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II

(Preparatory Acts)

ECONOMIC AND SOCIAL COMMITTEE

Opinion on the proposal for a Council Directive amending Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment⁽¹⁾

(94/C 393/01)

On 14 June 1994 the Council decided to consult the Economic and Social Committee, under Article 130s of the Treaty establishing the European 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 15 July 1994. The Rapporteur was Mr Beltrami.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee unanimously adopted the following Opinion.

1. Introduction

1.1. The proposal is pursuant to Article 11(4) of Directive 85/337/EEC⁽²⁾, which requires the Commission to submit additional proposals to the Council with a view to ensuring that the Directive is applied in a sufficiently coordinated manner.

1.2. The proposal is based chiefly on the findings of the Commission report⁽³⁾ on the implementation of Directive 85/337/EEC. The report, which was sent to the European Parliament and the Council under the terms of Article 11(3) of the Directive, found that the Directive's implementing arrangements vary greatly from one Member State to the next.

1.3. The proposal also takes account of the international commitments entered into by the Community and Member States under the Espoo Convention on environmental impact assessment in a transboundary context⁽⁴⁾.

1.4. Lastly, the proposal responds to the concern expressed in the European Parliament's resolution on agriculture and the environment⁽⁵⁾ and in the Commission Communication on the same subject⁽⁶⁾.

2. Gist of the Committee Opinion

2.1. The Committee approves the proposal to amend Directive 85/337/EEC as addressing the main shortcomings highlighted in the Commission report (COM(93) 28 final of 2 April 1993) on the implementation of the Directive.

2.2. The Committee deems it necessary, as part of the consolidation of environmental provisions, that the present proposal be coordinated at Community level with environmental Directives liable to have a supplementary influence in certain specific sectors such as IPC⁽⁷⁾ and major accidents ('Seveso')⁽⁸⁾.

(1) OJ No C 130, 12. 5. 1994, p. 8.

(2) OJ No L 175, 5. 7. 1985.

(3) COM(93) 28 final, 2. 4. 1993.

(4) OJ No C 313, 30. 11. 1992.

(5) OJ No C 68, 24. 3. 1986.

(6) COM(88) 338 final, 8. 6. 1988.

(7) OJ No C 311, 17. 11. 1993.

(8) OJ No C 106, 14. 4. 1994.

2.3. The provisions are intended to enable the Member States to take appropriate steps to simplify and concentrate procedures, and to avoid unnecessary delays in project planning and implementation.

2.4. At national level, the maximum possible integration of information, documentation and authorization procedures would save time and money for both businesses and public authorities, as well as avoiding overlapping and conflicts of responsibility.

2.5. The Committee would also refer to the specific comments made in point 4.

3. General comments

3.1. *Legal basis*

3.1.1. The earlier Directive 85/337/EEC was issued under Articles 100 and 235. In contrast, following the entry into force of the Treaty on European Union, the present proposal is based on Article 130s(1), which requires the Council to decide what action is to be taken by the Community in order to achieve the environmental objectives referred to in Article 130r. The Committee endorses this new legal basis.

3.2. *New provisions proposed by the Commission*

3.2.1. The Committee is pleased that the Commission intends the new proposal to be compatible with the fifth environmental action programme⁽¹⁾ and the White Paper on growth, competitiveness and employment⁽²⁾. The programme acknowledges the central role of the environmental impact assessment in decision-making on individual projects and underlying development strategies.

3.2.2. The new approach will enable the relevant authorities to make a more accurate evaluation of the environmental impact of the necessary investment, especially in the sectors which are given priority by the fifth programme and the White Paper.

3.2.3. The Committee endorses the Commission's view that the existing and proposed rules should enable Member States to take appropriate steps to simplify and concentrate existing national consent procedures and to avoid unnecessary delays in the planning and implemen-

tation of projects accorded priority at Community level, particularly those pertaining to the trans-European networks.

3.2.4. To this end, the Committee calls for the present proposal to be coordinated at Community level with environmental Directives liable to have a supplementary influence in certain specific sectors such as IPC and major accidents ('Seveso').

3.2.5. At national level, the maximum possible integration of information, documentation and authorization procedures would save time and money for both businesses and public authorities, as well as avoiding overlapping and conflicts of responsibility.

3.2.6. More systematic and better coordinated application of the environmental impact assessment procedure can also help reduce the distortions of competition to which the widely differing national practices might give rise.

3.2.7. The Committee is pleased that the Commission has codified a hitherto informal interpretation in a precise and clear manner, especially as regards:

- a) the information to be supplied by the developer;
- b) the right of the developer (including those involved in the planning and implementation of the project) to access to relevant information held by the authorities.

3.2.8. The proposal also has the merit of ensuring:

- a) better control over the quality of impact assessments and the conclusions drawn from them;
- b) closer attention to attenuation measures;
- c) fewer assessments of very small projects (where they are unlikely to have any environmental impact).

3.3. *Costs and timescales*

3.3.1. The Committee notes the information contained in the Commission Report COM(93) 28 final, which states that:

- a) Although an accurate estimate of costs is not possible at this stage, experience in the Member States shows that the financial cost of an impact assessment is a minute fraction of the total project cost (between

⁽¹⁾ COM(92) 23 final, 12. 6. 1992, p. 26-27.

⁽²⁾ COM(93) 700 final, 5. 12. 1993.

0.5% and 1%). Only in exceptional cases for small projects not requiring heavy investment will they exceed 1% of the total cost of the project.

- b) The time taken for the environmental impact assessment seems to have little effect on the total time needed to implement the project as it can be included in the consent procedure. However, the Committee again calls on the Commission to keep a close eye on Member States' transposition of the Directive. It asks the Commission to draw up a further assessment report three years after the Directive enters into force. The report should outline experience so far, with particular reference to timescales and costs.

