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II

(Preparatory Acts)

ECONOMIC AND SOCIAL COMMITTEE

Opinion on the proposal for a Council Regulation (EEC) amending Regulation (EEC) No 815/84 on exceptional financial support in favour of Greece in the social field⁽¹⁾

(89/C 23/01)

On 9 August 1988 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Section for Social, Family, Educational and Cultural Affairs, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 10 November 1988. The Rapporteur was Mr Dassis.

At its 260th plenary session (meeting of 23 November 1988) the Economic and Social Committee adopted unanimously the following Opinion.

The Committee approves the proposal subject to the following comments.

I. General comments

1. While noting the explanations given by the Commission in its explanatory memorandum, the Committee would point out that because of the delays in implementing the programmes, it has not been possible to adhere to initial forecasts. In its Opinion on the Commission's initial proposal⁽²⁾, the Committee raised the problem of observing deadlines and carrying out checks.

2. This is why the emphasis must be placed in future on the importance of rapid and effective programme

implementation and the optimum use of resources. The Committee therefore approves the establishment of more effective assessment, monitoring and supervision methods.

II. Specific comments**1. Article 11a**

Exemptions from the rules laid down in Article 5(2) of the basic Regulation (EEC) No 815/84 are granted under paragraph 3 of Article 11a, which permits Community financing to amount to 100 % of eligible expenditure (instead of 55 %).

The Committee thinks that the 2 % limit on the total amount laid down in Article 4(1) of the basic Regulation (120 million ECU) must be adhered to unless the expenditure is to cover the cost of the technical assistance necessary for the programme's effective implementation.

⁽¹⁾ OJ No C 209, 9. 8. 1988, p. 6.

⁽²⁾ OJ No C 23, 30. 1. 1984.

Done at Brussels, 23 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

Opinion on the proposal for a Council Decision adopting the second phase of the programme on cooperation between universities and enterprises regarding training in the field of technology (COMETT II) ⁽¹⁾

(89/C 23/02)

On 9 August 1988 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Section for Social, Family, Educational and Cultural Affairs, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 10 November 1988. The Rapporteur was Mr Nierhaus.

At its 260th plenary session (meeting of 23 November 1988) the Economic and Social Committee adopted the following Opinion unanimously.

1. Introduction and general comments

1.1. The Programme on cooperation between universities and enterprises regarding training in the field of technology—COMETT—was adopted by the Council on 24 July 1986 for a period running in principle from 1 January 1986 to 31 December 1989. The present Draft Decision provides for a new programme which, while pursuing the same objectives as COMETT I, builds on the progress made in that first phase (1986-1989); at the same time the programme is put on a broader financial footing.

1.2. On 27 November 1985 the Committee issued an Opinion endorsing the action programme 'because it will further the Community's drive to secure world competitiveness in the long term through technology cooperation by the Member States'.

1.3. The proposed continuation of the programme—building on the experience gained so far and the priorities derived from it—seems all the more important to the Committee as there is increasing evidence of a shortage of highly qualified personnel in the new technologies and their application in all branches of the economy and public administration.

The Committee would particularly stress the Commission's statement that 'advanced training for technology and its applications cannot be limited to 'high-tech' sectors only'. Hence the second, like the first, phase of the programme will aim to integrate more traditional sectors of industry, such as textiles, steel and food, into the programme along with the key areas of high technology. It is precisely in these older industries that the new technologies set off a far-reaching process of restructuring, the economic and social repercussions of which can only be mastered by a highly qualified management and workforce.

1.4. The Committee acknowledges the considerable increase in funds for COMETT II (250 million ECU) compared with COMETT I (45 million ECU). In view of the importance of COMETT's objectives, however, this amount would still seem insufficient, as is shown by the fact that most of the numerous applications submitted under COMETT I could not be satisfied.

2. Specific comments

2.1. The Committee has been proved right in its view (cf. Opinion on COMETT I) that the structural changes initiated by developments in the new technologies will have repercussions of unforeseeable complexity in virtually all areas of economic and social life. Initial experience with COMETT I clearly shows that an equally comprehensive approach must be adopted towards the training of those managers and skilled workers in industry and science who are affected by these changes. This means:

- besides many branches of industry, a broad range of trade and service sectors, including certain areas of health care, must be included in the programme,
- assisting students and graduates in a wide variety of disciplines (not only technical). If the new technologies are to be introduced and assimilated in an efficient and socially acceptable manner, appropriate know-how and practical experience are also particularly important, e.g. for graduates in business administration, economists, lawyers, sociologists and teachers, for whom whole new fields of activity may be opened up,
- the inclusion of the two sides of industry, so as to add weight to the social dialogue on the introduction of new technologies and their impact on workers by giving it a firm foundation in fact and setting it against a background of Community-wide experience. In this connection the Committee particularly welcomes the fact that its suggestion has been taken up to include, albeit only in an observer

⁽¹⁾ OJ No C 239, 14. 9. 1988, p. 3.

capacity, two representatives of the social partners on the consultative committee set up under Article 5 of the Draft Decision.

2.2. The Committee regards the environmental technologies, in which the new technologies are becoming ever more important, as a major new industrial sector with a substantially enhanced role to play in the world economy. Therefore the Committee urges that special attention be paid to projects from this sector, especially in Strands B and C of the programme. This will also considerably improve the competitiveness of the Community economy on the international markets.

2.3. The Committee would particularly point out that the COMETT programme should help to cement the economic and social cohesion of, above all, the southern EC countries through the training of managerial personnel.

2.4. The Committee would once again expressly point out that it is important for the relevant professional circles to be properly informed if the programme is to be implemented effectively. A written description of the objectives, the conditions attached to assistance and the application procedure should be drawn up in all Community languages and distributed through the national coordination offices and professional organizations. The success of the COMETT

programme will stand or fall on the provision of clearer and more comprehensive information regarding eligibility and opportunities.

2.5. As the participation of small businesses is still inadequate, consideration should be given to some relaxation of the aid conditions for this sector. In special cases aid in excess of 50% should be possible. This also applies to the inclusion of non-profit making institutions in the programme. Here too, it is essential that the flow of information to the relevant firms and institutions be improved.

Another way of mobilizing small and medium-sized enterprises (SME) and involving them more in the programme would be to strengthen cooperation with the relevant professional organizations, as the Commission suggests.

2.6. The Committee also welcomes the opening up of programme projects to countries of the European Free Trade Association (EFTA). Any extra expenditure occasioned by this should as a rule be met by the countries themselves.

2.7. In the Committee's view special priority should be given to projects whose objectives have a direct bearing on the completion of the internal market in 1992 and its social aspects.

Done at Brussels, 23 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

Opinion on the proposal for a Council Directive amending and supplementing Annex II to Directive 86/280/EEC on limit values and quality objectives for discharges of certain dangerous substances included in List I of the Annex to Directive 76/464/EEC

(89/C 23/03)

On 5 October 1988 the Council decided to consult the Economic and Social Committee, under Article 130s of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Section for Protection of the Environment, Public Health and Consumer Affairs, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 8 November 1988. The Rapporteur was Mr Rolão Gonçalves.

At its 260th plenary session (meeting of 23 November 1988), the Economic and Social Committee unanimously adopted the following Opinion.

The proposal is endorsed, subject to the following comments.

1. Introduction

1.1. The purpose of the proposal is to widen the scope of the Directive on the discharge of dangerous substances, in order to reduce water pollution. The list of dangerous substances to be extended to include:

- 1,2-dichloroethane (EDC),
- trichloroethylene (TRI),
- perchloroethylene (PER), and
- trichlorobenzene (TCB).

These substances are to be made subject to limit values and quality objectives, in accordance with the provisions of the framework Directive.

1.2. This is the third time that the list of substances has been amended. The previous two amendments were unanimously endorsed by the ESC⁽¹⁾.

1.3. Like the second amendment, the proposal is presented under Article 130s of the Treaty, to speed up procedure in line with one of the conclusions of the ministerial seminar on Community water policy held in Frankfurt on 27/28 June 1988. Accordingly, while the decision on the inclusion of the substances in the list must be unanimous, the values which are to apply can be established by a qualified majority.

1.4. For the first time, the list is to include substances with a very high volume of production in the Member States. Thus, according to the information obtained by the Commission:

- EDC (an essential raw material in the production of vinyl chloride, a monomer used in the manufacture of PVC) is produced at over 30 plants which process from 15 to 20 million tonnes per year,
- TRI (used mainly as a solvent in downstream industries) is produced at 8 plants in the Community. Production is around 200 000 tonnes per year,
- PER (used in 60 % of cases as a solvent, in 30 % to remove grease, and also as a synthesizing agent in the manufacture of CFCs) is produced at 12 plants in the Member States. Annual production is just over 350 000 tonnes,
- TCB (an intermediate substance in the manufacture of pesticides) involves four plants in the Community. Annual production is just over 10 000 tonnes.

The total production value of the four substances comes to several tens of thousands of million ECU.

1.5. Toxicological tests have proved that these are highly toxic substances for the aquatic environment (TCB), and for man (EDC, TRI and PER). However, none of them can be considered carcinogenic for man. The results of tests on animals have been controversial. The substances must be greatly diluted in water when being discharged if they are to meet the limit values laid down for emission standards.

2. General comments

2.1. The Committee would reiterate the recommendation made in the abovementioned Opinion on inclusion of HCB and HCBd, that the combined or cumulative effect of the various compounds should be considered⁽²⁾. This was also mentioned in one of the conclusions of the Frankfurt seminar, which called on the Commission to propose measures covering a num-

⁽¹⁾ OJ No C 232, 31. 8. 1987 and C 356, 31. 12. 1987.

⁽²⁾ OJ No C 356, 31. 12. 1987.

ber of substances in tandem, grouping similar substances in categories and dealing with specific sectors.

2.2. Stress is also laid on the importance of considering the interaction of pollutants and other factors which affect the environment on land, in the air and in water.

2.3. Any extension of the list, tightening-up of the limit values and quality standards, or shortening of the deadlines for their entry into force, even if incontrovertibly necessary, will produce reorganization costs. These may in some cases have a significant effect on production costs, and could even lead to the closure of the relevant concerns, with all the economic and social implications this would bring. The likely consequences of measures of this type should always be the subject of a study, as should the possible need to phase them in gradually. In particular, when the products involved have a high economic value at Community level, or are intermediate products which provide the raw materials for industries downstream, and have to compete with non-EEC goods, great care must be taken to reconcile the interests at stake with the natural and essential priority of human health. Here too it is worth recalling one of the conclusions of the Frankfurt seminar, that water policy should form part of an overall environment policy, and should dovetail with the Community's industrial, agricultural and regional policies.

2.4. At the same time, the Committee criticizes the apparent lack of a logical system for defining the toxic

substances which are to be included in the black list. A time-schedule for action is essential, in the common interest. The Commission should take early steps to draw up an overall selection framework, laying down objective standards, so that the various parties involved (the public, the water authorities, and industry) can coordinate their action.

Up to now, the inclusion of a substance in List I or List II does not seem to have been based on strict, clearly defined criteria. The use of words like 'strong', 'medium' or 'weak' to describe toxicity is unscientific. Similarly, clarification is urgently needed of carcinogenic properties for inclusion in List I. Once these criteria have been defined, it will be possible to make an objective selection of the relative priorities for including in the lists the 129 substances which may be included in List I.

3. Specific comments

3.1. The deadlines for the introduction of the limit values and quality objectives should take account of the fact that this process involves two stages. Firstly, the principles contained in the Directive have to be incorporated into national legislation. Secondly, a reasonable length of time must be allocated for industry to adapt its practices. Yet the deadline proposed (1 January 1980) would provide little more than a year for both these stages (legislation and implementation). Whilst the procedure needs to be expedited, more time can certainly be saved during the first stage (incorporation of the Directive into national legislation).

3.2. In all other respects, the Committee endorses the proposal.

Done at Brussels, 23 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

Opinion on the proposal for a Council Decision concerning the implementation at Community level of the main phase of the strategic programme for innovation and technology transfer, SPRINT (1989-1993) ⁽¹⁾

(89/C 23/04)

On 9 August 1988 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 9 November 1988. The Rapporteur was Mr Nierhaus.

At its 260th plenary session (meeting of 23 November 1988) the Economic and Social Committee adopted the following Opinion unanimously.

1. General comments

1.1. The Committee supports the Commission proposal for the implementation of the main phase of the programme, since it regards its aims as extremely important for the Community's ability to hold its own in worldwide competition, given the dynamics of technological change and the considerable innovation requirement. Above all, with a view to the planned large internal market of 1992, it is high time that steps were taken to promote innovation potential which can be mobilized across national frontiers with the cooperation of the various institutions in the areas of industry, science and service infrastructure.

1.2. It is, however, in the nature of things that the real aims of the programme, i.e. strengthening innovation capacity, promoting the advance of new technologies and increasing the efficiency of instruments and policies in the field of innovation and technology transfer, can be pursued only indirectly with the instruments available to the Community. Hence measurement of the success achieved with the means employed is particularly difficult in this case. The Committee once again calls on the Commission to give its special attention to evaluating the assisted projects by applying effective, quantifiable and verifiable criteria and assessment methods.

1.3. Since, given its budget, the programme can make only a small contribution to national efforts to promote innovation potential, the Committee welcomes the Commission's planned concentration on promoting the Community-wide cooperation aspect. Existing national structures should therefore be purposefully placed at the service of these Community policy aims. The Commission should give very special attention to overcoming the persistent organizational and legal obstacles in individual Member States which impede implementation of the programmes.

1.4. Within the framework of these aims special priority should be given to including in the programme those regions and economic sectors which do not yet have a highly developed infrastructure for promotion of innovation and technology transfer. Cooperation with the national authorities and industrial associations would obviously be appropriate here, too.

1.5. Within the framework of the planned basic objectives of SPRINT, however, this programme can only be one more component in the mosaic of Community activities. Should it not prove possible to achieve coherent coordination with other projects such as COMETT, ESPRIT, RACE, BRITE, PEDIP, etc. in terms of a comprehensive promotion strategy, then efficiency in the use of the resources allocated could in the Committee's view be seriously impaired.

2. Specific comments

2.1. As regards the promotion of pilot projects the Committee notes the difficulty that on the one hand it is particularly the most promising projects that are to be supported, while on the other hand it is precisely these projects which could be nearest to the market, with the risk of undue influence on competition. The Committee therefore welcomes the plan for particularly flexible use of the various promotion instruments, especially since experience so far with the first phase of SPRINT suggests that this is advisable. Consideration should be given to whether in individual cases an interest subsidy by the Commission in the case of financing via the capital market would be appropriate, particularly for the implementation of important growth technologies very near to the market.

2.2. The Committee considers that there will be a risk of the funds being spread too thinly unless it is clear from the start which technological fields should have priority. Thus, in addition to e.g. data-processing, laser technology, electronics and biotechnology, energy technology above all should have a special place in the scale of priorities, in view of the importance of new alternative energy sources.

⁽¹⁾ OJ No C 268, 15. 10. 1988, p. 3.

2.3. The Committee particularly welcomes the fact that the Commission is especially aiming to involve small and medium-sized enterprises (SME) in the programme. Since large-scale industry generally has the know-how and an operational technology transfer infrastructure, the main emphasis in promotion must be on SME, including the smaller research and consultancy firms. The involvement of large-scale industry in the projects and cooperation agreements should not, however, be neglected, as it is an effective way of implementing and broadening development projects.

2.4. Since the programme is not primarily intended for the direct encouragement of research and development, but is aimed at promoting an effective cooperation infrastructure for the purpose of innovation and technology transfer, the Committee proposed that the aid ceiling of 50% be exceeded in individual cases in part A of the programme, especially if economic sectors without existing infrastructure can only be involved in this way.

2.5. The Committee particularly welcomes the intention to build up a project data bank which will be accessible to all participants. With regard to the cost of setting up and operating this information pool, the Committee suggests that this data bank be made available as an information source on potential providers of capital, technologies and operators of innovation projects—accessible at a fee, via existing data networks, to all interested parties in the Community or indeed the world.

2.6. The Committee welcomes the laying down of

selection criteria and suggests as further criteria labour market impact and environmental compatibility.

2.7. The development and testing of training and further training plans for innovation management seem to the Committee to be an especially useful project and one which can be carried out in the short term. Close cooperation and coordination with the DELTA programme projects would also be necessary and potentially beneficial.

2.8. With particular reference to part C of the programme, the Committee thinks it important for there to be close cooperation and exchanges of experience between the Member States and the Commission. A necessary result of SPRINT must be the analysis and exposition of the legal, economic and fiscal problems that still stand in the way of an effective innovation and technology transfer policy, with an indication of possible ways of solving them. The Committee expects the planned final report to deal with this matter.

2.9. As many as possible of the groups involved should be represented on the Innovation Committee—without prejudice to nomination by the Member States. In other words, in addition to government representatives, there should, if possible, be representatives of industry, scientists, consultants and representatives of the social groups.

2.10. As in its Opinion on the first phase of SPRINT, the Committee stresses the importance of rapid expansion of the comparative register of European standards (ICONE).

Done at Brussels, 23 November 1988.

The Chairman
of the Economic and Social Committee
Alberto MASPRONE

Opinion on the proposal for a Council Regulation for an action programme in the field of transport infrastructure with a view to the completion of an integrated transport market in 1992⁽¹⁾

(89/C 23/05)

On 5 July 1988 the Council decided to consult the Economic and Social Committee, under Article 75 of the Treaty establishing the European Economic Community, on the abovementioned proposal⁽¹⁾.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 9 November 1988. The Rapporteur was Mr Rouzier.

At its 260th plenary session (meeting of 23 November 1988), the Economic and Social Committee unanimously adopted the following Opinion.

1. Introduction

1.1. The action programme is in line with the medium-term transport infrastructure programme approved by the Committee on 18 September 1986 (Rapporteur: Mr Rouzier)⁽²⁾. The aim of the proposal is to make it easier for persons and goods to move freely within the Community. Measures will focus on the construction or improvement of transit routes between Member States, more particularly between the north and south of the Community. The programme has the advantage of covering a limited period (1988-1992), and specifies the schemes which will receive priority financial aid from the Community. However, the programme does not call into question the medium-term programme, which is still pending at the Council.

