard to the services of the liberal professions and persistent tariff and *numerus clausus* restrictions.

6.15 The EESC strongly advocates a Community initiative to support the business services sector, developing innovative services and content of benefit to citizens, consumers, workers and companies, speeding up the shift to digital services and the widespread introduction of broadband, and removing barriers to e-government and systems interoperability.

6.16 The EESC believes that the common foreign policy should be strengthened and made more stringent vis-à-vis relations with the rest of the world.

<sup>(4)</sup> Competitiveness Council. 4.12.2006: Conclusions on innovation policy and competitiveness.

<sup>(5)</sup> Cf. Opinions on 'Transfers of defence-related products' and on 'European Defence' (published in OJ C 100, 30.4.2009, p. 109 and OJ C 10, 14.1.2004, p. 1), respectively.

<sup>(6)</sup> The EU motorcycle sector, in particular, should have access to support and incentive schemes set up by Member States, similar to those used for the automobile sector, since it is also suffering the consequences of the ongoing economic crisis.

<sup>(1)</sup> See EESC opinion published in OJ C 182, 14.8.2009, p. 30.

<sup>(2)</sup> Cf. EESC Opinion on a European Company Statute for SMEs (OJ C 125, 27.5.2002).

<sup>(3)</sup> COM(2007) 860 final.

## 7. Sustainable development dimension

7.1 The EESC has supported <sup>(1)</sup> and continues to support initiatives to develop sustainable extraction, production and consumption policies, fully integrated with other EU policies, in order to turn potential challenges into competitive opportunities.

7.2 The EESC is convinced that EU action should continue to set ambitious targets, supported, however, by legislative and

financial instruments that do not undermine Europe's competitiveness by placing greater burdens on businesses and citizens but support positive practices and processes for innovation and technological improvement.

7.3 The EESC reiterates the importance of launching appropriate initiatives to assume international leadership in energy efficiency, extending renewable energy production capacity and developing CO<sub>2</sub> capture technologies.

Brussels, 1 October 2009.

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

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<sup>(1)</sup> EESC opinion on Eco-friendly production (OJ C 224, 30.8.2008, p. 1).



**Opinion of the European Economic and Social Committee on 'Work and poverty: towards the necessary holistic approach' (Own-initiative opinion)**

(2009/C 318/10)

Rapporteur: **Ms PRUD'HOMME**

On 24 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

*'Work and poverty: towards the necessary holistic approach'*

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 September 2009. The rapporteur was Ms Nicole PRUD'HOMME.

At its 456th plenary session, held on 30 September 2009 and 1 October 2009 (meeting of 30 September 2009), the European Economic and Social Committee adopted the following opinion by 173 votes to two with seven abstentions.

## **1. Recommendations**

For employees as well as some self-employed workers, in-work poverty is a complex issue involving many inter-related criteria. A holistic approach would help identify effective mechanisms to overcome the challenges.

1.1 A core objective of the European project should be quality jobs for all.

1.2 The working poor should be a regular topic on the agenda of the European social dialogue.

1.3 Research tools should be finalised as soon as possible in order to refine our understanding of these situations, showing European divergences, but also convergences.

1.4 New ways of combining social protection and jobs should be explored and introduced in order to secure decent incomes for all workers and thus create the conditions to enable them to meet their basic needs (housing, healthcare and education for themselves and their children, etc).

1.5 Effective initial and lifelong vocational training for quality jobs should be ensured; measures should be taken at various levels (national, regional) to create an environment that discourages young people from dropping out.

1.6 Efforts and discussions concerning flexicurity should be pursued in order to find a new balance between flexibility (essential for businesses) and the real means to provide

greater security (protection for workers) and stem the rise in in-work poverty with a view to its eradication.

1.7 The year 2010, declared 'European Year for Combating Poverty and Social Exclusion' by the Commission, should be an opportunity to foster awareness and action on these issues at EU and Member State level.

## **2. Context**

2.1 A body of learned research, proposals and innovations developed at EU level and aimed at the 'working poor' illustrates how work is not necessarily a safeguard against poverty, especially in the current socio-economic framework.

2.2 In its Proposal for the Joint Report on Social Protection and Social Inclusion 2009 <sup>(1)</sup>, based on the new National Strategic Reports, the Commission stressed the importance of the working poor and quality jobs. The topic and the concrete issues it sets out are well in line with EU-level action on 'active inclusion'. We have the double concern of fighting pauperisation and supporting the development of quality jobs for all.

2.3 The issue becomes twice as important in a crisis due to the substantial resurgence of unemployment and growing tensions over public finances. Nevertheless, we need to step back from the immediate situation and view this issue as one that needs to be tackled in the light of current exceptional circumstances, naturally, but also as a structural issue at the heart of positive and desirable medium and long term developments in social protection and employment policy.

<sup>(1)</sup> COM(2009) 58 final.

2.4 The Commission, which is working on a document on work and poverty, has declared 2010 the European Year for Combating Poverty and Social Exclusion. Indeed, 80 million people in the EU, i.e. 16 % of its population, are directly affected by poverty. They include a substantial number of 'in-work poor'; 8 % of people in work are living below the poverty line <sup>(1)</sup>.

2.5 In its opinion on the *European Year for Combating Poverty and Social Exclusion (2010)* <sup>(2)</sup>, the Committee pointed out that alongside the usual indicator of relative income poverty, other measures of poverty, showing its persistence and the actual deprivation suffered, are necessary to fully appreciate the extent of the problem. Beyond these technical details, comparisons, which are now possible thanks to an agreed definition at the European level, provide a clear picture of the trends.

### 3. Definition

3.1 When using the term 'in-work poor', we need to define both terms, i.e. 'in-work' and 'poor'. A worker's 'poverty' depends partly on individual earnings over the period of the employment contract (remuneration for work) and partly on the family's overall material resources. Work constitutes an individual's professional activity. Poverty constitutes the inadequacy of resources to cover the entire household's needs. Sometimes people who are not poor and/or not apparently poor may be unexpectedly precipitated into poverty.

3.2 Poverty is defined at the household level, whereas work is defined at the level of the individual. We are therefore mixing two levels of analysis. In-work poverty first depends on the employment situation of individuals and the characteristics of their employment and then on their household's standard of living. This double evaluation leads to difficulties. Individuals may be badly paid but not considered as poor (because the other family resources are more substantial). On the other hand, individuals may be qualified as poor even though their remuneration is close to the average national income and considered adequate by the society of which they are part. Some may be out of work (unemployed) but in receipt of benefits well above the poverty line. Others may, on the other hand, be very actively employed, but poorly remunerated and with many dependents, and therefore find themselves living below the poverty line.

3.3 It therefore follows that addressing in-work poverty at the political level simultaneously involves employment, welfare and social insurance, and family policies.

3.4 Under the European Employment Strategy, itself part of the Lisbon Strategy, reducing the number of people in working poverty has become an EU priority. It was therefore necessary to set an indicator in 2003 for purposes of evaluation and comparison. In July 2003, in the context of its work on the Social Inclusion Process, the Social Protection Committee of the European Union adopted a common indicator to assess the proportion of working poor in the EU as well as some of their key socio-demographic characteristics.

3.5 According to the Social Protection Committee's definition, the working poor are those individuals who have mainly been employed during the reference year (either in wage and salary employment or as self-employed) and whose household equivalised disposable income is below 60 % of national median equivalised income. Individuals need to have been in work for more than half the year. The 'at risk of working poverty' indicator in fact identifies anyone who has been in work for at least seven out of twelve months during the reference period as being in work <sup>(3)</sup>.

### 4. Statistical evaluation

4.1 At the end of 2008, the Commission published its annual report on social trends in the Member States in the context of the common goals of the EU social protection and inclusion strategy (see appendix) <sup>(4)</sup>. It reveals that at the end of 2006, 16 % of Europeans were at risk of poverty. 8 % of workers in the EU were living below the poverty line. These figures range from 4 % or less (Czech Republic, Belgium, Denmark, the Netherlands, and Finland) to 13 % or 14 % (in Poland and Greece respectively) <sup>(5)</sup>. In-work poverty is linked to low pay (defined as 60 % below the average), low qualifications, low job security, low pay for some self-employed workers, and (often involuntary) part-time employment. This type of poverty is also linked to the economic status of other household members. The Commission notes that in the case of households with children, a single income is no longer enough to ward off the risk of poverty.

4.2 The monetary poverty indicator is often criticised because it does not accurately reflect the many different forms of pauperisation. Income poverty is clearly only one aspect of poverty. Other indicators are being developed in the European Union and present a different and complementary picture of the realities of poverty.

<sup>(3)</sup> For further details and significant developments, see Guillaume Allègre, *Working poor in the EU: an exploratory comparative analysis*, OFCE working document No 2008-35, November 2008; Sophie Ponthieux, *The working poor as a statistical category - Methodological difficulties and exploration of a notion of poverty in earned income*, INSEE working document, No F0902, March 2009.

<sup>(4)</sup> Joint Report on Social Protection and Social Inclusion 2008. [http://ec.europa.eu/employment\\_social/spsi/joint\\_reports\\_en.htm](http://ec.europa.eu/employment_social/spsi/joint_reports_en.htm). See all data relating to the work of the open method of coordination: [http://ec.europa.eu/employment\\_social/spsi/the\\_process\\_en.htm](http://ec.europa.eu/employment_social/spsi/the_process_en.htm). For a recent European perspective, and scenarios and concerns in some EU countries, see Hans-Jürgen Andreß, Henning Lohmann (dir.), *The Working Poor in Europe. Employment, Poverty and Globalization*, Cheltenham, Edward Elgar, 2008.

<sup>(5)</sup> It should be noted that national monetary poverty thresholds have been applied. A European monetary poverty threshold would completely overturn the ranking in which countries appear.

<sup>(1)</sup> Eurostat, *Statistics in focus*, 46/2009.

<sup>(2)</sup> EESC opinion of 29.5.2008 on the *Proposal for a decision of the European Parliament and of the Council on the European Year for Combating Poverty and Social Exclusion (2010)*, rapporteur: Mr Pater, co-rapporteur: Ms Koller, (OJ C 224, 30.8.2008).

4.3 In addition to the monetary measurement of poverty, other measurements of poverty relating to 'living conditions' are being developed. At EU level, material deprivation (see appendix) is therefore measured. The indicator takes account of the proportion of people living in households lacking at least three of the following nine elements: 1) the ability to meet unexpected expenses 2) one week's annual holiday 3) ability to pay off loans 4) a meal including red meat, chicken or fish at least every other day 5) adequately heated accommodation 6) a washing machine 7) a colour television 8) a telephone 9) a private vehicle. All these material conditions are naturally questionable as indicators. It is their aggregation that presents an interesting picture. Deprivation rates show wide divergences ranging from 3 % in Luxembourg to 50 % in Latvia. These divergences are far more substantial than those for monetary poverty (ranging from 10 % to 21 %).

4.4 The material deprivation approach radically transforms the poverty classification of Member States. Nevertheless, it refers to poverty in general and not to in-work poverty. We will soon have to be able to show the situation of the working poor in terms of material deprivation for each country. In essence, in-work poverty is not just about low incomes, it is about quality of life (i.e. working, family and social life).

## 5. Factors leading to in-work poverty

5.1 One of the key factors leading to in-work poverty is worker insecurity. Several actors including the European Trade Union Confederation and European trade unions are concerned about job insecurity, which continues to escalate. With over 19.1 million on fixed-term contracts <sup>(1)</sup> and about 29 million in 'false' self-employment (mostly in construction and public works), about 48.1 million workers are living with some degree of instability. Needless to say, these people form a very heterogeneous group within single countries, and even more between countries. However, the magnitude of the problem has to be measured in tens of millions of people in employment facing some form of insecurity that puts them at risk of in-work poverty.

5.2 Employers stress the complexity of in-work poverty, first of all by pointing out the link between poverty risk and poor education. Education and training systems must be more effective and fairer. Moreover, it is essential to make work pay <sup>(2)</sup>, i.e. to find a way to ensure an effective balance between tax and benefit systems.

<sup>(1)</sup> European Union Labour Force Survey-Annual results 2008; [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-QA-09-033/EN/KS-QA-09-033-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-QA-09-033/EN/KS-QA-09-033-EN.PDF).

<sup>(2)</sup> *Making work pay* - Study undertaken by the Employment Committee and the Social Protection Committee on interplay of tax and benefit systems. See also the EESC opinion on *Social protection: making work pay*, rapporteur: Ms St Hill (OJ C 302, 7.12.2004).

5.3 Working poverty is based on low pay (often not commensurate with the work involved) and changes in family models. Changing family trends, affecting different Member States to different degrees, are characterised by growing instability, more separations, more single parent families, and therefore single income households at greater risk of poverty. In the Joint Report on Social Protection and Social Inclusion (2007) <sup>(3)</sup> the Commission had already pointed out that a 'job is the best safeguard against poverty and social exclusion, but a job does not guarantee a life free from poverty'. As a result, we need to adopt or strengthen vital solidarity-based support measures for families, women, young people, students, people with disabilities, the elderly, migrants - the most vulnerable social categories. Moreover, the extent to which working poverty determines child poverty needs to be stressed.

5.4 The rise in the cost of transport, housing, healthcare, etc. also undermines the security of workers. Those earning close to the minimum wage and the lower middle classes are specially affected by these increases since they are usually on the fringes of employment zones.

5.5 In-work poverty can result from low skills or low education levels and from being under-qualified for adequately remunerated jobs, or from substandard working conditions. The most vulnerable groups are often older workers, the young, women, large families, those with a disability, early school leavers and migrants. Thus it is vital to provide all people with a disability with appropriate workplace conditions and to give every child a good start in life through early years education, but also by tackling the school dropout rate, which, at the current level of 15 % in Europe, is still too high.

5.6 At a deeper level, in-work poverty is very often an outcome of underemployment. For employees as well as some self-employed workers, in-work poverty is a complex issue involving many inter-related criteria. A holistic approach is required to identify effective mechanisms to overcome the challenges. Without comprehensive growth policies aimed at adapting to globalisation, and now at economic recovery, there can be no effective programmes for combating in-work poverty.

## 6. Proposals for a comprehensive approach to fighting in-work poverty

6.1 We first need to think in macroeconomic terms in order to fight in-work poverty. Ad hoc measures will not adequately serve to check the dynamics, especially in a period of crisis. Employment and self-employment, and more specifically quality employment for all, should be the priority of all EU institutions.

<sup>(3)</sup> [http://ec.europa.eu/employment\\_social/spsi/joint\\_reports\\_en.htm#2007](http://ec.europa.eu/employment_social/spsi/joint_reports_en.htm#2007).

6.2 *Reliable indicators*: the process of developing common and reliable indicators for the working poor must continue. Major advances have been made thanks to European investment and the open method of coordination. We now need to go further and build our knowledge on the basis of more complete data, taking account simultaneously of the number of working poor, the intensity of this poverty and the unequal distribution of income among the poor (within the same country and from country to country).

6.3 Technically speaking, with respect to these statistical issues, we need national data, based on national thresholds, as well as wholly European data, based on a European threshold. This would facilitate other classifications and other perspectives in addition to those provided today by the only indicator established.

6.4 *Fair and decent pay, backed by strengthened social dialogue*: Fighting in-work poverty must also involve an ambitious wage policy. We should increase and support all initiatives aimed at reverting to the formula: inflation + appropriate share of productivity gains. In this context, wage negotiations, the cornerstone of social dialogue, should play a preponderant role in fighting in-work poverty. At sectoral, national, and European levels, there is no real financial impact on businesses when negotiations go smoothly and therefore there is no 'premium' to be paid for genuine social dialogue. Progress towards decent work is achieved through social dialogue, the investment of the social partners, corporate responsibility and public authority incentive and corrective measures, and now through the role of banks vis-à-vis SMEs. Fighting undeclared employment is also a decisive factor in combating in-work poverty, partly because it affects the most vulnerable members of society (migrants, people in unstable situations) but also because it can lead to quasi-slavery, in violation of the Charter of Fundamental Rights.

6.5 *Entrepreneurship and self-employment mechanisms*: many entrepreneurs and the self-employed suffer from in-work poverty, especially in the early days of establishing businesses. Support mechanisms need to be provided as many of these SMEs go on to be job creators. Although 80 % of the growth in the economy comes from the SME sector, many entre-

preneurs take little or no pay whilst establishing their businesses, putting their families at risk of poverty.

6.6 *Adjusted vocational training systems*: Lifelong training, especially for less qualified workers, is a prerequisite for improving these workers' skills and their access to fairly and decently paid jobs.

6.7 *Adapted social protection*: Beating in-work poverty entails rationalising the measures in operation. Social services should be able to interact more effectively with new childcare and mobility support services (mobility, as well as work, must pay), which enable the working poor to get back into better paid jobs.

6.8 With regard to housing, since it appears that in some countries a not inconsiderable number of homeless people are in work, it is important to use social housing resources to give priority to those who have jobs but risk losing them and the stability they provide because they have poor housing, or no housing at all.

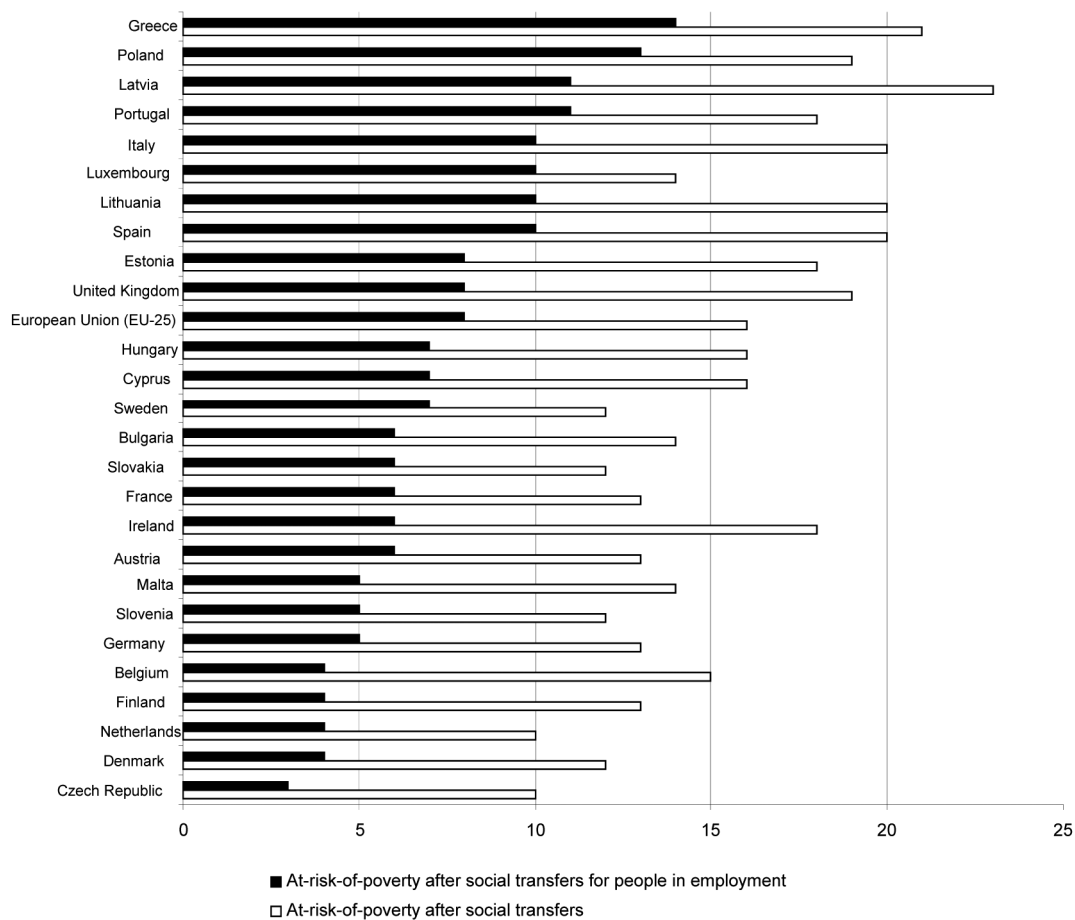
6.9 *Taking working conditions and the job into account*: In concrete terms, since in-work poverty is largely linked to working conditions, it is vital to impact on levers linked to the working environment: support for voluntary job mobility, subsidised meals for workers, housing conditions, childcare facilities. Furthermore, employers should be in a position to assess what measures they could take to offer greater job security in their employment contracts and how their employees could further and improve their qualifications.

6.10 *Fostering awareness and action*: Finally, we need to mobilise public opinion and the media during the European Year for Combating Poverty and Social Exclusion. Analysing in-work poverty, speaking out about the degrading situations it creates for human beings and mobilising public opinion in the EU could put an end to the distress suffered by some workers and so help to restore their compromised dignity. Rather than talking in terms of compassion, we should be talking in terms of action to ensure quality jobs for all in order to promote an ethically superior European social model.

Brussels, 30 September 2009.

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

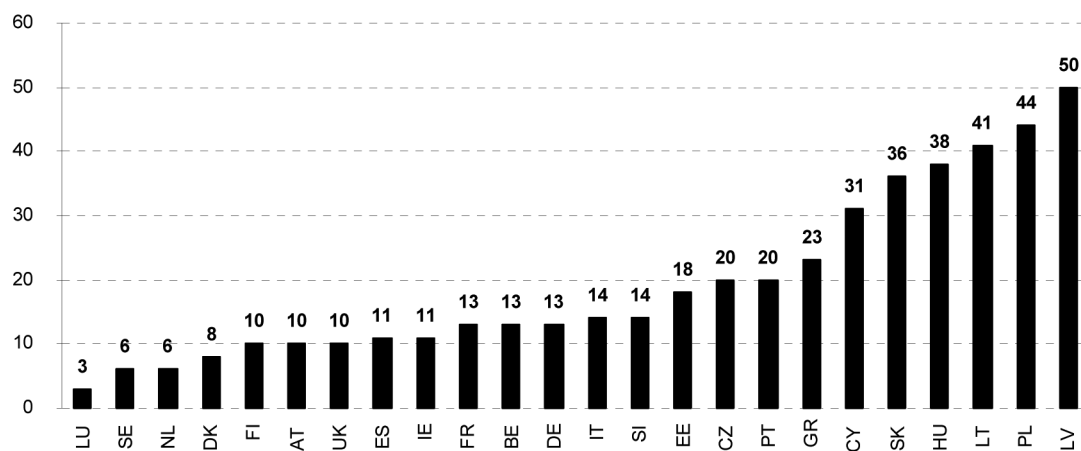
## Appendix

**Figure 1.** Poverty and in-work poverty in the European Union in 2006

Source: Eurostat, EU-SILC

**Figure 2.** Material deprivation in the EU

Percentage of people living in households that lack at least three of the listed elements (2006)



Source: Eurostat, EU-SILC



**Opinion of the European Economic and Social Committee on the 'Report of the de Larosière Group' (Own-initiative opinion)**

(2009/C 318/11)

Rapporteur: **Mr NYBERG**

On 23 March 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

*'Report of the de Larosière Group.'*

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 11 September 2009. The rapporteur was Mr NYBERG.

At its 456th plenary session of 30 September and 1 October 2009 (meeting of 30 September), the European Economic and Social Committee adopted the following opinion by 152 votes to 37, with 15 abstentions.

## **1. Conclusions and recommendations**

1.1 The current financial and economic crisis is on a scale the likes of which the world has not seen in peacetime since the 1930s. However, the present opinion focuses exclusively on the financial crisis and what can be done to prevent it recurring in the future. This was the brief entrusted to the de Larosière Group, whose report is the subject of the present EESC opinion. One indication of the just how important these issues are is the fact that the European Commission has already put forward proposals for changes to EU legislation, for example on credit rating agencies, on various types of financial activity and on financial supervision, which was the main topic addressed by the de Larosière Group.

1.2 The primary cause of the crisis was excess liquidity, which, according to the de Larosière Group, was due, in part, to expansionary monetary policy in the United States and imbalances in the world economy, most clearly so in relations between the US and China. The EESC believes that another conceivable explanation is that there has been a shift in income distribution away from labour income to capital income. The distribution of income has become more uneven. The wealthiest needed to find an investment outlet for their increased assets. As the opportunities for real investment had not grown at the same pace, this put upward pressure on security prices. The de Larosière report provides an in-depth account of the financial 'bubble' but further analysis is needed to determine what political decisions are required in the future.

1.3 The EESC generally endorses the Group's 31 recommendations but would like to widen the focus of the analysis and make a number of comments and additions.

1.3.1 The de Larosière Group recommends introducing higher capital requirements for banks in 'good times' and

lower requirements in 'bad times'. In view of the difficulty of forecasting fluctuations in the economic cycle, this might be a risky proposal. At the same time, the example of Spain shows that a system based on variable capital requirements can work. Therefore the EESC believes that such a measure needs to be studied with regard to timing before it can be implemented.

1.3.2 The EESC thinks that higher capital requirements and greater transparency for off-balance sheet operations are absolutely essential. The Spanish authorities had the most stringent rules governing off-balance sheet items and the Spanish banks were the least affected by the crisis.

1.3.3 'Off-balance sheet items' and 'Special purpose vehicles' have sometimes been abused. Risky assets have been removed from banks' balance sheets in order to avoid capital requirements and sometimes in order to avoid taxation. Against this background, the EESC thinks that stricter rules are required.

1.3.4 The EESC believes that making the riskiness of bank assets more transparent ought to be one of the main demands in the follow-up to the report. The EESC, like the Group, thinks that banks and financial institutions should always retain a part of the underlying risk on their books when risky assets are sold on. The risks inherent in financial products must be clearly evident. Transparency of financial products is necessary in order to restore confidence in the financial markets. Here the EESC would again refer to the case of Spain. New instruments should not be used in the financial markets before they have been vetted by a monetary authority. The introduction of such checks should be discussed. It has to be decided whether they should be national checks or whether a common EU-wide system is required. The degree to which financial activities are cross-border in nature argues in favour of a common system.

1.3.5 The 'parallel banking system' consists of various forms of unregulated lending. These new forms of financial activity have been able to develop outside the scope of regulation, not even being subject to reserve requirements. The EESC agrees that they should also be brought within the ambit of regulation. The report also calls for common rules for investment funds, definitions of the various products used and stricter supervisory control. It is easy to concur with these recommendations.

1.3.6 Stricter requirements concerning bank management and auditing are essential. The EESC does not believe that the solutions put forward by the de Larosière Group pay enough attention to the role of auditors. With effective auditing it would have been possible to reduce the spread of risky instruments. Management of financial firms must be able to rely on auditing in the valuation of assets. The role of auditors and accounting methods should be included in the revision of Basel II.

1.3.7 The report makes good recommendations on bonus schemes. They should be set in a multi-year framework and reflect actual performance rather than just being guaranteed in advance. The EESC believes that there is need for a transition from a short-term to a long-term horizon, with bonuses not linked to speculative activities. In this spirit, the EESC supports the idea of a tax on financial transactions, the proceeds from which could be allocated to development aid. Moreover, an additional requirement is that bonuses should not be based on general developments but on whether the bank manages to turn in a performance which is better than the overall trend. It would also be good to establish a ceiling for bonuses in order to avoid excesses and ill-considered risk-taking. An 'exit strategy' for the financial crisis should provide for repayment of the vast sums disbursed to financial institutions from government budgets rather than reverting to high profits and bonuses.

1.4 Supervision of financial markets was the main task entrusted to the de Larosière Group. The EESC also thinks that supervision is key to preventing the occurrence of another financial crisis. But supervision requires rules. Therefore the proposals for amending and strengthening rules set out in the first part of the de Larosière report are considered equally important.

1.4.1 The de Larosière Group notes that there is a need for a European body to carry out macro-prudential supervision of the financial system and issue macro-prudential risk warnings. It recommends that the ECB/ESCB be given this responsibility and that a special council be entrusted with this task. Whilst linking the council administratively link to the ECB makes sense *per se*, it is the ESCB which must be formally responsible for conducting supervision. Supervision must definitely cover financial systems in all of the Member States and the ESCH must also appoint the senior management of the new council/board.

1.4.2 The report recommends that the new system of micro-prudential supervision be created in two phases, with different authorities for the supervision of banks, investment funds and securities markets. The second phase would consist of establishing common ground rules for supervision and eliminating differences in national application. During this phase, sanction regimes would also be harmonised. The EESC sees no reason to delay this process and therefore welcomes the fact that in its communication the Commission now recommends that immediate steps be taken to prepare the whole system for micro-level supervision.

1.4.3 The EESC believes that colleges made up of supervisors from the relevant national supervisory authorities could be difficult to manage unless accompanied by the necessary harmonisation. Otherwise differences in the rules governing national supervisory authorities would make it necessary in practice for the three new authorities to assume responsibility for part of the supervision of cross-border financial firms.

1.4.4 The boards of the three new authorities should not be composed of only bankers. Trade union organisations, consumers of bank services as well as the EESC, as the representative of civil society, should also be given places on the boards.

1.5 The de Larosière Group feels there is a need at global level to beef up the Basel II framework, international accounting standards and global regulation of credit rating agencies and derivatives markets, to introduce new governance practices in the financial sector and to give the IMF a stronger role. The Group would like to put an end to the possibility whereby financial firms are attracted to a particular jurisdiction because of weak regulation of the financial sector. Several of the Group's recommendations were, however, already adopted at the G-20 summit in London. The Financial Stability Forum set up in 1999 to promote global financial stability was transformed into the Financial Stability Board. The EESC hopes that this body will become more transparent and be endowed with adequate resources, knowledge and the power to act. The EESC welcomes the fact that the IMF will be given more resources to help countries facing acute problems but would criticise the demands laid down by the IMF, which bring into question important aspects of the European social model. It is all the more reason why it is essential for the EU to speak with a single voice within the IMF.