3.4. *Subsidiarity and proportionality*

3.4.1. The Committee recognizes that the main reason for harmonizing the environmental impact assessment provisions is to establish a general Community reference framework to ensure that Member States' action to protect the environment is following similar lines. This objective also holds good for the new provisions in the proposal, insofar as the proposed amendments do not alter the actual scope of the obligations which the Directive places on the Member States.

3.4.2. It is up to the Member States, acting at the administrative level specified in their national legislation but on the basis of principles laid down at Community level, to:

- define the required content and form of the information to be supplied by the developer;
- specify how the outcome of the assessment is taken into consideration;
- examine whether, in certain circumstances, the likely environmental impact of Annex II projects makes an assessment necessary.

3.4.3. The provisions are thus consistent with the subsidiarity principle.

3.5. *Transboundary impact*

3.5.1. The Committee notes the new provisions for consulting and involving the authorities of another Member State in environmental assessments of projects with a transboundary impact. In particular, it notes that Article 7 has been reworded to reflect the objectives of the Espoo Convention signed in Finland on 25 February 1991, including the provisions on the monitoring of the transboundary environmental effects of the project [Article 7(2)(iv)].

3.6. *Monitoring*

3.6.1. The Committee is pleased that the Commission intends to study the costs and benefits, of a possible extension of the monitoring mechanism to cover non-

transboundary aspects, and the compatibility of such an extension with the subsidiarity principle, before submitting specific proposals on the subject.

4. *Specific comments*

4.1. *Article 1(2)*

The Committee feels that a clearer definition is needed of the term 'modifications to projects'. The following should be added at the end: 'liable to have a significant impact on the environment'. In this connection the Committee would recall the suggestion in its Opinion ⁽¹⁾ on the Proposal for a Council Directive on integrated pollution prevention and control.

4.2. *Articles 4 and 5*

In accordance with the subsidiarity principle, the new wording of Articles 4 and 5 leaves Member States considerable discretion on the designation of special protection areas and thresholds. This could lead to distortions of competition. The Committee asks the Commission to pay special attention to this aspect, and to draw up harmonization proposals if appropriate.

4.3. *Article 8*

The Committee asks the Commission to amend Article 8 as follows:

'The opinions and the information gathered pursuant to Articles 5, 6 and 7 must be taken into consideration and assessed in the development consent procedure.'

4.4. *Article 9*

The Committee is pleased that the new Article 9, by ensuring public disclosure, will reinforce the obligation (Article 8) to consider the opinions gathered pursuant to Articles 5, 6 and 7.

4.5. *Annex I, Point 6*

The Committee recommends that the terminology used to define 'integrated chemical installations' be checked in the different language versions, particularly the terms used for 'geographical area'; 'units for the industrial production of chemical products'; 'functionally linked'.

⁽¹⁾ OJ No C 195, 18. 7. 1994.

4.6. Annex II, Point 11(a)

The Committee asks the Commission to insert 'lorries' after 'cars and motor cycles', and also to add 'harbours and basins used for high-speed nautical competitions'.

4.7. Annex II, Point 11(e)

The Committee asks the Commission to add 'and other non-ferrous metals'.

4.8. Annex IIa

The Committee asks the Commission to clarify the fifth indent by adding 'liable to have a substantial adverse impact on man and/or the surrounding environment.'

4.9. Annex III, Point 2

One aspect which, if interpreted too restrictively, could waste reams of paper, is the requirement to describe the main alternatives which 'might' be envisaged. It would be better to say: 'a description of reasonable alternatives ...', in line with the formula used in Appendix II of the Espoo Convention on environmental impact assessment in a transboundary context.

Done at Brussels, 14 September 1994.

The President

of the Economic and Social Committee

Susanne TIEMANN

Opinion on the proposal for a Council Directive concerning the quality of bathing water⁽¹⁾

(94/C 393/02)

On 14 June 1994 the Council decided to consult the Economic and Social Committee, under Article 130 S 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 15 July 1994. The Rapporteur was Mr Pearson.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee unanimously adopted the following Opinion.

1. Background

1.1. The Commission proposal is an amending Directive to the original Directive 76/160/EEC, which has already been amended a number of times. It has to operate in the light of bordering Directives concerning environmental issues and health and safety issues. Thus to increase accessibility and transparency the present proposal is a consolidated one, taking account of the advance of technology in this area, while not changing the scope of the original Directive.

1.2. The aims of the proposal as identified by the Commission are:

- maintaining and improving protection of the environment and public health;
- taking advantage of technical progress and focusing on the most significant parameters;
- simplifying the operation of the Directive, thus consequently reducing the financial burden on Member States;
- ensuring action by Member States while allowing the necessary time for bathing waters to be brought in line with the Directive's standards.

2. General remarks

2.1. The Committee welcomes the principles outlined in the Commission proposals but would point to matters of practical concern and as to whether they can achieve the desired results effectively.

2.2. The stated aims of the Directive in seeking to benefit from the experience of the last fifteen years, together with the latest technology, recognizes that the

levels of protection afforded by the existing Directive are adequate and that only the parameters are altered.

2.3. The proposals take account of the 5th Environmental Programme with its targets for clean waters by the year 2000. However, the Committee thinks it regrettable that it has not been able to consider the proposals for the new Directive on 'The Ecological Quality of Water' — all surface water — in parallel, as that Directive will lay down a framework for the whole subject into which the current proposal will need to fit.

2.4. The Committee understands the definition of 'Bathing Water', accepting that it applies to fresh water and to seawater equally. The adoption of common standards, irrespective of the type of environmental water is appropriate and it is recognized that the standards referred to are specific to the particular use of water. The identified bathing waters — currently 16,400 — are individually decided upon by the Member States. It is recognized that with some waterways, particularly some commercial waterways, it will be difficult to have waters identified as official bathing areas.