1.2. The Committee approves the principle and objectives underpinning the Commission's proposal. It nevertheless feels it useful to make the following comments.

2. General comments

2.1. The proposal states that, in order to qualify for financial support, transport infrastructure projects must be 'consistent with other Community measures under the common transport policy or with other Community policies, and with other national measures given priority in national transport infrastructure plans and projects'. The Committee fully endorses this criterion.

2.2. The proposal refers to a 'declaration of European interest' as a precondition for eligibility for financial aid. Such a reference is most expedient. The Committee accordingly urges the Council to expedite its decision on the financing of large-scale infrastructure projects of European interest, which will institutionalize this legal concept.

2.3. The specific schemes contained in the action programme are listed in Article 3. The Committee is unable to make a substantive assessment of the Commission's selection, as no detailed justification is provided.

However, in view of the relatively limited financial resources available, the Committee considers that the most disadvantaged regions would have benefited more if resources had been concentrated on a limited number of schemes.

2.4. The Committee notes that certain schemes will qualify for two sources of Community financing at once (budget heading 580 and the European Regional Development Fund). It is clear that under no circumstances must either of these contributions exclude the other.

The Committee would also point out that Community funds for launching or speeding up infrastructure projects must be additional to national funds and should therefore not lead to a reduction thereof.

2.5. Analysis of the timetable contained in point 6 of the financial record appended to the proposal prompts the following observations:

- a) Out of the 630 million ECU planned for the programme for the five years 1988-1992, 264 million ECU (= 40%) will be paid after 1 January 1993.
- b) No indication is given of the schemes involved, making it difficult to assess the breakdown of spending between the different forms of land transport, and the risk of spreading funds too thinly.
- c) Lastly, the Annex could usefully contain an estimate (even if only approximate) of financing from all

⁽¹⁾ OJ No C 270, 19. 10. 1988, p. 6.

⁽²⁾ OJ No C 328, 22. 12. 1986, p. 42.

sources, including the private capital mentioned in the eighth recital⁽¹⁾ of the Commission proposal.

2.6. Articles 7 and 10 do not include the Committee among the recipients of communications on the preliminary draft budget and the report on the experience gained. These documents would provide more information about the projects, a shortcoming which is particularly regretted in point 2.3 above.

3. Long-term guidelines

3.1. The Commission report (in accordance with Article 10 of the proposal) on the experience gained in the action programme has acted as a catalyst in launching or speeding up the various transport infrastructure schemes. The Committee hopes that this report will facilitate the preparation of guidelines taking account of the following criteria:

- contribution to the setting-up of coherent, balanced transport networks, drawing on the European guidelines which already exist or which should be formulated as soon as possible, and taking account of intermodal links,
- present and future transport requirements; this brings a need for faster progress on the standardization of assessment criteria, and a more extensive exchange of information between Member States,

⁽¹⁾ This recital highlights the problem of tolls, raised in point 2.1 of the Opinion on infrastructure costs of 3 June 1988 (OJ No C 208, 8. 8. 1988, p. 29).

- improvements to safety,
- impact:
 - micro-economic and macro-economic,
 - on the environment,
 - on living and working conditions.

These guidelines should help the Council decide on further measures for transport infrastructure after 1 January 1993.

3.2. In this context, the Committee feels it useful to refer back to its Opinions of 25 September 1985 (Rapporteur: Mr Plank)⁽²⁾ and 16 December 1986 (Rapporteur: Mr Rouzier)⁽³⁾ which stressed that all transport infrastructure developments in the Community should:

- reduce the economic, social and environmental costs of transport, and improve the productivity of transport undertakings,
- sustain and develop the international competitiveness of European undertakings, by means of an international high-speed transport network,
- harmonize the living conditions in the Community's least and most developed regions.

⁽²⁾ OJ No C 303, 25. 11. 1985.

⁽³⁾ OJ No C 68, 16. 3. 1987, p. 5.

Done at Brussels, 23 November 1988.

The Chairman
of the Economic and Social Committee
Alberto MASPRONE

Opinion on the proposal for a Council Directive amending Directive 79/373/EEC on the marketing of compound feedingstuffs⁽¹⁾

(89/C 23/06)

On 22 June 1988 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 3 November 1988. The Rapporteur was Mr Della Croce.

At its 260th plenary session (meeting of 23 November 1988) the Economic and Social Committee adopted the following Opinion by a unanimous vote.

1. Introduction

1.1. The purpose of the proposal is to amend Council Directive 79/373/EEC on the marketing of compound feedingstuffs. This Directive has already been amended on a number of occasions by Commission Directives 80/509/EEC (2. 5. 1980), 80/695/EEC (27. 6. 1980) and 82/957/EEC (22. 12. 1982), Council Directive 86/354/EEC (21. 7. 1986) and Commission Directive 87/235/EEC (31. 3. 1987).

1.2. The Committee was asked for its Opinion on Council Directives 79/373/EEC and 86/354/EEC.

1.3. The present proposal is based on a number of important considerations:

1. An end should be put to all national derogations with regard to labelling rules, by specifying the information which the person responsible must or may provide.
2. The accuracy of the information must be officially verifiable at all marketing stages.
3. It is not considered advisable to require that the quantity of each ingredient in the feed for productive stock be determined, because verification will pose problems which in some cases will be practically insoluble. Hence the proposal that only the name but not the quantity of each ingredient be indicated ('flexible declaration'). The possibility of grouping together, in categories, ingredients derived from the same basic product is considered worth retaining.
4. It is not proposed to require that the energy content of compound feeds for pigs and ruminants be indicated because it is doubtful how this information can be verified. It has been decided, however, to allow such information to be provided on the basis of nationally recognized methods.

5. Manufacturers must also be permitted to provide information other than that expressly laid down in the Directive, provided that this is made subject to certain conditions or restrictions in order to ensure fair competition and objective information.

6. Member States should no longer be able to require that compound feedingstuffs must or must not contain certain ingredients. Instead there should be a Community list of ingredients which are prohibited because they are harmful to animal or human health.

7. It is compulsory to indicate the minimum storage life of a product, with a distinction being drawn between highly perishable feedingstuffs (where a 'use before' date should be given) and other feedingstuffs (where the indication should be 'best before...'). The date of manufacture is to be given indirectly, using the wording 'manufactured 'x' days, months or year(s) before the minimum storage life expiry date indicated'.

2. General comments

2.1. The Committee would draw attention to its past Opinions on the subject, viz. the unanimously approved Opinion of 29/30 September 1971⁽²⁾ and the Opinion of 30 January 1985⁽³⁾ which was carried by a large majority.

2.2. The Committee thinks that the new proposal can be approved. More binding Community rules covering all Member States would certainly be timely, especially in the run-up to the all-important objective of the single European market. It is necessary to open up trade in compound feedingstuffs, so that producers, marketers and distributors can all compete fairly. However, it must also be ensured that users receive precise and accurate information.

⁽¹⁾ OJ No C 178, 7. 7. 1988.

⁽²⁾ OJ No C 4, 20. 1. 1972.

⁽³⁾ OJ No C 87, 9. 4. 1985.

2.2.1. The Committee therefore gives its broad approval to the proposal, subject to a number of general and specific comments which have been prompted by the fact that some problems remain unsolved and some of the solutions adopted are questionable or confusing.

2.3. The new rules will oblige manufacturers to supply precise information. They also detail the optional information that may be furnished about products, their use, and their composition. Such a system brings a need for effective checks, and hence for harmonized methods of analysis and assessment.

2.3.1. The Commission has already taken decisive steps in this field, but it must continue to look for the most appropriate procedures and select the methods to be adopted. Pending this, internationally recognized methods should be used.

2.4. The new Article 5(1)(e) and Article 5c(2) make it obligatory to list the ingredients in descending order by weight but not to specify the quantity of each ingredient. This is an important change which raises questions and problems to which there is no easy answer.

2.4.1. It means that the composition need not be disclosed in full, i.e. the user will not be provided with full information. In addition, there are doubts about the effectiveness of the checks for verifying the quantity of each ingredient or certifying their presence.

2.4.2. Details of the basic ingredients and the energy content of a feedingstuff are essential for assessing its value and quality.

2.5. A solution must be sought to the problem of determining the energy content of feed. It is impossible to accept that a solution cannot be found. Acceptable results have been obtained for poultry feed and considerable progress has been made with regard to pig-feed. There are thus good grounds for thinking that an economic and scientifically recognized method can be obtained for determining the energy value of other animal feed.

2.6. Grouping together various ingredients in categories—a possibility already provided for in existing rules—must be regarded as a suitable way of providing more reliable checks and ensuring the protection of industrial know-how and production capabilities.

2.6.1. However, it must be ensured that this option cannot confuse the user in any way.

2.7. The possibility of supplying extra information—in addition to that which it is compulsory to provide

—is broadly acceptable because operators should be left with some room for manoeuvre.

2.7.1. All the same, it is necessary to stress that all the information must be brief, clear, objective and accurate. The user must have sufficient information to determine the nutritive value of the feed, and it must also be possible to verify the information properly.

2.8. Article 5 of the current legislation allow Member States to specify the ingredients which may be used in compound feedingstuffs. Replacing this with a list of prohibited ingredients (new Article 10) is a major change which can be endorsed. However, precise Community agreement is needed on the list of prohibited ingredients, which must be drawn up at an early date.

2.9. The proposals with regard to products' dates of manufacture and expiry raise a good deal of uncertainty. Consumer interests are undoubtedly protected by the indication of these dates. However, some production processes make it difficult to indicate the exact date of manufacture. The argument that it should not be indicated can therefore be endorsed, provided that this does not hamper checks.

3. Specific comments

3.1. Article 1 (2) proposes the addition of a point (e) with regard to the minimum storage life of a compound feedingstuff. The Committee proposes that 'under proper storage conditions' be amended to 'under normal storage conditions'.

3.2. Article 5 (1) must put more emphasis on the need to ensure that the particulars are clearly legible, *inter alia* by using the right print for the packaging.

3.3. Point (h) in the Article 5 (1), which deals with the identification of the person responsible for the information, should head the list of compulsory information, thus becoming point (a). It should also be amended so that the address of the person responsible is specified in the clearest terms.

3.4. The provisions in the new Article 5 (2) should be more precise. Above all, 'small quantities of feedingstuffs intended for the final user' should mean quantities sold and packaged in the presence of the user.

3.5. Some of the optional information referred to in the new Article 5 (3) should be made compulsory and

transferred to Article 5 (1). This would make the information more homogeneous throughout the Community. In particular, the indication of the batch number ought to be obligatory.

3.6. The derogation allowed in Article 5 (4) raises some doubts especially as, once fiscal frontiers have been abolished, it will be difficult to identify feeding-stuffs produced and marketed on the territory of only one Member State. At all events, the provision in point (b) might be prejudicial to the principle of commercial secrecy.

3.7. Special attention should be paid to the new Article 5c, which needs to be thoroughly revised in order to ensure that the list of optional information cannot mislead users. Users must also be able to recognize what is meant by 'ingredients' (without having to read the entire Directive and its amendments).

3.7.1. In particular, the grouping together of ingredients in categories raises questions. The establishment of these categories is considered advisable, but the Commission must lay them down promptly in order to prevent differences between Member States.

3.7.2. Clarification is also needed of what is meant by the 'specific name' of an ingredient, because the name must be such as to rule out any confusion.

3.8. The new Article 5d, which specifies how the minimum storage life is to be indicated, raises many problems.

3.8.1. It is certainly a good idea to make it compulsory to indicate the expiry date of the product. However, since the requirements differ for highly perishable and other feedingstuffs, the meaning of 'highly perishable feedingstuffs' and 'other feedingstuffs' ought to be defined better.

3.8.2. The main reason for making indication of the date of manufacture compulsory is to make checks easier. The user, however, is more interested in the date of expiry.

3.8.2.1. To make it less rigid. Article 5d (2) could be reworded as follows: 'manufactured 'x' months or 'x' months and year(s) before the minimum storage life expiry date indicated.'

3.9. Article 5e, which sanctions the right to supply additional information subject to a number of conditions, can be endorsed. The stipulation that no claims can be made about therapeutic properties might seem over-strict. However, it is justified by the requirement that any additional information should relate to 'objective or quantifiable factors which can be substantiated'. Nonetheless, an acceptable compromise might be to allow therapeutic properties to be indicated only when they relate to illnesses caused by malnutrition.

3.10. The Commission proposes to amend Article 10 by adding a point (d) which makes it possible to establish a list of ingredients whose use is prohibited in compound feedingstuffs in the interests of human and animal health.

3.10.1. In practice, the Commission is proposing to change the positive list of ingredients into a negative list.

3.10.2. Such an amendment can be considered useful on account of the high number of ingredients available and the ongoing technological developments which are constantly extending the number of ingredients.

3.10.3. However, it is necessary to be particularly severe and exhaustive when drawing up a list of prohibited ingredients.

3.11. The annex which contains general provisions in part A and rules for the declaration of analytical constituents in part B can be generally endorsed.

3.11.1. The declarations with regard to methionine and lysine cannot be required as long as Community methods of analysis are not available.

3.11.2. If some of the rules in the Directive have to be amended, part B should be altered accordingly.

Done at Brussels, 23 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

Opinion on the market for sardines in the Community: situation and outlook

(89/C 23/07)

On 15 December 1987 the Economic and Social Committee, acting under the fourth paragraph of Article 20 of its Rules of Procedure, decided to draw up an Opinion on the situation of the herring market and the market in the Community: situation and outlook.

On 29 September 1988 the Economic and Social Committee decided to split the document into two parts and draw up two separate Opinions.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the market for sardines in the Community: situation and outlook, adopted its Opinion on 3 November 1988, in the light of the report by Mr Bensabat Ferraz da Silva.

At its 260th plenary session (meeting of 23 November 1988), the Economic and Social Committee unanimously adopted the following Opinion.

1. General comments

overriding need to keep up current levels of fishing and of activity throughout the sector.

1.1. The Committee warmly welcomes the Commission's move to assess the main features of the Community sardine industry, in the light of the recent accession of Spain and Portugal.

1.8. The Committee notes that sardines are not a threatened species; current catch levels in the Member States are perfectly acceptable given existing stocks, and could even be increased without upsetting the biological balance.

1.2. The definition of new guidelines for the sector must take account of its changed situation.

1.9. In many regions of the Community, the economic survival of the population depends to a large extent on the resources of the sea. The Committee draws attention to the serious social problems which could ensue from measures to reduce activity in the sector⁽¹⁾.

1.3. The accession of Spain and Portugal brought a radical change in the position of the Community sardine industry, and in the balance between Mediterranean and Atlantic production. Atlantic production rose from 15 % of total catches to 70 %, while Mediterranean production fell from 85 % to 30 %.

1.10. Economic activity generated by sardines is crucial to the survival of many coastal communities in Portugal and North West Spain, as well as the Mediterranean regions of Spain, France, Italy and Greece.

1.4. The Community sardine canning industry moved from deficit into overall surplus, if we include the quotas from third countries which have concluded agreements with the Community.

1.11. While recognizing that the report represents a preliminary assessment to prepare the way for further developments, the Committee regrets the sombre outlook which it projects, and the inadequacy of the support measures proposed.

1.5. These changes bring a need for an assessment of the new situation. Goals must be defined for a policy for the sector, priorities established, and a list made of the resources and instruments which are available or could be made available.

1.12. Insufficient emphasis is placed on the fact that unless solutions are found, sardine fishing will cease to be attractive and will be abandoned. Fishermen will instead turn towards demersal varieties, with all the implication this is likely to have for the conservation of stocks.

1.6. The Committee would stress most strongly that although these goals must take account of the preferential trade relations with certain third countries, they must also be consistent with the Community context of the future policy.

1.7. On the whole, the Committee considers that the Commission report provides a clear analysis of the sector's present situation, its serious vulnerability, its economic and above all social importance, and the

⁽¹⁾ See the ESC Opinions on social aspects of sea fishing (OJ No C 237, 12. 9. 1988, p. 1) and current situation and medium-term prospects of the Community fisheries sector (OJ No C 104, 25. 4. 1985, p. 12).

Despite the protective measures taken annually by the Community—consisting chiefly of fishing quotas and rules on the mesh size of fishing nets—the depletion of marine resources, particularly in some areas, is causing concern to scientists and trade interests.

1.13. In the Committee's view, the Commission report:

- does not give sufficient weight (in the form of concrete proposals) to the close links and dependence which tie producers to the industrial part of the sector, and to the fact that the various branches of the sector form an indissoluble whole,
- suggests that the Community industry will face more competition problems in the future because of commitments made with third countries, without adequate compensation for the disadvantageous conditions which Community operators have to contend with,
- does not suggest overall accompanying measures to fight the decline in the sardine and processed product sectors,
- completely overlooks the social aspects, despite the sector's present difficulties and foreseeable problems in the future, with particular reference to the impact of commitments made with third countries.

1.14. Given the challenges to be faced, and the package of Community measures needed to modernize the fleet and improve the efficiency of the processing industries and marketing networks, the Committee feels that the Commission should perhaps make more effective use of existing mechanisms covering structures, markets and specific measures.

1.15. The Commission recognizes the special difficulties faced by the sector in Spain and Portugal. However, the situation of the entire Community sardine sector is likely to get worse after 1 January 1989, when Morocco is to be granted an annual duty-free quota of 17 500 tonnes of processed and canned sardines.

1.16. Given the economic and social importance of the sector in these two countries in particular, and the Commission's recognition of the need to take appropriate action, the Committee asks the Commission to consider activating, for Portugal and North West Spain, the mechanism provided under Article 32 (Title X) of Regulation (EEC) No 4028/86.

1.16.1. As well as easing real difficulties and reducing imbalances and loss of competitiveness, such a measure could in the longer term help to eliminate the sector's structural shortcomings.

