

**Opinion of the European Economic and Social Committee on the 'Proposal for a Council Regulation amending Regulation (EC) No 2702/1999 on measures to provide information on, and to promote, agricultural products in third countries, and Regulation (EC) No 2826/2000 on information and promotion actions for agricultural products on the internal market'**

(COM(2004) 233 final – 2004/0073 (CNS))

(2005/C 120/08)

On 21 April 2004, the Council of the European Union decided to consult the European Economic and Social Committee, under Articles 36 and 37 of the Treaty establishing the European Community, on the abovementioned proposal.

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 21 September 2004. The rapporteur was **Mr Leif E. Nielsen**.

At its 412th plenary session on 27 and 28 October 2004 (meeting of 27 October 2004) the European Economic and Social Committee adopted the following opinion by 171 votes to one, with six abstentions.

## 1. Background

1.1 Until 1999, the EU co-financed information campaigns and promotional activities for agricultural products both inside and outside the EU as part of the individual market organisations. Subsequently, under Regulations (EC) No 2702/1999 and (EC) No 2826/2000 relating to third countries and the internal market, these sectoral provisions were replaced by a more horizontal strategy designed to support Member States' and businesses' own promotional activities. Unless it is extended, the first of these regulations expires at the end of 2004. As required by the regulations, the Commission submitted a detailed report on their application in March 2004, together with proposals for simplification and improvements.

1.2 In the EU, problems such as BSE, dioxin and listeria have increased the need for European food initiatives and information about monitoring arrangements to secure quality and traceability. The focus is therefore on information about legislation relating to quality, safety, labelling, traceability, protected geographical indications, designations of origin, certificates of specific character and organic and integrated production, with the aim of upgrading the image of European products in consumers' eyes.

1.3 In third countries, the schemes also seek to provide information about: (a) the EU's efforts to guarantee quality and safety, including the characteristics of products linked to specific regions, and (b) requirements to safeguard organic products. Tools used both inside and outside the EU include information campaigns, PR measures, promotional activities, advertising, and participation in trade fairs and exhibitions, which may prepare the ground for national and private campaigns designed to increase the market share of their own products.

1.4 As a rule, the Community contributes 50 % to promotion programmes. The relevant professional and interprofessional organisations contribute 30 %, the Member States 20 % – in both cases with the option of using parafiscal taxes. Member States' expenditure is regarded as intervention and is refunded by the Commission.

1.5 The European or national organisations involved must themselves initiate the programmes, while the Member States are responsible for management, control and payment. To safeguard the European dimension, priority is given to programmes presented jointly by two or more Member States and professional organisations. However, these programmes face a range of practical difficulties as a result of different administrative rules and procedures and a lack of commitment on the part of certain Member States. Moreover, proposers are, on the whole, required to spend an inordinate amount of time and resources on coordination, monitoring and administration.

1.6 The purpose of the proposals is to mitigate the disadvantages of complicated rules and red tape. This is discussed in greater detail in the Commission's report. The changes are also designed to ensure that the programmes are, in substance, of much more genuinely European interest.

## 2. General comments

2.1 The changes to the common agricultural policy, along with stiffer market competition confirm the need for the scheme. Competing countries' support for information campaigns and promotion actions on export markets also warrant a continuation of the EU system both inside and outside the Union.

2.1.1 There is, however, a considerable need for simplification and improvement. Having consulted the professional organisations and other parties concerned, the Commission has drawn up a comprehensive report on the upcoming revision with a view to simplifying administrative procedures, and ensuring that the system operates as efficiently as possible.

2.2 As the Commission points out, however, it is too early to judge the results of the new regime. Gradual implementation only started in 2001 for third countries and in 2002 for the internal market. 2003 was the first year in which the system was fully operative. It would therefore be useful, as the Commission proposes, to draw up a second report by the end of 2006, analysing the operation of the regime following revision. This would also make it possible to evaluate its implementation in the new EU Member States.

2.3 Hence, many organisations are only now familiarising themselves with the regime's provisions and administrative requirements. As the Commission points out, however, some of the proposed programmes have been of limited European interest. Greater emphasis should therefore be placed on programmes that have sufficient scope to be significant within the EU context, and on securing synergies between national and EU activities.

2.4 Especially after enlargement, the EU should seek, overall, to frame rules that are as simple and as clear as possible. Although the internal and external programmes do vary in terms of objectives and content, the breakdown into two regulations is historically-based. In a bid to secure further simplification, the two regulations should be merged at the earliest opportunity into a common set of more user-friendly rules. Most of the provisions are identical and the differences that do exist are generally without foundation. The proposed changes to the regulations are also the same in terms of presentation of proposals, decision-making and monitoring.