2.4.1. The Committee is pleased that those countries who are likely to join the European Union in the near future have indicated their acceptance of the parameters of the proposed new Directive.

2.5. The Council meetings at Edinburgh (11-12 December 1992) and Brussels (10-11 December 1993) included and approved a list of Directives which should be reviewed, amongst which was the Directive on Bathing Water. The outcome of that decision has been the change in the legal basis in accordance with the Treaty on European Union at Maastricht, and is now 130S(1). The original Directive was subject to Article 100. There is thereby a radical change in voting procedure, a weighted majority against a necessary unanimous decision previously and the Committee welcomes this change.

⁽¹⁾ OJ No C 112, 22. 4. 1944, p. 3.

2.6. The Committee supports the Commission in its stance that basic microbiological requirements cannot vary from Member State to Member State whilst realizing that it is permissible to set more stringent levels appropriate to their own Regions.

2.6.1. With respect to visual and olfactory parameters the Committee realizes that Member States will be, under the subsidiarity principle, determining the definition of 'abnormal' as required under the Directive Annex.

2.7. The scientific basis is changed due to the considerable growth in scientific knowledge on microbiology and in the improvement in analytical techniques: this enables the results of recent findings in microbiological research to be taken into account. Likewise, increased information from epidemiological studies has provided greater understanding of pollution indicators relating to health protection. All this has led to a change in the indicators proposed for microbiological quality.

3. Specific comments

3.1. The Committee has looked at the revised proposal of the Commission concerning the monitoring of Salmonella and wishes the Commission to further research and establish the public health significance of the changes proposed in the Directive. The Committee welcomes the proposal in the Directive to oblige competent authorities to take appropriate action to identify such sources of Salmonella and to avoid pollution from them. It is recognized that this will require monitoring for Salmonella in relevant circumstances.

3.2. One significant change proposed is the adoption of an imperative (I) value for faecal streptococci⁽¹⁾: there is no wide ranging information from the Member States concerning such a change. There is considerable variance with evidence of the consequential effects of the compliance with the proposed new standard for faecal streptococci. Examination of available data (assessed on the bases of non-harmonized methods of analysis on a Community level) indicates that in some Member States the proposals would result in an effective tightening of standards. This appears to be contrary to the Commission assertion that there be no tightening of standards as a consequence of the changes proposed. Further statistics are necessary to clarify the position.

3.3. The proposals as set out in the Directive are stated to have only 'minor cost implications' over and above those arising from existing Directives. The improvements resulting from the Urban Wastewater Treatment Directive (91/271) are acknowledged, but in that legislation no specific provision is made concerning the microbiological quality of discharges; however, this Directive contains in the Annexes provisions in order to ensure that the requirements of other Council Directives are fulfilled. Therefore, the investment and financial costs incurred in providing additional waste-water treatment and disposal facilities to meet the proposed faecal streptococci parameter and to ensure full compliance with the enterovirus parameter, are likely to be substantial in some Member States with the consequential 'on-cost' to the consumer. A more cost-neutral proposal would be achieved if a faecal streptococci standard was adopted which, in all Member States, is equivalent to the existing faecal coliform standard, whilst ensuring public health remains fully protected.

3.4. Bacterial pollution from freshwater rivers discharging close to the bathing water can impact on compliance with the existing Directive already. Under the new proposal the impact of freshwater inputs is likely to become more significant due to the introduction of an 'I' value for faecal streptococci which have a longer survival time in waters.

3.5. Enterovirus⁽²⁾ monitoring is subject to the new Directive and the idea is accepted. The Committee however would prefer the approach as set out in the explanatory memorandum and in the Annex to use Bacteriophage and which is envisaged by the Commission in the near future in place of Enteroviruses as being a more practical and cost effective alternative.

3.6. The imperative requirement that there should be no sewage solids visible is obviously desirable, but presents practical difficulties due to the non-biodegradable plastics in a number of sanitary products. Fine screening of all land-based sewage discharges, including storm discharges, is necessary to remove such solids from sewage. The Commission however needs to make it quite clear in the Directive at Article 4(1) Col. 1, table 1 of Annex 1 that the monitoring is of any relevant discharges and not of the bathing water itself.

3.7. Article 5.2 of the Directive introduces the concept of 'excellent quality' for waters of a higher quality

⁽¹⁾ Streptococci are bacteria which are key indicators of faecal contamination.

⁽²⁾ Enteroviruses are micro-organisms which can be pathogenic and are characteristic of faeces.

than required by the 'I' value. The Committee believes this to be unwise as the proposed designation in the legislation suggests that compliance with 'I' values alone does not provide bathers with adequate protection. The concept of 'excellent quality' is better dealt with outside the Directive.

3.8. The Committee believes that clean bathing waters, with a deserved reputation for such, are a huge attraction for leisure activity, are an indispensable factor for employment and commercial interests and are important in promoting the health of the population. The 'spin off' for the tourist industry is very considerable,

going far beyond the activities of swimming and boating. The proposal in Article 5.4 whereby bathers are informed of bathing water quality is important and innovative. Further consideration should be given to competent local authorities publishing annually this readily available information.

3.9. It is clear that the dates set out in Articles 12 and 13 are not practicable. It would suggest a period of three years subsequent to the adoption of the Directive by the Council of Ministers especially as the Urban Water Treatment Directive sets dates for the years 1998 and 2000.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the proposal for a European Parliament and Council Decision adopting an action plan 1995-1999 to combat cancer within the framework for action in the field of public health⁽¹⁾

(94/C 393/03)

On 13 July 1994 the Council decided to consult the Economic and Social Committee, under Article 129 of the Treaty establishing the European 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 5 September 1994. The Rapporteur was Mr Colombo.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion unanimously.