2. Specific comments

2.1. Supply

2.1.1. The Committee agrees with the Commission on the need to modernize the sardine fleet in order to improve the quality of the product both for the consumer and for the industry. The safeguarding of existing production capacity would also encourage the building of new vessels which meet the technical requirements for improving productivity and the quality of catches landed.

2.1.2. The Committee stresses that an improvement in unloading and transport facilities is crucial to the efficiency of a revitalized fleet. Adjustments are thus also needed in these areas.

2.1.3. Given the particular vulnerability of the sector and the difficulties facing producers, the Committee feels that encouragement should also be given to non-traditional production outlets, particularly those which will give the sector more added value.

2.1.4. Producers' organizations have an important role to play. They provide a particularly good vehicle for the implementation of these objectives and should receive support for this.

2.2. Processing

2.2.1. The Community's canning industry is an important factor in the economy of many regions. For the sardine sector it is absolutely vital, representing 50% of production in some Member States. In these States in particular, it lacks the support it needs to modernize, specialize and diversify production.

2.2.2. The Committee considers that efforts must first concentrate on technological innovation, to allow greater product diversification and to improve intrinsic quality and presentation. This would inevitably boost consumption figures.

2.2.3. Consumption patterns in the Community as a whole show that there is still room for improvement. An increase in exports to third countries also seems feasible.

2.2.4. The Committee notes that some of the problems facing the Community canning industry, like its economic and commercial problems, are aggravated by the volume of imports from third countries in overall Community consumption.

The situation is further worsened by the prices charged by certain third countries, which in some cases seem to

be lower than real costs. The Committee urges the Commission to give thought to this problems.

2.2.5. The Committee stresses the political and economic importance of the Community's agreements with third countries. However, these must take account of the Community situation, particularly in the case of trade concessions which could unbalance the Community market or lead to some Member States receiving less favoured treatment. In these cases, they must be backed by adequate compensatory measures for the sectors most seriously affected.

Of course, compensatory measures are only a palliative.

The real solution would be to set a Community import level which is compatible with the capacity of the EC sardine fleet and processing industry.

2.2.5.1. The Committee again points out that the cost of these measures should not be defrayed by the fisheries budget.

2.2.6. Turning to imports, and the need to guard against possible distortions in competition, the Committee endorses the Commission's proposals to introduce minimum product quality standards. To improve transparency in competition, the Community should fix a threshold price for sardines from third countries, in particular Morocco.

2.2.7. To revitalize the sector, investment is also needed in technological research into new sardine-based products. These should be more attractively presented, and easier to prepare.

2.2.8. The Committee urges the Commission to investigate ways of expanding the markets for sardines, e.g. the possibility of using them as food aid for regions in need.

2.3. *Marketing*

2.3.1. Stringent quality criteria are needed if we are to boost overall consumption patterns and increase the domestic market for canned and fresh sardines and new sardine products.

2.3.2. The search for new ways of marketing sardines—filleted, marinated, smoked, or in the form of paste, pulp, surimi, etc.—is bound to boost the Community market for sardines, thereby safeguarding a sector which is of indisputable importance to the Community.

2.3.3. More aggressive marketing to secure new markets and improve penetration of the existing market calls for more effective management and appropriate Community incentives.

2.3.4. The Committee would support a large-scale publicity campaign to increase consumption of sardines—a food which is rich in protein—especially in northern European countries where they do not form part of the traditional diet.

2.3.5. The Committee regrets the delay in adoption and publication of the detailed implementing rules referred to in Article 29 of Regulation (EEC) No 4028/86.

3. *Conclusions*

3.1. The Committee considers that the Commission should further develop the analysis begun in the present report with a view to laying the foundations for a coherent policy for the sector, in the light of the changed conditions and differing situations within the Community.

3.2. The Committee supports the principle of a temporary subsidy as proposed by the Commission for Spain and Portugal.

3.3. The Committee urges the Commission to consider the case for other structural measures to help achieve its desired goals.

3.4. Given the special nature and present position of the Community sardine industry, the Committee considers that the goals set in the report—to improve quality and efficiency, and to step up innovation and diversification—are only feasible if special accompanying measures are taken to mobilize financial, human and technical resources, with the full involvement of all the sector's operators.

Done at Brussels, 23 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

Opinion on the proposal for a Council Decision concerning a specific programme for the completion of a machine translation system of advanced design (EUROTRA)

(89/C 23/08)

On 16 June 1988, the Council of the European Communities decided to consult the Economic and Social Committee, under Article 130q(2) of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Section for Energy, Nuclear Questions and Research, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 4 November 1988. The Rapporteur was Mr Proumens.

At its 260th plenary session (meeting of 23 November 1988) the Economic and Social Committee adopted the following Opinion by a unanimous vote.

The Committee approves the Commission proposal subject to the following comments.

1. Introduction

1.1. The Council Decision of 25 July 1988⁽¹⁾ stipulated that the EUROTRA programme should move on from its second phase ('basic and applied linguistics research') to the third phase ('stabilization of the linguistic model and evaluation of results'). This accorded with the Council Decision of November 1982 on the adoption of a European Economic Community research and development programme for a machine translation system of advanced design (EUROTRA)⁽²⁾ as amended by the Decision of November 1986⁽³⁾.

1.2. The Decision of 25 July 1988 released the 5,5 million ECU considered necessary for implementing the third phase in accordance with the research programmes which have already been decided or are in the process of being carried out.

1.3. At the same time, the Commission submitted a draft Decision allocating an extra 6,5 million ECU to the third phase of EUROTRA. This proposal is the subject of the present Opinion.

1.4. The EUROTRA programme draws on the experiences gained with the SYSTRAN machine translation system, which has been in operation at the Commission for a dozen or so years. The Committee did not consider it necessary and useful in connection with its discussion of the present proposal to go into the details of this system based, as it is, on technology which is no longer equal to the translation needs of the Community institutions in particular.

2. General comments

2.1. When consulted on the draft Council Decision on the transition to the third phase of the EUROTRA programme, the Committee reiterated its support for the programme even though the deadline it had been given prevented it from judging whether the aims of the second phase had been achieved and whether, as the Commission stated, the conditions for launching the third phase obtained⁽⁴⁾.

2.2. Thus, while anxious not to delay the decision to move on to the third phase and thus interrupt EUROTRA's implementation, the Committee stated that it might still comment in the present Opinion on the progress made.

2.3. In this connection, the Committee has noted with considerable interest the final report of the EUROTRA assessment panel which accompanies the Commission proposal and highlights all the advantages which should accrue when EUROTRA is finally set up. However it acknowledges that it is impossible at the moment to make any definite assessment of the programme's ultimate effectiveness in economic terms.

2.4. The Committee is nevertheless convinced that in view of the large number of potential areas of use, the programme's benefits will outweigh the costs. The assessment panel's report contains a non-exhaustive list which extends beyond the field of translation.

Thus, EUROTRA should encourage, *inter alia*, the development of a fully-fledged language industry in the Community.

⁽¹⁾ OJ No L 222, 12. 8. 1988, p. 1.

⁽²⁾ OJ No L 317, 13. 11. 1982, p. 19.

⁽³⁾ OJ No L 341, 4. 12. 1986, p. 39.

⁽⁴⁾ OJ No C 237, 12. 9. 1988, p. 41.

2.5. The assessment panel may be said to be generally positive in its appraisal, even though a number of shortcomings have been pinpointed, especially with regard to:

- a) the EUROTRA prototype software design;
- b) the inadequate coordination between the work of research teams in the Member States;
- c) the lack of programme management staff.

The programme's success depends on good management, and it is therefore vital to take on adequate staff and deploy them efficiently.

2.6. The Committee notes the Commission's intended follow-up to the assessment panel's recommendations and, above all, its concern to improve coordination between national research teams and take on six computational linguists, for whom the recruitment procedure is already underway.

2.7. The Committee has also noted with satisfaction the Commission's 'call for expressions of interest concerning an investigation about language industries' published in OJ No C 219 of 23 August 1988. The aim of this call is to identify companies interested in contract work for the Commission in the field in question.

2.8. This call gives ground for hoping that industry will participate shortly in EUROTRA, and also responds to another of the assessment panel's recommendations. The Commission acknowledges furthermore that 'it is expected that an early involvement of industry'—which has not been associated in the programme so far—'should influence positively the direction and results of the research work and improve its interaction with the research teams'.

2.9. The Committee also points out that industry's involvement in EUROTRA will require a close study of the question of copyright and the implementation of appropriate rules and procedures. The Commission is well aware of this; not only has it confirmed its intention to make the appropriate arrangements, it also thinks that it will have found satisfactory solutions before the end of the third phase, despite the complexity of the problem.

2.10. The Committee is generally pleased to note the progress made with the programme, given the scale of the objectives assigned to it and the measures taken or to be taken by the Commission to improve the programme's chances of success and its suitability as a basis for industrial development, in particular by rescheduling the work programme in the third phase.

3. Specific comments

3.1. *EUROTRA programme's user potential*

3.1.1. The Committee acknowledges that, for obvious reasons, the EUROTRA programme's completion is first and foremost of particular importance to the Community institutions.

3.1.2. Given the scale of funding and staffing (150 research staff in the 12 Member States), the Committee nevertheless wondered about possible applications for EUROTRA outside the Community institutions.

3.1.3. Even though only the Community institutions will probably be able to use the full range of languages offered by EUROTRA, the Committee thinks that other potential users may include international organizations, such as the Council of Europe, the North-Atlantic Treaty Organization (NATO), the International Labour Office (ILO) and the European Free Trade Association (EFTA), as well as consultants and providers of services in the fields of law, science and technology, etc.

3.1.4. In this context, the Committee thinks that the Commission should be authorized to negotiate and conclude agreements with international organizations and third countries with a view to involving them in the programme's implementation. However, this should not lead to an increase in the number of language pairs covered by the programme.

3.1.5. Certain private organizations are also potential users. A planned vocabulary of 20 000 entries—which is what the Commission is aiming for at present—would seem to be of some value. Furthermore, from the point of view of data handling, a medium-sized computer can cope with the entire terminology in the nine Community languages.

3.1.6. The Committee is pleased to note that private initiatives (e.g. the compiling of a banking dictionary) have been launched in parallel to the Commission's prototype system.

3.1.7. A number of trade organizations also have requirements in this field, though not necessarily for the prototype system's 20 000 entries but for specialist technical or technological vocabularies.

3.1.8. The Committee thinks that in due course EUROTRA's potential will have to be exploited to the full beyond the confines of the Community institutions, in order to ensure maximum profitability.

3.2. *The social implications of EUROTRA*

3.2.1. The Committee would reiterate its previous comments on the social and employment implications which a machine translation system will have one day, especially for translators.

3.2.2. The Committee thinks that once translators have been relieved of numerous routine translation tasks, they should be given more revision work, which is more interesting and fulfilling.

3.2.3. Machine translation will not convey all the finer points of a language or be able to cope with legal, scientific or medical jargon, etc. It will be the job of the translator to check and clarify these details, be they semantic, grammatical, legal or technological.

3.2.4. The Committee calls for a close examination of this matter and requests that measures be taken, if necessary, to keep translators abreast of, and involved in, machine-translation developments and to train computational linguists in translation schools.

3.2.5. The Committee also discussed the matter of typists who at present type out translations on mechanical typewriters.

3.2.6. It thinks that there ought to be a decrease in typing work, which will most certainly be replaced by (a) encoding work and (b) correcting work associated with the activities referred to in 3.2.2. In some respects, this problem is linked more generally to the development of data processing.

3.2.7. The Committee also calls for an examination of this matter and the adoption of appropriate training and retraining measures, as necessitated by the development of machine translation.

3.3. *The cultural and educational implications of EUROTRA.*

3.3.1. The Committee would point out that the development of machine translation must in no way be regarded as an alternative to or substitute for the learning of languages at school and university.

3.3.2. The Committee would recall in this connection its Opinion of 21 May 1986 on the Commission proposal for extending the EUROTRA programme to Spain and Portugal⁽¹⁾ which emphasized that 'the use of machine translation should not, under any circumstances, lead to language teaching being discouraged or hampered, because if the peoples of the European Community are to be brought closer together it is essential that language teaching be continued and developed'.

⁽¹⁾ OJ No C 207, 28. 8. 1986, p. 18.

Done at Brussels, 23 November 1988.

The Chairman
of the Economic and Social Committee
Alberto MASPRONE

Opinion on the proposal for a Council Decision adopting a specific research and technological development programme in the field of energy—non-nuclear energies and rational use of energy—1989-1992 'JOULE' (Joint opportunities for unconventional or long-term energy supply) ⁽¹⁾

(89/C 23/09)

On 9 August 1988 the Council decided to consult the Economic and Social Committee, under Article 130 q(2) of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Section for Energy, Nuclear Questions and Research, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 4 November 1988. The Rapporteur was Mr Flum.

The Committee unanimously adopted the following Opinion at its 260th plenary session (meeting of 23 November 1988).

Continuation of the energy Research and Development (R&D) promotion programme is very necessary in order to achieve the Commission's energy policy aims, especially in view of the importance and priority to be given to energy supply systems. The new programme initiative is therefore welcomed in principle.

The programme's structure and approach are appropriate for achieving its aims. However, the funding appears to be too little for the importance and scale of the necessary tasks.

The Committee notes with concern a general lack of political commitment to the promotion of rational, ecologically acceptable, energy use or to the exploitation of renewable energy sources, and warns of the danger of underestimating major energy supply problems in the future because of the current relaxed energy price situation; it calls upon the Commission to continue and step up its efforts in this field.

Increased research into and development of future-orientated energy production and energy use techniques are vital for the future of the Community, and indeed of the whole world. The main needs are:

- energy saving and rational use of energy,
- increase in the contribution from renewable energy sources (particularly solar energy, wind power, water power and biomass), and
- techniques for using fossil energy sources which are compatible with the environment.

The considerations below represent an attempt by the Committee to give a comprehensive view of the significance of renewable energy sources with regard to future energy policy, and pass on its views and recommendations on the matter to the Commission and Council.

1. Introduction

1.1. In continuation of the existing R&D programme in this field, the Commission has proposed for the next four years a further specific programme for research and technological development in the field of energy—non-nuclear energies, rational energy use—under the short title JOULE. The programme is to run from 1989 to 1992, has a total funding of 122 million ECU and potentially covers all R&D aspects of energy production and use (except specifically nuclear aspects); it is intended in particular to contribute to

- increasing the security of energy supply,
- solving energy-related environmental problems,
- increasing the competitiveness of industry,
- completing the single EC internal market in the field of energy, and
- solving energy problems in developing countries.

1.2. Because of funding cuts as compared with the previous programme (1985-1988), the programme is to concentrate on priority tasks, by first and foremost promoting

- cooperative, strategic research projects, and
- projects with prospects for a breakthrough in the short or medium term.

There are four fields of work:

- development of models for energy systems,
- measures to increase the efficiency of energy use,
- measures to optimize efficient and clean use of fossil fuels,
- further development of renewable energy sources.

1.3. The structuring of the programme and control of research will be based on experience with the previous programmes (including evaluation by a group of experts) and consultations with governments, energy organizations, energy supply enterprises, etc.

⁽¹⁾ OJ No C 221, 25. 8. 1988, p. 6.

2. General comments

2.1. The policy so far followed for determining the content of research to be assisted (evaluation of experience, assessment by experts, consultations with governments, research institutes and enterprises) is correct and adequate for the broad field of industrial applications; however, for the equally wide field of application of new energy techniques to domestic and small-scale uses the Committee sees a risk that research and development may not correspond to the practical needs of potential users. This would be all the more disadvantageous since the bulk of primary energy consumption (39%) is in the residential sector, while industry consumes only 36%.

2.2. In the field of domestic and small-scale uses, energy consultants, architects, craft representations, consumer associations and consultancies, tenants' and landlords' associations, trade unions, etc. should be involved in consultation, and relevant market research should be carried out in order to provide enough data on the future market to ensure that research can be planned in such a way as to give really useful results. This cannot simply be left to industry, since the interests of industry and those of consumers do not necessarily coincide at all points. The interests of industry are inevitably orientated towards marketing, whereas those of consumers are inevitably orientated towards use. Moreover, it must be possible to integrate technical developments in the existing structure of the residential or small-business sectors; on the other hand, households and small-scale consumers must receive information on future energy supply systems in good time so that they can adapt early enough to future energy technology conditions in their planning (e.g. for house-building, establishment of firms).

2.3. A basic element in all planning is good market research. There is already a potential market which can be researched, since future energy systems can for the most part be installed in the domestic and commercial buildings which already exist.

2.4. In practice there is an enormous discrepancy between the wealth of existing R&D results on the one hand and the extent of knowledge and direct applicability at the final consumer stage on the other; this discrepancy cannot be explained simply by the current energy price situation, since even with a sudden large rise in energy prices, resulting in new energy techniques becoming marketable, these could only be brought onto the market through a protracted procedure involving comprehensive information, development and testing of purpose-built units and plant, education and training of architects, energy consultants, craftsmen etc., and finally the formulation of suitable administrative framework provisions.

2.5. Research and development should therefore not be confined to scientific models, basic research and

industrial applications; on the contrary, research, development and testing should lead to demand-orientated solutions geared to final use, as well as research into cost reduction potential, marketing strategies and necessary preconditions in the administrative and macro-economic context.

2.6. The Committee recommends that the Commission should promote research into and development of new energy techniques as a comprehensive task of technical, economic and political management, and bring this task to the stage of market readiness in all important fields, so that in the event of new short-term rise in energy prices, or in the event of fears for traditional energy sources being realized (nuclear disaster, climatic threat), it would be possible to bring these new techniques into use relatively quickly and over a reasonably wide area.

2.7. In operating the authorization procedures provided for in the programme, it should be borne in mind that in view of the market structure described above the involvement of small and medium-sized firms (crafts) is a priority, and that the application procedures should therefore be made as simple as possible, so that the complicated authorization process does not alone create a virtually insuperable obstacle for small and medium-sized enterprises from the outset. The flexible assistance procedure envisaged by the Commission is expressly welcomed in this context. However, it should not lead to one-sided support for large projects or research institutes.