1.5.1 In discussions on financial markets use is now made of the term 'stress test' – an examination of how a country's banking system would cope in the event of a financial market crisis. Viewed against the background of the current financial crisis, it is easy to understand how important such tests could be. At the same time this raises the crucial question as to whether the results should be made public. If the IMF were to publish the results of such a test showing that the banking system in a particular country would not be able to survive a crisis, the crisis could then become a reality.

## 2. Introduction

2.1 The extent of the current financial and economic crisis is unprecedented in peacetime. The Depression of the 1930s took place at a time when the world's economies were not as integrated as they are now. It was mainly the US and Europe which were hit. What we are experiencing today is, to a large degree, a global crisis.

2.2 What started as a financial crisis has turned into an economic crisis accompanied by recession in large parts of the world. It is likely to be followed by a social crisis with high unemployment. How extensive it becomes will be determined by what kind of policy is adopted to address the crisis. It has been accompanied by a political crisis which has led to the fall of governments.

2.3 However, the present opinion focuses exclusively on the financial crisis and what can be done to prevent it recurring in the future. Seen against the background of the overall crisis, the subject matter is limited: it does not deal with the economic crisis or with measures for countering the current financial crisis, such as providing the financial sector with public funds. Rather, it is simply about the future and in particular the supervision of the financial sector.

2.4 This was the brief entrusted to the de Larosière Group, whose report is the subject of the present EESC opinion. The de Larosière Group saw fit to widen its brief. This was necessary in order to provide a comprehensive picture enabling more constructive proposals to be put forward.

2.5 The current crisis started in the financial sector. Before the de Larosière Group had published its report, the crisis had assumed such serious proportions that the European Commission had already put forward proposals for changes to EU legislation. The most important of these is probably the proposal on credit rating agencies. A proposal has been put forward for a directive on particular forms of financial activity. A communication presented on 27 May discusses the section of the de Larosière report dealing with supervision of the financial sector. According to Annex 1 of the Commission staff working document accompanying the Commission communication, there are five differences between the de Larosière report and the communication. These differences are commented on briefly in points 6.2.4, 6.3.1 and 6.3.5. The EESC will deliver a separate opinion on the forthcoming practical legislative proposals. Although the Commission does not touch upon the other parts of the de Larosière report in the communication, the EESC believes that they are also of the utmost importance for the future of the financial sector.

2.6 The de Larosière report was written by bankers for bankers and those who will have to take the proposals on board are primarily banking experts in the Commission and finance ministers in the Member States. The EESC supports the Group's 31 recommendations but the focus must be

widened. Those who, in practice, brought about the financial crisis cannot solely be responsible for solving the current problems. Consumers of financial services are private individuals and firms who deposit their savings and borrow to finance their investments. The task of the financial markets is to serve these groups, i.e. civil society, in the best possible way. So, whilst generally endorsing the report, we would like to make some comments on it and put forward some additional proposals.

## 3. Causes of the financial crisis

3.1 Excess liquidity in the financial sector did not prompt any measures by central banks. The focus was exclusively on the level of prices, and this did not justify raising interest rates. The availability of cheap liquidity led to a rise in security prices. Just as there can be no doubt that the level of liquidity was too high when the crisis started, so a consequence of the crisis is that it has now fallen to a level which is too low. On the other hand, it is difficult to say what is an adequate level of liquidity and money supply under normal circumstances. The EESC would also highlight the dilemma of simultaneously using inflation and some measure of money supply as monetary policy indicators. An excessive money supply should lead central banks to raise interest rates. If, at the same time, inflation is low, this should, on the contrary, lead to a fall in interest rates. The EESC therefore believes that if, even in such complex situations, the money supply is used as an indicator, the potential effects on the real economy must be taken into consideration.

3.2 Political decisions supporting home ownership regardless of people's ability to pay, the low cost of borrowing and new products created by financial institutions by bundling up different securities had the effect of concealing the underlying risky loans (subprimes). These securities spread throughout the world's financial markets as private saving in the US was even negative in the period 2005-2006. The EESC commented on this in July 2008 <sup>(1)</sup> as follows: 'The recent sub-prime mortgage crisis in the United States has revealed how the volatility of property prices combined with poor client-risk assessment practices with respect to non-payment of instalments that are out of proportion with the actual value of the mortgaged property itself, can generate a financial crisis serious enough to destabilise the entire system. For this reason, any EU action should draw on this experience ...'

3.3 At the same time, imbalances in world trade led to the emergence of large surpluses in some countries (above all China), which were used to buy US Treasury bonds. New, complex combinations of securities (including subprimes) yielded high returns and the whole financial market searched for ever-higher returns. The additional securities served as a basis for new lending so that the volume of financial transactions expanded – an expansion which was based on securities which were more risky. The understanding was that one of the purposes of the new, complex financial products was to spread risks. The increase in the volume of transactions on financial markets created the impression of ever-increasing profits.

<sup>(1)</sup> OJ C 27, 3.2.2009, p. 18.

3.4 Risky mortgage-backed assets, which were difficult to sell in the banking system, were incorporated into new securities (through securitisation), which made it possible to sell them on. This practice was brought to an end and the crisis triggered when the United States entered recession in 2008 and unemployment climbed. Many homeowners could not afford to pay the new interest rates. Banks had to mark down the value of their securities and sell them. The value of the assets underlying these securities fell further and the downward slide accelerated. Confidence collapsed.

3.5 The de Larosière report mentions several factors which contributed to the sequence of events described above:

- when the process started the regulation of international banking took place within the framework of the Basel 1 Accord. In fact, this framework encouraged financial firms to push risk taking off their balance sheets. This has been partly remedied by the Basel 2 framework;
- the explosion of new, complex financial products which were traded ‘over the counter’, whereby the associated risks became invisible;
- regulation of financial institutions’ activities is based on risk assessment carried out through credit rating agencies;
- credit rating agencies gave the same rating to these virtually worthless financial assets as they did to government bonds. The agencies are funded by the very financial establishments whose products they rate;
- boards and senior managements of financial institutions did not understand the nature of the risks involved in the new, highly complex financial products;
- inadequate regulation and supervision, without coordination, coupled with strong competition between financial centres.

3.6 Implicit in the de Larosière report is the criticism that central banks did not take measures to deal with the dramatic increase in liquidity.

3.7 However, the EESC would like to take the analysis a few steps further. Rising liquidity was partly due to imbalances in the world economy. This is most clearly evident in relations between the US and China: a trade surplus in China and a saving ratio equivalent to 30-40 percent of income, as a buffer against illness and old age; a trade deficit in the US associated with non-existent saving. Another possible explanation, which is not touched upon by the de Larosière

Group, is the shift in income distribution away from labour income to capital income. The distribution of income has become more uneven. Both the ILO and the OECD have stated that this trend must be stopped.

3.8 The wealthiest needed to find an investment outlet for their increased assets. As the opportunities for real investment had not grown at the same pace, this put upward pressure on security prices. A new regulatory framework for financial markets cannot solve these causes of the current problems, as political decisions are needed to address them. The de Larosière report provides an in-depth account of the financial ‘bubble’ but further analysis is also needed to determine what political decisions are required in the future.

3.9 The financial context described undeniably encouraged the proliferation of speculative deals that bore little relation to developments in the real economy, with no use being made of international fiscal and monetary policy instruments that could have reined in their growth. The financial institutions and international bodies ignored the many social movements that have repeatedly called for regulatory measures to be adopted, one of the most important of which is the Tobin Tax.

#### 4. Policy and regulation

4.1 According to the report, the present crisis is due to market failures, global imbalances, poor regulation and weak supervision. Not all these problems can be resolved by regulation but effective regulation is a precondition. The report goes on to state that all these problems must be addressed but it is questionable whether the proposed regulation goes far enough. Moreover, it could be argued that there is a danger that more regulation could reduce financial innovation. Here the EESC would recall that subprime loans and securitisation are just such financial innovations. Abuse of some of these innovations is at the root of the current financial problems. Regulation can sometimes also contribute to financial innovation, such as the SEPA (Single European Payments Area).

4.2 The Group recommends better coordination between central banks and the political bodies responsible for supervising financial markets. Central banks must devote more time to macroeconomic considerations in the form of better supervision of financial markets. The EESC believes that this recommendation and the requirement that the IMF play a more effective role in surveillance are necessary proposals.

4.3 The report states that public regulation and self-regulation in the financial sector must complement each other. As internal control has not worked, it is asserted that there is a need to oversee self-regulation. This effectively eliminates the boundary between public regulation and self-regulation.



4.4 In reality, there is no such boundary. In practice, the banking sector lays down rules for self-regulation of the financial sector through the Basel 1 and 2 frameworks. It is up to banks and other financial institutions themselves, or the state in cases where the rules are introduced by law, to ensure compliance with the rules. (Basel II entered into force in the EU on 1 January 2008 and will only become applicable in the US on 1 April 2010.) The report does not give serious consideration to the organisational and democratic deficiencies in financial markets which self-regulation gives rise to. Given a globalised market, a key question should be: do political bodies have enough influence?

## 5. Recommendations of the de Larosière Group

5.1 *Banks' minimum capital requirements should be gradually increased.* In view of fact that the banking crisis has created a situation where there is currently a credit shortage, such an increase should be postponed until later. The EESC believes that this is an essential requirement so as to avoid the need in the future for society to inject capital into banks when they experience liquidity problems. The EESC agrees that *the EU should adopt common definitions of capital requirements.*

5.2 *Varying capital requirements over the economic cycle.* The report argues that central banks should not only look at inflation but also at overall monetary and credit developments. When money or credit grow excessively, they should therefore be ready to tighten monetary policy. To meet these counter-cyclical objectives, it is proposed that higher capital requirements be introduced for banks in 'good times' and lower requirements in 'bad times'. Considering the difficulty of making economic forecasts, this might be a risky proposal. Raising the requirements following a period of good times and credit expansion may, instead, exacerbate a cyclical downturn if the good times are coming to end. At the same time, the example of Spain shows that a system based on variable capital requirements can work. The EESC believes that the risks associated with timing need to be examined before it can be implemented.

5.3 *Stricter rules governing off-balance sheet items in the form of higher capital requirements and greater transparency.* The Spanish authorities had the most stringent rules governing off-balance sheet items and the Spanish banks were the least affected by the crisis.

5.3.1 When banks undertake off-balance sheet operations they do so in most cases by making use of one of the financial innovations, namely 'special purpose vehicles'. Here the purpose is often to remove risky assets from the bank's balance sheet so that the bank itself is not exposed to risk.

Another reason may be to avoid taxes. Bearing in mind the way in which these instruments have been abused, the EESC believes there is a need for stricter rules both with regard to off-balance sheet items and special purpose vehicles. Essential from the point of view of regulation is that banks and financial firms must not be able to use these methods to conceal their activities.

5.4 *The riskiness of bank assets must be made more transparent.* The EESC believes this ought to be one of the main demands when, in its follow-up to the report, the Commission hopefully sets out measures for achieving real transparency for bank assets.

5.4.1 The report discusses securitisation, derivatives markets, investment funds and the 'parallel banking system'. The EESC would like to see a comprehensive solution where no problem associated with these risky securities is left unresolved outside the scope of individual proposals. The parallel banking system consists of various forms of unregulated lending. The report recommends that the Basel 2 framework be extended to cover these activities (hedge funds, investment banks, etc.). This seems self-evident and a decision to this effect should be taken immediately. These new forms of financial activity, which often take place alongside the banking system, have been able to develop outside the scope of regulation, not even being subject to reserve requirements. The report also calls for common rules for investment funds, definitions of the various products used and stricter supervisory control. It is easy to concur with these recommendations. Banks and financial institutions should always retain a part of the underlying risk on their books when risky assets are sold on.

5.5 On 13 May 2009 the Commission presented a proposal for Directive on Alternative Investment Fund Managers which covers many of these new instruments. The EESC will deliver an opinion on this proposal in due course. Earlier, in 2006, the EESC issued an opinion on the Green Paper on investment funds <sup>(1)</sup>.

5.6 As regards accounting rules, the Group recommends that the International Accounting Standard Board (IASB) introduce new rules for the new, complex financial products. Application of the mark-to-market accounting method has severely exacerbated the crisis. When asset prices collapsed they were booked at daily value. In this difficult situation, this had the effect of depressing asset values far below their intrinsic value. Nor can the alternative method – to value assets on the basis of the original purchase price – work effectively in such circumstances. The EESC believes that this is an area where there is certainly room for innovation.

<sup>(1)</sup> OJ C 110, 9.5.2006, p. 19.



5.7 It is worth asking the following question: what sense does it make that assets which have concealed risk are traded around the banking system? There is a perhaps a need here to do away with some of these instruments. Bankers often speak about the importance of financial innovation. Has this process been taken too far? The EESC calls on the Commission to go through the existing instruments, to establish their usefulness and the risks they carry, and to propose which ones might be discarded or to give definitions of those which are to remain. The banking world cannot take sole responsibility for this task. The Commission must prepare the ground for relevant decisions of the European Parliament and the Council. Financial products must not be made unnecessarily complex. It must be clear what risks they contain. Transparency of financial products is perhaps the key requirement for restoring confidence to the financial markets.

5.7.1 Here again the EESC would refer to the case of Spain. New instruments should not be used in the financial markets before they have been vetted by a monetary authority. In its review the Commission should examine the differences between the instruments used in Spain and in other EU Member States. In addition, the introduction of such checks should be discussed and a decision taken as to whether they should be national checks or whether a common EU-wide system is required. The degree to which financial activities are cross-border in nature argues in favour of a common system.

5.8 The EESC agrees with the Group's recommendation concerning banks' internal risk management that this must be an independent function, that the associated work be given a very high rank within the hierarchy and that there should not be over-reliance on external assessments (credit rating agencies). The recommendation to develop crisis management arrangements within financial institutions can, of course, be endorsed. The crucial question here is whether recommendations on this subject can ever be anything more than just that. To what extent is it possible to regulate a financial institution's internal practices? Probably all that can be done in this area is that supervisory authorities oversee the organisations concerned and publish their criticisms.

5.9 When the crisis became acute, many Member States strengthened EU requirements regarding bank deposit guarantees. In the report the Group calls for harmonisation of the rules governing deposit guarantee schemes so that all bank customers receive a level of protection which is equal and suitably high. A solution must be found to the problem of bank branches in other countries but where is the funding for these bank deposit guarantees to come from? The EESC agrees with the Commission on this issue and calls upon it to quickly put forward a proposal on new EU rules on bank deposit guarantees.

5.10 *Stricter requirements concerning bank management and auditing.* In the light of what has happened this is an essential demand. Financial institutions also have ethical codes but in

certain cases it appears that they have not had any impact on actual behaviour. It is difficult, however, to come up with practical proposals where personal competence is concerned. With new rules and the possible exclusion of some instruments from the market, the management of banks should become easier. Instruments whose purpose is to conceal risk make the management of banks very difficult. Moreover, the EESC does not believe that the solutions put forward by the de Larosière Group pay enough attention to the role of auditors. With effective auditing it would have been possible to reduce the spread of risky instruments. Management of financial firms must be able to rely on auditing in the valuation of assets. The role of auditors and accounting methods should be included in the revision of Basel II. It would also be extremely useful to involve some stakeholders in assessing the policies and instruments produced by the financial bodies, by setting up ad hoc committees.

5.10.1 A bonus scheme which rewards investment in short-term, risky assets is a major factor shaping the behaviour of bank management. The report makes good recommendations on bonus schemes, namely that assessment of bonuses should be set in a multi-year framework and reflect actual performance rather than just being guaranteed in advance. The EESC believes that there is need for a transition from a short-term to a long-term horizon, with bonuses not linked to speculative activities. In this spirit, the EESC supports the idea of a tax on financial transactions, the proceeds from which could be allocated to development aid. An additional requirement is that bonuses should not be based on general developments but on whether the bank manages to turn in a performance which is better than the overall trend. It would also be good to establish a ceiling for bonuses in order to avoid excesses and ill-considered risk-taking.

5.11 As regards *credit rating agencies*, the Group recommends that the Committee of European Securities Regulators should be entrusted with the task of licensing these bodies. The Commission has already presented a proposal on a Regulation on credit rating agencies. The EESC has drawn up an opinion on the proposal in which it endorses the Commission proposal<sup>(1)</sup>. The Group argues that there is a need to review the arrangements for funding credit rating agencies. The EESC believes that it can already be stated categorically that they should not be financed by those whose credit instruments are rated by credit rating agencies.

## 6. Supervision

6.1 Supervision of financial markets was the main task entrusted to the de Larosière Group. The EESC also thinks that supervision is key to preventing the occurrence of another financial crisis. But supervision requires rules. Therefore the proposals for amending and strengthening rules set out in the first part of the de Larosière report are considered equally important.

<sup>(1)</sup> OJ C 277, 17.11.2009 (ECO/243 – credit rating agencies).

## 6.2 A European system for supervision at macro-level

6.2.1 The report criticises the present supervisory arrangements for placing too much emphasis on the supervision of individual firms and recommends, instead, that supervision should encompass the entire financial system. It recommends that the ECB/ESCB (European System of Central Banks) be charged with this responsibility. Where cross-border supervision is necessary (for financial institutions with branches in other countries), the Group considers that a binding mediation mechanism is required.

6.2.2 The de Larosière Group notes that there is a need to formally charge a European body with the task of macro-prudential supervision of the financial system and of issuing macro-prudential risk warnings where required. An independent council/board (European System Risk Board) should be set up within the ECB/ESCB and entrusted with this task. In addition to the central banks, the council would comprise representatives from the three authorities it is proposed should be responsible for micro-prudential supervision. The EESC would note that, at present, there probably does not exist any body with the knowledge necessary for macro-prudential supervision. Therefore such knowledge needs to be built up as support for the council. The Larosière report also makes the point that the Commission should be called in where overarching risks arise in the financial system.

6.2.3 The EESC endorses ECOFIN'S and the European Council's additions to the Commission's proposal in the communication of 27 May, according to which the ECB General Council should be represented on the European Systemic Risk Council (ESRC), with national supervisory authorities as observers, every country should have a vote and any recommendations from the ESRC should be made through the ECOFIN Council. The European Council has also proposed that the chairperson of the ESRC be chosen by the ECB General Council. The EESC thinks that this is appropriate given that all 27 Member States are represented on this body. The European Council recommends that the new European Supervisory Authorities should also have supervisory powers for credit rating agencies. The EESC supports this proposal, which is the outcome of the discussions on the proposal for a directive on credit rating agencies, but points out that only one of these three authorities should have this task.

## 6.3 A European system of micro-prudential supervision

6.3.1 As regards day-to-day supervision, the Group recommends strengthening the three level 3 committees for the supervision of banks, insurance companies and securities markets by transforming them into authorities. Regulation within these three areas is so different as to rule out the possibility of merging them into one authority.

6.3.2 It is proposed that only the financial sector be represented on these new authorities. As already noted, the EESC

feels that financial activity is not only an issue for those directly involved in such activity. A strong case can be made for participation by employee organisations. Equally, there are strong grounds for giving consumers of banking, insurance and securities services places on these authorities. Here a comparison can be drawn with the proposal put forward by the Obama administration in the United States, where it is planned to set up a separate agency for bank customers to monitor financial activity. It goes without saying that the EESC, as the representative of civil society, should be invited to take part as well.

6.3.3 It is recommended that these new authorities be, *inter alia*, given the task of establishing *differences among Member States in the application* of current EU rules. The EESC believes therefore that it follows naturally from this recommendation that the Commission propose amendments to the rules with the aim of eliminating such differences.

6.3.4 The Group states in the report that there must be *competent supervisory authorities* in all Member States, which should also be equipped with deterrent regimes. The EESC can only agree with this recommendation and would also point out how important it is that these authorities be independent of banks and financial institutions. The Commission is called upon to propose EU rules in this regard.

6.3.5 The de Larosière Group recommends that national supervisory authorities continue to carry out day-to-day supervision but that the three new authorities be responsible for setting standards and coordinating activities. Checks must be made to determine whether the national authorities really are independent. In the case of cross-border financial firms, colleges of supervisors from the relevant national supervisory authorities would be set up. In the light of experience so far, national authorities should be obliged to exchange information.

6.3.6 The report recommends that the new system of micro-prudential supervision be created in two phases. The second phase would consist of establishing common ground rules for supervision and eliminating differences in national application. During this phase, sanction regimes would also be harmonised. The EESC sees no reason to delay this process and therefore welcomes the fact that in the communication the Commission now recommends that immediate steps be taken to prepare the whole system for micro-level supervision.

6.3.6.1 The EESC believes that colleges made up of supervisors from the relevant national supervisory authorities could be difficult to manage unless accompanied by the necessary harmonisation. Owing to fundamental differences in the rules governing national supervisory authorities, the three new authorities would, in practice, have to assume responsibility for part of the supervision of cross-border financial firms.

6.3.6.2 The EESC fully supports the European Council invitation to the European Commission to specify how the European System of Financial Supervisors could play a strong coordinating role among supervisors in crisis situations, while fully respecting the responsibilities of national authorities in relation to potential fiscal consequences and fully respecting central banks' responsibilities, in particular relating to the provision of emergency liquidity assistance.

## 7. Remedies at global level

7.1 The de Larosière Group also feels there is a need at global level to address regulation of the financial sector, supervision and crisis management and that an appropriate framework for this purpose is lacking. The Group calls for a strengthening of the Basel II framework and international accounting standards, for global regulation of credit rating agencies, for new governance practices in the financial sector and for a stronger role for the IMF. It would like to put an end to the possibility whereby financial firms are attracted to a particular jurisdiction because of weak regulation of the financial sector. Colleges of bank supervisors are particularly important for banks which operate globally.

7.2 Bringing about changes at global level can be expected to be difficult. Several of the Group's recommendations were, however, already addressed at the G-20 summit in London. The Financial Stability Forum, set up in 1999, was transformed into the Financial Stability Board, with an increased membership comprising all the G-20 countries plus Spain and the European Commission, a wider remit and closer links to the IMF. These

changes are fully in line with the de Larosière Group's recommendation. During the current crisis, the Forum has not, to date, been capable of giving early warnings of the risks existing in the financial system. The EESC expresses the hope that the changes will make this body more transparent and that it be endowed with increased resources, knowledge and the power to act. It also needs to be stressed that the majority of the decisions made in London have yet to be implemented.

7.3 In discussions on financial markets use is now made of the term 'stress test' – an examination of how a country's banking system would cope in the event of a financial market crisis. Viewed against the background of the current financial crisis, it is easy to understand how important such tests could be. At the same time this raises the crucial question as to whether the results should be made public. If the IMF were to publish the results of such a test showing that the banking system in a particular country would not be able to survive a crisis, the crisis would then become a reality. Nevertheless, such tests should be as transparent as possible and could become a key instrument for supervision of national financial systems.

7.4 The London summit also took on board the recommendation to give the IMF more resources to help countries facing acute problems. The EESC welcomes this but would criticise the demands laid down by the IMF, which bring into question social issues which are important components of the European social model. It provides all the more reason why it is essential for the EU to speak with a single voice within the IMF.

Brussels, 30 September 2009.

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

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Appendix  
to the Opinion of the European Economic and Social Committee

The following amendments, which were supported by at least a quarter of the votes cast, were defeated in the course of the debate (Rule 54(3) of the Rules of Procedure):

Point 1.2

Amend as follows:

*The primary cause of the crisis was excess liquidity, which, according to the de Larosière Group, was due, in part, to imbalances in the world economy, most clearly so in relations between the US and China. ~~The EESC believes that another conceivable explanation is that there has been a shift in income distribution away from labour income to capital income. The distribution of income has become more uneven. The wealthiest needed to find an investment outlet for their increased assets. As the opportunities for real investment had not grown at the same pace, this put upward pressure on security prices. The de Larosière report provides an in-depth account of the financial "bubble" but further analysis is needed to determine what political decisions are required in the future.~~*

Reason

As the rapporteur states elsewhere in the opinion, and in line with the de Larosière report itself, there are a number of factors underpinning the crisis, but there is no proof that a shift in income distribution was one of them. No study of the causes of the crisis suggests such a link.

Results of the voting

For: 68 Against: 121 Abstentions: 15

Point 1.3.3

Amend as follows:

*"Off-balance sheet items" and "Special purpose vehicles" have sometimes been abused. Risky assets have been removed from banks' balance sheets in order to avoid capital requirements ~~and sometimes in order to avoid taxation~~. Against this background, the EESC thinks that stricter rules are required.'*

Reason

As the rapporteur rightly points out, the main reason for off-balance sheet items is to save own resources. There is no proof that this is done to avoid taxation, which would furthermore be extremely difficult, even if done 'off-balance sheet'.

Results of voting

For: 65 Against: 125 Abstentions: 12

Point 1.4.4

Delete point:

*~~'The boards of the three new authorities should not be composed of only bankers. Trade union organisations, consumers of bank services as well as the EESC, as the representative of civil society, should also be given places on the boards.'~~*

Reason

The boards are not composed only of bankers; representatives of the financial authorities are also involved. Nor is there any reason to give places to new members, as this would hamper the new authorities' work. Recommendation 12 of the de Larosière report clearly states that the senior board members of the new authorities should be independent professionals.

Results of voting

For: 60 Against: 132 Abstentions: 8.

**Opinion of the European Economic and Social Committee on 'The future of the Common Agricultural Policy after 2013' (Additional opinion)**

(2009/C 318/12)

Rapporteur: **Mr KIENLE**

On 24 February 2009, the European Economic and Social Committee, acting under Rule 29A of the implementing provisions of the Rules of Procedure, decided to draw up an additional opinion on:

*The future of the Common Agricultural Policy after 2013'*

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 2 September 2009. The rapporteur was Mr KIENLE.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 30 September 2009), the European Economic and Social Committee adopted the following opinion by 167 votes to 3 with 13 abstentions.

**1. The role of the EESC in the CAP's future development**

1.1 The EESC has a long tradition of dealing with future reform of the Common Agricultural Policy (CAP) in depth and good time, whenever possible before the European Commission communications or legislative texts. With the 2007 exploratory opinion on the *Health Check of the CAP and its future after 2013* <sup>(1)</sup> requested by the European Commission, the EESC was actually the first European institution to offer a broader reflection on the future of the Common Agricultural Policy.

1.2 Under both the French presidency in the second half of 2008 and the Czech presidency in the first half of 2009, efforts were made to press ahead with the debate on the post-2013 CAP, which have not so far produced any results. It is precisely because the Agricultural Council has yet to specify any content or arrangements that the EESC now believes it is absolutely vital to draw up an 'additional opinion' on current key developments without delay. This could act as a bridge between the 2008 health check and the debate on the future of the post-2013 CAP. In addition, the EESC believes that a further, in-depth opinion should focus on the full range of issues relating to the CAP.

1.3 Since the decision of the Agriculture Ministers' Council on the CAP 'health check' in November 2008 the agricultural markets have seen some dramatic falls. The falling price of milk has been especially dramatic. The EESC believes that the safety nets, including the current rules on quantity, should be reviewed once again to see whether they are suited to mitigating a situation of this kind.

**2. Basis for the CAP's future development after 2013**

2.1 With the 2005 CAP reform, agricultural direct payments were largely decoupled from production and in some Member States these payments were redistributed regionally either in part or in full. In addition to the direct payments, agricultural development measures (EAFRD) form an important second pillar of the EU agricultural policy. By using these measures and the direct payments, the aim is to make agriculture sustainable from a competitive, social and environmental point of view, within the framework of 'multi-functionality'.

2.2 For decades, the ability to ensure a secure and relatively low-cost supply of food for European consumers seemed a matter of fact and unproblematic. However, a global trend towards higher prices for both agricultural and non-agricultural raw materials (e.g. crude oil) is predicted in the coming decades. At the same time, rapidly increasing price volatility is on the cards.

2.3 The extreme fluctuations in producer prices for important agricultural products over the past two years – most recently the extremely low prices, e.g. for milk and cereals – should be seen as a wake-up call. In future, the social dimension of a secure food supply – especially for people on low incomes – will once more gain in importance, not least because the agricultural markets generally are particularly susceptible to price fluctuations. These can have negative repercussions on the stability of supplies and farms. Furthermore, there are clearly considerable imbalances in the food chain. The concentration of retail trade has given rise to strong economic pressure on primary agricultural production and the processing stages. A debate has emerged about whether agricultural production receives a fair share of the profit margins in the food chain.

<sup>(1)</sup> OJ C 44, 16.2.2008, p. 60.



2.4 The European Union and the Member States are pursuing ambitious goals in food safety and environmental, climate and animal protection. This is an important part of the European agricultural model. With the 2003/2005 CAP reform, it was decided to link the decoupled single farm payment to maintaining basic standards and 'good agricultural and environmental condition' (cross-compliance). In addition to this 'baseline', agro-environmental measures are also possible. However, since 2007 the incentive component of these measures has been dropped. The development policy architecture for attaining environmental policy and social goals in agriculture is to be further developed post 2013. The EESC has stressed its basic belief on several occasions that gearing European agriculture purely towards world market conditions or world market prices would be the wrong approach.