2.5 Support for information, promotion and advertising activities for agricultural products and foodstuffs is also granted under rural development provisions that differ from the rules of the present regime. Leaving aside recent moves to make a clearer distinction between the systems' different areas of application, the Commission should, even at this stage, assess what might be done to eliminate the overlap. Hence, there is no reason to put off this discussion until a later date, as the Commission proposes.

2.6 EU co-financing should continue in its present form and the budget resources should be increased to take account of enlargement and future requirements. The system can thus help integrate and establish the single market in the various produc-

tion areas with due regard for variety and gastronomic diversity. The European professional organisations should therefore be more involved in implementing information campaigns that provide details of product quality and variations in consumer preferences within the EU. Third-country markets should also be given higher priority – at the same time as the gradual phase-out of export refunds – bearing in mind the realistic possibilities for implementing effective programmes.

2.7 The scheme's limited use on third-country markets is due not least to the requirement that the programmes apply solely to generic campaigns. As a result, the member companies of the professional organisations are in many cases reluctant to act and unwilling to become involved in programme funding. Support for brand labels – and thus for individual companies – is out of the question but if the measures are to have any perceptible impact on export markets, the Commission must show some flexibility in campaigns and similar ventures in accepting a balanced number of brand labels as an integral part of the generic campaign. This makes it possible to establish a link between the campaign message and the products on the market endeavouring to combine the generic with the specific to create common synergies. That in itself will not affect the campaign message but it will help ensure that buyers and customers can in practice find the products included in any campaign. More attention is also being paid to product origin across the EU. If, however, a market is already brand-dominated, EU promotion action is of limited added value, as, in such cases, private brands will usually engage in intense competition and use sizeable advertising budgets to boost their market share.

2.8 There is no reason to change the co-financing rates between Member States and professional organisations. The problem is that certain Member States show a lack of commitment or find it impossible to meet the co-financing requirement. This means that the professional organisations concerned are precluded from taking up the schemes unless funding is provided through parafiscal taxes. For reasons of administrative simplification, the current degressive co-financing rates for multi-annual programmes should be eliminated and EU co-financing should be set at 50 %.

2.9 The acceptance of parafiscal taxes as a source of financing already implies that *de facto*, certain organisations cover 50 %. This option should be retained. This means, however, that the rules on the mandatory Member State share of 20 % should be relaxed so that the Member States can decide case-by-case on the share of financing they allocate to a programme. That said, a minimum contribution of, say, 20 % from the organisation in question should be obligatory.

2.10 The Committee feels that it should be possible to support measures to promote flowers and plants on third-country markets in the same way as on the internal market.

2.11 It is an administrative burden and serves no objective purpose to subject Member States' financial contributions under this scheme to the Treaty rules on state aid. Thus, as in regional development measures, the proposed exemption from the notification procedure should apply from the outset.

2.12 Given the administrative burden involved and the considerable number of smaller programmes that have no impact on the markets in question, a good option is to set a minimum and a maximum budget for the selected programmes. Preference must be given to programmes whose duration and budget are sufficient to secure a more effective impact.

2.13 With regard to organic products in the EU, the national and private certification and monitoring arrangements must as far as possible be incorporated into the Union's common regime for such products. This process is well under way and should as far as possible be backed up by information campaigns so as to establish a genuine internal market in organic products to replace the national and private systems. Information campaigns in third countries for EU organic products have had only a limited impact to date. Establishing the internal market in organic products is a prerequisite for marketing such products in third countries. Up to now, difficulties have arisen with regard to the mutual recognition of the different schemes, for instance between the EU and the USA.

### 3. Specific comments

3.1 Consideration must be given to the possibility of more radical action than that set out in the proposal with regard to the internal division of remit and responsibility between the Member States and the Commission. The same goes for the need for simplification and a clearer division of responsibilities, given the large number of committees and bodies involved in drawing up the rules and in the process of selection, implementation, follow-up and monitoring. As a further measure, therefore, the proposal is to set up *ad hoc* working groups of representatives from the Member States and/or experts with particular expertise in promotion and publicity matters who can usefully advise the Commission in developing the strategy and implementing measures of the regime.