The need for rational use of energy

2.8. Energy is indispensable for human life; population growth and industrialization increase the demand. In contrast, supply is limited, for at some stage fossil energy sources will be exhausted. Thus energy will in the long term become scarcer and more expensive. In some parts of the world there is already an acute shortage of energy, resulting in irresponsible and wasteful exploitation, particularly of forest resources, and catastrophic disturbances of the ecological balance. The western industrialized countries also have an obligation to show responsible concern and international solidarity by using their intelligence and financial resources to a greater extent for the investigation and development of rational energy production and energy use techniques. Only if the worldwide rise in primary energy demand can be brought under control is there a possibility in the long term of ensuring adequate energy supply. Energy saving makes an important contribution to reducing environmental pollution.

Energy supply for the future

2.9. Future energy supply is threatened not only by international imbalances and monopoly structures, but

also by specific accident risks connected with nuclear energy⁽¹⁾, with the associated unsolved problems of waste disposal in the long term, and by possible risks of worldwide climatic changes resulting from the burning of fossil fuels. Greater efforts to promote energy saving and the use of renewable energy sources are therefore not only advisable on account of the abovementioned advantages of these forms of energy use and production, but also essential in terms of risk reduction.

2.10. Renewable energy sources are in some cases still far from the margin of profitability. In the long term, however, energy prices will rise faster than the general level of prices, while the supply of fossil energy sources will be gradually exhausted, so that renewable energy sources will in time reach profitability margins in a broad front, particularly since technical progress and economies of scale will lead to considerable reductions in relation to their current prices. Rational energy use techniques are already a paying proposition over a wide field.

2.11. Arguments for continuation and strengthening of research and development in this field are the manifold ecological and economic advantages, the need to minimize risks and, at least in the long term, good market prospects; this is all the more true since, in the past and still at present, thousands of millions have been paid out for research and development into other energy sources, particularly nuclear energy. A fair evaluation of the possibilities and prospects for rational energy use and renewable energy sources is possible only if these energy techniques are promoted to a comparable extent to the traditional energy forms which compete with them at present.

The vast potential of solar energy

2.12. Solar energy in its many forms is potentially the most important renewable energy source. If we take Europe alone, the energy supplied by the sun there is on average 200 times greater than the total (statistically recorded) European primary energy consumption, and in some southern Member States even 1 000 times greater; while in chronological terms solar energy is inexhaustible.

2.13. The Committee places great stress on the significance of solar energy for reasons of principle and specific energy policy, since there would be no life on this planet without the energy from the sun, and only through a much greater solar energy component in technical energy supply can human energy needs be met in the long term while preserving the ecological balance. In considering this question, more attention must also be given to the possibilities of energy production from biomass.

2.14. The southern regions of the Community in particular can expect a growing contribution by solar energy in the short term through a consistent energy policy of promotion. This will have positive effects in terms of

- conserving environmental and energy resources,
- increasing autonomy of energy supply and lessening dependence on the international market,
- improvement in the energy supply situation of the third world and of the export prospects for energy-related technical equipment,
- job creation,
- greater decentralization of the energy supply structure, and hence promotion of hitherto disadvantaged regions,
- improvement in the situation of small and medium-sized enterprises, particularly craft enterprises.

Fossil energy sources - the backbone of energy supply

2.15. Despite the need to use energy more sparingly and more responsibly than hitherto, and to make increasing use of renewable energy sources, fossil energy sources will remain the backbone of our energy supply for the foreseeable future. They too are ultimately geological stocks of solar energy which have built up by way of organic substances. In view of the environmental situation, the limited nature of these stocks and the risks attached to the international energy market, the further investigation and development of ecologically acceptable and rational techniques of energy production and use is of the highest importance. This applies particularly to coal.

2.16. Our experience of the two oil-price crises, with their catastrophic economic effects, particularly on the labour market, has shown that the maintenance and enhancement of the Community's own capacity to promote fossil energy sources is almost an economic life insurance against international energy price crises.

3. Specific comments

Financial framework

3.1. The Committee regrets the cuts in funds as compared with previous programmes. Given the importance of this research field, explained above, these cuts are unjustifiable.

3.2. The choice of financial priorities within this—albeit too small—overall allocation is correct. A number of detailed questions relating to allocation of funds, the time scale for the aid, and further specific aspects of the financing arrangements were put to the Commission. The Committee feels that the Commission answered them satisfactorily. The financing side can

⁽¹⁾ Cf. ESC Opinion on the consequences of the Chernobyl nuclear accident (OJ No C 232, 31. 8. 1987, p. 40).

therefore be endorsed, apart from the complaint about cuts in overall funds.

Sub-programmes

3.3. The Commission gave full information on the determination of research subjects and priorities in the sub-programmes. The choices are by and large satisfactory, with the proviso that overall control should be improved, and subject to the following specific recommendations for complementary measures:

- Greater efforts to investigate all possibilities for better use of the enormous potential of waste heat from industry and power stations.
- Development of demand-orientated units and plant for developing countries; the units and plant developed for the very different structures and needs and the more highly developed general technical expertise of the Western industrialized countries are, contrary to the Commission's view, as a rule unsuitable for use in developing countries; this is not altered by the fact that there is often a desire for high-technology plant in the developing countries themselves, since they too seek to draw attention to their technical progress with highly-developed prestige projects (that, however, is not a primary aim of the programme in question).
- Investigation of the potential for cost reduction through economies of scale, rational production methods and technical innovation must become one of the research priorities under this programme (in line with the requirements in point III.1, the aim should be demand-orientated research results ready for final utilization).

4. Conclusions

4.1. On the basis of its energy policy approach, a thorough analysis and its positive assessment of many details of the proposed programme, the Committee suggests that the following conditions are necessary to enhance the programme's efficiency:

- Greater stress must be put on the importance of the programme's objectives; at the same time a political signal must be given for national research and development activities in the Community.

— Despite the difficult budget situation, the overall financial allocation for the programme must be significantly increased; the additional funds be used primarily for research into and development of renewable energy sources.

— Control of research and development work must be improved. Where research and development for domestic and small-scale use is concerned enough information on the future market must be obtained by involving energy consultants, architects, craft representations, consumers' associations and consumer consultancies, tenants' and landlords' associations, trade unions etc..., and through practical market research, so that the programme work can achieve the aim of demand-related results. The Committee recommends that the Commission promote research into and development of new energy techniques as a comprehensive task of technical, economic and political management and bring the results to the stage of market readiness in all important fields.

— The operation of the application and authorization procedures should be speeded up and simplified so that firms and institutes belonging to the small and medium-sized enterprises (SME) and crafts categories also have access to the assistance offered by the programme.

4.2. The content of the sub-programmes in the following fields must be supplemented by:

- greater efforts to investigate all possibilities for better use of the enormous potential of waste heat from industry and power stations,
- development of demand-orientated units and plant for developing countries,
- investigation of the potential for cost reduction through economies of scale, more rational production methods and technical innovation,
- development of solar energy.

4.3. This will undoubtedly require additional research funds, particularly since the 1985-1988 programme, to which 175 million ECU was originally allocated, has had its allocation cut by 53 million ECU i.e. by about 30% ⁽¹⁾.

⁽¹⁾ OJ No L 83, 25. 3. 1985, p. 16.

Done at Brussels, 23 November 1988.

The Chairman
of the Economic and Social Committee
Alberto MASPRONE

Opinion on the proposal for a Council Decision to adopt a multinational research and development programme in food science and technology (1989 to mid-1993), FLAIR

(89/C 23/10)

On 12 July 1988, the Council of the European Communities decided to consult the Economic and Social Committee, under Article 130Q (2) of the Treaty establishing the European Economic Community on the abovementioned proposal.

The Section for Energy, Nuclear Questions and Research, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 4 November 1988. The Rapporteur was Mr de Normann.

At its 260th plenary session (meeting of 23 November 1988) the Economic and Social Committee adopted the following Opinion unanimously.

The Committee supports the proposal for the expenditure of:

Commission	25 million ECU
Contractors estimate	45 million ECU
Total	70 million ECU

in shared-cost and concerted action contracts on food-linked agro-industrial research and development (FLAIR) over the period 1989 to mid-1993.

1. General comments

1.1. The Committee welcomes the approach of the Commission to regard the biological sciences as a complete package which encompasses the applied sciences of food and agriculture.

1.2. The framework programme (1987-1991)⁽¹⁾ allocates 280 million ECU to the exploitation and optimum use of biological resources. Within this sum 105 million ECU is allocated to agro-industrial technologies.

1.3. This is divided into two programmes:

Consumer-led food-linked agro-industrial research and development: FLAIR 25 million ECU.

Agriculture-led biotechnology-based agro-industrial research and technological development: ECLAIR 80 million ECU.

1.4. The Committee noted that these two programmes emphasised the two aspects of agro-industrial research and technological development. FLAIR was concerned with the food interests of the consumer while ECLAIR covered the biotechnological base of agriculture.

1.5. The Committee would have preferred the two

programmes to be issued at the same time in order to consider them together as two aspects of a single entity.

1.6. The Committee has given its Opinion on ECLAIR on 23 March 1988⁽²⁾.

1.7. The Committee found it difficult to identify clear overall objectives in this programme set against a background of Commission policy in the agro-industry field.

1.8. It also noticed a certain lack of definition especially with regard to quality. The Committee asks the Commission to clarify this definition.

1.9. The Committee would like to have seen the work proposals arranged in order of priority with funding allocations (including the costs of administration shown separately).

1.10. The Committee felt it should identify guidelines and propose priorities which it has done below for the main shared-cost research projects, and that this would help the Commission in selecting these projects.

2. Specific comments

2.1. Resources

2.1.1. The Committee feels that given the framework programme allocation of 105 million ECU, the balance between FLAIR and ECLAIR may need to be adjusted in the light of experience as the programmes proceed.

This should be considered when the framework programme is reviewed in 1989.

⁽¹⁾ OJ No L 302, 24. 10. 1987, p. 1.

⁽²⁾ OJ No C 134, 24. 5. 1988, p. 15.

2.1.2. The Committee asks that a mechanism should be created whereby the balance between the programmes is flexible and can be adjusted in response to the promise shown by initial programmes.

2.2. Coordination

2.2.1. The Committee is satisfied that the Commission has given adequate attention to coordination and liaison within the biotechnological area of the framework programme and with the directorates concerned with agriculture and consumer affairs which are the two main directorates out of the many which have been consulted and which have a marginal interest in this proposal.

2.2.2. However the Committee would like a clear statement on the COST programme 90, 90 *bis* and 91 *bis* in relation to the FLAIR programme.

2.2.3. The Committee stresses the extreme importance it places on the coordination of all the relevant work proposed by the Commission in this area. It considers that ECLAIR and FLAIR can only be considered in the wider context of the Action line 4 'Exploitation and optimum use of biological resources' of the framework programme which also includes the programme on the competitiveness of agriculture and management of agricultural resources (55 million ECU) which has recently been presented by the Commission.

3. Consumer aspects

3.1. The Committee is well aware of the very complex link between agriculture, industry and consumers. This proposal is for the benefit of consumers.

3.2. The Committee considers therefore that the programme would benefit in terms of the clarity of its overall objectives and the specificity of its individual project targets from a deeper knowledge of consumer views throughout the Community.

3.3. The Committee believes that further work should be done by the Commission directorates-general responsible to attempt to collect the views of the consuming public.

3.4. The Committee emphasises the great care that will need to be taken with the structure of the mechanisms used if worthwhile results are to be obtained.

3.5. The Committee urges the Council to ask the Commission to undertake this work on a carefully-considered and broad basis.

4. Social aspects

4.1. The Committee draws attention to the need for a positive and dynamic approach to the social aspects of this programme, rather than an attempt at the conventional consultation at the project stage and subsequently at the utilization of successful results.

4.2. The Committee suggests that the Council demands, from the Commission, positive and practical proposals to achieve this objective.

4.3. Such an approach will in turn depend on a practical knowledge of dietary habits throughout the Community as an integral part of a sound health and welfare policy. This in turn must depend on effective consumer studies.

4.4. The Committee feels that the Commission should guard against the creation of any suspicion of paternalism in work which tend to alter regional preferences and habits.

5. Content

5.1. The Committee believes that concentration on a few projects of major importance and which are capable of yielding results of significant value is the preferred approach.

5.2. The Committee proposes that the shared cost research and technological development effort be concentrated in a few areas according to the following guidelines:

- The work has a Community dimension.
- The work proposed is highly practicable and hence shows promise of worthwhile and utilisable results within the period covered by the programme.
- The work is appropriate for Commission funding and does not duplicate work which can or should be done elsewhere.
- The projects proposed are clearly and precisely targeted and defined.
- A precise plan for utilization of successful results is prepared and funds for its implementation are earmarked.

5.3. The Committee believes it should apply its own guidelines above to suggest some priority proposals for shared-cost research sub-programmes and individual projects within them.

- (I) Assessment and enhancement of food quality (as clarified by the Commission: see point 1.8 above)

- quantitative measures of 'freshness'.

(II) Food hygiene, safety and toxicological aspects

- improved rapid screening tests including the possibility of substituting the use of animals by alternative techniques such as the use of micro-organisms;
- the occurrence of natural plant toxins and their effect on food;
- prediction of micro-organism growth rates and rapid methods for microbiology;
- improved understanding of the relationship between food constituents and food allergies.

(III) Nutrition and wholesomeness aspects

- nutritional bio-availability of food constituents.

(IV) A new proposal from the Committee

- to prepare an effective data base for food consumption in the regions of the Community.

This is required to underpin all proposals which involve nutritional intake, food additive consumption and ingestion of toxic contaminants. Such a data base is essential to work involving protection against hazards.

6. Work organization of the shared-cost proposals

6.1. The Committee recommends that the shared-cost work be concentrated in this area in a few major projects chosen from the sub-programmes.

6.2. A task force should be allocated to each project. These should be constituted in accord with the following considerations:

- (I) Organizations from at least two Member States should be involved with each project.
- (II) Each task force should have significant industrial participation allied to balanced research and development institutional and academic participation.
- (III) Involvement of small and medium-sized enterprises (SME) ⁽¹⁾, probably in the form of subcontractors should be planned at a satisfactory level expressed as a percentage of project funding.

(IV) A new flexible approach to funding should be developed.

6.3. The precedents established in ESPRIT and similar projects should be examined carefully for their relevance to this project.

6.4. The Committee considers that the demonstration of the successful use of these limited funds is the only sound basis for demands for increased funding in the future. Such demonstration should be based on sound public relations.

7. Review procedure and flexible funding

7.1. The Committee considers that the review procedure proposed in Article 4 is insufficiently flexible to serve as a management tool for project direction.

7.2. The Committee recommends that consideration be given to introducing a greater degree of flexibility to funding individual projects.

7.3. The objective would be to use periodic evaluation (say of not more than one year) of progress to give some degree of adjustment to funding to projects within a fixed global total.

7.4. Projects showing great promise would then be able to proceed at an optimum pace.

7.5. The Committee realizes that in order to introduce flexible funding within the programme it will be necessary to reconsider some basic budgetary rules. It believes that appropriate modifications to allow flexibility could introduce a new dimension into shared cost research.

7.6. However, the Committee notes that the need for contractual security especially for SME will need to be considered.

8. Concerted action programmes

8.1. The remaining programme proposals should be considered for concerted action programmes in the form of pilot and feasibility studies. The objective of such studies would be to demonstrate a potentiality for success for a major shared cost programme of significant interest to industry.

Successful studies would form the basis for further shared cost programmes to be undertaken by task forces when funds permit.

8.2. The Committee understands that the Commission propose ten concerted action projects involving

⁽¹⁾ For the definition of SME, see the Information Report 'The importance of technological research and development to SME (see ESC document of 20. 8. 1986).

Member States and COST-countries to implement the COST-proposals.

The Committee asks that the Commission should make provision for this requirement for this proposal.

8.3. However, the Committee would like a clear statement on the future of the COST-programmes 90, 90 *bis*, 91 and 91 *bis* in relation to the FLAIR-programme.

10. Communication to the ESC of the progress report and evaluation report mentioned in Article 4 of the programme proposal

9. Utilization and dissemination of results

10.1. The failure of the Commission to include the Economic and Social Committee in the communication of the results of review and evaluation required is drawn to the attention of the Council.

9.1. Article 130K of the Single European Act requires the Council to define the detailed arrangements for the dissemination of knowledge resulting from specific programmes.

10.2. The Committee feels that, being consulted on the proposal, it is reasonable that it should be kept in touch with the progress of the work.

Done at Brussels, 23 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

Opinion on the Commission annual economic report 1988/1989

(89/C 23/11)

On 28 October 1988 the Council decided to consult the Economic and Social Committee on the Commission's annual economic report 1988/1989 in accordance with Council Decision 120/74/EEC of February 1974 on the achievement of a high degree of convergence of the economic policies of the Member States of the European Economic Community ⁽¹⁾ as amended by Decision 787/75/EEC ⁽²⁾, and especially Article 4 thereof.

The Section for Economic, Financial and Monetary Questions, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 15 November 1988. The Rapporteur was Mr Drago.

At its 260th plenary session (meeting of 23 November 1988), the Economic and Social Committee adopted the following Opinion by 112 votes to 5, with 2 abstentions.

1. Growth, adjustment and international cooperation

European economy has thus achieved better overall results than had been forecast in the revised analyses at the beginning of the year.

1.1. The economic cycle is in a particularly buoyant phase which is conducive in different ways to sustained expansion of the economy of the industrialized nations (3,9%) and the developing countries (3,5%-4%), and to the growth of world trade (7,6%). In 1988 the

The Committee endorses the Commission's identification of the main factors which have helped achieve strong growth. However, it expresses reservations about (a) the forecasts which for years have proved inaccurate, and (b) the importance which the Commission attaches to the inflationary hazards in the world economy.