2.5 In order to achieve the outlined goals and tasks, adequate funding will be required for 2014-2020. Spending on the Common Agricultural Policy as a proportion of the EU's Gross Domestic Product (GDP) currently amounts to less than 0.4 %. A long-term task will be to inform citizens about which of the important contributions to society are supported through the CAP budget. Agricultural spending as a proportion of the overall EU budget is set to fall from around 50 to 33 % in the 1993-2013 period.

### 3. Anticipated schedule for discussions and decisions

3.1 Initial debates on the EU agricultural policy after 2013 have already or are due to take place in the Council under the French and Czech Council presidencies.

3.2 On this basis, it is likely that the European Commission will table some initial observations (communication) for political discussion on the post-2013 agricultural policy in autumn 2010, once it has been newly appointed. The outstanding financial review must also be taken into consideration here. Legislative proposals on the post-2013 CAP are likely to be presented in mid-2011. The Parliament, the Council and the Commission could then decide on them in the first half of 2012.

3.3 Under the Lisbon Treaty, the European Parliament will for the first time acquire co-decision rights in the Common Agricultural Policy. Strengthening the Parliament in this way will have a fundamental and positive impact on the debate about the future of the CAP after 2013.

### 4. Pointers for the debate on the CAP's further development

4.1 The EESC believes that the debate on the CAP's development beyond 2013 must continue to be based on the model

of multifunctional agricultural geared towards the market and at the same time serving the interests of society. The CAP reforms since 1992 have sought to reconcile the conflicting goals of international market opening (WTO Doha round) on the one hand and high social standards (preventive consumer protection, environmental and animal protection) on the other. A continuation of this agricultural policy beyond 2013 will mean that adequate CAP funding will still be necessary.

4.2 The instrument of direct payments for farmers will continue to play a central part within the CAP. The EESC believes that the role of the CAP will have to change if it is to continue. The task of compensating for falling institutional prices will be scaled down. At the same time, the CAP will acquire new responsibilities, namely safeguarding contributions to society and public goods. In view of the current crisis and the anticipated price fluctuations on agricultural markets, the tasks of stabilisation and ensuring secure supplies are becoming increasingly important. In this way, the CAP will also benefit consumers. Some aspects of climate protection must also be given greater consideration.

4.3 The current combination of the 'first and second pillars' under the CAP should be maintained in principle, but they should be coordinated more effectively. There must be renewed efforts to implement the CAP in Member States more uniformly. Above all, the rationale and objectives of support measures must be spelt out more clearly.

4.4 The EESC expects the historical differences in the size of the direct payments from Member States to farmers to be levelled out after 2013. Objective benchmarks must be set here, which take account of the different structural, natural and agro-climatic conditions. Furthermore, consideration should be given to the major differences between regions in terms of the financial resources for rural development. The EESC believes that any further divergence in the approaches pursued by Member States to implement the Common Agricultural Policy should be prevented.

4.5 In view of the sharp fall in prices in some agricultural markets, the EESC expects effective steps to be taken to ensure that agricultural production has a fair share of the value added chain.

Furthermore, the EESC expects some conclusions on how safety nets for agricultural markets are to be adapted in light of experiences from the global economic crisis.

4.6 The EESC believes that the process of adapting farms or rather the agricultural sector to market and competition trends must be further supported through measures such as investment to improve quality, food safety and to promote careful use of resources. However, it seems even more important to strengthen the market position of farmers and producer organisations. The future CAP must include tools enabling Member States to finance these priorities with sufficient flexibility.

4.7 The EESC is of the view that wherever there are barriers to the competitiveness of farms, for example in disadvantaged regions and upland areas, then reasonable compensation should be provided in order to ensure that these areas are used for agricultural purposes in future. In the case of dairy cattle farming (practised in some 60 % of the EU's disadvantaged regions and around 25 % of its upland areas) it is clear that state measures to support prices and other regulation of agricultural markets can give rise to particularly strong economic pressures in disadvantaged areas.

4.8 Rural development measures should take greater account of demographic problems (e.g. infrastructure and availability of skilled workers). Special adjustment measures are required when entire branches of production (e.g. sugar, milk, tobacco) in certain traditional producer regions are faced with economic

decline. Social aspects such as job security should also be taken into consideration.

4.9 Once the incentive components are officially removed, there is a risk that agri-environmental measures will become a rudderless ship. In order to ensure that farmers maintain their preference for these measures in future, the EESC calls for other action to be taken, beyond the reimbursement of costs incurred, so that farmers are actually rewarded for their environmental contributions. Such a reward should also be developed for the active contributions of farmers to climate and animal protection.

4.10 Cross-compliance is a general obligation linked to the receipt of area-related payments, introduced in 2000 initially on a voluntary basis and made compulsory from 2005 onwards. On the one hand, it has been criticised by the European Court of Auditors for being implemented too superficially. On the other hand, farmers and local supervisory authorities have criticised the system for being too bureaucratic. The EESC recommends that its further development be dealt with cautiously. Any proposal to amend the catalogue of criteria for cross-compliance must be carefully examined to see whether it actually leads to an improvement.

Brussels, 30 September 2009.

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

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## III

*(Preparatory acts)*

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

456<sup>TH</sup> PLENARY SESSION HELD ON 30 SEPTEMBER AND 1 OCTOBER 2009**Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee: Towards a European e-Justice Strategy'**COM(2008) 329 *final*

(2009/C 318/13)

Rapporteur: **Mr PEGADO LIZ**

On 30 May 2008, the European 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 Council, the European Parliament and the European Economic and Social Committee: Towards a European e-Justice Strategy'*

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 9 September 2009. The rapporteur was Mr PEGADO LIZ.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 30 September), the European Economic and Social Committee unanimously adopted the following opinion.

**1. Conclusions and recommendations**

1.1 The EESC welcomes this Commission communication entitled *Towards a European e-Justice Strategy* because of its timeliness and because of the structured, well-informed way in which it has been drafted and presented, which has justified the EESC's decision to deliver an opinion on the matter, despite not having initially been asked to do so.

1.2 The agreement that has since been concluded between the EP, the Council and the Commission and taken into account in the Council of Justice and Home Affairs Ministers resolution of 28 November 2008 on the Action Plan to be implemented in this field up to 2013, together with the recommendations on the initiative's scope and its future development are key factors to be taken into consideration.

1.3 Against this backdrop, the EESC takes good note of the guidelines for the measures to be adopted, subject to certain conditions and reservations regarding the development and implementation of these measures.

1.4 The Committee wishes to draw attention, first of all, to the need for the specific scope of e-justice itself to be properly defined, taking into account other applications of new information technologies, where they are applied to different aspects of citizenship and public administration in general.

1.5 The EESC also wishes to point out the ultimate aims of providing justice – so-called 'Fair Justice' – in such a way as to ensure that a) praiseworthy initiatives to streamline and standardise laws and procedures on access to justice genuinely serve the interests of the public in general and economic and social operators in particular and b) these initiatives are both accepted and wanted by justice professionals.

1.6 The Committee wishes to express its concern about the possibility that any initiative in this field might infringe the basic rights of Europe's citizens, especially the right to data protection; it strongly recommends that any measure adopted be carried out in full respect of the underlying principles of international conventions and national civil procedural law common to all of Europe's Member States.

1.7 The EESC calls on the Commission to take due account of the specific characteristics of the different national legislations concerned, which reflect cultural standards and national values that should be preserved, in line with the subsidiarity principle and also with a cost/benefit assessment for each new initiative, in keeping with the proportionality principle.

1.8 The Committee therefore recommends that, when developing the different initiatives it has planned, the Commission always bear in mind the general public's view of the application of justice, to ensure that it is the information and communication technologies which serve justice and not the other way around.

1.9 The EESC suggests, in particular, taking special precautions and extra care when introducing mechanisms for dematerialising judicial procedures, so as to meet procedural requirements and requirements for a durable medium, guaranteeing legal certainty and security.

1.10 Lastly, the Committee calls on the European Parliament and the Council to closely follow how the various measures develop, monitoring their implementation in the light of the values and standards set out in their respective resolutions, which the EESC also endorses.

## 2. Introduction and explanatory statement

2.1 The issue of electronic justice was first addressed systematically during Italy's presidency of the EU in 2003, at a conference held jointly with the Council of Europe, which concluded that *'above all, the discussions concerning the benefits, opportunities and dangers of the Internet, ultimately revert back to our concern for values and rights which are enshrined, in particular, in the Council of Europe's Conventions on Human Rights and Data Protection'* <sup>(1)</sup>.

2.2 Since then, a number of Member States have developed their own electronic justice systems, some of which have a well-developed theoretical side and focus on ensuring a smooth practical application <sup>(2)</sup>, but lack coordination.

<sup>(1)</sup> Conference entitled 'Internet Strategies and e-Justice in Europe', Rome, 13-14 November 2003.

<sup>(2)</sup> It is worth citing the example of Belgium, whose commission responsible for developing the e-justice project comprises some of the most eminent legal academics and practitioners in this field, such as Professor George de Leval, on methods of instituting proceedings and the means of communication between members of the judiciary, and Professor Yves Pouillet, on the law on evidence. The second example is Portugal, where an in-depth study was carried out on use of the new technologies at the different moments and stages in judicial proceedings. This study arose specifically out of an in-depth report entitled 'Para um novo judiciário: qualidade e eficiência na gestão dos processos cíveis' [Towards a new judiciary: quality and efficiency in the management of civil proceedings], by the Permanent Observatory for Portuguese Justice, headed by Professor Boaventura de Sousa Santos and coordinated by Professor Conceição Gomes.

2.3 At the Community level, the issue has begun to be seen as coming under the umbrella of e-governance, particularly in the wake of *eEuropa* 2002 and *eEuropa* 2005 documents, adopted at the Feira (2000) and Seville (2002) European Councils respectively and in the i2010 strategy paper <sup>(3)</sup>.

2.3.1 The e-Justice project was actually launched under the 6th Framework Programme, as one of the first 'integrated projects', but its aims were still extremely limited and experimental. It was only at the informal meeting of Ministers of Justice held in Dresden in January 2007, however, that the issue was addressed in its own right, and subsequently developed at the conference entitled 'Work on e-Justice', held in Bremen in May 2007 <sup>(4)</sup>.

2.4 It was really under the Portuguese presidency <sup>(5)</sup> that the issue received further impetus: firstly at the informal meeting of Ministers of Justice and Home Affairs on 1-2 October 2007, where the key issues for future options were defined; then at the Justice and Home Affairs Council on 6-7 December 2007, which assessed the work carried out hitherto and set the end of June 2008 as the project's deadline; and, finally, in the conclusions of the Council of Ministers' meeting on 14 December 2007, which welcomed the achievements so far in the field of e-justice and called for the work to continue.

2.5 Following this, the Commission drew up the communication now under consideration, which was forwarded to the Council, the European Parliament and the *European Economic and Social Committee*, although not referred to the Committee for an opinion. This being the case, the EESC decided to take the initiative and state its views on the communication.

2.6 In the meantime, both the European Parliament <sup>(6)</sup> and the Council <sup>(7)</sup> have in fact had the opportunity to adopt a

<sup>(3)</sup> COM(2005) 229 final of 1.6.2005. Cf. EESC opinion OJ C 110, 8.5.2006, rapporteur: Mr Lagerholm.

<sup>(4)</sup> It is significant that 'The Hague Programme: ten priorities for the next five years', COM(2005) 184 final of 10 May 2005, makes no reference to use of the new technologies in the field of justice. The lack of ambition in that programme was in fact highlighted in the EESC opinion drawn up by Mr Pariza Castaños, OJ C 65, 17.3.2006. See the recent Commission report on Implementation of the Hague Programme for 2007 (COM(2008) 373 final of 2 July 2008), which considers that 'The general overall assessment is rather unsatisfactory'.

<sup>(5)</sup> In this regard it is worth referring to Decision No 1149/2007/EC of the European Parliament and of the Council of 25 September 2007 establishing the Specific Programme 'Civil Justice' for the period 2007-2013 as part of the General Programme on 'Fundamental Rights and Justice' (OJ L 257, 3.10.2007).

<sup>(6)</sup> Cf. European Parliament resolution of 18 December 2008, which contains recommendations to the Commission in the field of e-Justice (Rapporteur: Diana Wallis - 2008/2125(INI) - T6-0637/2008) and the Opinion of the Committee on Civil Liberties, Justice and Home Affairs (Rapporteur: Luca Romagnoli) of 5 November 2008.

<sup>(7)</sup> Cf. the press release for the 2908th session of the Justice and Home Affairs Council, held on 27-28 November 2008 (16325/08), and for reference: Doc. 15315/08 of 7 November 2008 from the Presidency to Coreper/Council (JURINFO 71, JAI 612, JUSTCIV 239, COPEN 216).

stance on this communication, in particular on the Action Plan appended thereto. Bearing in mind this is a programme of measures to be developed over a five-year period, the comments and recommendations below should not be dismissed as insignificant – being as they are a contribution from representatives of civil society, who would be particularly interested and concerned by future initiatives in this domain – and could be taken into account during implementation of the different measures envisaged <sup>(1)</sup>.

### 3. Gist of the Commission communication <sup>(2)</sup>

#### 4. General comments

4.1 The EESC broadly supports the Commission initiative, which has now been supplemented by the European Parliament's proposals and Council guidelines.

4.1.1 Its support comes however, with a number of provisos, being subject to certain conditions and reservations.

4.2 Firstly, it is crucial that the scope of e-justice be properly defined. Whilst it could be incorporated into broader concepts such as 'e-democracy' or 'e-governance', of which it is a key component, and although closely related to 'e-law', which should facilitate electronic access a) to legal texts and their real-time production, be this substantive or procedural law, 'hard law' or 'soft law', b) to the case-law of the courts and c) to administrative decisions, e-justice should be confined to the judicial aspects of dispensing justice in the fields of civil, commercial and perhaps administrative law – in other words, court practices and procedures, including arbitration proceedings <sup>(3)</sup>.

4.3 Furthermore, it should be borne in mind that in any programme for the dispensation of justice, the ultimate aim is not to make justice swift, efficient, cost-effective or straightforward, but to ensure FAIR JUSTICE <sup>(4)</sup> which fully respects fundamental rights, in particular the protection of people's personal data.

4.3.1 The Committee thus wishes to warn against any excessive attempts to achieve simplification, efficiency, financial savings or speed, which might jeopardise the fundamental value of providing justice and which, instead of facilitating access to justice, might make it more difficult or complicated.

<sup>(1)</sup> In fact, this emerged clearly from the statements and discussions at the Inter-Parliamentary Forum on Judicial Cooperation in Civil Matters, held under the French presidency on 2 December 2008 at the European Parliament in Brussels, in particular the second session, on 'E-Justice: a tool for citizens, practitioners and business'.

<sup>(2)</sup> Due to the limits imposed on the length of opinions, the summary, which was to outline the Commission communication, is not included. The reader is referred to that document and to the related EP and Council resolutions.

<sup>(3)</sup> Whilst excluding alternative dispute resolution mechanisms, however, which – although intended to settle disputes – do not fall within the scope of justice; these are simply voluntary and extrajudicial processes aimed at balancing the interests of the parties concerned.

<sup>(4)</sup> As summarised perfectly in the Latin saying: 'Iustitia est constans et perpetua voluntas ius suum cuique tribuendi' [Justice is the constant and perpetual desire to render each his due].

4.4 It will be equally important to ensure that the desired dematerialisation or simplification of procedural steps and the standardisation of working methods and processes does not blur the distinction between aspects that are inevitably different, and does not throw out the baby with the bathwater either, doing away with features that are essential and do not have to, and perhaps must not, be identical, together with aspects that are unnecessary and unintended.

4.4.1 It is crucially important to ensure that any programme implementing information technologies actually meets the needs of the European public in general and economic and social operators in particular, as well as legal professionals. Nor must any such programme work against the interests of these professionals.

4.4.2 There is also a need to ensure that any system that is introduced or developed does not allow for interference from third parties, whether malicious or simply negligent, likely to jeopardise the security and reliability of the system's use or the possibility that its files and their contents might be changed, fully or in part.

4.5 Another aspect that should always be borne in mind concerns different procedural aspects which might appear excessive and unnecessary to lay people but which make an essential contribution to the public's regard for judges and the act of handing down rulings, and which provide guarantees for the respect of fundamental rights in the process of dispensing justice <sup>(5)</sup>.

4.6 It should be added that, because procedural law, as such, is subsidiary to substantive law and because the latter is a consequence of the cultural differences between the Member States and also because it would not be possible nor desirable or appropriate to standardise such laws, basic and consequently diverse aspects of secondary judicial procedures should not and cannot be standardised. Otherwise, they risk clashing with the substantive law that they are supposed to protect and uphold.

4.7 Because law and in particular procedural law forms a set of technical legal instruments designed to dispense justice, to be used by legal experts who have specialist training and appropriate professional experience, it is logical that technical language specific to these professionals be used when defining and applying the law.

<sup>(5)</sup> The author is thinking in particular here of the 'underlying principles' of procedural law, the most important of which are the 'guarantees of a fair trial', and include the court's impartiality, the principle of the equality of the parties, the dispositive principle and the principle of discretion and the guarantee of the adversarial procedure, the right to be tried in public, the right to evidence, the continuity of proceedings and the guarantee that the accused is properly notified or informed of all procedural steps (cf., for all of the above, Miguel Teixeira de Sousa, 'Estudos sobre o Novo Processo Civil' [Studies on the New Civil Proceedings], published by LEX Lisbon, 1997).



4.7.1 An excessive desire to make the law 'simple' and 'accessible to everyone' could lead to it becoming less rigorous and losing its specific technical meaning, which in turn is not and should not necessarily be the same in all national legislations.

4.7.2 Here too, what is needed rather than standardisation is an 'equivalency table' or a 'common frame of reference' for the different judicial instruments.

4.8 The EESC considers, lastly, that the successful implementation of any system for applying new technologies to justice requires that it meets the needs and aims of the organisation in question, that it is compatible with existing computer systems, that a prior audit of current proceedings is conducted and that the system can be adapted, swiftly and inexpensively, to new circumstances and new goals.

4.8.1 Greater weighting should be given to the general cost/benefit ratio of the initiative as a whole and at every stage of its implementation, given that the Commission's impact assessment (apparently only available in one official language) does not quantify the matter. Instead, it specifically acknowledges that 'the costs incurred are correct but cannot be assessed ...' and can only be determined on a 'case-by-case' basis whilst, with regard to the benefits, 'broadly speaking, the economic impact is hard to quantify but not in doubt'. This is a highly subjective position, which is not really acceptable in a project of this scale <sup>(1)</sup>.

## 5. Specific comments

5.1 Because a trial consists of a set of (procedural) steps which must be documented, for reasons of legal security and certainty and to guarantee the rights of the parties involved, the issue of a durable medium covering the entire trial places constraints on the principle of oral proceedings and on dematerialisation under the rule of law.

5.1.1 Against this backdrop, certain aspects of the measures envisaged in the current 'overall strategy' should be analysed and considered.

5.2 With regard to the *e-justice portal*, the EESC considers that before this is established, everyone involved in the judiciary (judges, public prosecutors, court officials, administrative authorities, government officials and all legal professionals) should receive rigorous training to ensure that this is a useful, workable instrument for everyone concerned.

5.2.1 The EESC feels that the portal could act as a forum for judicial information and services and as a useful contact point between the public, businesses and members of the judiciary to help settle legal questions.

5.2.2 In the Committee's view, the portal could be a beneficial, viable tool for daily use by the entire judiciary. For this to happen, however, the reliability and authenticity of the information the portal contains must be guaranteed and the portal should ideally have different levels of access and access rights, in line with the type of information in question, as a means of protecting the individuals concerned.

5.2.3 It should also serve as a point of access to Community and national legislation, along the lines of the European Judicial Network in civil and commercial matters <sup>(2)</sup>. It will have to be accessible to the public and allow better general legal advice and assistance with legal problems.

5.3 With regard to *videoconferencing*, the EESC considers that all Member State courts should be rigorously audited <sup>(3)</sup> to establish whether or not they have audiovisual equipment that could encourage its widespread use, since it is currently unclear as to whether all Member States have provided their courts with the equipment needed for videoconferencing or whether any equipment that does exist is compatible or even works as it should <sup>(4)</sup>.

5.3.1 Furthermore, and where the aim is to gather evidence from witnesses or to communicate judicial steps or decisions, the EESC considers that there is a need for genuine legislative harmonisation between the different Member States as regards making statements and videoconferencing, to ensure that legislation on the same matter is not interpreted and applied differently, because without the necessary legislative coordination, the use of videoconferencing will come up against legal and even cultural barriers in the different Member States.

5.3.2 The EESC considers that if videoconferencing is adopted in the forms proposed, the courts concerned should always request that this facility be used, and here the EESC agrees that the portal could assist with videoconferencing between courts, as it contains all the features this process requires <sup>(5)</sup>.

<sup>(2)</sup> Especially given the fact that the recent proposal for a Commission decision amending Decision 2001/470/EC has confined its use solely to legal professionals (Cf. OJ C 175, 28.7.2009, p. 84, rapporteur: Ms Sánchez Miguel).

<sup>(3)</sup> The Czech Council presidency has in the meantime asked Member States to provide all the information they have on the audiovisual equipment available in their courts and has published all the responses in a document entitled '*Summary of the replies of the EU Member States to the request of the Czech Minister of Justice for information on national videoconferencing equipment in the judiciary*'.

<sup>(4)</sup> The issue of system interoperability has in fact recently been highlighted by the Commission in document (COM(2008) 583 final) which is the subject of the EESC OJ C 218, 11.9.2009, p. 36 (rapporteur: Mr Pezzini); to which, together with the select list of various other EESC opinions in this field, the reader is referred.

<sup>(5)</sup> Worth noting is the work already carried out by the Council Working Party on Legal Data Processing (e-Justice), specifically the progress report of 15 May 2009 on legal data processing (DOC 9362/09), the strategy paper on videoconferencing (DOC 9365/09), the users' guide (DOC 9863/09) and the public information booklet (DOC 9862/09), all of 15 May 2009, which accurately reflect concerns identical to those set out in this opinion.

<sup>(1)</sup> See Impact Assessment (SEC(2008) 1947, of 30 May 2008) points 5.3.2. and 5.3.3., pp. 30 and 31.

5.4 With regard to *cooperation between authorities*, in particular on interconnecting criminal records, the EESC takes the view that, given the sensitive nature of the material concerned, such cooperation must meet the most stringent security and data protection requirements in order to safeguard the privacy of the individuals involved <sup>(1)</sup>.

5.4.1 The Committee does, however feel that a prior study should also be carried out of national legislation and the prevailing situations in each Member State, to ensure that, for such sensitive material, the exchange of information on criminal matters is not subject to differing implementation and treatment.

5.5 As regards *translation*, the EESC wishes to draw attention to the fact that the e-justice portal must be multilingual and provide information in all EU languages. An automated translation system should, in order to be useful, enable the translation and simultaneous interpretation of the web page, to ensure that it is accessible to all EU citizens.

5.5.1 As a means of assisting legal professionals, the e-justice portal could contain a database of legal translators and interpreters and also all the necessary forms, which would have to

be correctly translated into the language used in each Member State's legal system.

5.5.2 The enormous costs that an effective system of automatic, simultaneous translation into all Community languages is likely to entail should be given careful consideration in terms of feasibility and proportionality in relation to the achievable results and their practical use.

5.6 Initiatives that warrant special reservations and caution include, in particular, the complete dematerialisation of the European payment procedure <sup>(2)</sup>, the European small claims procedure <sup>(3)</sup> and also the creation of other 'fully electronic European procedures', summonses or notifications of judicial steps by exclusively electronic means, the online payment of legal costs or the electronic authentication of documents.

5.6.1 The EESC recommends the utmost caution when introducing any of the developments referred to above, a careful consideration of the cost/benefit ratio, and extensive trial periods before they are universally adopted; it also calls for absolute guarantees to be provided to ensure compliance with the rules of procedural law common to all States observing the rule of law.

Brussels, 30 September 2009.

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

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<sup>(1)</sup> See the Opinion of the European Data Protection Supervisor on the Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee entitled Towards a European e-Justice Strategy (2009/C 128/02), OJ C 128, 6.6.2009, p. 13.

<sup>(2)</sup> Regulation (EC) No 1896/2006 of the European Parliament and of the Council of 12 December 2006 creating a European order for payment procedure (OJ L 399, 30.12.2006, p. 1).

<sup>(3)</sup> Regulation (EC) No 861/2007 of the European Parliament and of the Council of 11 July 2007 establishing a European Small Claims Procedure (OJ L 199, 31.7.2007, p. 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: Safe, Innovative and Accessible Medicines: a Renewed Vision for the Pharmaceutical Sector'**

COM(2008) 666 final

(2009/C 318/14)

Rapporteur: **Mr van IERSEL**

On 10 December 2008 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: Safe, Innovative and Accessible Medicines: a Renewed Vision for the Pharmaceutical Sector'*

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 9 September 2009. The rapporteur was Mr van IERSEL.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 30 September), the European Economic and Social Committee adopted the following opinion by 170 votes to 1 with 4 abstentions.

## **1. Conclusions and recommendations**

1.1 The Communication <sup>(1)</sup> seeks to set a long-term agenda for progress towards a European Single Market for the pharmaceutical industry <sup>(2)</sup> which should create a sustainable environment for the pharmaceutical industry in Europe and worldwide in response to the increased needs of patients.

1.2 The EESC believes that the Communication provides an indispensable framework, containing a number of valuable objectives. It remains, however, rather cautious and ambiguous on the way this programme should be carried out.

1.3 The pharmaceutical industry depends very much on national health care and financial conditions. It also faces challenges from increased needs and expectations of populations and patients and intensifying world competition. The current crisis, together with the downsizing of budgets, will also affect the future of the pharmaceutical sector.

1.4 In the EESC's view, these factors make it all the more urgent for the Council to draw up a comprehensive agenda to address these challenges on the basis of an agreed strategic

outlook. The EU objective should be to set conditions for a sustainable home-based position and worldwide development of the European pharmaceutical industry.

1.5 A common outlook implies that the current, mainly national competences that make free access to medicines and a Single market, however desirable, still a distant reality must be progressively replaced by convergent practices and common approaches for the benefit of European patients, the industry and the whole health care chain.

1.6 In the EESC's view national arrangements should more explicitly take the European dimension into account. The national financial and health conditions should notably take into account the huge costs and importance of future-oriented R&D and innovation in the sector.

1.7 The EESC welcomes the Innovative Medicines Initiative as part of FP7. It endorses strongly the adoption of an EC patent. It advocates a European litigation system. The functioning of the European Patent Office should be further improved.

1.8 Generic medicines are an opportunity for savings in health care. The EESC endorses the development of competitive off-patent markets. The Council should consider ways of unlocking the potential for significant savings in this field.

<sup>(1)</sup> Communication from the Commission 'Safe, Innovative and Accessible Medicines: a Renewed Vision for the Pharmaceutical Sector', COM(2008) 666 final, December 2008.

<sup>(2)</sup> In 2007 the European pharmaceutical industry employed about 600 000 people, and it spent 18 % of its total turnover on R&D.

1.9 Free access and affordability of medicines require a renewed discussion on the interconnected issues around huge price differences between drugs across Europe, accessibility, parallel trade and the principle of non-extraterritoriality. This discussion should also address 'a proposal containing appropriate measures leading towards the abolition of any remaining barriers or distortion of the free movement of medicinal products ...' <sup>(1)</sup>.

1.10 For the time being, the EESC is of the opinion that the Open Method of Coordination as well as a monitoring role of the Commission, best practices and transparent data, as is current practice under the Lisbon Strategy, should be introduced to promote more convergence. Worldwide figures and trends, and their impact, should be part of the data package putting challenges and opportunities for the industry in the right perspective.

## 2. Introduction

2.1 Owing to the divided competences of the Commission and the Member States, a comprehensive European view of the pharmaceutical sector has been lacking for a long time. The European Institutions were mainly focused on improvement of market access and regulatory affairs.

2.2 Reluctance at EU level was and is due to the exceptional position of the health sector and health care national systems and competences prevail across the board. Nonetheless, the Commission and the Member States have increasingly underlined the need for European framework conditions for well-defined health care issues.

2.3 European conditions and objectives are indispensable for a sector that is relying on long-term research and innovation-driven investments. This is all the more important because:

- the pharmaceutical sector is heavily dependent on R&D and innovative new products;
- the competition from elsewhere, including from emerging Asian countries, is increasing.

2.4 The single market needs in-depth investments. It is quite understandable that the European Court of Justice asks in several verdicts for a single market to be implemented in this sector, in particular in the interest of patients. This Single Market is seriously hampered by 27 health care systems,

driven by their own traditions, legal provisions and price setting.

2.5 As late as 1996, Commissioner Bangemann, responsible for industrial development, organised three Round Tables with all stakeholders on the European completion of the single market in pharmaceuticals. It was followed by numerous other consultations. The heterogeneous composition of the Round Tables with government representatives, pharmaceutical enterprises, and other stakeholders presents a wide variety of views and national approaches.

2.6 In response the EESC has reiterated on several occasions a number of concrete proposals. The main themes were a free movement of medicines in the EU, the need to bring pharmaceutical spending in the Member States under control, and a plea for a strong pharmaceutical industry for growth and jobs in Europe <sup>(2)</sup>. Much has still to be done to make progress in these fields.