3.2 The proposed change in the selection of implementing organisations represents a substantial simplification. Depending on the nature of the campaign, there is also a need for the relevant organisations themselves to carry out certain activities as part of a programme, and the implementing body may be selected after the proposal has been adopted by the Commission.

3.3 The proposed changes go some way towards meeting the criticisms that have been voiced, among other things, about the length of time involved from the presentation of proposals to the final decision, the level of detail required at this early stage, and the lack of transparency in the decisions. At the same time, however, it is also important to consider relaxing the onerous reporting requirements.

3.4 The proposed flexibility, allowing the Commission itself to initiate information campaigns and promotion actions in a bid to secure a fairer distribution across the various production areas is a welcome move, given the preponderance of applications in the fruit and vegetable sectors, while other sectors have received little or no attention. However, practical implementation raises a range of questions, such as the restrictions contained in the Annexes which limit the countries and products that can be promoted by the EU.

3.5 The EU's organic logo should appear clearly in any information and promotion activities so as to raise awareness of the EU's certification and monitoring regime and to promote the harmonisation of the national systems. The logo depicts the twelve stars and symbolises the EU. Hence, the requirement to have the EU flag visible on campaign material should, under certain specific conditions, be toned down. The current requirements result in different EU symbols being used in the same promotional material. There are also national environmental logos and logos depicting the place of origin, with the result that the message becomes blurred. Campaigns to support the LIFE programme thus carry the LIFE logo, which also depicts the twelve stars, and not the EU flag.

3.6 The current requirement that national environmental logos are only admissible if more far-reaching national rules are involved is discriminatory and runs counter to harmonisation. The draft of the European environmental action plan <sup>(1)</sup> therefore proposes that national logos be used alongside the EU logo.

<sup>(1)</sup> Communication from the Commission to the Council and the European Parliament: European action plan for organic food and farming, COM(2004) 415 final.

3.7 The EESC calls upon the Commission to draw up a procedural guide for operators that would help both them and the authorities in their supervisory role, and thus benefit this new Community promotional policy as a whole.

3.8 The implementation of these regulations is recent, but some basic requirements are beginning to emerge which must be considered for the future. The Commission should take care to coordinate actions in different markets so as to avoid over-

lapping or mixed messages, which only detract from the effectiveness of promotion.

#### 4. Conclusion

4.1 The Commission proposal should be adopted, bearing in mind the above comments on the need for further simplification.

Brussels, 27 October 2004.

The President  
of the European Economic and Social Committee  
Anne-Marie SIGMUND

### Opinion of the European Economic and Social Committee on 'Industrial change and State aid in the steel sector'

(2005/C 120/09)

On 29 January 2004, the European Economic and Social Committee decided to draw up an opinion, under Rule 29(2) of its Rules of Procedure, on 'Industrial change and State aid in the steel sector'.

The Consultative Commission on Industrial Change, which was responsible for the Committee's work on the subject, adopted its opinion on 9 September 2004. The rapporteur was **Mr Lagerholm** and the co-rapporteur was **Mr Kormann**.

At its 412th plenary session of 27 and 28 October 2004 (meeting of 27 October 2004), the European Economic and Social Committee adopted the following opinion by 154 votes to 3 with 11 abstentions:

#### 1. Introduction to the opinion and the aims and scope of the opinion; definition of terms used

1.1 This own-initiative opinion focuses on the link between industrial change and State aid, as illustrated by the example of the steel sector.

1.2 The authors of this own-initiative opinion understand the term 'industrial change' to mean the normal and ongoing process, within an industrial sector, of reacting proactively to dynamic trends within a branch of the economy in order to remain competitive and to create opportunities for growth.

1.3 Europe cannot remain aloof from ongoing industrial change. In view of the fact that markets are, to an increasing extent, becoming global markets, economic structures have to be brought into line, sooner or later, with events taking place on the world market. In this context the European Union must endeavour to play an active role in defining the basic international conditions.

1.4 This own-initiative opinion has been triggered by:

- the expiry of the ECSC Treaty in 2002;
- the privatisation and restructuring of the steel industry in the central and eastern European countries (CEEC), linked to the EU accession process;
- the OECD negotiations on an international steel subsidy agreement (SSA);
- the latest edition of the EU's State Aid Scoreboard;
- the communication from the European Commission entitled *Fostering structural change: an industrial policy for an enlarged Europe* (COM(2004) 274 final) of April 2004; and
- the report from the Commission to the Council and the European Parliament entitled: *First monitoring report on steel restructuring in the Czech Republic and Poland* (COM(2004) 443 final) of 7 July 2004.