1. Introduction

1.1. The Committee approves the proposal to adopt a new programme which falls within the wider dimension of Community public health policy, and also takes account of the track record of the preceding programmes (1987-89 and 1990-94).

1.2. The evaluation report on the first six years of the programme was approved on 15 March 1993 and was forwarded to the Economic and Social Committee as well as to the Council and European Parliament. It showed that the Community has a specific role to play and can bring an added European value to national actions by creating synergies which allow significant economies of scale.

1.3. The significant results achieved, and the success of other action plans such as the one against AIDS, have led to an extension of Community initiatives in the public health sphere, culminating with its enshrinement in Article 129 of the Treaty. For a consideration of the interpretation to be given to that Article, and more especially to the concept of 'prevention', the Committee would refer to its Opinion on the Commission Communication on the framework for action in the field of public health⁽²⁾.

1.4. It is useful to examine the contents of the new action plan in the light of this new approach, having regard to the importance of improving public health and quality of life in the EU.

2. Justification and content of the new action plan

2.1. The most recent data (1990) indicate an annual incidence of 1.3 million new cases of cancer and 840,000 deaths from cancer each year in the European Union. Cancers are responsible for about a quarter of all deaths in the EU, with relatively minor variations from country

to country and relatively more cancer deaths in the northern Member States than in those of the South. Over recent decades, cancer deaths in the EU have risen sharply because of the progressive ageing of the population.

2.2. The mortality rate remains higher for men than for women in all Member States, the difference being particularly marked in some of them. In the EU as a whole, women are 40% less likely to die from cancer than men. The higher incidence of male morbidity and mortality is mainly attributable to their heavier consumption of tobacco and alcohol, but also to occupational exposure to carcinogens and biological differences between the two sexes. The wider availability of early mass screening could also explain the lower female morbidity and mortality rates.

2.3. Available data show that 30% of cancer deaths are due to tobacco, 3% to 10% (depending on country) are due to alcohol, and around 30% are linked to diet. This means that over two thirds of deaths from cancer are linked to lifestyles and therefore might be avoided by a change in behaviour.

2.4. The Commission's Communication on the framework for action in the field of public health [COM(93) 559 final] proposes four objectives for Community action. The 'Europe against cancer' programme must address all of them:

- to prevent premature death which particularly affects the young and the working population;
- to increase life expectancy without disability or sickness;
- to promote the quality of life by improving general health and the avoidance of chronic and disabling conditions;

⁽¹⁾ OJ No C 139, 21. 5. 1994, p. 12.

⁽²⁾ OJ No C 295, 22. 10. 1994.

— to promote general well being of the population, particularly by minimizing the economic and social consequences of ill health.

2.5. Community action will focus on encouraging cooperation between Member States, lending support to their action and promoting coordination of their policies and programmes.

3. General comments

3.1. *Financial allocation*

3.1.1. As in the past, but all the more so in the light of Article 129, the Committee is concerned at the limited financial resources earmarked for the action plan (MECU 64).

3.1.2. The modest level of funding is in marked contrast to the scale of Community support for tobacco producers. The Committee expresses its disquiet at this in point 3.4.3.

3.1.3. It we look at the actual sums allocated to research and prevention, and to improvements in patient-care, then the low level of the proposed funding becomes even more obvious. The action plan should avoid a scattergun approach and concentrate on synergies. Priority status should be given to developing concrete prevention measures, and improving the quality of treatment.

3.2. *Consultation and participation mechanisms*

3.2.1. Under Article 5 of the proposal, the Commission is to be assisted by an advisory committee. Point 93 of the accompanying Communication states that this is to consist of representatives of the Member States, health professionals and non-governmental organizations in the field. The Committee recommends that there should also be adequate representation of socio-economic, consumer and environmental organizations, as these have already shown that they can make an important contribution to information and prevention campaigns.

3.2.2. Given the wide scope of the action against cancer and the many links with other aspects of public health, the Committee stresses the need to involve as many interested parties as possible (see Points 95, 96 and 97 of the Communication). European 'added value' is gained inter alia by comparing notes and by synergies between the various parties on the national coordinating committees.

3.2.3. The Committee is pleased to see the Commission's undertaking (Article 7) to send it the annual

report on the progress of the action plan and on the financing of the various fields of action. As well as helping to make matters more open, this will provide an opportunity to assess the results and added value obtained, and to steadily sharpen the focus and hence effectiveness.

3.3. *Biomedical and health research*

3.3.1. The Committee notes the reference (Article 4) to complementarity between the actions of the present plan and the biomedical and health research programme under the Framework Programme.

3.3.2. The Committee stresses the special importance of synergies in the research field, particularly in genetic research. The establishment of a good network of cancer registers now makes it possible to compare the epidemiological situation in most Member States (see Point 5 of the Communication) and improve the targeting of research efforts.

3.3.3. The Committee would like to see closer cooperation between the two Directorates General concerned (health and research), so as to speed up and simplify funding procedures, subject to the appropriate guarantees and vetting.

3.4. *Relations between public health policy and other policies*

3.4.1. The Committee sets great store by the third paragraph of Article 129(1):

'Health protection requirements shall form a constituent part of the Community's other policies.'

3.4.2. This is particularly true of the prevention of a disease such as cancer, which is largely related to lifestyle, diet, quality of the environment in general, and quality of the workplace environment.

3.4.3. Accordingly, the Committee recommends that the Commission check that other Community policies are consistent with the objectives of the action plan against cancer. For example, this is not the first time that the Committee has to lament the blatant contradiction between the anti-smoking campaign and the Community funding of tobacco producers.