2.7 The position of the Member States is the key. The national structural and organisational characteristics of their health care systems are decisive for price and reimbursement in Europe and for access to medicines.

2.8 In spite of differences of opinion and the preservation of national competences the Council has adopted since 1965 a series of legislative measures on public health and medicinal products in order to improve conditions for patients and health care.

2.9 In 2001 it was decided to improve the structure of the debate by setting up a restricted group of interested parties, G-10 <sup>(3)</sup>. In May 2002 G-10 presented fourteen general recommendations as a strategic outline for the pharmaceutical sector. In the subsequent years several recommendations were implemented.

2.10 Subsequently, a High Level Pharmaceutical Forum was established in 2005 to implement the remaining recommendations of G-10, three working groups were assigned to draw up new recommendations.

2.11 This process was concluded in October 2008, when the Forum adopted its Conclusions and Recommendations on Information to Patients, Relative Effectiveness, and Pricing and Reimbursement.

<sup>(1)</sup> See art. 9 of the Council directive 89/105 EC of 21 December 1988. Since then the Council became more reluctant to the enlargement.

<sup>(2)</sup> See own-initiative opinion OJ C 14 of 16.1.2001, page 122, and opinion, OJ C 241 of 28.9.2004, page 7.

<sup>(3)</sup> G 10 was composed of five Ministers, two Commissioners and representatives of the industry.

2.12 These Conclusions and Recommendations stressed the interconnection between, on the one hand, technology and innovation within a dynamic competitive market and, on the other, quality guarantees, free access to pharmaceutical products, reliable information to patients, and effective pricing and reimbursement policies.

2.13 The Pharmaceutical Forum concludes that both the Lisbon Strategy to reinforce European competitiveness and the dynamics and challenges of the pharmaceutical sector worldwide require at this very moment an in-depth approach and a mid- and long-term view on the sector.

2.14 For the first time FP7 has set up a common research agenda for the pharmaceutical industry. It includes a large number of innovative pharmaceutical projects that stimulate existing and potential international research networks <sup>(1)</sup>.

2.15 Meanwhile, the effects of globalisation are becoming palpable. Taking into account impressive R&D achievements in the US and in China and other emerging economies, the innovative exposure of European companies in this sector will in the end be decisive for a European industry.

2.16 Owing to the current economic crisis the world will look different afterwards. The state of the economy, together with the downsizing of national budgets, as well as the reinforced position of other global players in Asia, will affect competitive conditions. These factors must be seriously taken into account in any future policy towards the health sector and the industry.

2.17 The EESC concludes that during the last decade networks and exchanges have intensified which, to a certain extent, have resulted in a convergence of views among many stakeholders. Despite this progress black spots remain owing to differences in legislation and health systems. Free access to pharmaceutical products is limited and there is no single market for the industry.

### 3. The Commission's views

3.1 The Commission published in December 2008 a strategic Communication on the pharmaceutical sector that defines principles and objectives, and the prospects for the sector over a long period of time, as well as worldwide challenges.

<sup>(1)</sup> In comments concerning Communications of the Commission on research and competitiveness in the pharmaceutical industry the EESC has continuously underlined the crucial significance of (basic) research in this sector. See OJ C 14 of 16.1.2001, OJ C 234 of 30.9.2003 and OJ C 110 of 30.4.2004.

3.2 The Communication provides the framework for the legislative proposals in the total package of December 2008, and for the future.

3.3 A new element is the major emphasis on external aspects, such as counterfeiting, trade, new illnesses as well as the increasing significance of emerging economies.

3.4 The Communication identifies three issues, covered by five legislative proposals accompanying the Communication: counterfeiting of medicinal products, pharmacovigilance, and information for patients <sup>(2)</sup>.

3.5 Once again, the paramount significance of the pharmaceutical industry for Europe in terms of R&D, growth and jobs, and public health is underlined.

3.6 However, Europe is facing major health, scientific and economic challenges to maintain a viable and sustainable pharmaceutical industry:

- Europe continues to loose ground to the US and Asia in R&D and innovation;
- within the EU inequalities in availability and affordability of medicines persist;
- increasing international division of labour, including R&D, clinical trials manufacturing, and marketing;
- the need for further scientific pioneering to respond to unmet public health challenges as well as to open new markets for medicines produced in the EU.

3.7 The Commission considers it high time to make further progress towards improving the functioning of the single market for pharmaceuticals in order to stabilise and reinforce Europe's position worldwide.

3.8 To that end 25 objectives are defined, concerning (a) a single and sustainable market in pharmaceuticals, (b) taking on the opportunities and challenges of globalisation, and (c) strengthening the environment for science and innovation.

<sup>(2)</sup> The EESC reported on these issues in a package of opinions: CESE 1022/2009, CESE 1023/2009, CESE 1024/2009, CESE 1191/2009 and CESE 1025/2009, OJ C 306, 16.12.2009.



3.9 This Communication presents a coherent picture of the domestic and worldwide challenges and desirable approaches in an overarching framework that should set a long-term agenda in this sector.

#### 4. General observations

4.1 The EESC endorses the need for an overarching approach concerning the European pharmaceutical sector in a worldwide perspective.

4.2 The Communication is presented as a 'Renewed Vision'. However desirable and in spite of a broad consultation of many stakeholders, the result is somewhat disappointing as it is lacking an overall analysis of shortcomings in the common market as well as a pro-active approach in terms of policy recommendations in the light of patients' and industrial interests.

4.3 Europe has been losing ground in pharmaceutical innovation. The globalisation of the sector gives rise to new opportunities and new challenges. The lack of free access to medicines in Europe, and the need for scientific breakthroughs to respond to medical progress as well as to global public health challenges are rightly put together in the same picture. It remains unclear what actions should be taken by Member States and in the EU in response to these challenges.

4.4 In the EESC's view there is an urgent need to improve the functioning of a sustainable Single market in pharmaceuticals which is a pre-condition for maintaining a profitable, highly innovative pharmaceutical sector in Europe to respond to the increased needs of the population as well as worldwide challenges.

4.5 The Communication offers an appropriate framework for regulatory cooperation and negotiations with an increasing number of third countries, such as the US, Japan, Canada, Russia, India and China. Through cooperation and negotiations with third countries a sustainable perspective will be created for European exports.

4.6 In that international context a well functioning single market is a prerequisite. Market fragmentation continues either as result of disparities in national pricing and reimbursement schemes or (new) regulatory burdens, shortcomings in implementation of Community legislation, access inequalities, and a lack of commercial interest in national markets which are economically less attractive.

4.7 Moreover, in a rather short period of time the EU has grown to 27 Member States each with its own and, thus, additional specific features, not least because of the increased

diversity of markets and patient needs. This illustrates the complexity of the overall European picture.

4.7.1 An example of this complexity is the affordability of medicines that is highly dependent on the various national social security systems and the degree to which people are insured. In most systems, the social security institutions or their associations negotiate the price of prescription-only medicines with manufacturers, so that they can then be supplied at a reasonable price, albeit with a small excess to be paid by the insured person.

4.8 The relationship between innovation costs and turnover in the sector has a big impact. Research and innovation can only flourish on condition that the industry is competitive and that, thus, the European market functions satisfactorily.

4.9 If divergence in administrative procedures and approaches persists, the sector will continuously suffer from fragmentation, overlap, excessive innovation costs, and, thus, from disadvantages vis-à-vis industries that are able to enjoy advantages on a continental scale, such as the US and China.

4.10 Although elsewhere in the world large markets on a continental scale are partly influenced by regional differences, the situation is not comparable with the fragmentation in Europe.

4.11 An additional problem is that the productivity of pharmaceutical R&D spending has been declining over recent years owing to a combination of several complex factors.

4.11.1 The biotech revolution, while promising many new advances, has been costly for industry as R&D and applied technology have not yet been translated into a mature pipeline of products. Tackling new disease implies more costly development of drugs.

4.11.2 The cost of bringing new products to the market has increased, in part due to the need for extensive and expensive clinical trials. The regulatory requirements on clinical development have also increased whilst research and development have moved towards more complex diseases and therapeutic areas such as cancer, Alzheimer, and others.

4.11.3 Medical innovation is currently primarily seen as a cost factor for national health budgets rather than as a driver to innovation for the patients' well-being. Illustrative are national pricing and reimbursement policies which do not provide for higher rewards for innovative products compared to older ones in certain diseases areas (e.g. therapeutic reference pricing).

4.12 This development in Europe has consequences vis-à-vis competitors. While the Regulatory Authorities in the US are on average stricter in approving market authorisation than in the EU, the US market environment is more attractive to R&D investments, because it rewards innovation more than most European markets do.

4.13 Asian countries such as China and India, whose markets grow by more than 15 % per year on average, are likely to attract a significant share of international R&D investments once intellectual property protection standards are effectively enforced in these countries.

4.14 For further progress in this area a new balance has to be struck between the remaining national competences and European (legal) mechanisms and procedures, and market conditions which pave the way for a viable and strong European pharmaceutical sector.

## 5. Meeting the future

5.1 The EESC is of the opinion that the conjunction of the current economic crisis, the preparation for a revamped Lisbon Strategy in 2010, and worldwide challenges are for the forthcoming Commission an appropriate starting point for renewal and progress.

5.2 The Lisbon Strategy, which entails the fine-tuning of national and Community competences and a clearer role for the Commission, can provide a helpful framework and methodology for the pharmaceutical industry.

5.3 In 2008 the Commission launched the Innovative Medicines Initiative (IMI) <sup>(1)</sup> as part of FP7. The EESC welcomes this strategic agenda, that is effectively working towards solutions to research challenges via public-private partnerships – universities, research institutes, SMEs, hospitals, patient organisations and regulators – aiming at removing bottlenecks in science and skills in order to speed up drug development for future health needs.

5.4 In competitive research, patents and guaranteed intellectual property protection in the pharmaceutical sector are crucial as incentives to innovate and to address current and emerging health problems and the long life cycle of products (including long development periods).

5.5 The EESC has taken note of the Interim Report of November 2008 on a Sector Inquiry into pharmaceuticals. The EESC strongly endorses the recommended adoption of an EC patent and the setting up of a European litigation system which will streamline processes and save costs, as opposed to 27 litigation procedures on the basis of different legislations.

<sup>(1)</sup> The IMI Strategic Research Agenda is the roadmap for the rapid implementation of IMI, the focus being on four pillars: Safety, Efficacy, Knowledge Management, and Education and Training.

5.6 Notwithstanding the worldwide reputation of the European Patent Office, the EESC considers that its functioning can be improved.

5.7 Generic medicines which are copies of originator medicines once patents have expired, are substantially cheaper to produce and to market than originator medicines. The EESC endorses the development of competitive off-patent markets.

5.8 The EESC stresses the need for more efficiency and competition on the European generic market. The EESC calls on the Commission and Member States to consider ways of unlocking the potential for significant savings for patients and health care systems.

5.9 As regards free access and affordability of medicines, the EESC calls for a renewed discussion involving the Commission, governments, and stakeholders on interconnected issues such as huge price differences between drugs across Europe, accessibility, parallel trade and the principle of non extra-territoriality.

5.10 For guidance the EESC points to a consecutive number of statements of the G10, Recommendation 6, the High Level Pharmaceutical Forum, Recommendation 9.2, and the Final Progress Report of this Forum <sup>(2)</sup>.

5.11 The objective of such a discussion should be the definition of a common vision on the need for free access and affordability for patients, on the creation of a single market, on the predictability of governments' behaviour and actions in this field as well as on the need for a sustainable environment for R&D and innovation.

5.12 Domestic and worldwide challenges are interconnected:

- the position of the European pharmaceutical industry at global level will depend on its home-based position in Europe;
- diseases on a global scale, and the worldwide circulation of pharmaceutical products from developed and emerging economies which will also affect European markets;
- a sustainable home-based position of the industry must be beneficial to patients as a result of discussion platforms relating to pharmaceutical products, illnesses, and changing attitudes among consumers of these products in Europe.

<sup>(2)</sup> See p. 85 of the Final Progress Report.

5.13 In support of the renewed discussion the Commission should present up-to-date EU figures on market developments, job creation and R&D budgets in the sector. There is also a strong need for comparable worldwide figures.

5.14 Worldwide figures and trends must also cover the extension of R&D activities of European companies in large emerging markets, which will undoubtedly take place along with the growth of markets in China and India. This benefit of globalisation is another compelling argument to develop the European Single Market as a sustainable basis for R&D and innovation.

5.15 Fair trade and the interests of patients require that imports from low-income countries must effectively be subject to good manufacturing practices. Counterfeit medicines shall be prohibited. The risk of Internet sales of counterfeit medicines

shall be diminished by effective control of medicines that are sent by mail.

5.16 The EESC is of the opinion that in order to get closer to a Single Market in this sector, the Open Method of Coordination as well as a monitoring role for the Commission, as is current practice under the Lisbon Strategy, should be introduced.

5.17 With a view to achieving greater transparency, the Commission should publish best practices, and examine and highlight debates and developments in Member States, related to free access and affordability of medicines as well as to legal conditions for R&D, innovation and the pharmaceutical industry. The results of these examinations should be the basis for decision-making by the Council.

Brussels, 30 September 2009.

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

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**Opinion of the European Economic and Social Committee on the 'Proposal for a Decision of the European Parliament and of the Council establishing a European Microfinance Facility for Employment and Social Inclusion (Progress Microfinance Facility)'**

COM(2009) 333 final — 2009/0096 (COD)

(2009/C 318/15)

Rapporteur-general: **Ms Gabriele BISCHOFF**

On 17 July 2009 the Council of the European Union decided to consult the European Economic and Social Committee, under Article 152 of the Treaty establishing the European Community, on the

*'Proposal for a Decision of the European Parliament and of the Council establishing a European Microfinance Facility for Employment and Social Inclusion (Progress Microfinance Facility)'*

On 14 July 2009 the Committee Bureau instructed the Section for the Single Market, Production and Consumption to prepare the Committee's work on the subject.

In accordance with Rule 20 of the Rules of Procedure, the European Economic and Social Committee appointed Ms Gabriele BISCHOFF as rapporteur-general at its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October 2009), and adopted the following opinion by 171 votes to none, with 2 abstentions.

**1. Summary of the EESC's conclusions and recommendations**

1.1 Appropriate finance facilities for businesses are a key prerequisite for economic growth, not least for micro-enterprises in the social economy. The development of micro-credit is therefore to be welcomed, given that it could represent a new way of fostering the entrepreneurial spirit and of creating new jobs in micro-enterprises (enterprises employed less than ten people, with an annual turnover or balance sheet total not exceeding EUR 2 million). This takes account of the fact that there are, to date, only limited microfinance facilities available in Europe.

1.2 Providing micro-credit to micro-enterprises in the social economy and to disadvantaged groups is much more complex and expensive than providing conventional credit, but this additional expense can be reduced, firstly, by developing standardised high-tech services, marketing micro-finance services more effectively and making them generally more professional, and secondly by means of guarantees and co-financing. One of the key purposes of the proposed microfinance facility will thus be to develop the tools for microfinance services, including in cooperation with existing financial service providers. This will involve developing organisational structures that allow the standardised processing of large numbers of applications; without appropriate software and the use of web-based technologies, it will not be possible to achieve the highest possible level of professionalism. 1.2.1 In addition, previous experience in Europe with the issuing of micro-credit has demonstrated that market incentives also need to be provided in order to ensure that the financial sector does actually carry out the duty assigned to it: that of providing micro-credit to the two specific target groups.

1.3 Disadvantaged persons setting up businesses should be given greater access to microfinance services not only when first starting up, but also for the first few years of operation.

1.4 Approximately 1 % of the funds in the Progress microfinance facility are earmarked for administrative expenditure, not including the funds provided to pass-through banks and microfinance institutions for them to pass on to the target groups. The Committee is keen to find out what proportion of the funds are granted to pass-through banks and microfinance institutions so that they can provide this credit. Steps must also be taken, for example by means of regular monitoring at European level and by publishing the credit conditions on the website of the competent supervisory authority, to ensure that the banks are in fact passing the favourable interest rates on to the target groups.

1.5 The impact on employment and social policy that the establishment of a European microfinance facility aims to achieve should be evaluated precisely, differentiating between the target groups. The two target groups – micro-enterprises in the social economy and individual applicants (unemployed, young or socially disadvantaged people) – need different consultancy and support capacities, which also need to be taken into consideration in organisational terms, bearing in mind the intersections with other relevant programmes.

1.6 Finally, the EESC recommends looking into what other sources of financing – apart from Progress – are available and could fund the new microfinance facility.

## 2. Introduction and summary of the Commission proposal

2.1 In its communication of 13 November 2007 on a European initiative for the development of micro-credit in support of growth and employment [COM(2007) 708], the Commission suggests, firstly, improving the legal and institutional frameworks in the Member States and, secondly, establishing a new facility to support the creation and development of micro-credit institutions in the Community <sup>(1)</sup>. Additional funding should also be provided for new non-bank microfinance institutions <sup>(2)</sup>. The Commission communication states that the development of a structure for issuing micro-credit could play an important role in the realisation of the Lisbon strategy for growth and jobs <sup>(3)</sup>.

2.2 Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises <sup>(4)</sup> defines 'micro-credit' as loans under EUR 25 000 and 'micro-enterprise' as an enterprise which employs fewer than 10 persons (including self-employment) and whose annual turnover and/or annual balance sheet does not exceed EUR 2 million.

2.3 The expert group report on the regulation of micro-credit in Europe highlights the extent of the differences between the Member States in the provision of micro-credit and in their legal frameworks.

2.4 The Commission has already, in its communication of 3 June 2009 <sup>(5)</sup>, announced a new EU microfinance facility for employment (Progress Microfinance Facility).

2.5 The Commission proposal of 2 July 2009 on establishing a European Microfinance Facility for Employment and Social Inclusion <sup>(6)</sup> aims, in view of the economic and financial crisis and the ensuing impact on employment levels and the availability of credit, to create a new EU microfinance facility to assist (potentially) unemployed people and disadvantaged groups to establish micro-enterprises or become self-employed by providing micro-credit of up to EUR 25 000, along with guarantees, equity instruments, debt instruments, and other measures such as communication activities, monitoring, control, audit and evaluation. Support can also be provided for micro-enterprises in the social economy that provide work for unemployed and disadvantaged people. The aim of this is to pave the way for the unemployed and other disadvantaged groups to become entrepreneurs. The reallocation of EUR 100 million from the current Progress budget, which could leverage more than EUR 500 million in total, could benefit up to 45 000 people and businesses over the four years from 2010 to 2013, with an estimated average loan of EUR 11 000. This will be administered by the Commission in cooperation with international financial institutions such as the European

Investment Bank (EIB) and the European Investment Fund (EIF); there will be no additional administrative burden for the Member States.

## 3. General comments

3.1 The EESC welcomes the fact that the Commission's proposals concerning the establishment of a microfinance facility show that it is committed to job creation and that it wants to help to promote entrepreneurship among disadvantaged groups. Nonetheless, it should be noted that there has, to date, been comparatively little experience in the use of microfinance facilities in Europe and that an extraordinary amount of imagination will be required in order both to safeguard the administrative management of micro-credit and other resources and to ensure that this facility remains practicable in the long term. In view of the impressive successes achieved by microfinance services in the field of development cooperation (for which Grameen Bank and its founder, Muhammad Yunus, were awarded the Nobel Peace Prize in 2006), it is worth emphasising both the opportunities and the challenges involved in translating this experience to the European context, not least because some of the essential advantages of the original concept (such as integration in a local, professional or ethnic community, which engenders trust and thus reduces monitoring costs and defaulting) are lost in the process of this translation. The extent to which this experience can be applied to more developed countries is therefore disputed.

3.2 In Europe, too, there is a real need for microfinance services: only around half of smaller enterprises have a generally positive attitude towards the role of banks in terms of access to credit <sup>(7)</sup>. The Jeremie programme (Joint European Resources for Micro to Medium Enterprises), which is primarily funded from the Structural Fund, is a joint initiative of the DG Regio and the EIB Group to support and improve financing for micro-enterprises and SMEs <sup>(8)</sup>.

3.2.1 In addition, the European Commission has launched significant initiatives – in the form of the CIP framework programme (Competitiveness and Innovation Framework Programme) <sup>(9)</sup> and the Jasmine (Joint Action to Support Microfinance Institutions in Europe) pilot initiative, which is intended, *inter alia*, to support the consolidation and development of non-bank microfinance institutions <sup>(10)</sup> – to improve the capital position of SMEs and micro-enterprises. The Committee recommends that these various measures should be better coordinated with each other. In its opinion <sup>(11)</sup> on Jeremie back in 2006, the Committee made it clear that it had always supported Commission initiatives to facilitate access to credit for micro-enterprises and SMEs and therefore called for the broad-based involvement of the social partners.

<sup>(1)</sup> See COM(2007) 708, p. 2

<sup>(2)</sup> See *ibid.*, p. 11

<sup>(3)</sup> See *ibid.*, p. 2

<sup>(4)</sup> OJ L 124 of 20.5.2003, p. 36.

<sup>(5)</sup> COM(2009) 257, 3.6.2009

<sup>(6)</sup> COM(2009) 333.

<sup>(7)</sup> See Eurobarometer (2005): SME Access to Finance, Flash Eurobarometer 174.

<sup>(8)</sup> See COM(2006) 349, p. 9

<sup>(9)</sup> See COM(2005) 121, p. 6

<sup>(10)</sup> See COM(2007) 708, p. 3

<sup>(11)</sup> OJ C 110, 9.5.2006



3.2.2 The Committee also stated that EIB funds, where they had been used, had proved to be a useful tool in facilitating access to credit for micro and small businesses.

3.2.3 In that opinion, the Committee also noted that access to micro-credit should be facilitated particularly for SMEs and that there must also be outreach to specific groups such as young or female entrepreneurs, or those from disadvantaged groups, including ethnic minorities.

3.3 The opportunities presented by the use of microfinance services arise from the key importance to, for example, business start-ups of forms of financing that are as informal and quick as possible. The great majority of the funding needed for business start-ups is provided by the founder of the business or by relatives, friends and neighbours <sup>(1)</sup>, which points to the limitations of normal bank loans: the smaller the amount requested, the higher the rejection rate, because it is too time-consuming to assess the applications carefully. Microfinance services can bridge the gap between informal funding streams (which are limited in their efficiency) and bank financing. If micro-credit and other microfinance services can be judged to be as quick, straightforward and flexible as informal funding sources can be, micro-credit will be able to make a key contribution to a dynamic economy and entrepreneurship.

3.4 People in the target groups setting up businesses need to have access to microfinance services not only when they are first starting up but also for the first few years afterwards, because they are to a large extent dependent on small lump-sums to fund their projects.

3.5 Regardless of the current economic and financial crisis, providing micro-credit is much more complex and expensive than providing conventional credit, because the sums lent are comparatively small, the collateral customary to banks is usually not provided and the handling costs are very high. A high caseload, an appropriate organisational structure and suitable technology, and in general the highest possible degree of professionalism, are therefore vital to the success of microfinance initiatives. It is essential that any experience gained with similar initiatives and programmes (CIP, Jeremie, EIB pilot, Jasmine) should be taken into consideration right from the start.

3.6 In view of the level of professionalism required, it will be necessary, first of all, to operate micro-credit as far as possible on a standardised retail banking model, in order to benefit from economies of scale and advantages in the distribution of risks. Such high customer numbers are an ambitious target, as experience in the UK and Canada has shown <sup>(2)</sup>. This demonstrates the importance of a high level of awareness (due, for example, to advertising campaigns such as the French organisation ADIE's 'micro-credit weeks') and the need for easy access

(e.g. on the Internet). We need to establish whether, and if so how, this can be achieved, and what role other programmes (such as the ESF) can play (technical support); the intersections with these programmes and initiatives also need to be set out, for the sake of consistency.

3.7 With regard to the set-up of the business processes, it is also important to establish the organisational structure for the envisaged retail banking system so that applications can be dealt with quickly and flexibly, with appropriate forms of security, and in order to use standardised penalties and forms of risk distribution in the case of breaches of contract (delayed payments). There is thus also the issue, as with consumer credit, of how to assess customers' credit ratings as easily, quickly and reliably as possible.

3.8 Thirdly, one of the technical requirements for this kind of retail banking system is a fully developed software system for initiating, concluding and monitoring loan agreements, which could deal with the balancing act between standardised retail banking and the individual handling of applications, and help to open up the microfinance market segment.

3.9 Both micro-enterprises in the social economy and individuals in Member States and regions where separate micro-credit institutions have already been set up may find it quicker and easier to get access to funds than applicants in countries and regions where such institutions do not exist or are still being developed. The EESC recommends that the programme should ensure that this does not lead, in general, to inequalities in access.

3.10 One key question is whether loans should be provided by conventional credit institutions or by separate microfinance institutions that may need to be set up specially, and which are usually very small and not run for profit. On the one hand, a network of microfinance service providers has been developing in Europe over the past few years, with support from the Commission, although only a fifth of these service providers (less than 20) issue more than 400 micro-loans a year <sup>(3)</sup>. On the other hand, it will be almost impossible to extend microfinance services without high-quality, professional, profit-oriented management – and in this respect the banks (which already issue the majority of micro-credit) have a big advantage. It does not seem wise to distribute resources solely through small microfinance service providers operating in the public interest that concentrate on people without a fixed income, women, young people, the elderly and migrants: this kind of 'niche' banking system would institutionalise the marginalisation of these groups in yet another field. Therefore, in order to ensure that the banking sector does take on micro-credit despite the fact that the returns are expected to be small, there will probably be a need for additional market incentives or subsidies for the development of the necessary infrastructure.

<sup>(1)</sup> See <http://www.gemconsortium.org/download.asp?fid=608>

<sup>(2)</sup> See <http://ssrn.com/abstract=976211>

<sup>(3)</sup> With regard to microfinance in the EU, see [www.nantiklum.org/Overview\\_final\\_web.pdf](http://www.nantiklum.org/Overview_final_web.pdf) and [www.european-microfinance.org/data/file/Library/ISSUE%20PAPER.pdf](http://www.european-microfinance.org/data/file/Library/ISSUE%20PAPER.pdf)

3.11 As the microfinance initiative quite explicitly aims to have an impact on employment and social policy, it is crucial for the programme's effectiveness also to be evaluated in this respect, with a distinction being drawn between the two target groups (micro-enterprises in the social economy and disadvantaged individuals). To date, the only criteria to be taken into consideration have been credit volume and the number of beneficiaries, but the EESC recommends also quantifying integration in the mainstream labour market, the income achieved, and indirect additional employment effects for the various groups mentioned in the Commission communication. This is the only way of showing the success of the initiative from these perspectives <sup>(1)</sup>.

3.12 One positive point worth emphasising is that the Commission's proposal also envisages support measures, such as communication activities, monitoring, control, audit and evaluation (Article 4(1)); however, it remains uncertain whether this would primarily involve support for the people

starting businesses or for the microfinance institutions, how this would be organised and how the overall funding pot would be distributed between guarantees, equity instruments, debt instruments and support measures.

3.13 The EESC recommends ensuring that the reduced interest rates are passed on to borrowers. It would also be worth establishing what proportion of the resources should flow through to pass-through banks and microfinance institutions to pay for administration.

3.14 As stated in opinion INT/495, the EESC supports the initiative to create a new microfinance facility for the target groups, but has some doubts as to whether it is sensible or practical to fund that new microfinance facility by cutting funding for Progress. It therefore recommends looking into what other sources of financing – apart from Progress – are available and could fund the programme.

Brussels, 1 October 2009.

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

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<sup>(1)</sup> For a procedure of this kind, see [ftp://repec.iza.org/RePEc/Discussionpaper/dp3220.pdf](http://repec.iza.org/RePEc/Discussionpaper/dp3220.pdf)

**Opinion of the European Economic and Social Committee on the 'Proposal for a Decision of the European Parliament and of the Council amending Decision No 1672/2006/EC of the European Parliament and of the Council establishing a Community Programme for Employment and Social Solidarity — Progress'**

COM(2009) 340 final — 2009/0091 (COD)

(2009/C 318/16)

Rapporteur-general: **Ms BISCHOFF**

On 17 July 2009 the Council of the European Union decided to consult the European Economic and Social Committee, under Article 152 of the Treaty establishing the European Community, on the

*'Proposal for a Decision of the European Parliament and of the Council amending Decision No 1672/2006/EC of the European Parliament and of the Council establishing a Community Programme for Employment and Social Solidarity — Progress'*

On 14 July 2009 the Committee Bureau instructed the Section for the Single Market, Production and Consumption to prepare the Committee's work on the subject.

In accordance with Rule 20 of the Rules of Procedure, the European Economic and Social Committee appointed Ms BISCHOFF as rapporteur-general at its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October), and unanimously adopted the following opinion.

**1. Summary of the EESC's conclusions and recommendations**

1.1 The EESC emphasises the Progress programme's importance in strengthening social Europe, creating more and better jobs, reducing poverty and achieving greater social cohesion. Together with the European Social Fund (ESF), it is one of the key elements underpinning the Social Agenda. Moreover, one of the key tasks of the Progress programme is providing support for continued development of the social dimension.

1.2 The EESC is pleased that every effort is being focused on overcoming the crisis and that all budget lines are being examined for the contribution they can make to dealing with the crisis, particularly with regard to protecting employment and creating new jobs.

1.3 The unemployed and disadvantaged groups are especially in need of effective support and advice if they wish to become self-employed. One of the resources that can be used for this purpose is the European Social Fund (ESF). The Committee therefore recommends looking more closely at the interfaces between the European Social Fund and the microfinance facility in Progress in order to ensure that targeted services and access to credit are in place, and that duplication is avoided.