⁽¹⁾ OJ No L 63, 5. 3. 1974, p. 16.

⁽²⁾ OJ No L 330, 24. 12. 1975, p. 52.

1.2. Despite the key contribution from all components of demand and of investment in particular, the basic economic problems highlighted in the Committee's own-initiative Opinion⁽¹⁾ were only partially alleviated in 1988 by the unusually favourable conditions; there was only a slight improvement in the employment situation in the Community, despite the priority which the Commission now attaches to it.

1.3. Overall, the Committee therefore considers that the measures to iron out imbalances in trade and the gradual process of adjustment between geo-economic areas are still at an early stage. It also notes that imbalances within the Community are growing, making the problem of adjustment more complex. At international level it is mainly the central banks who have restored stability to the financial markets and regulated exchange rate parities by solid coordination of interest rate policies.

Furthermore, the latent dangers inherent in excessive exchange rate and interest rate fluctuations remain; and the financial markets would again become unstable if the economic situation were to get out of control as a result of inadequate international cooperation or coordination.

1.4. In the present circumstances, the Committee considers that the commitments to keep a tight rein on exchange rates should not and cannot be expected to reduce the balance-of-payment imbalances of the United States, Japan, and West Germany single-handed. With particular regard to the United States, the Community awaits more effective action by the incoming Administration and the Congress to correct the deficits, together with policies which take more account of investment. For the purposes of a wide-ranging coordination policy, too much faith is also being placed on the statistics issued regularly by the various international bodies and forecasting institutes.

1.5. The Committee calls on the Community institutions to ensure that the domestic and external objectives of the major economic powers are compatible with the commitment made in the Plaza and Louvre agreements to cooperate on and coordinate economic policies.

At the same time, it calls on the Commission firmly to oppose (and if necessary, to respond to) the use of trade legislation, such as the United States Trade Act, in pursuit of aggressive, neo-protectionist policies at industrial and commercial levels.

1.6. The multilateral consultation and negotiation arrangements enshrined in the General Agreement on Tariffs and Trade (GATT) must be reinforced during the present negotiations, in order to avoid the risk of a return to bilateralism which would hit the developing countries and make it even more difficult for the Uruguay Round to succeed.

1.7. In the international cooperation sphere, the Committee would accord continued priority to the following:

- conclusion of multilateral agreements to help correct the imbalances. Reliable reference frameworks are needed for monetary policies and financial innovation as well as trade policies,
- pursuit of a policy which differentiates between the debtor nations, with debt-rescheduling and the re-negotiation of debt-servicing terms,
- encourage the resumption of funding for the least-developed countries and the main debtor nations, by fostering a reduction in the nominal value of part of the multilateral, bilateral and commercial debt.

1.8. The statistics and data presented at the recent meetings of the International Monetary Fund (IMF) and the World Bank showed that the increase in the price of non-oil raw materials (up 27 % in the last year) has not even partly met the growing need for funding.

The Committee therefore views with concern the delays in decisions to relieve the developing countries' debt, the possible repercussions on the international banking system, the increasing evidence of threats to the political and social stability of some countries, and the increase in world poverty.

The Committee also considers that the newly-industrializing countries must be prevailed on to shoulder greater responsibilities, in line with their potential and with their respective shares of world trade.

1.9. In the light of the results achieved, the Committee calls on the Community institutions to play a more dynamic political role, harnessing the positive macro-economic results to work in a way which (a) takes a more balanced approach to development within the Community and (b) is more in tune with the expectations of the developing nations.

2. The European economy: out-turn in 1988 and Commission forecasts for 1989

a) Macroeconomic performance

2.1. In 1988, the Community gross domestic product (GDP) will grow on average by over 3,5 %. The figures

⁽¹⁾ ESC Opinion on the economic situation of the Community in mid-1988 (OJ No C 208, 8. 8. 1988, p. 33).

for the United States and Japan will be 3,9 % and 5,6 % respectively.

In 1989, growth in the Community is likely to slow down to 2,8 % (compared with 2,3 % in the United States and 3,8 % in Japan).

2.2. This figure—the best for the last ten years—coincides with an unemployment rate equal to 11,3 % of the workforce. Unemployment should improve slightly in 1989 (10,9 %).

The Commission thus sees unemployment as the most important problem.

2.3. Despite a few cases of overheating of demand and recent acceleration of inflation, the average inflation rate (as measured by the deflator of private consumption) will remain at around 3,5 % (3,7 % in 1989).

2.4. The balance on current transactions with the rest of the world (as a percentage of GDP) will fall again, and is likely to be around 0,5 %.

b) *Indicators of demand*

2.5. Domestic demand has been the locomotive of economic growth. Against a background of 4,25 % growth (3,25 % for 1989), private consumption is expected to increase by 3,5 % (3 % in 1989) owing to the strong rise in some countries. At the same time, a general and unexpected surge in investment is occurring: 7 % in 1988, 5,3 % in 1989 for gross fixed capital formation.

2.6. The volume of Community exports to third countries (year-on-year variation) will rise by 6 % in 1988, and 5 % in 1989. Despite this, foreign trade will continue to deflate the growth of Community GDP (– 1 % for net exports in 1988, – 0,5 % in 1989).

c) *Indicators of supply conditions*

2.7. The Commission stresses that employment is rising at a high, stable rate of around 1 % per year. The creation of new jobs is only of partial assistance in reducing unemployment. Long-term unemployment persists (over 50 % of the total) and youth unemployment is still running very high (above 20 %).

2.8. Real unit labour costs have fallen by around six points since 1981 (the trend has been particularly marked in the poorer countries, with the exception of Greece), and are likely to fall further. Further rises in productivity can improve the employment content of investment via a further improvement in the ratio of capital: employment (an annual average increase of 2,3 % in capital stock translates into a job creation rate of 0,7 %). A more flexible approach to the organization

of working time, coupled with a reduction in costs, could help to compensate workers by granting them further cuts in individual working hours.

2.9. The fall in unit labour costs has increased the return on capital, fostering a greater share of profits in added value. Although the return on capital has not grown on the same scale as net profitability, the propensity to invest remains high. Against a background of greater competitiveness, rationalization investment has been more moderate.

d) *Economic policy indicators*

2.10. Income differences between Member States and regions, as well as differences between the GDP of the regions of individual countries, remain considerable. Average per capita GDP in the four poorest countries is only 65 % of that in the four richest countries (compared to 60 % in 1987).

2.11. Monetary policies in the Community have been influenced by international monetary developments. The appreciation in the dollar has allowed greater attention to focus on internal objectives, at a time when there is apprehension at the rising cost of raw materials, sustained demand, and stronger expansion of monetary aggregates (+ 9,9 %). Short-term interest rate hikes have proved the most popular instrument, and have been pursued with particular determination in West-Germany, the United Kingdom and Italy, albeit for different reasons. Severe dollar instability would exacerbate the conflict between domestic monetary policy objectives and the control of exchange rates within the European Monetary System (EMS).

2.12. The development of public finances has not on the whole been positive. Public debt remains at a disturbing level (60 % of GDP; around 61 % for 1989), and the general government deficit will deflate GDP by 4,5 %. Budget policy has not bolstered the internal factors which determine the Community's growth.

3. *The Committee's assessment of the economic policies and guidelines of the Commission*

a) *Economic policies and their coordination*

3.1. The Committee considers that Community economic policy should seek to consolidate and support present developments. The Committee endorses some of the guidelines drawn up by the Commission, as being

consistent with the analyses and proposals set out in the Committee's own-initiative Opinion.

The Committee stresses, however, that the persistent high unemployment in some regions is unacceptable.

3.2. The Committee agrees with the Commission that greater coordination of economic policies is needed, both to safeguard the convergence already achieved on the key goals and more particularly to achieve more sustained growth and make it easier to coordinate other policies.

With favourable economic circumstances, the transition towards the single internal market must continue to rest on macroeconomic stability and economic efficiency. These can be achieved by means of improved coordination and institutional support for the creation and management of a larger, more homogeneous market.

3.3. Potential economic growth within the Community must not be jeopardized by national economic priorities which could trigger off an overall slowdown and consolidate the fixing of exchange rate parities which are not consistent with balance. Economic and budgetary policy developments in West Germany will play a crucial role here.

3.4. Steps must thus be taken to coordinate GDP growth targets. These steps should go beyond the control of demand and the management of monetary policies. They should also aim to influence the main supply-side policies (industrial policy, competition policy, aid arrangements, tax harmonization).

3.5. With a view to consolidating the Community's future growth, particular attention must be paid to the competitiveness and supply potential which structural adjustment measures will generate. Commission action to set medium-term economic objectives could be useful here.

b) *Structural policies*

3.6. The Committee considers that Community and national structural policies are crucial to achieving and maintaining a high degree of economic and social cohesion. They must thus be implemented with greater urgency, in order to support dynamic economic activity and reduce the imbalance within the Community which allows the country with the strongest economy to leech

off the dynamism of its neighbours, thus reducing their scope for further domestic expansion.

3.7. Although it endorses the Commission's idea of a 'partnership' between the structural funds, the financial instruments and the new Regulation of the European Investment Bank (EIB), the Committee stresses the need to ensure the involvement and support of the socio-economic interest groups in the various procedures and stages of the measures ⁽¹⁾.

Moreover, bearing in mind that the doubled structural funds will still only represent 0,3 % of total Community GDP, the Committee considers it of priority importance that the funds be channelled to the least-developed regions. At the same time, the Funds must also be directed at the least-favoured regions and those in industrial decline, in order to encourage the creation of new jobs in these areas.

3.8. A balanced system of national development aid in the most backward areas could sharpen up the use of the structural funds at a macroeconomic level, while making them better able to attract capital microeconomically. If capital and savings from those Member States which are running large trade surpluses could be channelled into productive local investment, the resulting impact on wages would help close the development gap and strengthen the Community's economic and social cohesion. This capital could qualify for interest rebates and/or guarantees tied to the use of the structural funds.

3.9. Community aid for infrastructure policies also needs to be swifter and more selective, improving conditions in the less-developed regions and boosting their dynamism.

3.10. The Committee considers that technological research and development policy must also become more cohesive, and must assume a structural role. This means strengthening its links with the various levels of the education system and its use in the modernization of teaching methods.

3.11. While eschewing detailed references to earlier recommendations, the Committee stresses the potential of environmental policy and the reform of the common agricultural policy (CAP). By opening up a more dynamic role for rural society, these can help increase economic and social cohesion.

⁽¹⁾ See the Committee Opinion on the coordination of the structural funds of 27 October 1988 (OJ No C 337, 31. 12. 1988, p. 39).

In economic terms, incentives must be provided for technologies which do not harm the environment, but which are also innovative and can produce the type of goods and services that the public wants.

Unless suitable measures are taken, invisible costs which are difficult to assess, in various sectors, will continue to affect the nature and scale of economic development in the long term.

c) Market policies

3.12. Turning to structural measures with a macro-economic impact, the Committee notes that the implementation of a competition policy which is transparent, effectively administered, and balanced from both the financial and fiscal point of view, will help provide a more secure economic environment for companies, for employment, and for the development of the service sector.

3.13. The report on 'the cost of non-Europe' highlighted new areas of growth and competitiveness for European businesses. The various sectors of the business world, and the development of small firms, service industries and cooperatives, thus need the support of policies to encourage expansion and secure favourable conditions for industrial supply.

Productivity has increased substantially, company performance has improved significantly, and unit labour costs have fallen largely thanks to employees' efforts in the area of wage moderation. The Committee therefore considers that the time has come to improve workers' purchasing power, thus allowing a rise in private consumption.

3.14. Companies must take advantage of continuing buoyant demand to speed up the development of high-tech sectors, incorporating technologies into their production processes and introducing greater elasticity and diversification into the production of final goods.

The continuing Val Duchesse dialogue on microeconomic problems should help to resolve these issues.

3.15. The Committee also considers that the problems of employment, labour market intervention and ongoing training merit more concrete action by the institutions and the Member States. Greater business

competitiveness has not yet led to an improvement in the employment situation.

3.16. The recommendations made in the ESC Opinion on social developments in the Community in 1987⁽¹⁾ remain valid. The Committee stresses that the slight pick-up of employment in industry and the bigger rise in the service sector have been accompanied by a sharp rise in part-time work which—as the Commission notes—points to a certain degree of under-employment, although this is difficult to quantify.

Part-time work is obviously a positive phenomenon when it is freely chosen. However, the various forms of under-employment and undeclared work which fall outside labour legislation are a matter for concern.

The Committee also draws the Commission's attention to the large numbers of temporary jobs, filled by people who have no chance of finding other, more skilled employment.

Finally, a further boost to employment should come from measures designed to restructure and reduce working hours without sacrificing productivity.

3.17. The creation of long-term jobs in the weaker areas needs to be speeded up, in order to smooth out the 'J' profile of aggregate employment in the run-up to the internal market. At the same time, greater mobility within the Community must be accompanied by the elimination of the various handicaps which influence decisions on the siting of production centres.

3.18. Lastly, the Committee notes that marketable services have made an increased contribution to total added value and aggregate investment. These services make a considerable contribution to employment and to job creation, despite the absence of a specific assistance policy at Community level.

d) Monetary policy; budget policy

3.19. With a view to more coherent management of the Community economy, the Committee urges the Member States to achieve the necessary degree of correspondence between their monetary and budgetary policies.

With the prospect of complete liberalization of capital movements and integration of the financial markets, coordination is needed when determining monetary and credit targets, in order to permit joint action on the external elements of the monetary base, and better determine the components of internal credit.

⁽¹⁾ OJ No C 208, 8. 8. 1988.

3.20. Within the European exchange rate and EMS agreements, competitiveness should not be decided by a position of dominance based on exchange-rate constraints. Better management of exchange rates is thus needed, including decisions on interest rates.

3.21. The Committee considers that the cohesion of the EMS is still too vulnerable to factors outside the EMS area. Active use of interest rate differentials could help achieve the corrections which would be needed to cope with any renewed instability of the dollar.

Nevertheless, a new monetary order between the main trading currencies is the only way to restore greater reliability to macroeconomic policy objectives.

Lastly, the Committee reiterates the need for common rules on the various links between financial markets and between currency and finance.

3.22. The Committee agrees with the Commission's priorities for and analysis of budget policies. It too sees a need to harmonize indirect taxation, and for adjustments to improve supply and demand conditions in order to support growth.

3.23. Careful adjustment of income and expenditure can produce synergy. Account must be taken of the differing foreign trade balances and, more important, of the present differences in current balances within the Community.

In the present climate of overall growth, the Committee sees signs of a potential structural inversion of economic development and growth.

4. The institutional aspect

4.1. The steps taken by the institutions in 1988 should spur the Member States to work for a high degree of consensus conducive to a real 'European initiative', much more concrete than the simple cooperation strategy prepared during 1985.

The Committee notes however that there is now general agreement in the Member States that more sustained European growth is crucial to an improvement in the employment situation. However, not all countries are showing the degree of commitment which their respective potential would allow.

4.2. The priorities set at the Brussels and Hanover summits will call for ever-increasing commitment in the next few years from the Member States; these have not

displayed enough economic dynamism at a time when the two sides of industry have shown, as at the Val Duchesse dialogue, that it is possible to build a European social dialogue.

The Committee feels that the degree of consensus achieved on the need for dynamic Europe-wide growth provides the bedrock for the economic and social cohesion which is vital to the successful completion of the internal market.

Growth and jobs, development and balance between regions, economic and social cohesion, and the completion of the internal market, are all interdependent.

Anything less than total success in any one of these areas would halt progress towards economic and monetary union.

4.3. Greater economic cohesion between the Member States is, as we have said before, contingent on real coordination of economic, and not just monetary policies. The Committee also supports the creation of an EEC financial area and the adoption of directives aimed at bringing about the unrestricted provision of services. It also favours a study on the setting-up of an autonomous European central bank.

4.4. At the same time, efforts should continue to achieve greater convergence of Member States' economic performances, so as to reduce the present disparities and thus together derive greater benefit from the indispensable higher growth of the richer countries which have a healthier economy.

The Commission dwells too much on the respective roles of those countries which stimulated the economy and those which should have done more in 1988. The emphasis should be on the role of the stronger economies which, by virtue of their scale, should provide ongoing stimuli and commitments.

4.5. As regards social cohesion, the ESC will issue an Opinion on the package of proposals which the Commission has undertaken to prepare. For the moment, the Committee would point out that social cohesion is threatened by the serious under-development of some regions (income ratios of 1:5; 30% unemployment in some areas; 20% of the EEC's population living in regions whose per capita GDP, expressed in terms of equal purchasing power, is 25% below the EEC average). Two other problems requiring greater

consideration are the concentration of wealth and a better distribution of incomes.

4.6. The economic and social disadvantages suffered by the least prosperous areas of the Community must be tackled, first and foremost by achieving greater convergence of economic policies and by exploiting internally-generated potential.

At the same time, the Committee stresses that direct, sustained involvement of the various social partners will be necessary in order to achieve the degree of social cohesion sought by the Commission. Any guidelines for progress on working conditions, social protection, safety, consultation and information, will have to involve a gradual alignment of the various national situations, whilst avoiding social dumping and/or the possible relocation of production centres.

In the Committee's view, the lower real wages and less comprehensive social legislation in some regions and production areas should not be viewed as comparative advantages, but as transitional stages in the completion of the internal market.

As part of the gradual upward convergence of social standards, social dialogue should also give thought to the content of possible European-level agreements and contracts.

4.7. The Committee will issue its own statement on the completion of the internal market and its potential. For the moment, it would point out that the improved performance of the European economy (which has been further bolstered by internally-generated factors) stems partly from the expectations kindled by the completion of the internal market.

However, the Committee still has reservations and concern about the lead given by the Council. Although it has approved one third of the proposals presented by the Commission, the Council is finding it difficult to achieve the convergence which is vital on some of the key aspects of the harmonization process, leaving aside the qualitatively important progress made in the institutional procedures.