3.4.4. The Committee thus welcomes the Commission's intention, voiced in Point 38 of the Communication, to submit a yearly report on the health protection aspects of policies and include it in the Annual Report of the Commission.

3.4.5. Particular attention should be paid to the link between agricultural policy, consumer protection and an improvement in eating habits (encouraging the public to eat more fruit and vegetables and alerting them to the dangers of excessive dietary intake of animal fats).

3.4.6. Another feature is the link between environmental policy and health policy. The increase in malignant melanomas caused by exposure to the sun not only demands more public information, but also more decisive Community action to protect the ozone layer, as the Committee has already pointed out elsewhere⁽¹⁾.

4. General comments on the specific actions

4.1. The Committee endorses the objectives set out in Chapter V of the Communication, as well as the choice of priority actions.

4.2. However, the Committee considers that insufficient stress is laid on the relation between cancer and environmental pollution. It asks the Commission to examine this, particularly in its research programmes.

4.3. The Committee notes that the spotlight is still on action against smoking, with targeted campaigns and specific measures on which it has already taken a stand⁽²⁾. The Committee is also pleased to see that other aspects of prevention, notably diet, are now starting to receive more attention.

4.4. The Committee feels that information campaigns should be better targeted on specific groups and should have a more cogent message, since this has to compete with contradicting advertising slogans. The aim should be to persuade rather than to intimidate.

4.5. Special importance should be accorded to epidemiological surveys, as these provide a good way of monitoring the disease. Registration systems need to be improved, and the collection of reliable data should be harmonized. By guaranteeing anonymity, personal⁽³⁾ data protection rules need not interfere with health research needs.

5. Specific comments on the individual actions⁽⁴⁾

5.1. Cancer registries and epidemiological studies

5.1.1. The provision of cancer registries is vital for collecting and disseminating reliable, comparable epidemiological data. It is a vital part of any anti-cancer programme. The official recognition of effective cancer registries in Europe began in 1989 with the setting-up of the European network of cancer registries⁽⁵⁾, and should help to identify areas which are not yet covered.

Among issues to be addressed by Member States in accordance with the subsidiarity principle, the following should receive the utmost priority:

- a) the establishment of population registers in parts of the Community which lack them;
- b) improvement of registers with insufficient logistic or organizational back-up, more especially through the provision of financial support and vocational training;
- c) strengthening of links between the European registries, to further the declared aims of the European registry network (already accorded top priority in Commission programmes).

5.1.2. Europe's wide variety of geographical features and populations make it an interesting test-bed for epidemiological research. Priority support should be given to site-specific epidemiological studies of Community interest, not only for the purpose of fostering cooperation. In particular, the collection and analysis of epidemiological data on rare or low-incidence cancers offer a golden opportunity to gather information which would be difficult to obtain individually. The establishment of biological materials banks open to European researchers in the various sectors of oncology would also encourage the coordination of research and permit significant economies of scale.

⁽¹⁾ OJ No C 52, 19. 2. 1994.

⁽²⁾ See OJ No C 159, 26. 6. 1989, concerning the ban on smoking in public places, and OJ No C 62, 12. 3. 1990 and C 313, 30. 11. 1992, concerning advertising of tobacco products.

⁽³⁾ See Proposal for a Council Directive concerning the protection of individuals in relation to the processing of personal data, OJ No C 277, 5. 11. 1990 and the Opinion of the Committee in OJ No C 159, 17. 6. 1991.

⁽⁴⁾ Section 5, drawn up with the help of Professor Mancuso of the Università Cattolica del Sacro Cuore, suggests a number of measures which could be taken under the programme, bearing in mind the general considerations outlined above.

⁽⁵⁾ European Network of Cancer Registries; an initiative by I.A.R.C., The Danish Cancer Registry, I.A.C.R., The Latin Language Registry Group in the framework of the EAC programme. Acting Director: H.H. Storm, Danish Cancer Society, Copenhagen, Denmark.

5.2. Prevention

5.2.1. The preventive role of health education

5.2.1.1. Proper health education for the population is a prerequisite of any cancer prevention programme. Action should focus on the following:

1. Organization of information campaigns coordinated at least at regional level with action in schools, general practices and local health centres. The information should highlight:
 - a) the dangers of smoking, with campaigns to persuade smokers to give up;
 - b) the dangers of excessive alcohol consumption and a fatty diet, with general guidance on healthy eating;
 - c) for women: advice on feminine hygiene and the need for regular gynaecological check-ups and breast examinations;
 - d) the risks of excessive exposure to the sun, in connection with skin cancer prevention;
 - e) for men: advice on personal hygiene and the need for self-examination and regular medical check-ups.

Account should also be taken of European demographic trends and the steady ageing of the population, as it is particularly important to gear information programmes to the target population in both technical/logistical and psychological terms.

2. Training and refresher courses for doctors and other health professionals in hospitals and elsewhere (group practices and local health centres, family practitioners). Here it is important to stress the positive impact which preventive campaigns could have on the monitoring and identification of high-risk groups.
3. Appropriate support for the further training and exchange of health professionals working at specialist cancer centres in the Community. Such support should also cover centres which have not yet achieved a high level of performance.

5.2.1.2. In the field of cancer health education, we should emphasize the need for a proper geographical

distribution throughout the Community of specialist oncology schools providing further training for nursing staff. Specialist nursing is a vital part of proper patient care, and the present situation in many areas of the Community is far from satisfactory.

5.2.1.3. The identification of cancer reference centres (among cancer institutes, teaching hospitals and general hospitals) has not been completed everywhere in Europe and in some Member States has not even begun. Member States should be strongly encouraged to rectify this state of affairs, so that a brochure can be issued for distribution throughout the Community, listing such centres and giving details of how they are organized and whether they have any particular specialisms.