1.4 As EESC opinion INT/494 explains, the Committee in principle supports the idea of providing micro-credit under favourable conditions to microenterprises in the social economy provided that they take on unemployed or disad-

vantaged people. That said, what this actually means needs to be more clearly defined.

1.5 However, the Committee is worried that the re-allocation of funds and the resulting cuts of EUR 25 million a year will seriously impact the effectiveness and scope of the Progress programme in the 2010-2013 period, including in terms of the programme's further development and its strategic thrust. We would therefore urge the Commission to look more closely into the repercussions and to consider possible alternatives. In addition, the potential implications for other budget lines and programmes – especially the ESF – and on autonomous budget lines, for instance in relation to social dialogue, should be discussed.

1.6 Given its concern that the transfer of budgetary resources could undermine the effectiveness of the Progress programme in the field of European social and employment policy, the Committee would ask the Commission for a statement, supported by evidence, demonstrating that the objectives of Progress can be better achieved with the resources that are to be reallocated than under the current procedure. It should also explain how the further development of social Europe can be secured, especially in the context of developing, communicating and implementing a post-Lisbon strategy after 2010.

1.7 The Committee also recommends that greater consideration be given to how to achieve more effective implementation of Progress and more strategic planning and more targeted measures; we also need to ask in which areas and in relation to which measures savings can be made, without undermining the objectives and strategic thrust of the programme over the remainder of its life.

1.8 The Committee would also like information on which market incentives are to be put in place to ensure that the banking sector actually provides the access to credit that is, among other things, part of its task.

## 2. Introduction and summary of the Commission proposal

2.1 Following on from its Communication on *Driving European recovery*<sup>(1)</sup> and the discussions at the employment summit on 7 May 2009, the Commission proposed various priority measures in its communication on *A shared commitment for employment* of 4 June 2009<sup>(2)</sup>. These include:

- better use of short-time working arrangements;
- better anticipation and management of restructuring;
- boosting job creation;
- helping young people.

2.1.1 One of the recommendations was for Member States, together with social partners and with ESF support, to assist unemployed and young people in starting their own businesses on a sustainable basis, for example by providing business training and start-up capital<sup>(3)</sup>.

2.1.2 All available budget lines, not least the European Social Fund, are to be used to a greater extent to overcome the crisis. Among other things, ESF financial assistance is to be used to promote entrepreneurship and self-employment, including setting up new businesses or reducing the cost of borrowing.

2.1.2.1 In its communication the Commission also suggests a new European microfinance facility for employment in order to give the unemployed new opportunities and open the way to entrepreneurship for particularly disadvantaged groups, including young people.

2.1.2.2 The plan is also to assist founders of microenterprises by way of mentoring, training, coaching and capacity building, in addition to interest-rate support from the ESF<sup>(4)</sup>.

2.2 Finally, on 2 July 2009, the Commission proposed a new Progress microfinance facility for employment and social inclusion<sup>(5)</sup>, designed to support the development of microenterprises by the unemployed and disadvantaged groups, and the continued evolution of the social economy. It also recommended reallocating EUR 100 million from the current budget,

making use of the Community Programme for Employment and Social Solidarity – Progress.

2.3 The Community Programme for Employment and Social Solidarity - Progress (2007-2013) provides financial support for the implementation of the European Union's objectives in the areas of employment, social affairs and equal opportunities, including the further development of such objectives. Progress also contributes to the specific implementation and development of the European Social Agenda. One of the aims of the programme is to strengthen the EU's support of Member States' commitments and efforts to create more and better jobs and to build a more cohesive society<sup>(6)</sup>.

2.3.1 So far, Progress funding has been used for the following:

- providing analysis and policy advice;
- monitoring the implementation of EU legislation and policies;
- promoting policy dialogue between various stakeholders;
- creating a platform for the exchange of experience between Member States.

2.3.2 To this end and in line with the strategic framework, Progress offers the following **products**<sup>(7)</sup>:

- relevant training and learning of legal and policy practitioners;
- accurate monitoring/assessment reports on the implementation and impact of EU law and policy;
- identification and dissemination of good practices;
- information and communication activities, networking among stakeholders and events;
- appropriate statistical tools, methods and indicators;
- appropriate policy advice, research and analysis;
- support to NGOs and networks.

<sup>(1)</sup> COM(2009) 114, 4.3.2009.

<sup>(2)</sup> COM(2009) 257.

<sup>(3)</sup> COM(2009) 257, p. 6.

<sup>(4)</sup> Cf. *ibid.*, p. 12.

<sup>(5)</sup> COM(2009) 333 and COM(2009) 340.

<sup>(6)</sup> Cf. European Commission: Ensuring Progress delivers results - Strategic Framework for the implementation of Progress, the EU programme for employment and social solidarity (2007-2013), p. 5.

<sup>(7)</sup> Cf. *ibid.*, p. 9.

2.3.3 The Progress programme was set up to replace several Community programmes with the goal of unlocking synergies and, by bringing separate programmes together, achieving greater transparency and coherence.

2.4 In 2005, the EESC wholeheartedly welcomed the Commission's proposal in its opinion SOC/188, which described the Progress programme as one of the key funding instruments, alongside the ESF, for the Social Agenda.

2.4.1 However, the same EESC opinion also insisted on the importance of providing sufficient budget funding for the programme, and questioned whether the resources proposed by the Commission would suffice. The opinion notes the importance of ensuring that 'the declared administrative simplification results not just in better technical programme management but also in an appropriate structure that is favourable for the target groups.'

2.4.2 The Committee also suggested supporting not only relevant EU NGO networks but also exchanges of national civil society stakeholders.

2.5 In line with the interinstitutional agreement of 2006 and following pressure from the European Parliament, Progress funding was increased by EUR 114 million. As a result, the programme was launched with a total budget of EUR 743 250 000 for a seven-year period (2007-2013) and was structured accordingly. It is intended that this budget should be used for changes or modernisation in the five areas covered by Progress: employment; social protection and inclusion; working conditions; anti-discrimination; and gender equality.

2.6 Progress is open to the 27 EU Member States, candidate countries, and EFTA/EEA countries. The programme is targeted at the Member States, local and regional authorities, public employment agencies and national statistics offices. Universities, research institutes, the social partners and NGOs can also take part.

2.6.1 The Commission selects the projects that are to be given financial support, either on the basis of tenders or calls for proposals.

2.7 The Commission feels that reallocating part of the budget will not undermine the objectives of the Progress programme.

2.7.1 The sum of EUR 100 million is to be re-allocated to the new Progress European microfinance facility for employment and social inclusion; this means that for the remaining life of Progress from 2010 to 2013, there will be EUR 25 million a year less funding available <sup>(1)</sup>.

<sup>(1)</sup> According to the Commission's updated financial statement, by the end of 2009 slightly over EUR 280 million will have been spent from a total budget of EUR 745 million; EUR 100 million will then be deducted or rather transferred from the remainder.

2.7.2 The Commission therefore proposes to amend Article 17(1) of Decision No 1672/2006/EC establishing the Progress programme as follows:

— 'The financial envelope for implementing the Community activities referred to in this Decision for the period from 1 January 2007 to 31 December 2013 is hereby set at EUR 643 250 000' <sup>(2)</sup>.

### 3. General comments

3.1 The EESC is generally pleased that all European programmes are being examined for the contribution they can make to dealing with the crisis, particularly with regard to protecting employment and creating new jobs.

3.1.1 The most disadvantaged groups, whether the unemployed, young people, single parents, migrants or women, are especially in need of effective support. However it is not enough to provide loans; rather, what these groups need is specialised upstream advice, training and support, not least in order to equip them to prepare a good business plan. The overlap with ESF support should be examined, not least so as to assess potential risks and opportunities associated with a business idea.

3.2 In principle, when framing the Progress microfinance facility, a greater distinction should be drawn between the following target groups:

- a) existing microenterprises in the social economy
- b) individual applicants.

3.3 As EESC opinion INT/494 notes, the Committee in principle supports the idea of providing micro-credit under favourable conditions to individuals and microenterprises in the social economy provided that jobs are created or protected as a result. However, the Committee is worried that the re-allocation of funds and associated funding cuts for Progress will seriously impact the effectiveness and scope of the programme <sup>(3)</sup>. In particular it is questionable how the programme will be able to adequately fulfil its task of supporting continued development of social Europe, not least in the context of the post-Lisbon strategy. We would therefore ask the Commission to look at this problem more closely as soon as possible. Arguing, as the ex-ante evaluation does, that funding must realistically be taken from an existing budget line, is not enough to justify the transfer from the Progress budget line <sup>(4)</sup>.

<sup>(2)</sup> COM(2009) 340.

<sup>(3)</sup> In its *ex ante* evaluation of the proposal, the Commission explains that, while it would be desirable to have a budget of over EUR 100 million for the new microfinance facility, any transfer of more than EUR 100 million would negatively affect the objectives and priorities of the Progress programme. However, no explanation is given as to why this only applies to sums of over EUR 100 million.

<sup>(4)</sup> 'The only realistic possibility would therefore be to reallocate funding from an existing budget line. The Progress budget line seems to be the most appropriate in this regard'. SEC(2009) 907, p. 12.



3.3.1 After all, there are many other budget lines and programmes – some of them very much larger, in particular the ESF, which already allows Member States to use funding for micro-credit, albeit Member States have yet to make use of this provision.

3.3.2 In addition, the potential implications for autonomous budget lines, for instance, in relation to social dialogue should also be set out.

3.4 It remains unclear what incentives the banking sector has to provide the access to credit that is, among other things, part of its task.. Simply transferring funding from the Progress programme in order to finance a particular measure does not offer any added value in terms of achieving the objectives of the programme. The Committee would therefore recommends that the Commission propose appropriate market incentives to encourage credit providers to develop a micro-credit market for such target groups.

3.5 At the same time, we would ask the Commission to demonstrate whether the microfinance facility programme can be funded from other budget resources or programmes. Only then would it be possible to speak of additional funding for promoting employment and social inclusion. As a result of the crisis, Europe will face major challenges: growing unemployment, falling tax revenues and large budget deficits. Progress has a key role to play here, too. It must therefore be ensured that it is adequately funded.

3.6 If the new microfinance facility is to be funded by transferring resources from the Progress programme, a more precise analysis will be needed of the projects or products to be scrapped or cut back, given that there will be EUR 25 million a year less funding for the programme. The programme's funding over its total duration (2007-2013) would be cut by slightly over 13 %; in reality, the cuts would be much deeper given that the EUR 100 million would be taken and transferred

from the remaining budget for 2010-2013. This must not be allowed to translate into corresponding cuts in, for instance, Progress support for European NGO networks. In line with the Progress strategic framework, one of the programme's performance indicators is the amount of funding distributed to NGOs and networks.

3.6.1 For example, the 2009 strategic framework emphasises increased investment to boost national and EU networks' capacity to participate in and influence decision-making and policy implementation at both EU and national level <sup>(1)</sup>.

3.7 The Committee also feels that it would be wholly inappropriate to cut back funding for measures in the field of mutual learning/peer-reviews, which are at the heart of the open method of coordination. These measures should be further developed in order to more effectively support national efforts to overcome the crisis, not least through closer involvement of the social partners and the relevant NGOs.

3.8 The Committee believes that indiscriminate cuts in individual areas of the programme would undermine its objectives and seriously affect its impact. It therefore recommends that, if the new microfinance facility is funded from the Progress budget, the programme committee should be convened to discuss, in conjunction with civil society, just how to approach the cuts.

3.9 One of the concerns during the remaining Progress programming period will be to agree on, communicate and implement a new post-Lisbon strategy, with the involvement of all stakeholders. Major support will be needed for this strategy, with a substantial amount of funding coming from Progress. The programme's annual work plan for 2009 already includes some relevant measures. Progress funding for this purpose will have to be stepped up from 2010 onwards.

Brussels, 1 October 2009.

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

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<sup>(1)</sup> European Commission: Ensuring Progress delivers results - Strategic Framework for the implementation of Progress, the EU programme for employment and social solidarity (2007-2013), p. 18.

**Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council laying down the obligations of operators who place timber and timber products on the market'**

COM(2008) 644 final — 2008/0198 (COD)

(2009/C 318/17)

Rapporteur: **Mr SALVATORE**

Co-rapporteur: **Mr BURNS**

On 14 November 2008 the Council decided to consult the European Economic and Social Committee, under Article 175(1) of the Treaty establishing the European Community, on the

*'Proposal for a Regulation of the European Parliament and of the Council laying down the obligations of operators who place timber and timber products on the market'*

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 2 September 2009. The rapporteur was Mr SALVATORE and the co-rapporteur was Mr BURNS.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October), the European Economic and Social Committee adopted the following opinion by 87 votes to seven with eight abstentions.

## **1. Conclusions and recommendations**

1.1 The European Economic and Social Committee wholeheartedly backs the goal of the Regulation proposed by the Commission, to minimise the risk of illegal timber and its by-products entering the European market. In addition to being responsible for 20 % of global emissions of greenhouse gases and for loss of biodiversity, deforestation causes major economic and, in particular, social problems. In order to achieve the objective set, greater boldness and more determined action are needed, making use of legally binding measures and short deadlines for implementation.

1.2 The Proposal for a Regulation represents an essential component, together with FLEGT <sup>(1)</sup> Voluntary Partnership Agreements, the development of cooperation programmes in connection with the certification and sustainable use of forestry resources, and agreements with the major timber importers, for combating not only illegal logging but also illegal placing on the market of timber.

1.3 The concept of sustainability does not focus solely on the capacity to produce timber, but also on social criteria (acceptable working conditions, compliance with workers' rights) based on ILO <sup>(2)</sup> definitions, economic criteria (preventing market distortions through unfair competition) and environmental criteria (impact of illegal deforestation on the environment and in terms of reducing biodiversity).

1.4 In the Regulation under consideration, the Commission has designated the due diligence system as the means of minimising the risk of illegal timber and its by-products entering the European market. As set out, this option requires some readjustment.

1.5 Firstly, it only considers primary traders in timber and timber products. The Committee believes that the system should be extended, with differing procedures and rules, to all timber industry operators. Tracking should apply to all operators, who must be informed on the origin and characteristics of the product: country, forest, species, age, and supplier. Small and medium-sized enterprises, together with small-scale producers, should be allowed flexibility and a graded approach in adapting to the new system, without having to bear an excessive burden.

1.6 In any case, any duplication with existing 'tracking' systems must be avoided, by recognising national legislation and control mechanisms, forest certification systems and organisation models when they are in tune with sustainable forest management. It is pointless imposing additional red tape, particularly in cases where the principles of due diligence already apply. The EU must set standards for rules and common approaches for risk management procedures, with greater strictness in areas with a high risk of illegal timber management <sup>(3)</sup>, where appropriate making use of outside, independent certification bodies of proven experience.

<sup>(1)</sup> Action Plan for Forest Law Enforcement Governance and Trade.

<sup>(2)</sup> International Labour Organisation.

<sup>(3)</sup> Ruhong Li, J. Buongiorno, J.A. Turner, S. Zhu, J. Prestemon. Long-term effects of eliminating illegal logging on the world forest industries, trade and inventory. Forest policy and economics. 10 (2008) pp. 480-490.

1.7 Agreements with third countries should provide for organisational/managerial cooperation and social incentive systems, given the inverse correlation observed between the level of illegal logging and the per capita income in a given country.

1.8 Extending due diligence to all operators would help ensure that only legal timber enters the market; this timber meets with greater approval not so much for the economic effects strictly speaking as for their major social impact. The fact is that forward-looking forestry management and the use of legal products offer an opportunity for 'sustainable' development to local populations who work in the timber sector, and a guarantee for the future of the European timber industry.

1.9 The Regulation should also be extended to timber and timber products used for producing energy from renewable sources.

1.10 Penalties for those breaching their obligations regarding the trade in timber and timber products must be uniform in all countries, and should be proportionate to the degree of liability, even including, for grave offences, the suspension of commercial activities.

1.11 In order to ensure that the system works properly, the Committee strongly supports the idea of setting up an advisory group on the timber trade, involving the various interested parties, to assist the Commission.

1.12 Two years after the Regulation enters into force, the Commission should carry out an assessment of its impact on the functioning of the internal market for timber products. In the event of negative consequences, provision should be made for revising any weak points.

## 2. Introduction

2.1 This Proposal for a Regulation aims to combat illegal logging by promoting sourcing from countries with legal forest management practices. It is one of the EU's responses to illegal logging, which is one cause of deforestation. Deforestation is responsible for approximately 20 % of global emissions of greenhouse gases and is a major cause for global losses of biodiversity. In addition, illegal logging leads to economic, social and environmental dumping, thereby undercutting the competitiveness of companies engaged in legitimate forest industry operations.

2.2 Regarding social dumping, since 1996 the EU has made several attempts to insert provisions to protect fundamental labour rights into WTO (World Trade Organisation) agreements. These proposals have run up against strong resistance from the

developing nations, who accuse the industrialised countries of using the proposals to create new forms of protectionism targeting their exports. This is also a live issue at present within the EU itself.

2.3 The Commission has consequently drawn up a set of options for ensuring that only legally harvested timber and timber products are placed on the EU market. These options were subject to an impact assessment and culminated in the 'due diligence' system. Tighter border controls would undoubtedly be desirable and highly effective but would unfortunately breach free trade rules, and are therefore impracticable.

2.4 The legality of the source is defined on the basis of the legislation of the country where the timber is grown. Legality can be verified in FLEGT partner countries on the basis of EU FLEGT licences which are established by bilateral Voluntary Partnership Agreements (VPAs) between the European Commission and individual exporting countries, or on the basis of CITES<sup>(1)</sup> permits. Other countries can verify legality by other means. Operators can verify legality via systems that fully meet the due diligence system's criteria.

2.5 The due diligence system is based on the operators' responsibility to minimise the risk of placing illegal timber on the Community market by using a tracking system based on accessible information on the provenance and characteristics of timber, in line with the legal requirements established by national legislation. The system also seeks to provide consumers with the information they need to ensure that their purchases do not contribute to illegal logging.

2.6 In order to facilitate the implementation of the Regulation, operators can avail themselves of systems developed by control bodies when and where they exist. At all events, competent authorities designated by the Member States are responsible for accrediting the monitoring organisations, while retaining the right to carry out checks at regular intervals to ascertain that they comply with the specified requirements.

2.7 Monitoring organisations, having previously established rules for implementing due diligence, authorise operators via appropriate systems. The competent authorities carry out the required checks, and take appropriate disciplinary measures against any certified operator who fails to comply with the due diligence system.

2.8 The Member States are to lay down the rules on penalties applicable to infringements of this Regulation and take all measures necessary to ensure that it is implemented. The rules it sets out, on the basis of WTO agreements, will be applied uniformly to imported products as well as EU products.

<sup>(1)</sup> The Convention on International Trade in Endangered Species.

### 3. General comments

3.1 The goal of ensuring that timber on the EU market comes from legally and sustainably managed forests is wholeheartedly endorsed. The Committee hopes that the Regulation will be adopted without delay and that it will give a strong indication of the EU's commitment to fighting illegal logging.

3.2 Expanded coverage of the bilateral approach through FLEGT Voluntary Partnership Agreements is undoubtedly to be welcomed, as are agreements with the major timber importers (the USA, Russia, China, Japan) to establish international rules to combat the illegal harvesting of, as well as trading in, timber. Cooperation programmes should be developed with producer countries, aimed at the sustainable use of forestry resources, compliance with the legislation of producer countries and the extension of certification systems. More generally, projects promoting the application locally of the principles of good governance through the development of appropriate monitoring systems would be welcome.

3.3 The due diligence system nevertheless has a number of weaknesses. Firstly, it only considers primary traders in timber and timber products: forest owners, those entitled to carry out logging and timber importers. As a result, the expected impact of controlling the risk of placing illegal products on the market is progressively reduced as operators in the supply chain get nearer to the final consumer. The Committee believes that the system should be extended, with differing procedures and rules, to all timber industry operators in the EU.

3.3.1 All timber sector operators must make sure the timber they possess is legal, and have essential information on the origin of the product: country, forest, supplier, species, age and volume. This could be achieved by adopting a tracking system that sets out various levels of responsibility. Small forest owners operating in national markets that already have effective legislation and controls in line with the due diligence system should not have further unnecessary red tape imposed on them. On the other hand, large-scale operators purchasing and marketing timber in the EU or importing it from third countries are obliged to apply the system set out in the Regulation.

3.4 The due diligence system, even with the proposed changes, does not appear capable of delivering the set objectives in the short-term, also in the light of the gravity and complexity of the issues involved in illegal logging. More specifically, we need to focus measures and controls on timber provenance and stages in the supply chain at high risk of illegality, which are the real source of the problem. In these cases, forest management would also have to be monitored by independent certifying bodies of proven experience.

3.5 A common EU-level framework should be established to set the standards to be complied with in the risk management procedure. This should make the best possible use of existing enforcement and tracking systems in the EU, avoiding unnecessary duplication, particularly when that would burden small and medium-sized forestry businesses. The aim should be to harmonise the new system with the most effective ones already adopted in the various Member States. The application of systems that already meet due diligence requirements is therefore to be encouraged, on the basis of national legislation and appropriate monitoring systems, such as forest certification.

3.6 The Regulation should also be extended to timber and timber products used for producing energy from renewable sources. All timber products and by-products, including those that might present sustainable characteristics, such as biomass for energy production, must be of legal provenance. Legality should indeed be an absolute prerequisite for the sustainability of any action.

3.7 Finally, the system of penalties to be adopted for those who breach the obligation to trade in legally acquired timber and timber products must be clearly and uniformly defined in all the Member States. To this end, penalties must be effective, proportionate and dissuasive and, for grave offences, should even include the suspension of commercial activities.

### 4. Specific comments

4.1 In order to fulfil the specified objectives it is imperative to define appropriate instruments capable of verifying the legality of timber and timber products placed on the EU market. In addition to national legislation and the instruments foreseen in the Proposal for a Regulation, other systems that already satisfy due diligence criteria, including forestry certification systems, should also be taken into account. Furthermore, we need to define appropriate mechanisms to recognise those who operate correctly and to penalise those who breach the established rules when placing timber or timber products on the market. Those rules that cannot be set at European level must be established by the Member States according to uniform criteria.

4.2 Illegal logging poses a threat to any sustainable forest management project. Agreements with third countries should therefore provide for organisational/managerial cooperation and social incentive systems, in light of the inverse correlation observed between the rate of illegal logging and the per capita income in a given country. Densely populated tropical countries with the most widespread poverty tend to be the front line for deforestation<sup>(1)</sup>. Similarly, the African timber-exporting countries are among the 50 poorest countries in the world, those with the lowest levels of human development and with the most meagre per capita income levels<sup>(2)</sup>.

<sup>(1)</sup> Causes of forest encroachment: An analysis of Bangladesh, Iftekhar M.S., Hoque A.F.K. *Geo Journal* 62 (2005) pp. 95-106.

<sup>(2)</sup> Greenpeace. *L'industria del legno in Africa. Impatti ambientali, sociali e economici* (2001).

4.3 Extending the due diligence system to all operators as opposed to just primary traders in timber and timber products, entails additional administrative burdens. However, the expected benefits will be reflected in the fact that only legally harvested timber that has been tracked throughout the supply chain will be placed on the EU market. There will be any number of benefits, not only economic<sup>(1)</sup> but above all social. In this context, the environment dovetails with economic and social considerations, so that stakeholders are motivated by environmental, social and cultural interests as well as economic ones.

4.4 The products obtained in this manner will not only be better suited to the requirements of a market that is increasingly mindful of environmental protection issues but will also be enhanced. This could also lead to the not inconsiderable benefit that other countries might follow suit. Forward-looking forestry management and the use of legally harvested products therefore offer an opportunity for development to local workers and a guarantee for the future of the European timber industry.

4.5 Obligations should, however, be commensurate with the size of companies, thereby allowing small and medium-sized enterprises and small producers more flexibility to adapt gradually to the due diligence system. In particular, primary purchasers of timber should minimise the risk of marketing illegal products through documentary tracking, stating the product's provenance and characteristics (country, forest, supplier, species, age and volume). Subsequent downstream operators in the sector would have to document from whom the timber was purchased.

4.6 In framing the Regulation, it would seem appropriate to fully recognise those national rules and organisational models that are most in tune with sustainable forest management criteria, rather than imposing novelties for their own sake. In this regard, the concept of sustainability should be broadened, so as not to focus solely on the capacity to produce timber, but also on social criteria (conditions that comply with human and workers' rights), economic criteria (preventing distortions of competition through unfair competition) and environmental criteria (impact of operations on the environment and local biodiversity).

4.7 We need to develop a positive environment for compliant operators who inform buyers of the legality of timber and its by-products. Finally, it would also be appropriate to carry out a consumer awareness campaign on the importance of ascertaining, via tracking, the legal harvesting of timber and its by-products at the time of purchase.

4.8 The use of legally harvested timber in the construction sector, furniture-making and other manufactured articles can be promoted by joint initiatives and by circulating publicity and information material. The aim would be to promote timber from sustainably managed forests as the only sustainable raw material that can reproduce itself naturally and store carbon dioxide throughout its entire lifecycle, a feature which sets it apart from any other material.

4.9 The Committee strongly supports the idea of setting up an advisory group on the timber trade, involving all stakeholders, to assist the Commission in ensuring the proper functioning of the system.

Brussels, 1 October 2009.

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

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<sup>(1)</sup> Economics of sustainable forest management. Editorial. Shashi S. Kant. *Forest Policy and Economics*. 6 (2004) pp. 197-203.



**Opinion of the European Economic and Social Committee on the 'Green Paper on the management of bio-waste in the European Union'**

COM(2008) 811 final

(2009/C 318/18)

Rapporteur: **Mr BUFFETAUT**

On 3 December 2008 the European 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 management of bio-waste in the European Union'*

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 2 September 2009. The rapporteur was Mr BUFFETAUT.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October 2009), the European Economic and Social Committee adopted the following opinion by 160 votes to 1 with 4 abstentions.

## **1. Conclusions**

1.1 The European Economic and Social Committee welcomes the process initiated by the Commission in its Green Paper. Nonetheless, it regrets that the discussion has been restricted to bio-waste only rather than extending to all bio-degradable waste.

1.2 In the absence of any common legislation, it recommends drawing up legislation harmonised in terms of its principles and technical methods.

1.3 The EESC stresses the need to respect the waste hierarchy and to encourage and promote recycling as well as recovery, particularly energy recovery.

1.4 The Committee is in favour of ensuring that as much as possible is done to help prevent the production of waste by consumers and industrial producers though it is aware that the amounts which may thus be saved are insignificant. Since local conditions can have a significant impact on how bio-waste is managed and how the material produced is used, the Committee considers that the European Union should, for the time being, prefer clear guidelines and the definition of a quality objective to uniform binding rules on the means of producing compost. The Member States must therefore retain some room for manoeuvre in the implementation of European objectives. Nonetheless, a report should be drawn up on the implementation of the EU's policy five years after the directives come into effect. If the findings of this report are unsatisfactory, consideration should be given to legislation which is more restrictive in nature.

## **2. What is meant by bio-waste?**

2.1 Bio-waste is understood to embrace biodegradable garden and park waste, food and kitchen waste from households, restaurants, caterers and retail premises, and comparable waste from food processing plants. The definition does not therefore include forestry or agricultural residues, manure, sewage sludge, or other biodegradable waste such as natural textiles, paper or processed wood. The subject of the Green Paper, therefore, is firmly focused on bio-waste and not on biodegradable waste, a broader notion which also encompasses bio-waste.

2.2 The total annual amount of bio-waste in the EU is estimated at 76.5-102 tonnes for food and garden waste included in mixed municipal solid waste and up to 37 tonnes for waste from the food and drink industry.

## **3. Why a Green Paper?**

3.1 It must be stressed at the outset that national policies vary considerably from one Member State to another. The key question, therefore, is to establish whether such national policies are sufficient or whether Community action would be preferable, bearing in mind that local conditions, especially climatic conditions, are of particular importance.

3.2 The Waste Framework Directive calls upon the Commission to assess the management of bio-waste, with a view to submitting a legislative proposal or guidelines, if appropriate.

3.3 Two working papers were issued by the Commission in 1999 and 2001, yet the situation has changed substantially in the meantime, particularly following the accession of the 12 new Member States.

3.4 The aim of the Green Paper, therefore, is to explore options for improving the management of bio-waste in the European Union. This will involve launching a debate on the utility of future Community action, which will take account of the waste hierarchy and the potential economic, social and environmental gains. The difficulty of the task lies in the fact that many uncertainties surround this issue.

#### 4. Current techniques

4.1 The following techniques are used in the Member States:

- separate collection, which allows the production of a superior quality compost,
- landfilling, which is still widely used as a method of municipal solid waste (MSW) disposal,
- incineration, involving energy recovery (less relevant in southern EU Member States, where there is less need to utilise heat produced),
- biological treatment,
- co-processing with other types of waste,
- converting compost material into pellets,
- aerobic processing,
- anaerobic processing
- mechanical biological treatment, which combines sorting with biological treatment.

4.2 All of these techniques are used in the Member States, although it is possible to identify three main trends: the use of incineration to divert waste from landfills, the existence of high material recovery rates with relatively low incineration, and the use of landfill.