4.8. The Committee urges the Commission, the Council and the European Parliament to revamp the budget from 1989 on, so that the allocation of funds is more in keeping with the policies recognized as priorities for boosting growth and jobs.

It should be emphasized here that the level of budget allocations will determine:

— the role which expectations play in investment decisions,

— the effects expected from back-up measures,

— the evolution of trade policies towards non-EEC countries,

— the possibilities for completing the internal market and achieving a high level of economic and social cohesion.

5. Procedures and structure for a more effective annual economic report

5.1. To foster greater economic cooperation and ensure closer Community-wide cohesion, the Committee considers that when dealing with Member States' economic policies, the Commission and Council should sharpen up the guidelines and directions contained in the annual economic report, as well as the monitoring procedures.

5.2. First, an initial check could be made on the consistency and compatibility of the various economic policies if by 1992 the Member States managed to adopt the same timetable for submitting budgetary estimates and guidelines for financial and tax policy.

Simultaneous moves by the twelve Member States to produce forecasts and guidelines, coupled with contemporaneous approval of the Commission's annual economic report, would make it easier to compare the results achieved within the economic cycle and over the same time span.

5.3. Second, the Committee would draw attention to the need for a review of the economic consultation procedure adopted by Council Decision 74/120/EEC of 18 February 1974. This review should bring the procedure into line with the requirements of the Twelve and the procedures and aims set out in the Single Act, and should give the Commission certain supervisory powers on the coordination of economic and monetary policies.

5.4. The Commission, for its part, can sharpen up the guidelines in its annual economic report, accompanying them with specific 'Black Papers' identifying the current discrepancies between expressed aims and actual results. This could help highlight the underlying trends in the Member States and, without casting any political judgments, stimulate the search for suitable joint corrective measures to achieve greater control over the main macroeconomic variables, while respecting the priorities of the Community as a whole.

5.5. Finally, bearing in mind that, in the Committee's view, the priority aim is still to achieve the highest possible level of employment and skills against a background of stable growth and balanced development, the Commission should endeavour to back up the report on 'the Cost of non-Europe' with similar forecasts regarding jobs.

The need for greater transparency during the transition towards a full internal market could be met by developing a dynamic input-output model to assess, using alternative technological scenarios, the input and structure of employment, the employment levels in different regions, and the technological changes necessary in education and training.

Done at Brussels, 23 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

**Opinion on the proposal for a Council resolution
on the fight against racism and xenophobia ⁽¹⁾**

(89/C 23/12)

On 11 July 1988, the Council decided to consult the Economic and Social Committee under Article 198 of the Treaty establishing the European Economic Community on the abovementioned proposal.

The Section for Social, Family, Educational and Cultural Affairs which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 10 November 1988. The Rapporteur was Mrs Flather.

At its 260th plenary session (meeting of 23 November 1988), the Economic and Social Committee adopted the following Opinion by 105 votes in favour and 3 abstentions.

1. General comments

1.1. The contemporary European idea was born out of resistance to nationalistic tyranny, xenophobia and racism. It is right and proper, therefore, that the European Community should concern itself with efforts to combat any upsurge of racism in our midst. The Committee welcomes the Commission initiative, and yet, in keeping with earlier related Opinions ⁽²⁾, expresses deep disappointment that only a proposal for a Council Resolution is presented rather than an effective policy displaying a real political commitment to combat racism.

1.2. It is both ironic and sad that, as progress is rapidly being made towards '1992' and the abolishing of commercial frontiers between Member States, human barriers and racial tensions have still to be broken down within the Community. The Committee insists that all EC nationals, including those who are from ethnic minorities, are assured a share of and a future in a 'People's Europe', that rights of residence, of freedom of movement and employment, and the mutual recognition of diplomas and qualifications are applied across the board.

1.2.1. The Commission rightly focuses on combating racism and xenophobia and on the need to safeguard fundamental rights, as stressed by the recent Single

⁽¹⁾ OJ No C 214, 16. 8. 1988, p. 32.

⁽²⁾ ESC Opinion on migrant workers (OJ No C 343, 24. 12. 1984); ESC Opinion on guidelines for a Community policy on migration (OJ No C 186, 26. 7. 1985).

European Act. In this connection, it must be made clear that all potential victims of racist or xenophobic acts need to be protected, be they Community or other migrant workers, third country 'immigrants', or any other persons—irrespective of their ethnic or national origins. The aim should be to bring about a European Community in which ethnic and cultural diversity is accepted, participation of members of all groups is maximized, and individual dignity is respected.

1.3. The Committee approves the recognition of the importance of international instruments and urges their ratification and implementation. All Member States should accept the right of individuals to have applications considered under the conventions to which reference is made.

1.4. The Committee considers that laws aimed at prevention or punishment of discrimination or acts inspired by racism and xenophobia need to be promoted, strengthened and applied vigorously. It also recognizes, however, that laws modify behaviour in the short-term but can affect attitudes only in the long-term.

1.5. The Committee consequently underlines the importance of education at all stages in countering racism and xenophobia. It considers that Member States should foster an ethos through pre-school and school education based on the following principles:

- The worth of each child as an individual whatever that child's origin.
- The need for all children to be educated to appreciate the diverse cultures not only of EC countries but also of the countries of origin of 'migrants', and to respect the dignity, beliefs and rights of all.
- The need for measures aimed at overcoming any educational disadvantage to which minority groups may be subject, so that all children may be in a position to achieve their full potential.
- No segregation or separate schools, while giving due recognition to the learning of language and culture of origins.
- The need for teachers to be trained and recruited on the basis of the principles of non-discrimination.

1.6. The Committee approves the recognition and importance of an information policy and in particular

recommends that Member States should promote the establishment of routine systems, based on adequate data, for monitoring levels of racial discrimination, harassment and disadvantage, so that effective policy measures can be adopted.

1.6.1. The Committee likewise approves the proposal that Member States be invited to report every three years assessing the overall position, and is of the view that such reports should also be forward-looking and set out plans for action in the subsequent three years.

1.6.2. The Committee wholly supports the proposal to make a comparative assessment of the legal instruments implemented in the Member States to combat all forms of discrimination, racism, xenophobia and incitement to hatred and racial violence. In the Committee's view the assessment should take into account any proposals for the improvement of the legislation in the Member States. The assessment should also cover the use of quasi-legal methods of persuasion, such as codes of practice.

1.6.3. In the Committee's view, responsibility in the field of information aimed at eliminating racial prejudice and promoting harmonious relations is shared between Government, both central and local, political parties, the media, business, trade unions, church and youth organizations and public bodies. Member States should take a lead in encouraging all to play their full part.

1.7. The Committee urges the adoption of a law (similar in nature to Art. 14 of the European Convention for the protection of human rights and fundamental freedoms) which will secure the existing rights in EC law without discrimination on the grounds of race, colour, ethnic or national origins or descent. Such legislation would serve to protect the 'fundamental rights' already achieved and 'to protect the individuality of every member of society' and would therefore accord fully with the Commission's focus on these objectives.

1.7.1. At the same time many migrant workers do not have nationality of a Member State. The Committee would stress that inter-racial tolerance and social integration can only improve through increased access to the democratic process and the perception that they have a stake in society.

2. Specific comments

2.1. *5th 'Whereas'*

The draft resolution states that any form of 'segregation of foreigners' must be rejected. It is not explained what forms of segregation the Commission is referring to,

nor does the Commission propose any special study or specific type of remedy.

The Committee would stress that, while intentional 'segregation of foreigners' is clearly wrong, *de facto* 'segregation' may also fuel racism and xenophobia.

2.2. Article 2

The Committee considers that the measures provided for under Article 2 should cover both direct and indirect forms of discrimination, and should notably act against the stirring up of racial hatred as well as operate in the fields of: employment, education, housing and the provision of goods, facilities and services. They must also protect the complainant against victimisation resulting from the use of such measures.

The Committee further notes that, whilst the conciliation procedures proposed may have some part to play, the need to confront racism and xenophobia through the due processes of the law cannot be avoided. The law should also make due allowance for inherent difficulties of proof, and provide effective remedies.

Done at Brussels, 23 November 1988.

2.3. Article 3

The Committee welcomes the training initiatives for public servants, proposed in the general introduction. This should be highlighted in Article 3. Members of minority groups ought to be encouraged to undertake such employment themselves. Governments should also be urged to look at routine administrative procedures which may be out of step with changing circumstances and which may inadvertently work against the interests of minorities.

The Committee would expect the Commission officially to communicate to it the reports provided for under Article 3. Such progress reports ought clearly to be supervised and acted upon by a named Commissioner responsible for the matter.

3. Conclusion

The Committee would emphasize that the European Community is in a unique position to create a society which is rich in its cultural diversity and united through its attachment to democratic values, social consensus and enterprise.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

Opinion on the memorandum from the Commission entitled 'Internal market and industrial cooperation—statute for the European company—internal market white paper, point 137'

(89/C 23/13)

On 20 July 1988 the Commission of the European Communities decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Economic Community, on the Memorandum from the Commission entitled 'Internal market and industrial cooperation—statute for the European company—internal market white paper, point 137'.

The Section for Industry, Commerce, Crafts and Services, which was primarily responsible for preparing the Committee's work on the subject, adopted its Opinion on 9 November 1988. The Rapporteur was Mr Petersen.

The Section for Social, Family, Educational and Cultural Affairs was asked to draw up a Supplementary Opinion for which the Rapporteur was Mr Beretta. The proposals made in the Supplementary Opinion have been largely incorporated in this Opinion.

At its 260th plenary session (meeting of 24 November 1988) the Committee adopted the following Opinion by 96 votes to 25 with 21 abstentions (vote recorded).

1. Introduction

1.1. The Single European Act, which entered into force on 1 July 1987, has given a decisive impetus to the process of European integration. Rarely before have the prospects for ending the long-standing political stagnation and the gradual erosion of the European idea been so favourable. The Committee considers that this opportunity must be consistently exploited at the political level if the ambitious objective of creating, by the end of 1992, an internal European market with free movement of goods, services, capital and persons, is to be achieved.

1.2. This objective also means European firms being able to operate unhindered throughout the Community, with legally comparable conditions obtaining in the Member States. There is no doubt that this will require a whole package of measures in the coming years—not least in the field of company law.

Although views may differ as to the necessary extent of company law harmonization, there is agreement that the approximation of national company law at a certain level is essential for the common internal market. In addition, supranational legal institutions—such as the European Economic Interest Grouping (EEIG)—based on independent Community law should also be made available.

1.3. In its Opinion on the amended proposal for a Council regulation (EEC) on the control of concentrations between undertakings⁽¹⁾, the Economic and Social Committee urged the Council and the Commission 'to step up and properly organize their overdue action on the company law front'.

1.4. In the light of the foregoing, the Committee welcomes the Commission's new attempt to revive the deliberations on a statute for the European company (Societas Europaea-SE) which have been suspended for many years.

1.5. The Commission started considering a European company statute about twenty years ago. In 1970, after intensive preparatory work it submitted a proposal for a Regulation, which was commented on by the Economic and Social Committee in 1972 and by the European Parliament in 1974. In 1975 the Commission, basing itself on the European Parliament's far-reaching proposals on worker participation, presented an amended proposal for a Regulation. The working party of government experts set up by the Council started its deliberations in 1976; these were suspended in 1982 on account of irreconcilable differences of opinion and have not been reopened since.

1.6. The Economic and Social Committee generally welcomed the European company statute in its Opinion of 25 October 1972—despite differing views on points of detail. The Committee saw the Commission's draft as one way of abolishing frontiers within the Community in the economic and social fields. Firms needed more room for manoeuvre and more freedom of movement in order to deal with the unavoidable restructuring at Community level as smoothly as possible. This was the only way to strengthen the competitiveness of European firms, counter the growing pressures from multinationals in the rest of the world with success and safeguard jobs on a permanent basis.

1.7. One point which should be emphasized is that the Committee gave its basic approval⁽²⁾ to the Com-

⁽¹⁾ OJ No C 208, 8. 8. 1988, p. 11.

⁽²⁾ Committee Opinion on the Green Paper on employee participation (OJ No C 94, 10. 4. 1979).

mission's objective of making it possible in all Member States for workers' interests to be represented within companies and workers to be involved in certain corporate decisions without this undermining management's responsibilities and effectiveness. However, there were conflicting views on the practical form this should take.

The Committee also voiced the expectation that a European company statute based on Community law and embodying own ideas would also be able to place a decisive stamp on the further development of national laws.

2. The Commission's Memorandum

2.1. The Commission's Memorandum has been produced in response to a call made at the Brussels European Council of June 1987 and is in line with the conclusions of the Hanover Summit. In this Memorandum the Commission sets out the conditions which, according to its experience, will have to be met in order to make 'swift progress' towards the creation of a European company.

2.2. The Committee thinks the Commission is right to clarify first of all the politically most significant difficulties which have so far impeded the adoption of a European company statute. It agrees that the discussions on points of detail should not be resumed until a sound basis has been established for solving the most important underlying issues.

2.3. This applies in particular to the involvement of workers in firms' decision-making. Because of the problem of worker participation the political fate of various Commission proposals which have been on the table for many years is still as uncertain as ever. Take, for example, the Fifth Company Law Directive, the Ninth Company Law Directive, the Tenth Company Law Directive and—not least—the European company statute. The failure to solve the worker participation problem is thus a major obstacle to the harmonization of company law. Unless a viable compromise can be found in this difficult area, discussion of the European company statute is not likely to be easy.

2.4. The Committee considers the European company statute to be a suitable instrument for improving cross-frontier cooperation between firms and promoting economic integration in the Community. In this connection the Committee welcomes the fact that only firms established in accordance with the laws of the Member State may set up a European company. Therefore, European firms will be the ones to benefit from the statute. The Committee trusts in this context that small and medium-sized enterprises, too, will be able to make use of the statute.

2.5. So that a number of special types of companies such as cooperatives, mutual benefit associations and companies run by their workforces can adapt to the requirements of the single European market, the Committee would ask to consider new proposals which would serve that end. A special statute should be provided for such firms since they have very distinctive features which must be safeguarded and which would not be provided with an adequate legal framework by the present proposal.

The Committee wonders whether consideration might also be given to a special European statute applicable, on the basis of formal authorization, to bodies whose creation is recognized as being of key importance for the attainment of specific Community aims. This formula should not be viewed as an alternative to the proposed generally-applicable European company statute but as an auxiliary solution reserved for particular ventures and possibly governed by separate rules.

2.6. However, expectations placed in the statute should not be too high. The Committee points in its Opinion to the limits and conditions which will have to be taken into account when the proposal is revised.

2.7. The Committee points out that it is not possible at the moment to make a comprehensive assessment of all the problems associated with the Memorandum. Nonetheless, it can say already that the statute can make a real contribution to the completion of the single European market provided that it is given a practicable form.

A final assessment of the statute will not be possible until the complete revised version of the proposal is available. The Committee therefore trusts that it will be consulted on the formal proposal due out at the beginning of 1989.

There is also no reference in the Memorandum to the Regulation's legal basis. In view of the project's importance in terms of business, social and taxation policy and having regard to Article 100a(2) of the EEC Treaty (introduced by the Single European Act), the Committee would point out that adoption of the Regulation must be by a unanimous vote. This makes it all the more important that consideration also be given to the views of industry in the Member States. This is the only way to ensure that sufficient allowance is made for different attitudes and traditions.

Subject to these reservations the Committee would make the following comments on the Memorandum's three key issues; it also takes this opportunity to express its views on a few other important problems.

2.8. *Principle of an optional statute*

2.8.1. This principle means that the European company statute is to be an additional legal structure which will exist alongside the other forms of company governed by Member States' national laws.

2.8.2. The Committee considers this principle to be right and necessary. Firms must be left to decide whether to go for the option provided by the statute or continue to avail themselves of the possibilities afforded by national company law.

2.8.3. The growing complexity of economic and political processes at national and international level inevitably makes it more difficult for companies to fulfil their functions. A high degree of flexibility and readiness to take risks is required. In this context European firms should have as many different structures as possible to choose from. Firms' freedom to choose the form best suited to the economic circumstances must not be restricted.

2.9. *The statute's independence from national law*

2.9.1. The Commission's aim here is to indicate that the European company statute is a self-contained Community legal system which is independent of Member States' company laws.

2.9.2. The Committee endorses the Memorandum's objective of creating a system of company law which is as uniform and independent of national law as possible. There is no point in fact in creating a European company unless the legal conditions governing this company are, as far as possible, the same everywhere, irrespective of where the company's head-office is located.

2.9.3. The Committee recognizes the difficulties which would arise in trying to achieve this ideal. Uniformity is basically desirable but it cannot be achieved at this stage because the differences between the social and legal conditions in Member States are still too great.

2.9.4. The Committee therefore understands why the Commission initially proposes excluding some areas of law completely from the statute and not dealing with others uniformly. This will considerably simplify the laying-down of rules. However, the principle of uniformity must be taken into account, as soon as political and social developments in the Member States allow.

2.9.5. However, the Committee would also point at the same time to the limitations of this objective. Wherever the European company is economically active, it must fit in with the country's legal and social systems. The principle of independence from national

law applies only to the legal form and only insofar as the statute contains explicit provisions. The Committee does not rule out the possibility of the statute's use posing difficulties in individual cases because the relationship between each country's national legislation and the planned Regulation has not been sufficiently clarified so far.

2.10. *Inclusion of three schemes for worker participation*

2.10.1. Basically the Committee agrees with the Commission that worker participation should be regulated in the European company statute. Such a legal institution would be best served by a uniform system of worker representation at company level, as the Committee pointed out in its 1972 Opinion.

2.10.2. As the present provisions on worker participation vary considerably within the Community, it would seem unrealistic to expect the European company statute to contain a worker participation system acceptable to all the Member States. This applies particularly to the scheme provided for in the 1975 amended proposal for a statute. This was regarded as highly controversial even in those countries with far-reaching worker participation legislation. In this respect, the more flexible approach adopted by the Commission in proposing various systems may increase the chances of acceptance and hence political feasibility.