5.2.1.4. Given the increasing media role in the dissemination of health information, it is important to stress that improper use of the media can lead to the distortion of information. This is of particular significance where cancers are concerned. It is therefore desirable that authoritative watchdogs be set up in all Member States to monitor scientific information sources. To this end, a European agency of cancer specialists and media experts could be set up in order to draw up regular information leaflets for distribution throughout the Community. The circulation of such information could be entrusted to the health education institutes of the Member States.

5.2.2. Secondary and tertiary prevention

5.2.2.1. If precancerous lesions and tissue damage are diagnosed at an early stage and treated promptly, they can very often be cured — the World Health Organization estimates that the success rate may be as high as 85 %. In order to enhance the potential value of secondary and tertiary prevention programmes, the population need to be better informed, the skills of health professionals need to be updated, and public health bodies should show greater sensitivity and better organization.

5.2.2.2. Screening programmes for cervical cancer have significantly reduced the number of cervical cancer deaths in many countries. The encouraging results of mammography-based breast-screening programmes have prepared the ground for national screening programmes, as have recently been undertaken in the UK. Screening programmes for lung cancer have been

somewhat disappointing, in contrast to the encouraging preliminary data emerging from the screening trials currently under way for cancers of the colon and rectum, ovaries and prostate and child neuroblastoma.

Community actions should therefore give priority to programmes for early diagnosis of the following cancers, for which a positive cost-benefit ratio may reasonably be expected.

- 1) cervical cancer;
- 2) breast cancer;
- 3) colorectal cancer;
- 4) ovarian cancer;
- 5) prostate cancer;
- 6) child neuroblastoma.

Screening programmes for cervical cancer and breast cancer have already proved their worth, and there are also valid grounds for encouraging further action on the other four.

5.2.2.3. For screening to be as effective as possible, it is vital to target risk groups. Current early diagnosis methods are costly and may not be widely available (e.g. ultrasound for ovarian cancer, coloscopy for colorectal cancer). This makes it all the more necessary to select likely groups for screening. This is particularly important when screening for cancers which may involve a hereditary factor (e.g. ovarian cancer, breast cancer, colorectal cancer).

Priority should therefore be given to screening programmes (for cancers other than cervical cancer — notably ovarian, breast and colorectal cancer) which base their selection criteria on family research. Such programmes may be conducted on a national and/or European basis and will at all events gain a high added value through cooperation. They would also provide an opportunity to set up biological materials banks with material from high-risk groups.

5.2.2.4. More generally, priority should be given to actions where significant economies of scale can be achieved by simultaneous screening for several cancers (made possible by shared characteristics of the target population, diagnostic methods and logistical organization). Screening programmes for women are one example; another more obvious one is schemes targeted at family groups with a risk of various adenocarcinomas (see Point 2.3.3).

5.3. *Quality of care*

5.3.1. With a view to improving the quality of cancer care, the following actions should receive priority:

- a) studies of the clinical significance of stepping up chemotherapy dosage when the preliminary stage of chemotherapy has proved beneficial. Particular support should be given to studies which, as well as being of clinical or therapeutic interest, entail important bio-technological innovations in support therapies;
- b) combined analyses, by reprocessing data from controlled clinical studies, to obtain information that is not clear from individual studies;
- c) clinical studies of the use of new drugs and/or new therapeutic combinations. Here we should stress the value of increasingly close cooperation between pharmaceutical and clinical researchers in specialist cancer centres.

5.4. *Research activities*

5.4.1. Community research initiatives, and particularly the BIOMED programme, should concentrate on the molecular features of tumours. Particular consideration should be given to the study of tumours of family origin which can provide a valid model, so that the information obtained can be transferred to sporadic tumours. Here encouragement should go to the establishment of tumour tissue banks, run on a cooperative basis and available to interested bodies.

Among studies aimed at improving the molecular characterization of tumours, priority should go to those whose results can be useful for the following:

5.4.1.1. Identification of people with a high genetic risk of cancer. Certain molecular alterations have been identified in families with a high incidence of cancer. Further study may soon make it possible to identify individuals at high genetic risk by means of a blood test. Hence it is clearly important to encourage cooperation between epidemiologists, geneticists and molecular biologists in order to plan molecular epidemiology studies.

5.4.1.2. Improvement of prognoses for tumours, in order to plan treatment more effectively. This is important in order to identify patients with highly aggressive tumours which will need further adjuvant treatment after the primary treatment. Moreover, it is not currently possible to make an accurate prognosis simply on the basis of the clinical or pathological characteristics of a tumour. Molecular biology studies could prove crucial here, as they would provide a way of identifying molecular changes of significance for the likely development of the tumour.

5.4.1.3. Formulation and implementation of anti-tumour gene therapies to correct genetic defects in the tumour or to prevent the activation of oncogenes

(proteins which, when transformed or produced in abnormal quantities, may lead to the formation of a tumour):

5.4.1.4. Trials of new forms of immunotherapy, based on active immunization of the patient or using cells from the patient transfected with genes by cytokines. Particular attention should focus on the preparation of 'anti-cancer vaccines' which use tumour extracts and are designed to strengthen the patient's immunological defences. Support should thus also be given to research into the interaction between patient and tumour, in order to gain a clearer picture of the immunological, hormonal and environmental aspects which may encourage the onset and spread of a cancer.

Done at Brussels, 14 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

Opinion on the annual report on the functioning of the internal market

(94/C 393/04)

On 16 March 1994 the European Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the Annual Report on the Functioning of the Internal Market.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 31 August 1994. The Rapporteur was Mr Connellan.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion unanimously.