4.3 There is also some variation in the existing standards. Standards on the use and quality of compost do exist, but they

differ from one Member State to the next. There is also a standard on energy recovery. Both were drawn up at EU level.

4.4 The environmental and economic effects vary according to the techniques used. Landfilling is considered to be the cheapest option, while incineration requires higher levels of investment. It is difficult to establish a single cost for biological treatment due to the diverse range of technologies used.

#### 5. General considerations

##### 5.1 Scope of application

5.1.1 The scope of the Green Paper does not encompass all biodegradable waste. This choice is somewhat restrictive as it means that biodegradable waste is not considered in its entirety. In a sense, this has created a new category of biodegradable waste which includes only biodegradable waste from parks and gardens, kitchen waste and waste from the catering industry or the agro-food industry.

5.1.2 The channels for waste collection and the measures for the treatment of bio-waste and bio-degradable waste, as well as recovery procedures, are drawn up and implemented in a common manner. It would therefore have made more sense to adopt a general harmonised approach based on a single set of rules. If it is impossible to put such harmonised legislation in place, rules with harmonised principles and technical methods will at least be needed.

5.1.3 Bio-waste management methods (and for biodegradable waste in general) must naturally respect the waste hierarchy: prevention, recycling (reuse is of little relevance in this case), other forms of waste recovery, including energy recovery and, lastly, disposal.

5.1.4 Waste prevention is the preferred method. In practice, this involves reducing the amount of unused food present in waste and cutting down on the production of garden and park waste through specially tailored methods of cultivation. Nonetheless, realistically speaking, the production of bio-waste is inevitable.

5.1.5 Recycling should be considered to be the principal waste management method for such waste. It involves producing organic compost, or fertiliser through the process of methanisation. The collection method used prior to biological treatment is of critical importance. There are two possible options: separate collection at source or the collection of mixed waste followed by sorting at the waste plant. It should be noted that the quality of the materials used to produce compost has a significant impact on the quality of the end product. The vital issue here is to ensure that the objectives in the area of recycling and final quality are achieved irrespective of which technology or organisational methods are used.

5.1.6 In the case of biodegradable waste, the efficiency of the recovery process is optimised by methanisation. The energy recovery of residual waste is an essential complement to the recycling procedures for biodegradable waste and ensures that none of the energy it contains is wasted.

## 5.2 Use of compost

5.2.1 As far as the use of compost is concerned, it is worth stressing that the market for compost varies greatly according to the different circumstances existing in the various Member States; moreover, the import and export of compost is very limited. The market for compost is essentially local. In some countries, compost is primarily used for agricultural purposes; in others, the focus is more on using it for revegetation or as a fertiliser for retail sale. It would therefore make sense to draw up rules based on the end use of the final product. Three main types of use/product can be identified:

— Plant and soil nutrition

— Improving the physical properties of soil

— Partial replacement of soil.

5.2.2 In all cases, the health and environmental quality criteria of the final materials (compost or digestates) must be established on the basis of scientific risk analyses. The final quality criteria of the compost and digestates must be determined according to the planned use and based on genuine risk analyses underpinned by tried and tested methodologies.

## 5.3 The decision-making level

5.3.1 When considering how best to develop bio-waste treatment, the conditions for which vary according to factors such as geography, climate or the market for compost, it is better to delegate the task to the Member States within clear guidelines established at European level, and on the basis of scientifically established quality criteria.

5.3.2 The EU's policy should therefore involve defining standards for compost, strongly supporting separate collection and recycling, and defining standards for the compost production process and the exchange of best practices. Overall, the policy should retain a certain degree of flexibility, hence the preference for clear guidelines rather than legislative measures which are too restrictive and poorly adapted to local conditions. Local authorities have a broad range of measures at their disposal, including pricing and taxation policies. In France, for example, if a local authority opts for separate collection this entails a reduction in the tax on refuse collection, which benefits the taxpayer directly and acts as a strong incentive

for local authorities. Nonetheless, it is still easier to organise separate collection in rural or semi-rural areas than in the heart of urban areas, particularly old towns.

5.4 Compost classification. Rather than classifying the quality of compost according to the type of collection method used (separate or mixed) quality criteria should be drawn up for the final product irrespective of its origin based on robust scientific and health criteria and its planned use.

5.5 Technologies to be encouraged. While it is difficult to impose separate collection since this may turn out to be very difficult in practice, particularly in the heart of urban areas, it should nonetheless be encouraged where it is technically and economically feasible. This should be accompanied by a strong information and communication campaign in order to encourage a change in people's behaviour and attitudes.

5.5.1 Biological treatment should be favoured over other forms of treatment, in particular landfilling. It is worth noting that economic and fiscal instruments can help encourage the development of alternative solutions to waste disposal e.g. by increasing or levying taxes on waste disposal for the purpose of financing their processing or utilisation. The alternatives put forward must also be affordable.

5.5.2 There is a need to focus on the waste hierarchy and to bolster waste prevention policies.

5.6 Plants not covered by the future IPPC Directive. Those plants which fall outside the scope of the future IPPC Directive (i.e. which treat less than 50 tonnes of bio-waste per day) should still comply with quality assurance standards. It should also be stressed that while such small plants represent 30 % of installations, they process only a fraction of the total volume of waste.

## 6. Specific comments: eight questions

6.1 The Commission addressed eight specific questions to the various stakeholders. The European Economic and Social Committee would like to respond to these questions.

### 6.2 Question 1: Waste prevention

6.2.1 We can only endorse the overall objective of preventing the production of waste. Prevention can be quantitative or qualitative in nature. In the case of the former, the idea is to limit the amount of waste entering municipal waste channels through composting at home or at local level; in practice, however, these techniques have a limited impact in terms of volume and have little effect over the short and medium term. In the latter case, the aim is to avoid the contamination of bio-degradable waste.

6.2.2 In both cases, there is a need to raise awareness and to educate the general public, who play a key role not only in the production of waste but also in terms of the separation and collection of waste. In particular, this process of awareness-raising must focus on the largest producers of waste.

6.2.3 The following concrete measures could be put forward:

- campaigns to prevent the creation of food waste;
- the use of biodegradable and fully compostable bags;
- separate collection of dangerous household waste;
- encouraging the development of separate bio-waste collection for the largest producers;
- preventing the production of waste in the supply chain.

#### 6.3 Question 2: Restricting landfill

6.3.1 Reducing the amount of bio-waste sent to landfill sites benefits the environment and enables bio-waste energy recovery, making it possible to recycle materials and produce more compost, but is dependent on the availability of affordable alternatives.

6.3.2 Biological treatment should be encouraged, e.g. through financial incentives. In France, the increase in the tax on landfill was accompanied by additional funding for biological treatment. Consideration should also be given to setting a rate for the recycling of biodegradable waste.

#### 6.4 Question 3: Options for the treatment of bio-waste diverted from landfills

6.4.1 The anaerobic digestion of waste for the production of biogas and the use of digestate to produce compost would appear to especially advisable. This method is in line with the 'lifecycle' concept as it makes it possible to reduce greenhouse gas emissions, improve soil quality through compost and ensure biogas recovery.

6.4.2 Irrespective of the method used, priority should be given to recycling involving the production of fertilisers which will return to the soil, through biological treatment which has a proven beneficial impact on the environment.

6.4.3 The concept of the life cycle is interesting but its use is hampered by the fact that the instruments currently available for its implementation do not make it possible to apply it in practice. Management evaluation methodologies must be

improved to take account of the effects of climate change and the soil quality issue.

6.4.4 Less stringent provisions should apply to the incineration of homogeneous waste given the lower risk involved in its incineration.

#### 6.5 Question 4: Energy recovery from bio-waste

6.5.1 Municipal biodegradable waste accounts for 2.6 % of all renewable energy produced. This is the result of the treatment methods currently used: incineration, treatment of biogas derived from waste disposal sites, biogas derived from methanisation.

6.5.2 According to the European Environmental Agency, the energy potential of municipal waste could be equal to as much as 20 million tonnes of oil equivalent, which represents nearly 7 % of projected global renewable energy potential in 2020. There is therefore considerable scope for progress in this field. We should not therefore automatically take a negative view of bio-waste energy recovery. The development of bio-waste methanisation should be seen as an option which is worthy of further promotion.

6.5.3 It is vital to promote the development of new and more efficient technology in order to boost waste disposal via biogas plants and foster other kinds of waste use in biofuel production.

#### 6.6 Question 5: Bio-waste recycling

6.6.1 It is essential to support the increased use of bio-waste recycling and recovery. Not only is it necessary to inform and encourage bio-waste producers; we must also try to influence the public administrations responsible for these matters. Each Member State could be encouraged to set a target for the use of fertilisers from renewable sources.

6.6.2 The following measures could be considered:

- Tax incentives promoting recycling of biodegradable waste and compost/digestate recovery
- The introduction of clauses into public contracts encouraging the use of fertilisers from renewable sources
- The promotion of quality assurance systems at the various stages of the biological treatment process
- Energy recovery of residual waste.

#### 6.7 Question 6: Strengthening the use of compost/recycling

6.7.1 Considering the diversity of uses and products in question, rules should be set both for compost and its use.

6.7.2 There is a need to set maximum levels of contaminants, pollutants and pathogens for compost.

6.7.3 Regarding the use of compost, it would be useful to identify objectives in the area of:

- plant and soil nutrition;
- improving the physical properties of soil;
- the partial replacement of soil.

6.7.4 Each objective would correspond to the characteristics and quality of the compost in question. In each case, health and environmental quality criteria should be established for the final product on the basis of scientific risk analyses. These criteria would cover pollutants, pathogens and impurities.

6.7.5 The question of using compost obtained from mixed waste raises the question of the treatment method used. Separate collection at source is the surest method yet its organisation is not always simple. The alternative solution involves the collection of mixed waste followed by sorting at the waste plant or dedicated sorting facility. Therefore, as several different techniques are available, care should be taken to ensure that the objectives in the area of recycling or final product quality have been achieved, whatever method is used.

#### 6.8 Question 7: Gaps in the regulatory framework

6.8.1 All waste treatment plants must be subject to a strict monitoring and regulatory framework. A text specifically dedicated to the management of biodegradable waste, which sets minimum European standards, would make it possible to improve monitoring of composting plants, which are often below this threshold, without having to modify the levels set in the IPPC Directive.

#### 6.9 Question 8: Advantages and disadvantages of the abovementioned bio-waste management techniques

6.9.1 The Green Paper makes reference to the waste hierarchy. Accordingly, it quite rightly recommends restricting landfill. Incineration can represent a good method of bio-waste energy recovery, however, the nature of this process means that the nutrients contained in bio-waste cannot be used to improve soil quality. Composting has the advantage of producing a material which acts as a highly effective fertiliser and ensures soil nutrition. Its disadvantage lies in the greenhouse gases emitted during the compost production process. The anaerobic digestion of waste involving the production and recovery of biogas and the use of digestate to produce compost is a more complex process which requires higher levels of investment than composting; nonetheless, it provides a purer source of renewable energy.

6.9.2 In any event, it is important to help maintain operators' capacity for technological innovation so that they can develop procedures and improve them both from an economic perspective well as in terms of quantity and quality. The key issue is to ensure the production of the highest quality compost possible and to focus on the importance of obtaining results, based on scientifically established thresholds, and not on setting pre-determined technical methods.

Brussels, 1 October 2009.

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

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**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 Community approach on the prevention of natural and man made disasters'**

COM(2009) 82 final

(2009/C 318/19)

Rapporteur: **Ms SÁNCHEZ MIGUEL**

On 23 February 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: A Community approach on the prevention of natural and man made disasters'*

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 2 September 2009. The rapporteur was Ms SÁNCHEZ MIGUEL.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October), the European Economic and Social Committee adopted the following opinion by 165 votes to none, with two abstentions.

## 1. Conclusions

1.1 Prevention is a fundamental principle of the protection and conservation of the environment, as well as a way of minimising the potential impact on the population of disasters, both natural and those of human origin, which may have been caused by the unsustainable use of natural resources. The EESC has repeatedly called for the competent authorities of each Member State to implement and monitor compliance with the existing legal provisions.

1.2 The overall disaster prevention method proposed seems to us to be appropriate. We consider all the information-gathering tools to be essential, both for assessing the current situation (inventory, risk maps and good practice) and for implementing the annual work programmes of the Community Mechanism for civil protection through the Monitoring and Information Centre. The role of the local authorities, their input on methods and their preventive and emergency response activities, should be highlighted in the proposal.

1.3 With regard to the systems proposed for financing prevention measures, it seems to us — looking at current disaster prevention systems and specific systems linked to agricultural, industrial policy etc — that financing should be extended to other areas of preparation, planning and early warning. Financial resources should be sufficient so as not to undermine the current effectiveness of the Mechanism.

1.4 Research into disaster prevention measures is essential and should be developed. It is not enough simply to refer to the Seventh Framework Programme of Research and Technological Development. Funding needs to be earmarked for specific risk prevention programmes, not only at Community level but also in the Member States.

1.5 Finally, international cooperation on prevention complements that which already exists in the fields of emergency response and aid. This is based on solidarity and takes place not only under the auspices of the UN but also under various international agreements in which the EU participates - Euromed, Lomé, Latin America etc.

## 2. Introduction

2.1 The EU has undertaken to adopt preventive measures to combat climate change not only because of the international agreements it has entered into but also because of the series of man-made disasters which have occurred in Europe in recent years. This preventive approach could not only help to maintain and restore our landscape, seas and rivers but also serve as a model for other countries.

2.2 These measures, which are set out in the communication under review, derive from an approach adopted in most Community countries in specific circumstances (floods and fires), leading to the establishment in a short space of time of coordination at Community level which has permitted quick and effective, and sometimes international action.

2.3 The EESC has been calling for coordination and above all Community-level development of an integrated European approach to disaster prevention<sup>(1)</sup>. However, we should like to stress that these prevention measures need to be accompanied by a Community aid system applicable to disasters of all kinds; this should be seen as a system of aid based on solidarity, not only for Community countries but for all countries which need our know-how and resources in order to minimise the impact of these disasters.

2.4 Prevention is a fundamental principle of environmental protection and conservation and for minimising the damage to the civilian population, and its aim is the sustainable use of natural resources. The sharp increase in recent years in the loss of human life, loss of biodiversity and economic losses makes it necessary to reconsider compliance with existing laws. The EESC has insisted on the need for the competent authorities of each Member State to enforce and monitor existing laws<sup>(2)</sup>, as some disasters could have been prevented or at least mitigated.

2.5 The aims for prevention set out in this communication do not apply to the EU alone and thus on 16-19 June, the Second Global Platform for Disaster Risk Reduction was held in Geneva, in which the EU played a major role. Broadly speaking, the platform's conclusions reflect the aims put forward by the European Commission, with some of them being referred to in the text.

### 3. Summary of the proposals contained in the communication

3.1 This communication is the result of an agreement between the Commission on the one hand and the European Parliament and the Council on the other aimed at stepping up Community action for preventing disasters and mitigating their effects.

3.2 The key to the establishment of a preventive approach lies in the measures already adopted at European level which form part of the current sectoral legislation. The aim is to bring order and coherence to the existing actions and measures to ensure that they are complied with as a whole. In particular attention should be drawn to the following:

3.2.1 Obtaining a better understanding of the starting situation and the *status quo* by creating an inventory of information on disasters and by spreading best practices, thus

allowing the exchange of information between interested parties. This would make it possible to draw up hazard/risk maps in line with Directive 2007/60/EC on the assessment and management of flood risks<sup>(3)</sup>. This will require the promotion of research of the kind set out in the Seventh Framework Programme for Research and Technological Development (2007-2013).

3.2.2 Linking the actors and policies throughout the disaster management cycle is another of the key elements proposed. The Community Mechanism for civil protection will be of key importance in view of the wealth of experience acquired through its activities. But emphasis is also placed on disaster prevention training and awareness-raising aimed at the general public. Improving the linking between actors is also stressed and the establishment of an integrated European network composed of representatives of the various national departments is also proposed.

3.2.3 Making existing instruments perform better is one of the keys to prevention, especially the more efficient targeting of Community funding, as prevention is cheaper than cure. These measures should be included in one of the funds (e.g. afforestation/reforestation projects), within the framework of existing Community legislation which lays down preventive rules for many natural disasters.

3.3 Finally, it is proposed that international cooperation in the field of prevention be reinforced. The Commission intends to coordinate with the UN's International Strategy for Disaster Risk Reduction (ISDR) as well as with other organisations in the framework of the Euro-Mediterranean Association and the neighbourhood policy.

### 4. Comments on the proposal

4.1 The Committee considers the content of the Commission communication to be very positive. Although it introduces few innovations, the overall position it takes is tenable. If all the existing Community rules were complied with, preventive measures would often be effective in preventing and mitigating the disasters which are unfortunately occurring with increasing frequency. Prevention is one of the actions most frequently advocated by the Committee<sup>(4)</sup>.

<sup>(3)</sup> OJ L 288, 6.11.2007.

<sup>(4)</sup> The Committee has drawn up two opinions on flood regulations, (CESE 125/2005, OJ C 221, 8.9.2005) Flood risk management - Flood prevention, protection and mitigation and (CESE 737/2006, OJ C 195, 18.8.2006), Directive on the assessment and management of floods. Both opinions urge that Community rules be applied and in particular that coordinated prevention measures be drawn up which are applicable throughout the EU, with special reference to their inclusion in river basin plans. But the Committee stated its views more forcefully in the opinion on Improving the Community civil protection mechanism - a response to natural disasters, referred to above, which, in addition to a number of general comments, contains a number of specific recommendations on floods and fires.

<sup>(1)</sup> Improving the Community civil protection mechanism - a response to natural disasters - CESE 495/2008, OJ C 204, 9.8.2008.

<sup>(2)</sup> Flood risk management - Flood prevention, protection and mitigation - CESE 125/2005, OJ C 221, 8.9.2005.

4.2 Some of the proposals, such as those on floods, are valuable as the basis for an overall approach and not just in response to specific events. We consider that disasters, whether of natural or of human origin, require an overarching prevention method, based on maximum information on the current state of our landscape, seas, rivers and atmosphere, and on any leaks that might occur in underground carbon dioxide storage sites. Thus, the proposal for the creation of an inventory of information on disasters would make it possible to draw up risk maps, as provided for in the directive on floods, which would require preventive action by the competent authorities.

4.2.1 Which authorities are responsible for the environment depends on the system of allocation of government powers of the State in question <sup>(1)</sup>. However, we consider it important that it should be these authorities which are in the first instance responsible for prevention activities and the provision of information and education to civil society. The effectiveness of the measures put in place to prevent or mitigate the effects of disasters, both natural and of human origin, depend to a great extent on these authorities.

4.3 We feel that the importance of the Civil Protection Financial Instrument <sup>(2)</sup> should be stressed. Through its annual work programmes this covers, in addition to the activities of the Community Mechanism for civil protection (transport, training etc), other activities relating to preparation, planning, early warning and prevention.

4.4 The 2009 work programme (WP), approved in November 2008, provides for a significant increase in cooperation projects on prevention, with the budget increasing from EUR 1.1 million (2008 WP) to EUR 2.25 million (2009 WP), which will help to prevent and mitigate long-term damage by improving risk assessment. Civil protection actors at all levels of government and society may participate.

4.5 Another significant feature of the work programme is the significant increase in the support and preparation activities of the Mechanism, one of the objectives of which is to support the Commission in implementing the disaster prevention strategy and to improve knowledge of disaster prevention, with a budget increase from EUR 650 000 (2008 WP) to EUR 1 180 000. The 2009 work programme also includes a chapter on exchange of best practice in the field of prevention.

4.6 The dissemination of best practice will not only make for better coordination of the competent authorities but also for

improved application in risk prevention and specific action in the event of disasters. We feel that the Community Mechanism for civil protection <sup>(3)</sup>, through the Monitoring and Information Centre, should be responsible for centralising these databases in order to make them more operational.

4.7 In this connection, we consider that the proposal to improve the linking between actors through the establishment of an integrated European network composed of representatives of the various national departments will not only make it possible to apply best practice in the event of disasters but will also have a preventive function in cases where intervention is usually difficult.

4.8 One important area is the financing of prevention measures - two systems are proposed:

- the establishment in 2009 of an inventory of existing Community instruments capable of supporting disaster prevention activities in order to assess the degree of use and identify any gaps in their coverage <sup>(4)</sup>;
- the development of a catalogue of prevention measures financed from different Community policies, e.g. reforestation/afforestation projects.

4.9 The EESC considers that, in addition to these proposals, consideration should also be given to the appropriate financing of the Civil Protection Financial Instrument to ensure that the new tasks do diminish the Community Mechanism's capacity to act, not only in terms of prevention but also in direct disaster response.

4.10 The Committee also once again stresses that investment in prevention research is a necessity and a matter of priority. A start is being made on this in the Seventh Framework Programme for Research and Technological Development (2007-2013). Other sources of funding for prevention activities could also be used, however, from specific policy areas, such as funding from the second pillar of the CAP for forestry-related activities. We feel, therefore, that the Commission should view all Community policies (and not only the CAP) as potential funding sources, including regional policy, energy policy, climate change, etc., to ensure that effective preventive measures can be applied to any type of disaster.

<sup>(1)</sup> Point 12 of the Platform's conclusions calls for the development of partnerships that both recognise and strengthen the mutual dependence of central and local governments and civil society.

<sup>(2)</sup> Council Decision of 5 March 2007 establishing a Civil Protection Financial Instrument (2007/162/EC, EURATOM).

<sup>(3)</sup> For the Community Mechanism for civil protection see the opinion on Improving the Community civil protection mechanism - a response to natural disasters, section 3, which refers to the need to centralise all information through this mechanism.

<sup>(4)</sup> Point 17 of the Platform's conclusions acknowledges the assessment of potential financing instruments available globally for reducing the risk of disaster.

4.11 We should also like to stress the importance of awareness-raising among the general public and social and voluntary organisations as to the need for prevention policies as a basis for improved safety and appropriate disaster response. Training and raising the awareness of civil society in the fields of disaster prevention and the sound use of natural resources should be a key responsibility of the competent authorities, especially local authorities, given their proximity to resources and to the use of these resources.

4.12 Finally, the proposal to reinforce international cooperation on prevention and not just aid is one of the key elements, and here the UN's International Strategy for Disaster

Risk Reduction (UN-ISDR) for developing countries plays an important role. Thought should be given to ways of making intervention mechanisms more universal, again under the aegis of the UN, without however minimising European intervention, which has been so useful in recent disasters.

4.13 The European Neighbourhood Policies should systematically include a chapter on risk prevention cooperation in order to promote sustainable development, in line with the Millennium Development Goals and the Hyogo Framework for Action of the United Nations' ISDR (International Strategy for Disaster Reduction).

Brussels, 1 October 2009.

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

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**Opinion of the European Economic and Social Committee on the ‘Green Paper: TEN-T: A policy review. Towards a better integrated trans-European transport network at the service of the common transport policy’**

COM(2009) 44 final

(2009/C 318/20)

Rapporteur: **Mr SIMONS**

On 4 February 2009 the European Commission decided to consult the European Economic and Social Committee, under Article 262(1) of the Treaty establishing the European Community, on the

*‘Green Paper: TEN-T: A policy review. Towards a better integrated trans-European transport network at the service of the common transport policy’*

The Committee for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 8 September 2009. The rapporteur was Mr Simons.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 30 September), the European Economic and Social Committee adopted the following opinion by 167 votes to 1 with 5 abstentions.

## **1. Conclusions and recommendations**

1.1 The EESC agrees with the Commission that the TEN-T Guidelines need to be radically revised to take account of the accession of a large number of new Member States to the EU since 1996. In view of this and of the shift in emphasis in policy priorities, particularly heightened concern about the environment and climate change, a re-orientation of the Community’s transport infrastructure network is required.

1.2 Given the problem of increasing CO<sub>2</sub> emissions, and infrastructure and organisational gaps in relation to goods transport, the Committee concurs with the Commission in its search for co-modal solutions for freight transport so as to create synergies for users.

1.3 In the framing of a new TEN-T, the EESC wants to see explicit consideration given to so-called neighbourhood policy, i.e. connections to the east and south of the EU, although the Commission and the Member States should focus above all on the network rather than on individual infrastructure projects. This also promotes solidarity between the Member States.

1.4 The Commission presents three options for the shape of a future TEN-T. The Committee agrees with the Council that this should be a two-layer structure with a comprehensive network and a core network comprising a geographically defined priority network and a conceptual pillar to help

integrate the various transport policy and infrastructure aspects. The EESC believes this will make it possible to deploy EU funding more efficiently and effectively than hitherto. A body should be set up to coordinate the deployment of funding.

1.5 The Committee urges the Commission to put in place a more binding implementation framework, including adequate penalties, for the development of the ‘priority network’ and for interoperable traffic management systems.

1.6 As regards future planning of the TEN-T, the Committee endorses the Commission’s approach as set out in its Green Paper, based on the principle that each mode should be used according to its comparative advantages within co-modal transport chains and that each mode thus plays an important role in achieving the Community’s climate change objectives. The objective must still be to shift towards the most environment-friendly transport chain.

## **2. Introduction**

2.1 On 4 February 2009 the Commission presented its *Green Paper: TEN-T: A policy review. Towards a better integrated trans-European transport network at the service of the common transport policy*, concerning a revision of its policy on the trans-European transport network (TEN-T).



2.2 The Commission intends to involve as many stakeholders as possible in the review, so as to draw on the knowledge, experience and views available. The Commission launched a public consultation to this end that was completed on 30 April 2009.

2.3 The Commission plans to analyse the findings of the public consultation and use them to feed into its work on developing a new TEN-T policy. The rest of 2009 is likely to be taken up with processing responses to the Green Paper and undertaking any necessary research. At the beginning of 2010, the Commission plans to announce the methodology of the policy, and, at the end of 2010, to present draft legislation, i.e. the revised version of the TEN-T Guidelines and possibly the TEN-T Regulation.

2.4 The EC Treaty (Articles 154 to 156) defines TEN-T policy as a means of achieving the objectives of the internal market in relation to growth and job creation, as well as realising social, economic and territorial cohesion, which must benefit all citizens and businesses.

2.5 In addition, sustainable development must be achieved by ensuring that environmental protection requirements have a key place in the policy. TEN-T policy should be designed to make a noticeable contribution to the Community's 20/20/20 climate change objectives.

2.6 EU policy on the trans-European networks was developed between 1990 and 1995 and formalised by a decision of the European Parliament and the Council in 1996. Since then, a total of EUR 400 billion has been invested in transport infrastructure projects of common interest, though there has been considerable delay in completing many of these projects. In the early stages of the TEN-T programme (1996-2003), most of the priority projects completed by the Member States were road projects. Further infrastructure for more environment-friendly transport modes must be built without delay wherever it is apparent that it is needed.

2.7 Some 30 % of the EUR 400 billion invested has come from Community funding, such as the TEN-T budget, the Cohesion Fund, the ERDF and the EIB. It is estimated that some EUR 500 billion of further investment is still required. The plan is for 80 % of funding reserved for TEN-T priority projects to be allocated to the railways sector.

2.8 Experience has shown that it is hard for the general public to see the results of TEN-T policy and its added value. The Commission tries to rectify this in the approach it adopts in its Green Paper and makes climate change targets a central plank of future TEN-T policy.

2.9 The Commission itself concludes that TEN-T policy needs to be radically overhauled. Through a process incorporating economic and environmental targets and explicitly geared to the need for efficient passenger and freight transport on the basis of co-modality and innovative techniques, the aim is to establish a healthy basis for an effective contribution to the Community's climate objectives.

2.10 Since the scope of the revision is so broad – in political and socio-economic, environmental, institutional, geographical and technical terms – the Commission decided to publish a Green Paper in which it sets out its ideas and gives stakeholders the opportunity to contribute actively to the discussion and make suggestions for a new TEN-T policy through the consultation exercise.

2.11 In its resolution of 22 April 2009 on the Green Paper on the future TEN-T policy, the European Parliament stated that although it accepted the idea of a TEN-T conceptual pillar, albeit vague, it also saw the benefit of concrete projects, and considered that an overproportionate share of priority projects should include environment-friendly modes of transport.

2.12 At its meeting on 11 and 12 June 2009, the Council of Ministers took the position that all current TEN-T priority projects should be an integral part of a coherent priority network bringing together both infrastructure already completed or under construction and projects of common interest. These projects should be multimodal, with due attention being given to nodes and intermodal connections.

2.13 The Council also noted that TEN-T policy should contribute significantly to climate change goals and environmental objectives. It added that the optimal integration and interconnection of all transport modes, both physical infrastructure and intelligent transport systems, should make efficient co-modal transport services possible and so constitute a strong basis for supporting the efforts of the transport sector towards reduction of CO<sub>2</sub> and other emissions.

### 3. General comments

3.1 The Commission has realised that implementation of the decision taken by the European Parliament and the Council in 1996 to create a trans-European infrastructure network of common interest has not been proceeding according to plan, and mentions this in its communication *Trans-European networks: Towards an integrated approach* (COM(2007) 135 final). The EESC considers the Commission's consequent steps to lay the foundation for a radical revision of TEN-T policy through the public consultation in this Green Paper to be appropriate.

3.2 Another reason the Committee feels that a thorough overhaul of the TEN-T Guidelines is needed is that a large number of new Member States have joined the EU since 1996. This calls for a review of the Community's transport infrastructure network.