2.10.3. Approaches which enhance political feasibility are of course important. What is crucial, however, is that the practicable legal structure aimed at should be achieved. In the Committee's view there is a likelihood that the proposed worker participation options will result in European companies in the individual Member States operating with considerably different levels of worker participation, thus jeopardizing the objective of a uniform legal institution.

2.10.4. Mindful of the differences between the various systems and experiences, and of the pressing need for Community-level provisions, the Committee nevertheless agrees with the Commission that the worker participation arrangements laid down in the European company statute need not necessarily be uniform.

The Committee feels it important to avoid rigid, binding structures which could hamper the extension of participation and deny companies the potential benefits of the European company statute.

2.10.5. However, the Committee considers that the decision on which of the various possible participation systems to adopt must be the subject of consultations

between the trade unions represented in the companies or their in-company representatives (works councils, in-house committees, etc.) and the management of the company concerned, in order to reach an agreement.

2.10.6. Irrespective of the system adopted, the Committee feels it vital to define its content, *inter alia* with a view to ensuring equivalent minimum arrangements for participation. Clarification is needed as to (a) which aspects of management are to come under the approval procedure and (b) what rights to information and obligations to report are to apply. Provision should be made for information and prior consultation of workers on company decisions regarding closures, transfers, mergers or take-overs, production changes, and major work re-organization, in accordance with national laws and collective agreements, with due regard being paid to the obligations to observe secrecy.

2.10.7. As regards collectively agreed systems of participation, the Committee thinks it should be specified that this option must be on a similar footing to the other solutions proposed in the Commission memorandum (model 1 or model 2). The Committee would point to the problems which might arise in Member States in which worker participation at company level is governed exclusively by legislation, if it were possible for worker participation in the European company to be regulated by collective agreement. It reserves the right to comment in detail on this matter once the concrete proposal for a statute has been submitted.

2.10.8. In connection with the general reference to the 'German system' in the Commission's Memorandum, it should be made clear that under this system there are various participation arrangements depending on a number of criteria (size of workforce, legal structure, etc.). A blanket reference to the 'German system' can therefore lead to legal uncertainty. The Committee notes that the Commission has not commented on the question of a final say for shareholders. It trusts that the forthcoming proposal will include a clarification which makes allowance for companies' need to be able to take decisions and the rights of shareholders.

2.10.9. The Committee notes the Commission's intention to exclude from the statute any rules about participation at plant level. Otherwise the complex problems involved would make rapid adoption of the statute impossible. The Committee shares the Commission's view that in a European company the workers should be given adequate information.

2.10.10. When the time comes to issue an Opinion on the Commission's detailed proposals, the Committee

reserves the right to give its views on specific aspects (which can be quite important) such as the thresholds from which participation rights will take effect, the criteria for setting these thresholds, and the procedures needed to ensure that all workers are fairly represented in the participation machinery.

2.11. *Rules on groups*

2.11.1. As regards the 'group problem', the Commission doubts whether the statute is 'the proper place to create a body of rules governing groups'. This indicates that it considers that special provisions covering groups can be dispensed with in the statute.

2.11.2. The Committee agrees with the Commission that, at all events, the problem of groups operating within the Community makes it necessary to ensure that workers are consulted above all at the European company level where strategic decisions are taken.

2.11.3. Like the Commission, the Committee is of the view that the position of groups should be dealt with separately, particularly with regard to the protection of minority shareholders, creditors and workers.

The discussion on the planned coordination of the laws of the Member States on groups shows, however, that it is hardly possible to achieve a consensus at present on a viable European body of law for groups. The Member States have developed very different legal systems for ensuring that groups can operate efficiently.

The Committee is therefore of the opinion that discussion of separate group provisions in the statute should be postponed for the moment at least.

2.11.4. Advancing international integration highlights the problem of worker information and consultation in companies belonging to multinational groups whose decision-taking centre is outside the European Community. 'The Committee asks the Commission to give thought—not just in connection with the European company statute, of course—to the need to ensure that consultation takes place at the levels where decisions are made on the distribution of production and labour which could affect the position of workers employed in European subsidiaries.

2.12. *Taxation*

2.12.1. The Commission rightly draws attention to the difficulties that the differences in national tax law create for cross-frontier cooperation between European firms. Like the Commission, the Committee considers it essential that the individual proposals referred to by the Commission—concerning the tax treatment of mergers

and similar operations, the tax treatment of parent companies and subsidiaries and an arbitration procedure to eliminate double taxation—be adopted as soon as possible.

A satisfactory solution must be found to the tax problems since use will be made of the proposed legal structure only if there are no tax obstacles.

2.12.2. Under the existing tax laws of the Member States it would for all practical purposes be impossible to found European companies since this would involve disclosure and taxation of hidden reserves. The double taxation of dividends paid by a subsidiary to a parent company would also place considerable obstacles in the way of cross-frontier cooperation.

2.12.3. Solutions will also have to be found to the problem of transfer pricing in international groups of companies and of double taxation of profits as a result of the lack of coordination between finance authorities in the case of double taxation agreements.

2.12.4. The Committee endorses the Commission's proposal concerning the imputing of losses incurred by foreign subsidiaries and permanent establishments abroad, but would stress that the other tax obstacles must be eliminated too.

2.12.5. It would, however, be wrong to make the tax benefits such that tax-based distortions of competition arise in relation to other firms which are not organized in the form of a European company.

3. Final comments

The Committee would once again express its understanding for the Commission's decision to make the European company statute flexible with a view to enhancing its political acceptability. It would, however, draw attention to the danger that the statute could diverge too much from the principle of uniformity. This would lead to an undesirable situation with different national arrangements and non-comparable forms of business organization coexisting alongside each other.

Done at Brussels, 24 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

APPENDIX 1

to the Opinion of the Economic and Social Committee

The following members, present or represented, voted for the Opinion:

Mr/Mrs/Miss: Amato, Arets, Aspinall, Beretta, Berger, Bleser, Boddy, Boisserée, Bos, Briganti, Broicher, Burnel, Lobo Brandão R. Cal, Calvet-Chambon, Carroll, Cavazzuti, Ceballo-Herrero, Christie, Cortois, van Dam, von der Decken, Delhomenie, Della Croce, Dodd, Donck, Dos Santos, Drilleaud, Elstner, Etty, Eulen, Flum, Frandi, Fresi, Gayetot, Geuenich, Giacomelli, Glesener, Gomez-Martinez, Haas, Hilken, Hörsken, Houthuys, Hovgaard-Jakobsen, Jenkins, Kazazis, Kelly, Kirchfeld, Kitsios, Kröger, Landaburu, Larsen, Liverani, Lojewski, Löw, Maddocks, Margot, Matteoli, Meyer-Horn, Morselli, Muhr, Müller, Murphy, Neto Da Silva, Nielsen B., Nielsen P., Nierhaus, Nieuwenhuize, Orsi, Pardon, Petersen, Proença, Pronk, Proumens, Ramaekers, Rangoni-Machiavelli, Rea, Rolão-Gonçalves, Saiu, Salmon, Santillan-Cabeza, Schmitz, Schnieders, Schöpges, Silva, Smith A., Smith L., Spijkers, Städelin, Telles, Tukker, Vallejo-Calderón, Vanden Broucke, Velasco-Mancebo, Vidal, Wick, Zufiaur-Narvaiza.

The following members, present or represented, voted against the Opinion:

Mr/Mrs/Miss: Aparicio-Bravo, Corell-Ayora, Coyle, Dunet, Gardner, Green, Hancock, Kaaris, Kenna, Moreland, de Normann, Panizo-Arcos, Pearson, Pelletier, Perrin-Pelletier, Poeton, Riera-Marsa, Robinson, Schade-Poulsen, Speirs, Storie-Pugh, Tamlin, Termes Carrero, Tixier, Whitworth.

The following members present or represented abstained:

Mr/Mrs/Miss: Bagliano, Beltrami, Berns, Bredima-Savopoulou, Campbell, Ceyrac, Collas, De Tavernier, Drago, Jaschick, Laur, Mainetti, Noordwal, Nugeyre, Petropoulos, Ribiere, Romoli, Solari, Wagner, Williams, Yverneau.

APPENDIX 2

to the Opinion of the Economic and Social Committee:

Defeated amendments

The following amendments, tabled in accordance with the Rules of Procedure, were defeated during the discussions:

Page 3 - Point 2.5

Replace the second sentence of point 2.5 with the following text:

'It considers, however, that businesses will only opt for the European Company Statute if, in its conception, it takes account of their needs.'

Reasons

Account must be taken of the fact that the European Company is an optional statute for businesses. It is thus in competition with national company law. Businesses will only choose the European Company Statute in preference to national company law if it offers them more value added, in other words if it is going to help strengthen their competitiveness.

This should be stated clearly in the ESC's Opinion so as to avoid wasting a lot of time and money working out and adopting a statute that is going to be nothing more than a white elephant.

Voting

For: 32, against: 77, abstentions: 11.

Page 5 - Point 2.8.1

Replace the first sentence of point 2.8.1 with the following text:

'The Economic and Social Committee is of the opinion that the Statute for the European Company cannot avoid dealing with the issue of employee participation.'

Reasons

The three options for employee participation set out in the Commission's memorandum have not been fully developed, so that it is not yet possible to advance an informed opinion on them. For this reason, it is important not to rule out any formula not mentioned specifically by the European Commission. Thus, referral back to the law of the Member State in which the European Company is established should not be excluded at the outset. Moreover, in accordance with existing practice in Member States that have provisions on employee participation, small and medium-sized enterprises (SME) should be able to make use of the European Company Statute without having to concern themselves with employee participation.

Voting

For: 34, against: 75, abstentions: 13.

Page 5 - Point 2.8.1

Replace this point by:

'The Committee is of the opinion that while the European Company Statute cannot avoid dealing with the issue of employee participation this should allow for the issue to be dealt with in the context of the national laws of Member States.'

Reasons

The options for employee participation should not exclude the application of the law of Member States especially where participation at national level is not mandatory.

Voting

For: 35, against: 68, abstentions: 14.

Page 8 - Point 3

Add at the end of the Opinion:

'At all events, the Economic and Social Committee would point out that the adoption of a European Company Statute is not vital for the completion of the internal market.'

Voting

For: 40, against: 76, abstentions: 14.

Additional Opinion on Community traffic in transit through non-EC countries (Switzerland, Austria and Yugoslavia)⁽¹⁾

(89/C 23/14)

On 27 September 1988 the Bureau of the Economic and Social Committee, acting under the third paragraph of Article 20 of the Rules of Procedure, decided to draw up an Additional Opinion on Community traffic in transit through non-EC countries (Switzerland, Austria and Yugoslavia).

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 9 November 1988. The Rapporteur was Mr Cavazzuti.

At its 260th plenary session (meeting of 24 November), the Economic and Social Committee adopted the following Opinion by a unanimous vote.

1. Introduction

1.1. The completion of the internal market and the development of the common transport policy require a lasting solution to the problems of Community transit through Switzerland, Austria and Yugoslavia. The obstacles which these countries put in the way of transit traffic, in particular by road, also impede Community trade and the freedom to provide transport services.

The elimination of these obstacles, even bit-by-bit, is therefore important for all Member States of the Community and hence constitutes a real Community issue. It is the underlying reason for the bilateral negotiations between the Community and the three countries in question, and is so crucial that one is bound to conclude that unless fair and balanced solutions are found, the completion of the single market by 1992 will be in jeopardy.

1.2. On 7 December 1987 the Council authorized the Commission to embark on the first phase of the negotiations with Austria, Switzerland and Yugoslavia. The main point of this first phase was to identify existing problems and possible solutions and to prepare the ground for the negotiations proper on the most important issues.

2. The Committee's comments

2.1. The Committee voiced its views on this subject in its Own-initiative Opinion of 23 March 1988⁽¹⁾ (Rapporteur: Mr Cavazzuti). Even though it is beyond dispute that every country has sovereign rights and can decide by itself how to exercise these rights, the Committee underlined that 'it is through negotiations—and in no other way—that ways will have to be found of restoring basic conditions of equality and non-discrimination for Community goods and traffic in transit through the three countries in question'.

The Committee is anxious to reaffirm the approach and thinking of this Opinion in every respect, and all the specific comments formulated therein.

2.2. The Commission has just completed the exploratory phase in the transit negotiations and is asking the Council to give it a new mandate to complete a second phase in the negotiations with Austria, Switzerland and Yugoslavia by 31 December 1989.

2.3. The Committee's Section for Transport and Communications was fully briefed on the results of the first phase at its 12 October 1988 meeting. At this meeting, the Commission gave a detailed picture of (a) the overall Community position on the problems linked to transit and (b) the practical proposals which the Commission was prepared to put forward during the second phase of the negotiations with each of the three transit countries with a view to seeking a fair solution to these problems.

2.4. The Committee is delighted to note that the line taken by the Commission completely tallies with its aforementioned Opinion's general thinking and the wishes voiced therein. The Committee is particularly pleased to see that the Community has adopted a firm and resolute negotiating stance while at the same time evincing a spirit of understanding and a willingness to cooperate at a practical level.

2.5. The Committee notes that Community transit through Austria, Switzerland and Yugoslavia raises important problems both for those three countries and for the Community. However, it is necessary to respect the independence of each negotiating party, and to be absolutely clear about the goal being pursued. Furthermore, each of these countries has special problems of its own (although their circumstances are similar, and in some respects interdependent). Accordingly, separate negotiations must be held with each country, although these must be coordinated and more or less concurrent.

2.6. At the meeting in Berlin on 13/14 October, the Consultative Committee's representatives of the European Free Trade Association (EFTA) voiced the hope that the negotiations on Community transit could be

⁽¹⁾ OJ No C 134, 24. 5. 1988.

tackled jointly by the EEC and EFTA, but the fact remains that the political and legal prerequisites do not exist for EFTA to act as the EEC's fully legitimate negotiating partner.

2.7. The main problems highlighted during the initial phase of the negotiations with the three countries may be summarized as follows:

2.8. *Yugoslavia*

2.8.1. The Committee is pleased to note that Yugoslavia is generally quite willing to accept transit traffic and look for equitable solutions to the problems resulting therefrom. It notes, however, that this country thinks that these problems are not of primary importance and must be considered in the general context of relations between the Community and Yugoslavia in the field of transport.

2.8.2. The idea of holding general negotiations is certainly an interesting one, but they run the risk of producing too sweeping conclusions and failing to provide adequate solutions to the most pressing and real problems. The Committee would urge that the Community's short-term objective during the second phase of the negotiations with Yugoslavia should be to solve the problems specifically associated with transit traffic; the gradual integration of Yugoslavia's transport system and transport policy into the Community's, though not to be neglected at this stage, must be considered in the longer term.

2.8.3. The Committee acknowledged that Yugoslavia's main priority in the transport sector is to develop its infrastructure (road and rail). Since this development also has implications for intra-Community transit, the Community ought to help to fund the building of this infrastructure in every possible way, and in so doing offer easier terms than at present.

2.8.4. The Committee also thinks that in future the two sides should make a closer study of the legal possibilities available or in preparation for establishing joint ventures to build and administer certain sections of transport infrastructure in Yugoslavia.

2.9. *Austria*

2.9.1. Austria, for its part, is entirely willing to negotiate and play an active part in the completion of the Community's internal market.

2.9.2. The Committee acknowledges that Austria has accepted a large part of the Community road-transit traffic which Swiss measures have diverted away from Switzerland. It agrees that such traffic, which mainly uses the North-South transit route (Brenner), should

not be increased beyond the level at the time of the negotiations.

2.9.3. The Committee would point out in this connection that observance of the status quo—i.e. the 1987/1988 figures—could be a useful point of reference for the negotiations. This status quo should, of course, also be observed by the Community, especially as regards certain fundamental issues such as weights and dimensions. Despite this, there are proposals and preparatory documents which tend in the opposite direction.

2.9.4. One suitable way of limiting the future volume of transit traffic passing through Austria by road would be to make better use of existing capacity in the field of combined transport—which is underutilized at the moment, especially in Switzerland.

2.10. *Switzerland*

2.10.1. From the detailed information it has received, the Committee is prompted to express concern about the Swiss situation, how it may develop and what effect it may have on intra-Community trade.

2.10.2. The Commission's proposed solution to the preliminary problem of transit traffic by road is to create a road transit corridor open, within certain limits, to 40 tonne lorries. The Committee calls on the Commission to re-affirm and maintain this stance.

2.10.3. Adequate solutions to the other problems (infrastructure, border formalities, environmental protection, access to the market and the under-use of combined transport) will require concrete proposals. In the field of combined transport in particular, such proposals will have to be submitted by the rail companies and Switzerland.

3. Conclusion

3.1. The Committee endorses the Community's general approach to the second phase of the negotiations and hopes to be informed of the progress made. It trusts that the negotiations will be successfully completed as quickly as possible, remembering their vital importance for the completion of the internal market.

3.2. In particular, it agrees most strongly that if negotiations with one of the transit countries run into serious difficulties, reciprocal measures should be adopted and that these should be included in the wider context of the Community's general relations with the country in question.

4. In view of the fundamental problems which have also emerged in the negotiations, the Committee wonders whether the time might have come for a careful

review of the Community's transport policy, as the achievements of the current policy have sometimes been less than outstanding.

Done at Brussels, 24 November 1988.

The Chairman
of the Economic and Social Committee
Alberto MASPRONE

Opinion on:

- the proposal for a Council Directive on the contained use of genetically modified microorganisms, and
- the proposal for a Council Directive on the deliberate release to the environment of genetically modified organisms ⁽¹⁾

(89/C 23/15)

On 30 May 1988 the Council decided to consult the Economic and Social Committee, under Article 100 a of the Treaty establishing the European Economic Community, on the abovementioned proposals.

The Section for Protection of the Environment, Public Health and Consumer Affairs, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 8 November 1988. The Rapporteur was Mr von der Decken.

At its 260th plenary session (meeting of 24 November 1988), the Economic and Social Committee unanimously adopted the following Opinion.