SUMMARY OF THE MAIN RECOMMENDATIONS

1. The Economic and Social Committee considers that the full operation of the Internal Market is crucial to economic and social development within the European Union. Trade with third countries must also be cleared and monitored efficiently. The expectations which existed at the time of passage of the single European Act have not yet been met. The Hearing and responses to the questionnaire demonstrate clearly that many obstacles to the free movement of goods, services, people and capital remain. The Committee recommends the adoption of a vigorous programme to eliminate all remaining obstacles.
2. There is need to achieve an appropriate balance between EU and national regulation. The implementation and control of existing regulations must be supervised rigorously. The Committee repeats its recommendation that the use of Regulations rather than Directives is more appropriate to strictly technical provisions.
3. The Committee recommends the systematic development of a Europe-wide inventory of trade barriers in the European Union and EEA.
4. The Committee repeats its support for the mandatory notification of cases where Member States derogate from the principle of the free movement of goods within the Union.
5. The Committee recommends that easily understandable information about the legal rights of the various economic and social interests should be disseminated.
6. The Committee recommends that the Commission should publish annually a list of all complaints received about the inadequate functioning of the Internal Market, should comment thereon and state the action which has been taken or is proposed.
7. Having completed this initial assessment in the context of the First Annual Report of the Commission on the functioning of the Internal Market, the Committee proposes to conduct further analyses of specific areas during the coming year.
8. The Committee recommends that the scope of Directive 83/189/EEC be widened, that it be implemented more intensively, and that greater emphasis should be placed on programmes for the harmonization of standards.
9. The Committee recommends a greater harmonization of environmental standards even at a higher level to ensure balance and compatibility between the objectives of improved environmental requirements, and the operation of the Internal Market.
10. The Committee recommends that measures be taken when introducing the definitive VAT system throughout the Union to achieve the maximum clarity, simplicity and consistency so that all obstacles to intra-Union trade are eliminated.

11. The Committee recommends that the taxation treatment of house mortgage interest payments, and insurance premiums should be the same whether sourced in another Member State or in the home State of the user.
12. The Committee recommends the adoption of the proposed Directive concerning 'the posting of workers' as a step towards avoiding distortion of competition linked to cross border employment.
13. The Committee recommends the development of an intensive programme to establish objective educational and training equivalence for all 'non-regulated' professions.
14. The Committee recommends the adoption of measures where practicable to prevent the loss of certain social welfare benefits and state pension entitlement when citizens change residence to another Member State.
15. The Committee recommends the adoption of a code of practice to accelerate the speed of cross-border payments and to reduce the associated costs.
16. The Committee recommends an urgent examination of public purchasing procedures in Member States to ensure that administrative requirements are not imposed on firms from other Member States which effectively act as barriers to trade.

1. Introduction

1.1. In a Resolution on the 1992 Internal Market Programme the European Parliament recommended to the Council that the Economic and Social Committee should constitute a forum for the future development of a Community action plan and should periodically analyze and study its progress and implications for the various categories of economic activity represented by the Committee.

1.2. The Commission supported this view in its Working Document on a Strategic Programme on the Internal Market. It stated that in relation to supervising the operation of the Internal Market and evaluating the effectiveness of Community rules that the Commission 'was prepared to work through the Economic and Social Committee which consists of representatives of all these groups and thus combines technical knowledge with the political sensitivity for an assessment of this kind'.

1.3. In its Opinions of 27 May 1993⁽¹⁾ and 22 September 1993⁽²⁾ the Committee accepted that it should be more involved in the process of ensuring greater transparency in the implementation of Community law. It would hold ESC hearings to which recognized interest groups representing consumers and the various categories of economic and social activities throughout the Union would be invited to present their experiences in the operation of Internal Market legislation to date.

1.3.1. The Committee also undertook to comment

periodically on the operation of the internal market to ensure that the objectives are being achieved.

1.4. The first annual report on the operation of the Internal Market in March 1994 provides an initial opportunity for the Committee to comment on the application of Community law regarding the Internal Market, and to identify the areas of greatest success and of greatest shortcoming.

2. General comments

2.1. There was a sharp increase in the rate of growth of economic output and employment throughout the European Community in the period 1986-90, coincidental the passage of the Single European Act in 1987. During this period economic growth in the European Community exceeded that in the United States. This was probably due to the interaction of interdependent factors such as the intensification of inter-European trading, increasing economies of scale in a larger market, and notably higher investment in anticipation of Internal Market effects.

2.2. The combined impact of the disruption and uncertainty caused by the break-up of the USSR and Comecon, the rapidly escalating costs of German reunification, the crisis caused by the Gulf war and the recession in the US brought this strong growth trend to a halt in 1992 and 1993 and thrust the Union into a recession from which it is only now beginning to recover. It is arguable that the improvement in the overall competitiveness of European industry arising from the greater economies of scale made possible by the completion of the Internal Market will enable the economy of the Union to recover more rapidly from the impact of these shocks than would otherwise have been possible. The Commission plans to carry out its first assessment on

⁽¹⁾ OJ No C 201, 26. 7. 1993.

⁽²⁾ OJ No C 304, 10. 11. 1993.

the macroeconomic impact of the Single Market in 1996 when it is hoped a clear picture will emerge. It is in this context that the first Annual Report of the Commission on the Internal Market must be assessed.

2.3. The full implementation of the Internal Market will provide a substantial boost to the competitiveness of the European Union leading to greater employment. Its impact on living standards is likely to be significant. However it is clear that there is still a considerable way to go in achieving the goal of a completely open Single Market. The expectations which existed at the time of passage of the Single European Act in 1987 have not yet been met. Many obstacles to the free movement of goods, services, people and capital remain. Furthermore it must be emphasised that the completion of the Single European Market is not just a matter of completing a limited and well defined legislative programme. The scope of the original programme needs to be enlarged and there must be continuous vigilance against the introduction of new barriers, Trans-European Networks need to be developed, and competition policy must be made more effective. Trade with third countries must also be cleared and monitored efficiently.