3.3 The Commission's policy evaluation of the TEN-T Guidelines notes that the network planning originally envisaged, where the intention was to bring together large parts of national networks for the different modes and connect them at national borders, has lost momentum as a result of the Union's enlargement.

3.4 Given that a huge amount of funding will be needed to implement a new TEN-T, the Committee thinks that as many relevant factors and dimensions as possible must be taken into account in order to make appropriate and responsible decisions. As the basis for this, the Committee recommends that financing should reflect objectives rather than the other way round.

3.5 The foundations of future TEN-T policy are anchored in the EC Treaty. Articles 154 to 156 set out the issues that must be taken into account. Sustainable development and the associated climate objectives have not been sufficiently emphasised in the past, but the Committee agrees with the Commission that they must be a substantial part of transport policy in general and thus also of TEN-T policy. Indeed, the Committee already pointed to this in its opinion of 13 March 2008 (TEN/298 – CESE 488/2008), in which it also stressed the importance of an integrated approach.

3.6 To implement the treaty provisions, TEN-T Guidelines have been drawn up which contain provisions for selecting projects of common interest that are supported by the Member States. The ultimate purpose of these guidelines is to create a single multimodal network in order to make a safe and efficient transport network feasible on the basis of an innovative approach.

3.7 The Committee concurs with the Commission in its search for co-modal solutions for freight transport to overcome problems of rising CO<sub>2</sub> emissions, infrastructure and organisational gaps. The Committee agrees with the Commission that developing Motorways of the Sea, for instance, is very important for the further development of TEN-T.

3.8 The Commission thinks that revising TEN-T policy should build on the results achieved so far, and should ensure continuity with the previous approach. The Committee questions whether this is consistent with fundamental revision

of TEN-T policy, since an evaluation of current priority projects listed in Annex 3 of the TEN Guidelines based on objective criteria would, in its view, have to entail adaptation of the annex, which could logically result in projects listed there also disappearing.

3.9 As far as establishing a new TEN-T policy is concerned, the Committee agrees with the Commission that this must be based on a two-fold objective, covering economic and environmental factors. The Committee believes that an integrated approach produces synergies, especially in the case of projects relating to EU enlargement. This is why it is important that the environmental impact, including climate effects, should also have been taken into account when choosing a network. Thus a balance should be sought between economic requirements and concern for the environment, through promoting a sustainable and efficient transport system based on the principle of co-modality.

3.10 An example of this is the integration of air and rail transport for distances of up to 500 km, promoted via market forces. High-speed rail services play a very important role in passenger transport in this context, and there are also interesting opportunities for integrating airports with Europe's rail network in the case of freight transport.

3.11 The Committee believes that the new TEN-T should focus principally on the network – both physical and non-physical – with emphasis on so-called neighbourhood policy, e.g. infrastructure connecting the western part of the EU to the east, and north to south (Via Baltica, Helsinki-Athens). In the Committee's view, the neighbourhood approach promotes solidarity among the people of the EU.

3.12 The Commission suggests that, in order to determine European added value, all projects of common interest selected must be subject to a standardised multicriteria and cost-benefit analysis which could take all factors, including non-monetary factors, into account. This should allow EU subsidies to be allocated fairly and objectively, and to be limited to projects which really produce added value for the EU. The Committee advocates the application of any method that will lead to more efficient and effective use of EU funding.

3.13 In particular, a standardised approach of this kind would be useful in tackling cross-border infrastructure bottlenecks, where the problem is often how to share costs. This should lead to a streamlining of the TEN-T programme, while the focus can shift more to the economy-environment complex.

3.14 The Commission asks in the Green Paper which of the following options would be preferred as regards the form of a future TEN-T:

- maintaining the current dual-layer structure with the comprehensive network and (unconnected) priority projects;
- a single layer consisting of priority projects, possibly linked to each other in a priority network;
- a dual-layer structure with the comprehensive network and a core network comprising a – geographically defined – priority network and a conceptual pillar to help integrate the various transport policy and transport infrastructure aspects.

3.15 The Committee would favour the last of these three options. It believes that EU funding must be deployed more effectively and that concentrating funding on a core network is the best way of achieving this. Over the years, the comprehensive network has involved applying some Community transport legislation to fit the scope of the current TEN-T network, and so it cannot simply be dropped but will have to remain in place. The projects concerned would then no longer be eligible for subsidies under the TEN-T budget, though they could be financed through the ERDF and the Cohesion Fund.

3.16 In order to deploy EU funding more efficiently and effectively, the Committee thinks that a body should be set up to coordinate the use of funding.

3.17 The geographically defined priority network should in the Committee's view consist of genuinely multimodal axes which interconnect major economic and population centres and link these centres with the main nodes such as sea and inland waterways ports, and airports. This network would have to meet the requirements relating to environmental protection and promotion of social and sustainable development.

#### 4. Specific comments

4.1 According to the Commission, sustainable development and above all the ambitious climate targets set by the EU in December 2008 necessitate adaptation of the approach to the trans-European networks. The Committee agrees with the Commission that climate issues alone would already be sufficient reason to revise the guidelines, but points out that the failure to complete planned projects and EU enlargement are also grounds for revision.

4.2 In principle, the Committee shares the Commission's view that all projects of common interest should be subject to cost-benefit analysis, although there should also be more scope to use methods that serve the same purpose. However, the Committee also points to the need for a more uniform way of defining and evaluating externalities.

4.3 The Committee agrees with the Commission that revision of the TEN-T must consist in complementing a network of major interlinked infrastructure projects with a conceptual network of this type of project, and would stress that the Commission must focus a large part of its coordination efforts on realising these sorts of projects.

4.4 The Committee notes that systematic investment in developing research and technology in Europe has produced new ways of realising the goals of European transport policy using other means than investment in material infrastructure alone.

4.5 The Commission has set out the options and policy plans in various communications, such as the Transport Logistics Action Plan and the Action Plan for the Deployment of Intelligent Transport Systems (ITS). When implementing these new technologies, in any case, negative effects on working conditions and data protection must be avoided.

4.6 There is also the Green Car initiative, a part of the European Economic Recovery Plan, which sets out how the effectiveness and efficiency of Europe's transport system can be enhanced by applying clean propulsion technology and intelligent logistics. The European action programme NAIADES, which is broadly aimed at promoting inland waterways transport, should also be mentioned in relation to innovation.

4.7 Point 4.5 of the above-mentioned Logistics Action Plan contains a brief description of the Green Corridors concept. The Committee would appreciate more details on this, since it believes that the Green Corridors idea also means making alternative modes available for traffic between nodes so that cost-effective choices can be made.

4.8 Thus, development of TEN-T has so far been seen as an undertaking on the part of the Member States concerned to take action. At present, national governments are responsible for establishing infrastructure, but the Committee urges the Commission to design a more binding implementation framework, including adequate penalties, for development of the 'priority network'. The same approach could be adopted for interoperable traffic management systems.

4.9 In the Committee's view, discussion of the priority network should focus explicitly on completing the Motorways of the Sea, paying more attention to the wider logistical network, so that EU sea ports are provided with good access and adequate hinterland links, bearing in mind that there must be no distortion of competition.

4.10 In conclusion, the Committee agrees that many of the issues raised by the Commission in its Green Paper must be taken into account in future planning of the TEN-T. These include questions relating to the differing needs of passenger

and freight traffic, the sensitivity of airports to fuel price, security, economic development and environmental protection, the sea port issue mentioned in point 4.9 and the freight logistics concept, based on the principle that

4.11 each mode should be used according to its comparative advantage within efficient co-modal transport chains and that each mode plays an important role in achieving the Community's climate change objectives. The objective must still be to shift towards the most environment-friendly transport chain.

Brussels, 30 September 2009.

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

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**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: The EU, Africa and China — Towards trilateral dialogue and cooperation’**

COM(2008) 654 final

(2009/C 318/21)

Rapporteur: **Mr JAHIER**

On 17 October 2008 the European 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 Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: The EU, Africa and China — Towards trilateral dialogue and cooperation’*

The Section for External Relations, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 3 September 2009. The rapporteur was Mr JAHIER.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October), the European Economic and Social Committee adopted the following opinion by 145 votes to one with three abstentions.

## **1. Conclusions and recommendations**

1.1 Over the last 15 years, Africa has been the focus of growing attention from China, which has firmly established itself as the continent’s third trading and economic partner as a result of the constant increase in the volume of trade, investment and partnerships signed with the vast majority of African countries. While Europe remains Africa’s leading economic partner, its leading position is beginning to crumble in a multipolar world in which the emerging nations are seeking to establish a new order. Because Africa is a neighbouring region with shared interests, the involvement of other powers means that Europe must relaunch its partnership with the continent.

1.2 The EESC warmly welcomes the Commission’s proposal to launch trilateral dialogue and cooperation between the European Union, China and Africa. This prospect is as necessary and inevitable as its outcome is uncertain and problematic. It particularly appreciates the pragmatic and progressive approach, and the pertinence of the four specific sectors proposed: peace and security, infrastructure, exploitation of natural resources and the environment, and agriculture and food security.

1.3 Trilateral cooperation, however, can only be meaningful if it is both effective and based on parity. The asymmetry of present relations must be taken very seriously as the starting point: China is a single, very large country dealing with individual African countries, while Europe often struggles to speak with a single voice in its relations with the continent. Although

the Chinese presence in Africa is not free of some questionable areas, many African governments tend to prefer partnerships with Beijing, which seems more willing to meet their requests without imposing conditions or time-consuming red tape.

1.4 In order to have effective cooperation, first of all the genuine interest of all the stakeholders in the proposed strategy must be ascertained, as must their practical involvement in three-way dialogue. The Commission and the Council must therefore take any initiatives necessary to obtain appropriate responses to the proposals in this area.

There is also a need:

- for the European Union to make a greater commitment to ensuring that its own action, in the economic, diplomatic and development cooperation fields, is coherent, with a more assertive long-term geostrategic approach giving new vigour to the EU-Africa strategy adopted in Lisbon, and to increase funding;
- for governments and the African Union (AU) to pay greater attention to the long-term benefits that their countries could derive from a partnership with Europe and China, giving less prominence to the immediate advantages for local leaders. For this to happen, they need to be supported in building up their capacity to define and manage long-term Africa-wide and regional development strategies;



- to urge China to make a growing commitment to ensuring that the fruits of trilateral cooperation, as well as of the bilateral cooperation it conducts with individual African countries, benefit local societies and peoples as a whole, and not only their governments.

1.5 Making sustainable local growth the central objective means, more specifically, ensuring that:

- the creation of local added value is boosted;
- new social infrastructure is built up, taking account of existing structures;
- skills and technologies are effectively transferred;
- growth of local and regional markets, local businesses and, in general, improvements to living and working conditions are supported;
- partnerships between foreign businesses and local businesses are supported;
- unsustainable long-term debt is not worsened, and local and regional institutions in general are strengthened.

1.6 Parity-based dialogue and cooperation must also give each side the freedom to put even the most controversial items, or those attracting divergent views or concerns, on the agenda. Introducing key questions such as democratic governance, human rights and the role of civil society – currently missing from the communication – into the proposed process, in keeping with the contents of the EU Council decision, would be more consistent with both the 2007 Lisbon Strategy and the 2000 Cotonou Agreement governing relations between the EU and the ACP countries.

1.7 The EESC points in particular to the crucial importance of involving all non-state actors in trilateral dialogue, and especially the private sector, trade union organisations, farmers, and women's, consumers' and other organisations. The role of such actors has expanded significantly over the last few years, in part as a consequence of the success of the Lomé and Cotonou Agreements. This virtuous circle of participation by various socio-economic actors in EU-Africa relations should therefore not be penalised or put at risk, but rather put

to the best possible use. The EESC therefore calls on the Commission to include this key point in its proposal.

1.8 In the light of Europe's inevitably multilateral role and the United States' renewed interest in Africa, trilateral cooperation between the EU, China and Africa could also be extended to the United States, with a view to a more complete, efficient and parity-based partnership, of course working in the sectors indicated but reserving the right to extend cooperation to other spheres.

## 2. Introduction

2.1 Africa is changing rapidly. Although it still accounts for only 2 % of world GDP and less than 1 % of world industrial output, the continent is moving back into the current of globalisation after decades of geopolitical and economic marginalisation. The European Union remains the continent's main economic partner, but Africa is increasingly being courted by the 'emerging financiers' – first and foremost China, but also India, Japan, South Korea, the larger Latin American countries and the Gulf states. In recent years, the United States has also resumed its interest in Africa, principally in order to guarantee secure energy supplies and combat the threat of terrorism. Although 40 % of its population still lives well below the poverty line, Africa is seen less as the 'hopeless continent' and increasingly as a 'new frontier' offering development and business opportunities.

2.2 Africa has seen much political innovation over the last decade: the creation of the African Union, accompanied by the launch of its 2004-2009 strategic plan and the deployment of new intervention capabilities for conflict resolution; the strengthening of regional economic communities; and programmes for economic development (the New Partnership for Africa's Development, NEPAD) and governance (African Peer Review Mechanism).

2.3 As a result of this raft of changes, the renewed international attention being paid to Africa has, as repeatedly pointed out by Commissioner Louis Michel (<sup>1</sup>), focused on three main areas: economic interests, security interests, and the new power-based and geostrategic interests.

2.4 In economic terms, in addition to competition for access to and control of the continent's natural resources, starting with energy, attention has turned to the still enormous potential of the domestic African market, which has been growing at an average rate of 6 % in recent years, accompanied by low inflation and a virtuous circle of substantial reductions in public debt.

(<sup>1</sup>) See, in particular, Louis MICHEL, *Afrique-Europe: l'indispensable alliance*, monograph, EC, December 2007.

2.5 In both these areas, China has displayed great determination and a capacity for long-term, structural investment <sup>(1)</sup>, reshaping the historical links with African countries that it initiated in the 1950s. From the mid-1990s onwards, while continuing to emphasise South-South cooperation between developing nations, China has focused greater attention on the economic opportunities Africa has to offer, and has established friendly relations with almost all African countries. The continent-wide dimension of the new Chinese approach was confirmed with the creation, by Beijing, of the Forum on China-Africa Cooperation (FOCAC) <sup>(2)</sup>. Its summits, held every three years (Beijing 2000, Addis Ababa 2003 and Sharm el-Sheikh, Egypt, scheduled for December 2009), have set the pace for continued development of relations between China and the African countries. The renewed Chinese strategy towards the continent was officially unveiled in the White Paper on China's African Policy <sup>(3)</sup>, published in January 2006.

2.6 The significantly altered context compared with previous decades has also prompted the European Union to review its own policy towards Africa. This process culminated in the adoption, in December 2007 in Lisbon, of a new joint EU-Africa strategy on which the EESC has already issued a detailed opinion <sup>(4)</sup>.

2.7 While China and Europe rekindle their interest and willingness to invest in Africa, the way these major players will in the future define their reciprocal lines of action is raising questions and expectations on account of both the obvious prospect of competition and the possible areas of cooperation. It must be remembered that while in absolute terms, the EU and China are respectively Africa's first- and third-ranking trade partners and foreign investors, the relative weight of Europe-Africa trade relations has fallen over the last ten years, while that of China-Africa relations has risen dramatically <sup>(5)</sup>.

2.8 Taking on the growing public debate regarding China's influence in Africa, and in response to the adoption in April

2008 of a resolution on this subject by the European Parliament <sup>(6)</sup>, over the last two years the Commission has conducted an in-depth discussion, accompanied by significant and wide-ranging consultations <sup>(7)</sup>, to gain an understanding of the repercussions of the processes currently under way and to identify the possible outlines of a trilateral debate between the EU, China and Africa.

### 3. Gist of the Communication

3.1 The Communication proposes to seek the most effective ways to facilitate a process of dialogue and joint cooperation between the Africa, China and the EU. The Commission's main objective is to promote mutual understanding and to enable joint, coordinated action to be undertaken in strategic sectors, in accordance with priorities defined primarily by African institutions.

3.2 The Communication is based on a pragmatic and progressive approach, focusing principally on the outlook for practical coordination in sectors considered to be crucial in promoting stability and development across Africa. These sectors are:

- **Peace and security in Africa**, with a view above all to closer cooperation with the African Union and China within the UN framework, in order to support the development of the African Peace and Security Architecture and boost the AU's capacity to manage peace-keeping operations.
- **Support for African infrastructure**, which is the backbone of development, investment and trade, and for enhancing interconnectivity and regional integration, especially in the transport, telecommunications and energy sectors.
- **Sustainable management of the environment and natural resources**, which, by intensifying links with initiatives such as EITI (Extractive Industries Transparency Initiative), FLEGT (Forestry Law Enforcement, Government and Trade) and the Kimberley Process for transparency in the diamond industry, allows more transparent processes, more technology transfer and investment to tackle climate change and encourage the development of renewable energies.

<sup>(1)</sup> Not only natural resources, infrastructure and trade are concerned. China's leading bank, the Industrial and Commercial Bank of China, has acquired a 20 % stake in South Africa's leading bank – also the biggest in Africa as a whole – the Standard Bank, spending 5 600 million US dollars. This is the biggest investment ever made in Africa by a foreign group.

<sup>(2)</sup> See the official FOCAC website, [www.focac.org/eng/](http://www.focac.org/eng/)

<sup>(3)</sup> China's African Policy, 12 January 2006, <http://www.focac.org/eng/zgdfzzc/t463748.htm>

<sup>(4)</sup> OJ C 77, 31.3.2009, p. 148–156, *EU-Africa Strategy*, rapporteur: Mr DANTIN.

<sup>(5)</sup> According to IMF data, the volume of EU-Africa trade, which in 1995 accounted for 45 % of all African trade, has fallen to little more than 30 %, while China's has risen from only a few percentage points in 1995 to nearly 27 % today. In 2008, China-Africa trade reached USD 106.8 billion. This represented an increase of 45 % over the previous year and meant that the target of 100 billion by 2010, announced at the November 2006 FOCAC summit in Beijing, had been topped two years early. See also *Commission staff working paper, Annexes to the Communication of the Commission*, SEC(2008) 2641 final.

<sup>(6)</sup> *China's policy and its effect on Africa*, European Parliament document A6-0080/2008/P6\_TA-PROV(2008)0173, EP resolution of 23 April 2008, rapporteur Ana Maria GOMES.

<sup>(7)</sup> Prominent among them, the conference held by the European Commission on 28 June 2007, bringing together more than 180 African, Chinese and European policymakers, experts and diplomats (*Partners in competition? The EU, Africa and China*).

— **Agriculture and food security**, with the aim of boosting productivity and production levels in African agriculture, in particular by means of agricultural research and innovation, control of animal diseases and food safety, under the CAADP (Comprehensive African Agricultural Development Programme).

3.3 The Commission wishes to see dialogue and consultation expanding at all levels (national, regional, continent-wide and in bilateral EU-China relations), in order to support decision-makers in enhancing mutual understanding on respective policies and approaches, and developing practical cooperation opportunities. The process will also help to promote the effectiveness of development aid, in keeping with the March 2005 Paris Declaration, and the conclusions of the September 2008 Accra seminar.

3.4 The Council of the European Union has taken on board and approved the main recommendations set out in the Communication, considering that a trilateral dialogue of this kind could help to 'support the efforts undertaken by Africa and by the international community to promote democratisation, political and economic integration, good governance and respect for human rights' <sup>(1)</sup> and recommended a more in-depth examination of the proposed practical measures.

3.5 The EESC however notes with concern and disappointment that neither China nor the AU has yet taken any official position regarding the trilateral dialogue proposed by the EU. Cooperation with Africa was not on the agenda at the most recent EU-China summit, in spite of the proposal to this effect in the Communication under discussion <sup>(2)</sup>. At present, therefore, there is no tangible evidence of willingness on the part of China or the AU to accept the EU's proposal.

#### 4. Positive aspects

4.1 The Communication contains a number of positive elements that are to be welcomed, including:

- an approach based on dialogue and exchange as part of the necessary policy of seeking coordination between donors and the main stakeholders;
- the pragmatism displayed in the choice of the four sectors which are certainly of strategic importance and offer plentiful scope for action;

<sup>(1)</sup> See the Conclusions of the 2902nd meeting of the General Affairs and External Relations Council of 10 November 2008.

<sup>(2)</sup> 11th EU-China summit, Prague, 20 May 2009, Joint Press Communiqué.

- the proposed progressive approach to building up trilateral cooperation, seeking to make maximum use of all existing structures rather than setting up yet another costly multi-lateral structure.

4.2 With regard to the second point in particular, the four sectors identified are unquestionably crucial to African development and, albeit in different ways, to the systems of bilateral China-Africa and Europe-Africa relations.

4.3 The renewed outbreak of certain conflicts and the fragile nature of the peace processes under way, combined with the risk of new forms of fundamentalism and/or of areas that might shelter terrorist bases, mean that cooperation in maintaining and promoting peace and security is of vital importance. Particular attention should be paid to support for the African Peace and Security Architecture, and AU peace-keeping missions, in the form of capacity-building, training and logistical and/or financial support.

4.4 Cooperation in maintaining and promoting peace and security should however also include a dialogue specifically on the rules governing arms supply and trading, especially to governments or non-state armed groups caught up in current conflicts and/or who are responsible for serious human rights violations <sup>(3)</sup>, thereby bringing an issue on which debate has already commenced at the UN into the trilateral China-Europe-Africa relationship.

4.5 The renewed emphasis on infrastructure investment, which has been long overlooked by European cooperation but nevertheless constitutes the core of the Chinese approach to Africa, is strategically important for two sets of reasons. First of all, proper infrastructure is necessary in order to ensure both access to and transport of raw materials or products put on the African markets, and those types of practical and effective regional integration that are key to Africa's social and economic development. Improving infrastructure, or creating new infrastructure from scratch, is furthermore a clear priority for many African governments, and cannot remain subject to local capacity for funding and financial sustainability alone <sup>(4)</sup>.

4.6 The importance of environmental sustainability and natural resources management is self-evident, not only with regard to the international context of climate change, but also to all those aspects relating to the conditions governing the exploitation, transport and use of the continent's natural resources, especially mining activities and energy.

<sup>(3)</sup> See the above-mentioned EP report and resolution, 2008, A6-0080/2008/P6\_TA-PROV(2008)0173, EP resolution of 23 April 2008, rapporteur Ana Maria GOMES.

<sup>(4)</sup> See, in this regard, the discussions and decisions of the 12th AU Summit, held from 26 January to 3 February 2009 in Addis Ababa, the main theme of which was 'Infrastructure Development in Africa' [www.africa-union.org](http://www.africa-union.org)

4.7 Debate in recent years has focused primarily on environmental and labour conditions on sites run by or linked to Chinese companies operating in Africa, as amply documented by a study carried out by the African Labour Research Network <sup>(1)</sup>. However, it should be borne in mind that the same debate should be held about many European or transnational companies. The problem of compliance with international standards, together with transparency <sup>(2)</sup> in concluding and implementing contracts signed with African governments concerns China, Europe and Africa in equal measure, and should consequently form an essential part of the trilateral dialogue on the sustainable management of natural resources and the environment, and of that on support for African infrastructure.

4.8 The recognition of the central role of farming and food security has at last regained its place among the priorities of the main donors and in the joint strategy for Africa. This attention must however be urgently translated into practical steps, sustained over the long term, regarding rural development as a whole, and ensuring that rural populations participate actively, that small farmers' organisations are involved, and that their access to, and long-term management of, local resources are safeguarded.

4.9 From this point of view, it is worth bearing in mind the alert recently issued by the summit of farmers' organisations of the five regions of Africa, held in Rome by Coldiretti, concerning the upsurge in purchases of farmland in Africa and other developing countries, made by countries such as South Korea, China, the United Arab Emirates, Saudi Arabia and Japan with a view to ensuring their own food supplies and resources for biofuels production <sup>(3)</sup>.

4.10 Cooperation on food security could also be used to launch a dialogue on other important issues, such as meeting the Millennium Development Goals, protecting the most vulnerable groups, and health protection. In this latter field, particular attention should be given to devising common strategies to combat the three major pandemics <sup>(4)</sup> – malaria,

HIV/AIDS and tuberculosis – which are already the target of international cooperation on a multilateral basis.

4.11 Turning to the role of African institutions in the triangular dialogue process, the central place of the African Union, alongside the regional economic organisations and the individual countries, is warmly welcomed. Opening the annual EU-China dialogue to participation by the AU troika is also important, as is the idea of giving the AU Commission in Addis Ababa a facilitating role in the regular triangular consultations. These indications fit in perfectly with the need, highlighted by the EESC in its earlier opinion on the EU-Africa strategy <sup>(5)</sup>, to ensure that African institutions assume concrete responsibility in order to strengthen their sovereignty and legitimacy, and to allow genuinely balanced partnerships. However, it needs to be ensured that these priorities are shared and adopted by the AU and are rapidly converted into concrete action plans.

4.12 The pursuit of a trilateral dialogue between the EU, China and Africa is all the more important in view of the attraction that Beijing exerts over the continent. China appears to many African governments as an example to follow, as it has succeeded in escaping from poverty, defeating disease and becoming a leading player on the world stage within the space of a single generation. China's struggle against poverty has unfolded primarily in the countryside, putting the emphasis on development and boosting farm productivity – a strategy that could also serve the interests of African countries <sup>(6)</sup>. China's attractiveness is however also enhanced by the fact that China carries no colonial baggage, still defines itself as a developing country and rejects the principle of the donor-beneficiary relationship, which has historically been more a feature of the OECD approach. These characteristics, combined with major availability of funds to invest or lend to partner African governments, give Beijing an obvious edge in its relations with Africa.

## 5. Negative aspects

5.1 There are also, however, negative aspects to Chinese-African relations, which are of concern to external observers, and which will need to be discussed within the process of trilateral cooperation proposed by the Commission.

<sup>(1)</sup> A. Yaw Baah - H. Jauch, Chinese Investments in Africa: A Labour Perspective, ALRN, May 2009, [http://www.fnv.nl/binary/report2009\\_chinese\\_investments\\_in\\_africa\\_tcm7-23663.pdf](http://www.fnv.nl/binary/report2009_chinese_investments_in_africa_tcm7-23663.pdf)

<sup>(2)</sup> See Tax Justice Network, *Breaking the curse: How transparent taxation and fair taxes can turn Africa's mineral wealth into development*, available at: [http://www.taxjustice.net/cms/upload/pdf/TJN4Africa\\_0903\\_breaking\\_the\\_curse\\_final\\_text.pdf](http://www.taxjustice.net/cms/upload/pdf/TJN4Africa_0903_breaking_the_curse_final_text.pdf)

<sup>(3)</sup> These organisations referred to purchases, in 2008 alone, of some 7.6 million hectares of land, and to farm agreements signed between China and several African countries: [http://www.coldiretti.it/docindex/cncd/informazioni/314\\_09.htm](http://www.coldiretti.it/docindex/cncd/informazioni/314_09.htm) See also L. Cotula, S. Vermeulen, R. Leonard, J. Keeley, *Land grab or development opportunity? Agricultural investment and international land deals in Africa*, FAO-IFAD-IIED, May 2009.

<sup>(4)</sup> OJ C 195, 18.8.2006, p. 104–109, Prioritising Africa: European civil society's perspective, rapporteur: Mr BEDOSSA.

<sup>(5)</sup> OJ C 77, 31.3.2009, p. 148–156, op.cit.

<sup>(6)</sup> With only 7 % of its arable land surface, China feeds 22 % of the world's population, has basically triumphed in the battle against extreme poverty, illiteracy and the most destructive diseases and epidemics, and has brought down infant mortality. According to Martin Ravallion, *Are there lessons for Africa from China's success against poverty?*, The World Bank, Policy Research Working Paper 4463, January 2008, Africa could draw important lessons from a careful analysis of the key elements in Chinese development. See appendix 2. See also R. SANDREY, H. EDINGER, *The relevance of Chinese agricultural technologies for African smallholder farmers: agricultural technology research in China*, Centre for Chinese Studies, Stellenbosch University, April 2009, <http://www.ccs.org.za/downloads/CCS%20China%20Agricultural%20Technology%20Research%20Report%20April%202009.pdf>



5.2 The growing Chinese presence in Africa is not free of some questionable areas, starting with a return to centre-stage for local governments and urban elites, with the ensuing and alarming marginalisation of the African private sector, the endangering of the modest social advances secured by African trade unions, and working conditions that heavily penalise local workers. In a real partnership of equals, any of the three partners – the EU, China and Africa – must be able to put even the most controversial items, or those attracting divergent views or concerns, on the agenda.

5.3 A comparison of the four sectors for cooperation proposed by the Commission with the eight points given priority status in the EU-Africa Strategy action plan unveiled in Lisbon <sup>(1)</sup> reveals the absence from the Communication of major issues such as democratic governance and human rights, or decent work. For the EU, it would be more consistent with both the Lisbon Strategy and the 2000 Cotonou Agreement <sup>(2)</sup>, governing relations between the EU and the ACP, to introduce these questions, together with the role of civil society, into the trilateral dialogue.

5.4 The EU's strategy for Africa is different from China's. While the EU provides most of its aid in the form of donations, subject to increasingly strict political conditions (respect for democratic rules, human rights, ILO conventions, combating corruption and promoting good governance, and involving civil society), with the aim of reducing poverty, China generally grants loans under advantageous conditions, largely geared to building infrastructure and guaranteed by long-term contracts to exploit natural resources. Moreover, Chinese loans are often linked to the employment of Chinese firms, goods and sometimes even workforce, in the form of 'tied aid', which has now largely been dropped from the programmes of the OECD countries. Finally, the rules of the OECD area on tendering are, in many cases, themselves favourable to companies from emerging countries, with China in pole position.