Although evidently connected, the two proposals differ in their scope and raise different problems. They will therefore be examined separately, in order.

1. Proposal on contained use

1.1. General comments

1.1.1. The proposal responds to the need to harmonize the different provisions in the Member States. The Committee supports this proposal, subject to the comments which follow.

1.1.2. Since 1972, the '*in-vitro* recombination' of genes or what we now call 'genetic engineering' has become firmly established in biological, biochemical and medical research. This technology is also increasingly used for industrial and agricultural purposes.

Its development was initially constrained by very restrictive guidelines which had been proposed and finalized by the scientists involved. As experience accumulated, the guidelines were adapted to the knowledge acquired. In general this meant relaxing the restrictions.

1.1.3. The main aim of these guidelines, which exist in all countries engaged in research, has been to protect people who are directly involved in experiments or industrial uses and the environment from harm or potential harm. Two measures were combined in order to guarantee maximum safety.

- a) The *in-vitro* recombination of genes and work with genetically modified organisms must take place under conditions which have already been proved to provide a hazard-free setting for work with micro-organisms and especially pathogens. A wealth of experience can be drawn on regarding work with even highly pathogenic agents, both in laboratories

⁽¹⁾ OJ No C 198, 28. 7. 1988, p. 9-19.

and on an industrial scale, e.g. for the production of vaccines. Such techniques are now described as 'contained' and are largely standardized. Pathogens are classified into different categories of risk depending on the gravity of the disease they cause and the way they cause infection and spread. Specific graded safety measures have been prescribed for these risk categories.

- b) In addition to these 'physical' safety measures, biological safety measures were introduced for the first time in genetic engineering. According to this concept, where dangerous procedures are involved, only those host organisms should be genetically modified and used which are no longer capable of establishing themselves permanently in the environment. To this end, many 'safe' strains have been developed, tested and made available for use. Further biological safety measures are (1) the requirement that the constructs of genetic engineering cannot be mobilized, i.e. transferred to other organisms in the environment, and (2) the ban on using certain resistance markers for selecting manipulated organisms.

1.1.4. Within the confines of these guidelines, genetic engineering has, in the space of over 15 years, developed into an important method especially for analysing the structure and function of the genetic system. From very early on, genetic engineering has also been used to make certain biological products. For example, large quantities of HIV-virus antigens can be produced at no risk whatsoever. These antigens are used for screening donated blood—an application that is important for the public at large. Another example is producing antigens for the hepatitis-B vaccine, which would not be available for the majority of the population without genetic engineering, since the production costs would otherwise be too high.

1.1.5. The present proposal sets out regulatory measures for genetic engineering based on the experience to date. The proposal draws extensively on an report of the Organization for Economic Co-operation and Development (OECD) which was prepared jointly by OECD Member States. It takes account of the interests of research and user industries but not at the price of neglecting protection of man and the environment.

1.1.6. The experience gained from hundreds of thousands of genetic engineering experiments which have been carried out without danger over the past 15 years provides a good basis for assessing these guidelines.

1.2. *Specific comments*

The Committee would make the following comments and raise the following questions regarding the individual Articles:

1.2.1. Article 1

- ad b): The word 'organism' is used here instead of 'microorganism', thus broadening the scope of the Directive. The Committee invites the Commission to clarify this point.
- ad f): In the present version, there is a contradiction between f) and Article 12. The following wording is proposed: ' 'Accident' means any incident involving significant and unintended emission of genetically modified microorganisms in the course of their contained use that leads or could lead to a serious danger, immediate or delayed, to the health and safety of the general population or the environment.'
- ad g): The term 'user' could be misinterpreted, despite the definition provided. A less generic term would be preferable.

1.2.2. Article 2

It is unfortunate that no definition of 'pathogenic' is provided here. Classification of genetically-modified organisms into only two groups does not do justice to the realities. This Article should at least lay down the criteria for assessing the points listed in Annex II and indicate the consequences with regard to a graded choice of safety measures in Annex III.

1.2.3. Article 3

The exclusion of transport may create a legislative vacuum at EC level. Measures therefore are needed to guarantee adequate safety requirements as regards transport of GMO. The Commission is urged to take the necessary steps to revise transport regulations to cover this field.

1.2.4. Article 4 (2) and (3)

Cf. comments on Article 2.

1.2.5. Article 7 (2)

Experience has shown that there are considerable differences in the assessment of microorganisms according to the criteria in Annex I. A liberal interpretation by, for example, an industrial user could cause irreparable damage if the physical and biological safety measures are inadequate. The competent authority should therefore be allowed a period for raising objections in the case of this group of projects too.

1.2.6. Article 8 (1)

The period of 15 days for raising objections is too short, given the many criteria to be considered. The period should be doubled.

1.2.7. Article 11

The second indent should be expanded to say that, as well as being informed of the hazards, the emergency services should be prepared for tackling an accident and hence equipped with suitable means.

1.2.8. Article 15

Given the extreme sensitivity of the subject in question, serious consideration ought to be given as to how involve both the public at large and the social partners and experts in the consultative procedures. The Advisory Committee proposed ought to be receptive to the views of such groups, for example through preliminary consultations at national, regional and local level. Only if the public at large is involved in the deliberations can this important new technology develop for the benefit of all.

2. Proposal on release to the environment

2.1. General comments

2.1.1. While experience has been gained with the use of genetically modified organisms in contained systems, little experience is available as yet regarding the consequences of the deliberate release of genetically modified organisms into the environment. The release of genetically modified organisms into the environment of necessity involves abandonment of the safety measures which have so far proved satisfactory for minimizing risks in genetic engineering, i.e. working in contained systems and the use of biological safety measures. This difference *vis-à-vis* the previous Directive cannot be emphasized too strongly.

2.1.2. The Committee understands the need to adopt a preventive common approach as regards sensitive new technological developments that are already taking place at international and Community level and are subject to different rules varying from a general ban to a total lack of rules.

2.1.3. The Committee agrees with the statement of the explanatory memorandum that 'citizens and the environment throughout the Community need to be provided with adequate protection from any potential hazards arising from the application of genetic engineering', and that, 'from an environmental viewpoint, organisms *vis-à-vis* national frontiers, and

nothing short of Communitywide regulation can offer the necessary human and environmental protection'.

2.1.4. However, in the light of the limited experience and knowledge available, the proposed Directive should be seen only as a first step setting down general minimum requirements deemed necessary, and as a reference framework with a view to completing and adapting knowledge in this field.

2.1.5. Therefore, the Directive must be reassessed very carefully and redrafted in the light of the comments which follow.

2.1.6. Many citizens, including a large number who are well informed, take the view that the release of genetically modified organisms introduces a new dimension into man's relationship with the environment. In this situation, consideration should be given to how the citizens of the Community can be appropriately involved in evaluating this expansion of technology and its application in the environment. For instance, measures could be taken by the competent authorities to inform the public concerned of any endorsement granted for deliberate release prior to the release.

2.1.7. Account must be taken of the fact that many Member States now have strict rules, including prohibitions (under their anti-epidemic and plant protection legislation) on the importation and release of certain organisms.

The release of genetically modified organisms and the consequences thereof can best be compared with the introduction of organisms that are foreign to the environment in question, and also with experiences in 'classical' genetic research or the use of 'live' vaccines.

It is not clear whether and, if so, how these various experiences have been taken into account in the Directive or whether experts in these fields were consulted during its preparation.

2.1.8. The Commission's aim with the proposal is to lay down a procedure to be observed in making decisions on the release of genetically modified organisms. It is expressly stated that the decisions should be made on a case-by-case basis—in other words, no binding criteria are specified for determining when organisms may be released and when not. This is to be welcomed.

Bearing in mind the OECD recommendations the Committee suggests that a step-by-step procedure should be followed, moving gradually from the laboratory stage to the greenhouse, to small-scale field testing and finally to large-scale field testing, in order to keep risks to a minimum and to ensure adequate monitoring. No explicit link are made in the Commission proposal between the different stages.

2.1.9. The organisms which come into consideration for release vary greatly. They include, for example, genetically modified viruses intended for use as vaccines, brewers' yeasts, plants to which genes for nitrogen fixation from bacteria have been added and transgenic animals. At this point in time, it is not possible to give in any way adequate assessments of these organisms.

2.1.10. Whether an organism may be released should be decided in a dialogue between the competent authorities and the person or institution wishing to effect the release. The competent authority should agree to the proposal. The responsibility for the consequences of the release should lie with the applicant. This, too, seems to be appropriate provided that the dialogue is also pursued in the follow-up stage.

Consideration should be given also to the fact that competent authorities may approach problems differently in different Member States.

2.1.11. The proposal distinguishes between experimental releases and commercial releases. In the case of the former, the competent authority of the Member State has to give its approval, and in the case of the latter the Commission and other Member States have the right to raise objections. This dual system does not seem justified, considering that some types of released organisms can be prevented from spreading further and indeed across frontiers only if the conditions are very strictly controlled. Article 7 provides for the participation of other countries in the approval procedure for experimental releases, but overall these provisions remain vague. Other countries can at the most ask for and provide information.

2.1.12. Articles 8-16 lay down the procedure for the placing on the market of genetically modified organisms. Cooperation between all Member States and possibly the Commission is provided for in these cases. The provisions do not, however, apply to organisms from product groups which are already covered by Community legislation. This implies that the authorities responsible for these groups of products will have the necessary expertise concerning releases. Whether such confidence is justified would appear at least doubtful. In the interests of uniform monitoring, the products listed in Article 8 should also be included in the Directive in a form to be determined. At all events the Committee urges a coordination approach by the Commission Services so as to guarantee that the same safety provisions are ensured for the excluded products.

2.2. Specific comments

Apart from these more fundamental comments concerning the spirit and structure of the Directive, the Committee would make the following points.

2.2.1. Article 1

The exclusion of transport may create a legislative vacuum at EC level. Measures therefore are needed to guarantee adequate safety requirements as regards transport of GMO. The Commission is urged to take the necessary steps to revise transport regulations to cover this field.

2.2.2. Article 2

The definition provided in Article 2 (2) is not very precise and consequently inadequate. In classical genetic research, genetic modification plays an important role and has been tested over decades if not centuries. Organisms which have been modified in this way must be clearly excluded from the Directive.

The following definition is proposed instead:

'Genetically modified organism' means any organism obtained by such techniques as *in-vitro* DNA-recombination, microinjection, macroinjection, microencapsulation, nuclear and organel transplantation or genetic manipulation of viruses. It does not comprise organisms produced by processes such as deletion, mutagenesis, conjugation, transformation, transduction, *in-vitro* fertilization or any other process if they are carried out under normal physiological conditions and do not involve the use of recombinant DNA techniques or genetically organisms.'

The definition in Annex I can then be deleted.

2.2.3. Article 3

In its present form, Article 3 does not seem acceptable. The provision that 'all measures reasonably practicable' are to be taken runs counter to the intentions of the Directive. No organism should be released unless suitable state-of-the-art measures can be adopted to prevent foreseeable risks to man and the environment.

2.2.4. Article 7.2

There should be adequate provision to ensure that this procedure is carried out in a manner which will ensure the commercial confidentiality of information in order that the unauthorized spread of knowledge to competitors both within and outside the EC is prevented.

2.2.5. Article 16

In Article 16 no provision is made for involving the ESC. The follow-up report should be sent not only to the European Parliament but also to the ESC.

2.2.6. Article 18

The updating of the Directives provided for in Article 18 should be spelt out more clearly.

2.2.7. Article 19

Given the extreme sensitivity of the subject in question, serious consideration ought to be given as to how involve both the public at large and the social partners and experts in the consultative procedures. The Advisory Committee proposed ought to be receptive to the views of such groups, for example through preliminary consultations at national, regional and local level. Only if the public at large is involved in the deliberations can this important new technology develop for the benefit of all.

2.2.8. Article 22

The Committee is concerned that no obligation is pla-

ced on Member States to make the financial provision needed to comply with the Directive.

2.3. Conclusions

2.3.1. With this proposal the Commission attempts to regulate a very difficult and controversial area. The Directive has many elements which point the way forward, and it can form a basis for a systematic accumulation and evaluation of the experience which has hitherto been lacking.

2.3.2. It is hardly possible to make a final assessment of the proposal in the absence of the relevant experience. If releases are conducted responsibly, if those concerned are prepared to engage in an unbiased dialogue and if the provisions are swiftly updated as new knowledge is gained, this Directive can be a path to utilization of this potentially very important new technology.

Done at Brussels, 24 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

Opinion on the proposal for a Council Regulation (EEC) No 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community and Regulation (EEC) No 574/72 laying down the procedure for implementing Regulation (EEC) No 1408/71⁽¹⁾

(89/C 23/16)

On 29 October 1988, the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Economic and Social Committee decided to appoint Mr Pearson Rapporteur-General to prepare work on the matter.

At its 260th plenary session (meeting of 24 November 1988) the Economic and Social Committee unanimously adopted the following Opinion.

1. The Committee acknowledges the wisdom of the Commission in updating the Regulation and amending Regulations concerning the application of social security schemes for employed, self-employed and members of their families moving within the Community. Inevitably, since the initial Regulation (EEC) No 1408/71

there have been many changes in the benefits of the Member States, and with the membership of the Community doubling since then, a large number of anomalies have come about.

2. The current proposal is an updating document which claims to adjust the anomalies so that the present position is correctly reflected. The Committee suggests that the Commission be asked to propose a routine

⁽¹⁾ OJ No C292, 16. 11. 1988, p. 7.

whereby an annual revision of the situation can be prepared.

3. The Commission proposal is of necessity extremely detailed and deals with:

- the protection of Rhine boatmen,
- the protection of citizens benefits moving within Member States,
- invalidity pension regulation in Germany and Luxembourg,
- costs of benefits in kind, and who pays what, when, where, and to whom, and who gets refunds, and who does not,
- communication and protection of personal data passing between Member States with legal guarantees,
- protection of the unemployed in a labour market crisis,
- the far-reaching changes in medical insurance in the Netherlands, the rights of men and women to build up their own individual entitlement to pensions independently of each other, and the right to supplements in the Netherlands.

All this makes it a very interesting document to work and research, but the total is spoiled by pages and pages of textual changes, corrections, and changes in title and address of competent authorities in each Member State.

However the following points give rise to comment:

3.1. It is noticed that in the introduction and elsewhere, reference is made to migrant workers. The Committee has frequently drawn attention to the fact that migrant workers are those workers of a nationality other than of a Member State of the Community: the amending Regulation in fact concerns citizens of a Member State moving within another Member State. The Commission document must be corrected accordingly.

3.2. *Relative to Annex III Section A.66 ii (b)*

In the first line the words should read 'As regards Portuguese employed persons working within the United Kingdom ...' in order to make the position clear.

3.3. *Article 57 (6)*

The Committee considers that a unanimous vote is not desirable and that a majority vote at Council would be much more satisfactory and in accordance with the Single European Act.

4. The Committee is disappointed to see that its comments on the shortcomings of the Commission's proposals in its Opinion concerning the principle of equal treatment for men and women in statutory and occupational social security schemes ⁽¹⁾ have been disregarded. The following problem areas therefore continue to need attention:

- marital breakdown, especially where the female spouse does not remarry,
- divorced persons and 'those rearing children',
- group insurance schemes and cash options relative to pension schemes,
- widower pensions to be paid in line with widows pensions.

5. So complicated is the position for the average citizen of the Community to understand, the Committee suggests that a simple explanatory document should be prepared. The 'Compendium of Community provisions on social security' is an admirable document and could serve as a basis for such an explanatory booklet.

⁽¹⁾ Committee Opinion (OJ No C 95, 11. 4. 1988).

Done at Brussels, 24 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

Opinion on the proposal for a Council Decision on an action programme for the European tourism year (1990)

(89/C 23/17)

On 26 October 1988 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Economic and Social Committee decided to appoint Mr Vassilaras as Rapporteur General with the task of preparing its work on the subject.

At its 260th plenary session (meeting of 23 November 1988) the Economic and Social Committee unanimously adopted the following Opinion.

1. The Committee recognizes the importance of tourism and the necessity to promote a Community tourism policy within the framework of the establishment of the internal market by 1992.

In this context, therefore, the Committee is prepared to accept the proposal to declare 1990 European tourism year provided that the activities during the year take adequate account of consumer protection, social tourism and the environment.

2. However, the Committee considers that it has not been given enough time to examine the detailed projects set out in the annex to the programme, and is not

expressing any opinion on them at this point in time. The Committee reserves the right to comment more fully when it examines the proposal expected in early 1989 concerning further action in the tourism sector.

3. As far as the provisions for monitoring the programmes are concerned (Article 5 of the proposal), the Committee suggests that not only national committees and professional organizations be involved but that the participation be widened to include other organizations and Community institutions following the Commission's practice in respect of other designated years (such as the European Year of the Environment 1987, and European Cinema and Television Year 1988).

Done at Brussels, 23 November 1988.

*The Chairman
of the Economic and Social Committee*

Alberto MASPRONE

CORRIGENDA

Corrigendum to the Opinion of the Economic and Social Committee on the proposal for a Council Regulation (EEC) applying generalized tariff preferences for 1989

(89/C 23/18)

(Official Journal of the European Communities No C 318, 12 December 1988, p. 21)

Replace the first paragraph of the abovementioned opinion by:

‘On 5 July 1988 the Council decided to consult the Economic and Social Committee, on an optional basis, on:

- the proposal for a Council Regulation (EEC) applying generalized tariff preferences for 1989 in respect of certain industrial products originating in developing countries,
 - the proposal for a Council Regulation (EEC) applying generalized tariff preferences for 1989 to textile products originating in developing countries,
 - the proposal for a Council Regulation (EEC) applying generalized tariff preferences for 1989 in respect of certain agricultural products originating in developing countries, and
 - the draft Decision of the representatives of the Governments of the Member States of the European Coal and Steel Community, meeting within the Council, applying for 1989 the generalized tariff preferences for certain steel products originating in developing countries.’
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