5.5 The Chinese approach is generally more to the liking of the African ruling classes, as it is condition-free and is not slowed down by European-style red tape. However, it entails a twofold risk: of generating a type of massive re-indebtedness, the long-term effects of which could be unsustainable, and of reinforcing the dependence of individual countries' economies on the production and export of single crops, dependent in turn on price fluctuations on the international markets.

5.6 For its part, Europe – while remaining Africa's largest economic and trade partner – struggles to speak with a single

voice and to establish and maintain the overall consistency of its own policies, whether they concern development, trade, external relations or security. On the ground, too, coordination of the actions of the different Member States remains limited, which reduces their impact and effectiveness.

## 6. Some further points

6.1 Together with the conditions that the EU inserts into its links with Africa, a number of African governments have pointed to other differences of approach between Europe and China:

- a range of problems that have emerged in relations between the EU and African countries during the negotiations to conclude Economic Partnership Agreements (EPAs), in contrast to the progressive and highly publicised opening-up of the Chinese market to African goods, free of customs duty (the number of such products is scheduled to rise from 190 in 2006 to 440 in 2010);
- the strong, high-profile involvement in building infrastructure, schools, hospitals and public buildings by the Chinese government, in contrast with earlier European projects which were often left incomplete;
- a considerably more concrete response by China in the area of training and capacity-building for professionals in the agricultural, medical, scientific and cultural fields, accompanied by numerous opportunities for African students to enter Chinese universities and training centres;
- the wide availability of manufactured goods of Chinese origin – sometimes less than fully compliant with international product safety standards, with grave consequences for public health and the environment – which are gradually invading markets and homes across the continent, often with a damaging impact on specific local production sectors, starting with textiles <sup>(3)</sup>.

6.2 The current international economic and financial crisis points to the need for a debate on the possible effects on Africa <sup>(4)</sup>.

<sup>(1)</sup> Peace and security; democratic governance and human rights; trade and regional integration and infrastructure; partnership for the Millennium Development Goals; energy; climate change; migration, mobility and employment; science, the information society and space.

<sup>(2)</sup> See Article 9(1).

<sup>(3)</sup> On this point, see the interesting World Bank report from 2007, *Africa's Silk Road*.

<sup>(4)</sup> On this subject, see the Communication *Supporting developing countries in coping with the crisis*, COM(2009) 160 final and the EESC opinion currently being drawn up.



The effects of the worldwide recession, shrinking exports, the protectionist closure of many markets and the falling prices of many raw materials are creating a worrying situation, that threatens to seriously jeopardise the achievements of the last ten years, such as the reduction of the debt and public deficits, increased infrastructure investment and competition to provide it, or the overhauling of tax systems, together with the efforts to diversify national production.

6.3 In the face of the crisis, China has recently confirmed and even increased its commitments in the area of aid and loans as well as that of investment <sup>(1)</sup>. The EU is striving to honour its commitments, but some Member States have already drastically reduced bilateral financial resources and commitments in 2009, with similar if not worse plans for 2010. As has been said at every recent summit, what is instead needed are new resources.

6.4 A series of migratory phenomena are increasingly coming to the fore in relations between Europe and Africa, and between China and Africa. They have so far been little studied, especially regarding the arrival in African countries of Chinese citizens. Opening up discussion on the forms and scale of these movements and any connections between them could be of help in understanding their possible impact on African development.

6.5 Lastly, the EESC considers as crucial the complex question of civil society involvement, an issue that is not only vital for the European side <sup>(2)</sup>, but is now an integral and significant part of all partnership links with Africa, especially following the Cotonou Agreement. This aspect does not currently appear to weigh heavily in relations between China and Africa, or in bilateral relations between Beijing and the individual countries.

The four sectors identified by the Commission are suitable for wide-reaching and structured involvement of all non-state actors, in particular employers, trade unions and farmers', women's and consumers' organisation. Their role in African societies, as well as in economic dynamics and political relations, has been recognised and has grown as a direct result of the success of the process launched by the Lomé and Cotonou Agreements, but it is at risk of being downgraded and pushed to the margins if the bi- and trilateral dialogues are kept at intergovernmental level only – although this role should be seen as a decisive asset to be put to best use and re-dynamised.

6.6 The EESC notes with concern that the Communication makes no mention of the issue, nor of the real prospect of involving either the social partners or, more broadly, non-state actors in the proposed process.

Brussels, 1 October 2009.

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

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<sup>(1)</sup> See the commitments made during Hu Jintao's visit to four African countries (Mali, Senegal, Tanzania and Mauritius) in mid-February 2009.

<sup>(2)</sup> OJ C 77, 31.3.2009, p. 148–156, *EU-China relations: role of civil society*, rapporteur: Mr Sharma.

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on An EU Strategy for Youth — Investing and Empowering A renewed open method of coordination to address youth challenges and opportunities’**

COM(2009) 200 final

(2009/C 318/22)

Rapporteur: **Mr SIBIAN**

On 27 April 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 Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on An EU Strategy for Youth — Investing and Empowering — A renewed open method of coordination to address youth challenges and opportunities’*

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 September 2009. The rapporteur was Mr SIBIAN.

At its 456th plenary session, held on 30 September 2009 and 1 October 2009 (meeting of 1 October 2009), the European Economic and Social Committee adopted the following opinion by 133 votes to none with five abstentions.

## 1. Conclusions and Recommendations

1.1 The EESC feels that within this framework a strategy should be developed not only FOR youth but also WITH youth who should be included in the policy-making process as well as in its implementation.

1.2 Due to the subsidiarity principle, youth policies are mainly the responsibility of the Member States. However, many of the youth challenges in present-day society cannot be fully approached without a more global and holistic design. Therefore an integrated European Youth Policy strategy is welcomed.

1.3 All of the selected fields of actions are cross-sectoral and cannot stand alone. They are interlinked and influence each other. Therefore they must be approached in a horizontal way guided by the needs of young people.

1.4 The EESC feels that following represent critical factors in ensuring the success of the future strategy:

- the coordination process,
- prioritisation of fields of action,
- co-interesting all the relevant stakeholders,
- allocation of the necessary resources,

— support for youth work and youth structures.

Therefore, the EESC puts forward the following recommendations:

1.5 Youth work and youth structures should be the main link in raising awareness and managing all the proposed fields of action in the EU youth strategy through a cross-sectoral approach.

1.6 As learning can arise in different environments, non-formal learning complementing formal education should be further supported.

1.7 Creating links between school, work, associations and voluntary activities should further be addressed at EU and national level.

1.8 Supporting entrepreneurial activities through funding mechanisms is challenging but necessary. Entrepreneurship must not be limited to its economic meaning but seen in a broader way.

1.9 Young people should become actors in society as their participation in all aspects of their lives is a precondition to policy development in the youth field.

1.10 A wide range of youth work systems, activities and good cooperation services needs to be put in place all over Europe to prevent marginalisation. All activities oriented towards youth at the risk of social exclusion should not approach them as passive receivers of social services but rather as active actors.

1.11 Recognising the skills obtained through volunteering activities is essential (including recognition in formal education). Accumulated non-formal skills and knowledge can be used both on the labour market as well as to improve participation in civil life.

1.12 Projects and activities should develop in young people a sense of global solidarity, awareness, responsibility towards the global community. To avoid the dangers along their route, young people must be able to hope for decent wages for their immediate future as a fruit of their work to come, thanks to the creation of conditions that encourage proper wage policies.

1.13 The EESC regrets that the proposed Strategy does not specify concrete methods of implementation and ways to measure progress at European and Member State level. It is, however, expected that the OMC will remain the main tool. The EESC believes that it should be complemented by a renewed European Pact for Youth. The EESC calls also on the Social Partners and the European Commission to adopt an agreement to improve mobility and employment of young people.

1.14 Young people should be at the centre of the strategy. Youth work and participation in youth structures is the most effective way to reach them. Therefore, the evaluation and improvement of quality of youth work should be a priority.

1.15 The Commission should encourage the Member States to introduce measures increasing chances for employment and enabling young people to become independent, such as:

- support during the initial training (financial aid, housing, counselling, transport, etc.),
- integration allowance for those seeking their first job,
- good quality apprenticeships and internships,
- conversion of internships into open-ended employment contracts.

## 2. Proposal of the Commission

2.1 The current framework for cooperation in the youth field, based on the Youth White Paper, European Youth Pact (2005), the open method of coordination (OMC) and mainstreaming of youth issues into other policies, was scheduled

to expire in 2009 and did not always meet expectations. As a result, after a broad consultation process in 2008, the European Commission came up with a proposal for a new cooperation framework. The European Commission named its Communication, launched in April 2009: An EU Strategy for Youth – Investing and Empowering.

2.2 The new strategy proposal is based on three overarching and interconnected goals, each of them featuring two or three fields of action:

- **Goal: Creating more Opportunities** for Youth in education and employment –

Fields of action: **education, employment, creativity and entrepreneurship.**

- **Goal: Improving Access and full participation** of all young people in society –

Fields of action: **health and sport, participation.**

- **Goal: Fostering mutual Solidarity** between society and young people –

Fields of action: **social inclusion, volunteering, youth in the world.**

In each field of action a list of specific objectives and actions for the Commission and the Member States is proposed.

## 3. General comments

### 3.1 Better coordination needed

3.1.1 Important social challenges such as lack of social security, rising xenophobia, obstacles to employment and education, can easily cross borders, thus jeopardising the European social model. Due to the economic crisis, such issues need more than ever a coherent European response. Although these social challenges do not exclusively address young people, this category is one of the most vulnerable.

3.1.2 The EESC feels that the European and national levels should be better coordinated and have clearer roles. The differences existing among the Member States should be considered and regarded as a source of fruitful synergies rather than a problem. The Commission should strive for a stronger link between the European and national levels in youth cooperation and look to reinforce and improve the implementation of European objectives on the national, regional and local level. The consultation process in the youth field that preceded the launch of the strategy proposal proved that youth policy has become more prominent not only at European but also at national level.

3.1.3 The EESC feels that the proposed strategy represents a step further. To succeed, the EESC recommends addressing the following challenges:

- **Representativeness.** Although the OMC and Structured Dialogue are useful instruments, there is a need to constantly assess and improve their implementation and to develop further consultation tools involving in policy making the grass root youth organisations, governmental bodies, young people themselves as well as other stakeholders<sup>(1)</sup>.
- **EU youth policy awareness.** A higher visibility of the measures at European level would be beneficial for young people as they should be aware that the opportunities available through the youth cooperation cycle (such as youth exchanges) stem from EU youth policy.
- **Differences between countries.** Coordinating and bringing together 27 national approaches in the European cooperation framework, is a challenging task. In some countries several fields of actions approached have a long standing tradition and the EU strategy could benefit from their experience while in some others these fields of action have just been implemented. However, the new strategy should bring an added value to every single Member State.
- **Communication challenges.** A common approach should be followed in order to disseminate and collect comparable data in a structured manner to improve the progress reporting and analysis. Result oriented common indicators should be agreed.
- **Implementation.** There are also big differences between Members States in capacities to implement European policies. Some countries have well developed systems, reaching regional and local level, while in others there are very few resources dedicated to European cooperation on youth issues.

3.1.4 The EESC calls on the Commission to use its existing powers and authority in encouraging and guiding the Member States to implement the strategy. The Commission should clearly undertake its role in the coordination process of the strategy.

### 3.2 Making the cross-sectoral approach a success

3.2.1 The suggested fields of action according to the Strategy proposal (see point 2.2) cover a broad social and economic

area. None of the action fields is directly linked with a specific age bracket but they are extremely relevant to young people. However, some of the fields of action are better developed concerning the objectives to be achieved while some other remain rather general.

3.2.2 The EESC feels that pursuing eight thematic fields of action simultaneously poses an ambitious challenge and therefore recommends that the following issues should be addressed:

- setting up a coordinating body within the European Commission and clear procedures for the overall coordination process to steer, manage, monitor and evaluate the implementation process both at European and at national levels involving relevant stakeholders (including youth organisations) and corresponding bodies that are in charge of fields of action (e.g. a different organisation within other European institutions including the Council of Europe) with the regular meeting of joint working parties, peer learning exercises and considering the renewed European Pact for Youth;
- setting up clear objectives within an agreed time frame and setting up a road map for each of them;
- prioritising fields of action and ensuring that all will be closely monitored;
- co-interested stakeholders (such as youth workers, practitioners, researchers, experts, social partners, politicians etc.) and involving young people and youth structures in an improved and continuous structured dialogue;
- setting up a reliable, transparent and systematic approach in the implementation of the strategy;
- inclusion of the youth dimension in the post-2010 Lisbon Strategy to facilitate the social and professional integration of young women and men;
- allocation of the necessary resources by creating new tools or adapting the present and future generations of programmes such as Youth in Action, Lifelong Learning Programme, PROGRESS, MEDIA, Erasmus for Young Entrepreneurs, Competitiveness and Innovation Programme, Structural Funds. Such tools should be coordinated and complement each other;

<sup>(1)</sup> Only 33 % of young people consider that they play an influential role in society at European level and 50 % consider that they lack the opportunities to make their voice heard (Results of the on-line consultation in the youth field - 2008).

- decrease bureaucracy and ensure better transparency for managing projects and activities addressing the fields of action;
- support youth work and youth structures should be regarded as a main pillar to address all the thematic fields of action and participation the underlying principle across the board.

### 3.3 Youth Work as a tool to implement the strategy

3.3.1 The EESC welcomes the emphasis on the important role of youth work. Youth policies should be designed and carried out for the benefit of ALL young people. The youth field has become an important vehicle for social change<sup>(1)</sup> developing transferable skills and compensating for missing formal certificates (especially for the disadvantaged groups). Still, more efforts should be put into the recognition of skills acquired through youth work. The role of youth organisations in empowering young people should be strengthened, as they provide a space for self-development, learning to participate and the development of skills should be better acknowledged.

3.3.2 Youth work is related to activities that intentionally seek to impact young people and are placed in a variety of environments and structures (such as a volunteer youth organisation, community-based youth centres, dedicated settings steered by public institutions or the church). However, there is a need for a clear definition of this term.

3.3.3 Youth work should become a transversal element integrated into all the fields of action encompassed by the strategy proposal. Therefore the quality of youth work should be an explicit target if the new long-term strategy for youth policy is to reach out to all categories of young people. The programmes such as Youth in Action and Leonardo da Vinci Sectoral Programme should aim at developing, supporting and better training those involved in youth work including professionals, contributing to the development of more professional skills in youth work.

3.3.4 Youth work tends to have mainly users in a 'pre-employment' situation in their lives; ranging from the teenage years to those with special needs; economic migrants; disabled groups and the disadvantaged in poor communities. Although not a direct tool for access to work itself, youth work and participation in youth structures offers more on social integration and could further benefit from closer cooperation with vocational training services and increased visibility of its contribution to the employability of youth.

<sup>(1)</sup> See the research findings in the UP2YOUTH project presented in the EU Youth report launched in April 2009.

## 4. Specific comments on the fields of action

4.1 The EESC comments on the content of eight suggested fields of action in spite of the fact that there might be more proposals for other priorities or that those suggested might be prioritised.

### 4.2 Education

4.2.1 Education has always been not only a key aspect of personal development and growth but also a factor for the development of society itself. The EESC has stressed that teachers' education and professional training are closely related to other key policies, including youth policy<sup>(2)</sup>.

4.2.2 Non-formal learning can complement formal education and provide the necessary skills that can be better developed in a less formal system while formal education can integrate non-formal methods applying lifelong learning principles.

4.2.3 In order to make learning more attractive and efficient for young people<sup>(3)</sup> and to acknowledge the role of non-formal learning, the following issues should be addressed and followed:

- introducing non-formal learning methods in formal education,
- creating easy transitions between formal and non-formal learning opportunities,
- steering young people towards learning through experience,
- linking schools with local youth work,
- putting the young person at the centre of the learning process,
- recognition of the skills obtained through volunteering and non-formal learning (the Youthpass certificate is a good example and this should be expanded to cover more actions and activities, including outside the Youth in Action programme),
- A clear system for assessing the skills acquired through non-formal and informal education should be put in place.

<sup>(2)</sup> See EESC Opinion of 16.1.2008 on 'Improving the Quality of Teacher Education', rapporteur: Mr Soares (OJ C 151, 17.6.2008).

<sup>(3)</sup> 67 % of young people and youth organisations are not satisfied with the national education systems (Results of the on-line consultation in the youth field - 2008).



4.2.4 The proportion of young people forced to work in order to fund their studies is steadily increasing, and this has even become a key factor in exam failures.

4.2.5 Youth in Action and programmes such as the Comenius, Erasmus and Erasmus Mundus could envisage actions and better targeted funding to put into practice such desiderata in the future. Those programmes should be made more accessible to all categories of young people.

### 4.3 Employment

4.3.1 There is a direct link between education and employment: the higher the level of education, the lower the risk of unemployment<sup>(1)</sup>. Early school leavers in particular encounter great difficulties in finding a job, resulting in low incomes and in the risk of suffering poverty and social exclusion.

4.3.2 Social inequality has increasingly and markedly led in recent years to unequal success in studies and in gaining qualifications and access to skilled jobs. Young employees are in insecure situations, earning low wages with indecent working conditions and standards of living. Qualifications are no longer an insurance against unemployment or deskilling, and society must do its part to help those affected by addressing these issues.

4.3.3 In order to give all young people secure prospects for the future, apart from improving skills it is especially important in this context to strengthen active labour-market policy measures targeted at young jobseekers and to eliminate structural problems affecting the transition from training to employment.

4.3.4 Looking for better paid and more attractive jobs makes many young people leave their home country. This applies to all educational categories leading to a permanent 'brain drain' migration, especially from the new Member States. This is distinct from temporary mobility which is positive for all (young people, societies, economies) and which should be encouraged within the EU.

4.3.5 Labour represents a factor of personal and collective dignity as well as a factor of social inclusion. Insecurity in the work place, low wages and overtime hinder the reconciliation of professional and personal/ family life.

4.3.6 The transition of young people between school and work should further be addressed at EU and national level.

<sup>(1)</sup> According to the EU Youth Report launched in April 2009, among the Member States people with lower secondary education are nearly three times more at risk of unemployment than those with higher education.

Without well developed career guidance and counselling as well as education systems adapted to the needs of the labour market, the issue of youth unemployment will remain unsolved.

4.3.7 Bearing in mind the above, the EESC recommends that the Strategy should build on specific measures in the following areas:

- providing better and more accessible education and vocational training, so as to enable young people to find their place in the labour market with as few problems as possible and stay in employment;
- implementing measures to ensure that short-term and insecure employment does not become the norm for young people;
- developing generally available, easily accessible careers advice and information facilities for young men and women at all levels of training, and creating more opportunities for quality internships and apprenticeships (through a kind of European quality framework),
- ensuring early active support for young people seeking training courses places or jobs, and special programmes for the integration of problem groups such as long-term unemployed, young people and school and training course drop-outs, e.g. via community employment projects and promotion of training;
- improving cooperation between educational institutions and employers,
- creating links between educational systems and business, where this is useful,
- creating links with the associations and recognising voluntary activities,
- promoting best practices among all the actors concerned,
- developing further the New Skills for New Jobs initiative of the Commission
- encouraging mobility through a new generation of programmes<sup>(2)</sup>.

<sup>(2)</sup> See EESC Opinion of 17.1.2008 on the communication 'Promoting young people's full participation in education, employment and society', rapporteur: Mr Trantina (OJ C 151, 17.6.2008).

4.3.8 The initiative to use Youth Employment as the theme for the 2010 structured dialogue cycle is welcomed and represents a good opportunity to promote this issue.

4.3.9 In the world of work the role of the social partners is particularly important. The European social partners are strongly committed in this field and higher participation of young people with skills and competences which fit the labour market needs has always been one of the priorities in their joint work programmes.

#### 4.4 Creativity and Entrepreneurship

4.4.1 Supporting innovation in youth projects and entrepreneurial activities through funding mechanisms is a challenge, but it should be taken up to give opportunities for participant-oriented learning. More financial resources to promote such initiatives are to be welcomed, since in many Member States national funding is scarce or non-existent.

4.4.2 Entrepreneurship must not be limited to its economic meaning but be regarded in its broader, holistic sense as the entrepreneurial spirit, of identifying or creating an opportunity and taking action aimed at realising it, regardless of the field (social, political etc).

4.4.3 The EESC recommends that social entrepreneurship among youth should be encouraged and supported.

4.4.4 Programmes to develop creative thinking and problem solving should be available at all education levels.

4.4.5 'Mentoring programmes for start-up business (entrepreneurship) should be created as well as support schemes for all types of entrepreneurship <sup>(1)</sup>.'

#### 4.5 Health and Sport

4.5.1 Sport and physical activities are important tools for reaching young people. They contribute to a healthy lifestyle, active citizenship and social integration. As a pre-condition less emphasis should be put on sport as a spectator activity, mass participation should be promoted as well as recreational and non-competitive sports.

4.5.2 Sports gatherings with active participation are quite common at recreational sports clubs and attract young people from different social backgrounds. A great potential can be achieved when linked with the use of non-formal learning methods in youth workers regarding the promotion of sport and physical activities to young people.

4.5.3 Youth organisations at EU and national level should be involved to a greater extent in the current EU campaigns fostering healthy lifestyles addressing: nutrition challenges, alcohol-related harm, tobacco and drugs, mental health. Revisions of EU strategies concerning those issues should have a stronger emphasis on young people as a special group. The Commission should also consider drafting an EU strategy on sexual health, with a particular focus on youth.

4.5.4 The EU Health Programme should be promoted among youth organisations. The programme could be a source of additional funds for the promotion of healthy lifestyles. Youth organisations should be encouraged and benefit from this EU initiative, working together with health professionals.

4.5.5 The Commission and the Member States should also look into the issue of health and safety at work of young people. National and European data suggest that young workers are at greater risk of having an occupational accident. The incidence rate of non-fatal accidents at work was more than 40 % higher among those aged 18–24 <sup>(2)</sup> than among older workers.

#### 4.6 Participation

4.6.1 The EESC feels that the proposed Strategy should have a pragmatic approach to participation and it should be more than a political instrument. There is a need for a real and transparent dialogue among young people and decision-makers at all levels (European, national, regional and local).

4.6.2 The EESC sees the potential ways to achieve this goal:

- developing user-friendly and attractive participation methods,
- creating participation opportunities and structures for young people,
- transferring and exchanging good practices,
- creating and supporting youth councils at local, regional, national and European level,
- developing opportunities for the disadvantaged and informal groups of young people to express themselves,

<sup>(1)</sup> Conclusions of the Youth Event, organised by the Czech Presidency of the EU Council on 2-5 June 2009 in Prague.

<sup>(2)</sup> European Statistics for Accidents at Work (ESAW).

— removing obstacles to mobility providing a key for young people's participation and better understanding of European themes,

— making full use of participation instruments already developed by different actors at European and national level <sup>(1)</sup>,

— steering a continuous structured dialogue involving all the key actors (such as young people, youth organisations, youth workers, practitioners, researchers, experts, social partners, politicians etc.).

4.6.3 The participation of young people in youth structures and in broader civil society should be increased. There is also a need for a clearer understanding and better promotion of concepts such as participation and active citizenship.

#### 4.7 Social Inclusion

4.7.1 Fostering young people's potential should be a constant preoccupation of society. Therefore, the approach towards disadvantaged young people should be optimised through specific measures.

4.7.2 Youth work and non-formal learning are powerful tools for integrating young people. Early school leavers or people from a migrant background can be better approached in non-formal settings designed to prevent potential social exclusion. The process should not be problem-oriented nor be focused only on those who are in trouble already.

4.7.3 The EESC recommends setting up dedicated action for projects and activities to address disadvantaged young people directly (this could be inserted in the present Youth in Action programme). This should not replace the overall priority of the programme, but rather give a better focus on social inclusion of disadvantaged a youngster.

4.7.4 More effort is required to achieve social cohesion in the regions, where youth involvement is lower.

<sup>(1)</sup> Such as the *Revised European Charter on the Participation of Young People in Local and Regional Life* developed by the Council of Europe: [http://www.coe.int/t/dg4/youth/Resources/Documents/Bibliographies/Political\\_participation\\_en.asp](http://www.coe.int/t/dg4/youth/Resources/Documents/Bibliographies/Political_participation_en.asp)

4.7.5 The declaration of the year 2010 as the European Year for Combating Poverty and Social Exclusion represents a good opportunity to foster and develop this theme.

#### 4.8 Volunteering

4.8.1 As the EESC has stated in previous opinions, volunteering represents a valuable experience for personal development, social and professional inclusion in society and it plays an important role in the inclusion of young people with fewer opportunities <sup>(2)</sup>.

4.8.2 To strengthen the role of volunteering, the European Union should ensure that the need for a better recognition of voluntary activities is kept on its policy agenda. A good example that could be expanded is Youthpass. Initiatives such as European Voluntary Service should be further developed and the value of volunteering should also be recognised in other forms of involvement (e.g. the other actions within Youth in Action).

4.8.3 More synergies should be developed between national and European volunteering systems. In this respect, by working with different concepts of volunteering, the definition of volunteering should be harmonised so that it can be applied in different contexts.

4.8.4 As previously recommended, it is essential in the field of volunteering to ensure better cooperation between existing national and European programmes, to reduce technical obstacles as well as deal with health insurance coverage and accident insurance. The EESC called on the European Commission to consider developing a brand for exchange programmes meeting the Union's quality standards. Quality of voluntary activities, whatever form they take, is important and needs to be ensured by the appropriate means <sup>(3)</sup>.

4.8.5 Efforts should also be made in order to prevent voluntary service replacing different forms of employment.

4.8.6 The EESC calls on the Council to adopt the Commission proposal for a decision on declaring the year 2011 to be the European Year of Volunteering. International Volunteer Day, celebrated on 5 December, also provides a good opportunity to promote and develop this issue.

<sup>(2)</sup> See EESC Opinion of 13.12.2006 on 'Voluntary activity: its role in European society and its impact', rapporteur: Ms Koller (OJ C 325, 30.12.2006).

<sup>(3)</sup> See EESC Exploratory Opinion of 25.2.2009 on 'European Civic Service', rapporteur: Mr Janson, Corapporteur: Mr Sibian (OJ C 218 of 11.9.2009).

#### 4.9 Youth and the World

4.9.1 Young people are also 'factors' directly affected by the globalisation process. A better knowledge of the impact of globalisation on young people through scientific research, is needed. Through participation in projects and activities that develop a sense of global solidarity and awareness, young people feel more responsible towards the global community.

4.9.2 Global issues (environment, climate change, sustainable development) should be mainstreamed into youth policy so that youth policy and young people's projects contribute to developments in this field. In return, youth should be considered when global policies are addressed.

4.9.3 The initiative to use Youth and the World as the theme for the 2011 structured dialogue cycle is welcomed and represents a good opportunity to promote this issue.

#### 5. Tools and Implementation of the new cooperation framework

5.1 The EESC regrets that the proposed Strategy does not specify concrete methods of implementation and ways to measure progress at European and national level. It is,

however, expected that the OMC will remain the main tool. The EESC believes that it should be complemented by a renewed European Pact for Youth.

5.2 The future cooperation framework should be based on an improved structured dialogue that is as inclusive as possible and developed at all levels, involving young people, youth workers, youth organisations, national agencies, researchers and other stakeholders throughout the policy cycle, and across policy areas. It should be based on a broad bottom-up approach including various forms of active citizenship and involving young people with fewer opportunities.

5.3 Policy-making within the proposed Strategy should be evidence-based and as transparent as possible. The EESC recommends that the database of the European Knowledge Centre for Youth Policy <sup>(1)</sup> be used for publication of all the reports, data collection and analyses.

5.4 Young people should be at the centre of the process and youth work is the most effective way to reach them. Therefore, the evaluation and improvement of quality of youth work should be a priority.

Brussels, 1 October 2009.

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

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<sup>(1)</sup> <http://youth-partnership.coe.int/youth-partnership/ekcyp/index>

**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 998/2003 on the animal health requirements applicable to the non-commercial movement of pet animals’**

COM(2009) 268 final — 2009/0077 (COD)

(2009/C 318/23)

On 30 June 2009 the Council decided to consult the European Economic and Social Committee, under Article 152, 4b) of the Treaty establishing the European Community, on the

*‘Proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 998/2003 on the animal health requirements applicable to the non-commercial movement of pet animals’*

Since the Committee unreservedly endorses the contents of the proposal and has already set out its views on the subject in its earlier opinions CES 1411/2000 and CESE 1705/2007 adopted on 29 November 2000 (\*) and 12 December 2007 (\*\*), it decided, at its 456th plenary session, held on 30 September–1 October 2009 (meeting of 30 September 2009), by 180 votes in favour and 9 abstentions to issue an opinion endorsing the proposal and to refer to the position it had taken in the above-mentioned document.

Brussels, 30 September 2009.

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

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(\*) EESC Opinion on the Proposal for a Regulation of the European Parliament and of the Council on the animal-health requirements applicable to non-commercial movement of pet animals - OJ C 116 of 20.4.2001, p. 54.

(\*\*) EESC Opinion on the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 998/2003 on the animal health requirements applicable to the non-commercial movements of pet animals as regards the extension of the transitional period – OJ C 120 of 16.5.2008, p. 49.









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