2.4. The Annual Report is divided into two parts. The first part is concerned with a description of horizontal issues such as the performance of Member States in the transposition of legislation, and the manner in which the Strategic Programme is being implemented throughout the Member States of the Union. The second part outlines the performance in 1993 in respect of the four freedoms: goods, personnel, capital and services and in particular in relation to sectors such as public procurement, transport, etc.

2.5. The Report states that 93 % of the 282 White Paper measures have entered into force; that about 87 % of the total number of transposition measures have been taken by Member States. However because of the lack of transposition by one or two Member States only half of the measures have been transposed by all Member States⁽¹⁾. The most important delays are concentrated in the areas of public procurement, company law, intellectual and industrial property and the insurance sector.

2.6. The Report states that the Internal Market is working but can and must be improved if it is to fulfil its promise. Apart from complaints relating to the continuation of identity controls on persons, it states that most public criticism has been concerning the temporary VAT regime.

2.7. This Committee's Opinion will provide background for the recommendations in the Commission's second report due for publication in November. This report will focus in greater detail on particular sectors and issues and will identify specific sectoral studies which should be conducted prior to the review of the internal market and of the operation of the Treaty on European Union in 1996.

2.8. Furthermore it is essential that all future reviews should take fully into account the need to complete the Internal Market throughout all Member States of the new European Economic Area which came into being on 1 January 1994.

2.9. Many earlier studies have been conducted regarding various aspects of the operation of the Internal Market. The main conclusions of a selection of these studies are outlined below.

3. Successes outlined in previous studies

3.1. There are many examples of the successful operation of the Internal Market demonstrated in previous surveys⁽²⁾. There has been a substantial increase in the volume of Intra-European Trading. Transport hauliers can testify to the reduction in transit time for intra-Union traffic. Certain telecommunications services have become more tradable. Industries have reported lower costs because labelling requirements have been harmonized. The cost of banking has been reduced as a result of increased competition resulting from freedom of establishment.

3.2. With respect to the free movement of goods:

- Time savings at borders have resulted in decreases in delivery times of up to 48 hours⁽³⁾ when supplying products to other Member States. As goods can now traverse borders round the clock they are no longer restricted by the opening hours at the customs' post.
- 52 % of European directors surveyed in February 1994⁽⁴⁾ cited easier access to market products across the Community as a noticed benefit from the Single Market.
- Substantial cost savings were made due to the abolition of customs' documentation and border controls⁽³⁾. 52 % of European directors surveyed in February 1994 cited lower costs, a result of less red tape, border controls, etc., as a noticed benefit of the Single Market⁽⁴⁾.

⁽¹⁾ B: 89 %; DK: 94 %; D: 79 %; GR: 75 %; E: 81 %; E: 84 %; IRL: 80 %; I: 89 %; L: 83 %; NL: 82 %; P: 84 %; UK: 90 % (EC Commission data).

⁽²⁾ Survey results must, of course, be interpreted with care.

⁽³⁾ Euro Info Centre Survey 1994.

⁽⁴⁾ European Directors Publ. *Financial Times*, February 1994.

- Improved economies of scale due to increased exports. Greater diversification of suppliers and customers⁽¹⁾.
- 73 % of European directors surveyed in February 1994 considered the opening up of public contracts to bidders from other EC countries to be either a very important or fairly important area of EC policy⁽²⁾.
- 88 % of European directors surveyed in February 1994 considered simplifying VAT procedures to be either a very important, or fairly important area of EC policy⁽²⁾.

3.3. With respect to the freedom to provide services and the freedom of establishment:

- Lower cost of transport, insurance, and intra-European Union banking transactions⁽¹⁾.
- 29 % of European directors surveyed in February 1994 cited easier to compete in world markets through European mergers and joint ventures as a noticed benefit of the Single Market⁽²⁾.
- 23 % of European directors surveyed in February 1994 cited easier transfer of research and development across Europe as a noticed benefit of the Single Market⁽²⁾.
- 86 % of European directors considered conditions for the physical transport of goods to be either a very important or fairly important area of EC policy⁽²⁾.

3.4. With respect to the free movement of capital:

- Directive 88/361/EEC provides for the complete liberalization of all forms of capital movement between Community residents. The Directive has been implemented by all Member States. Only one Member State was permitted to restrict certain short term capital transactions until 30 June 1994 in order to implement its economic stabilization programme.
- Surveys have indicated a view that it is now easier to invest in companies in other Member States.

3.5. The Economic and Social Committee's Opinion⁽³⁾ on Consumer Protection and Completion of the Internal Market stated that 'there are many inherent benefits for consumers in the removal of obstacles to the free movement of persons, goods and capital and

the creation of a Single Market: in general terms they should benefit from the increased competition brought about by the wider range of products on the market originating from all corners of the Community, with the lower prices which such competition implies'.

4. Shortcomings indicated in previous studies

4.1. Reference has already been made to many surveys documenting various shortcomings. The following is a summary of the main findings from a selection of them:

4.1.1. A 1990 survey in one Member State⁽⁴⁾ specifically investigated mutual recognition of national norms, to be dealt with under Article 100b EC. The survey indicated several hundred examples of barriers to trade in the Internal Market due to lack of mutual recognition.

4.1.2. A 1993 survey of some 700 companies in the same Member State⁽⁵⁾ found that approximately half of all companies in manufacturing industry were experiencing technical barriers to trade in the EC, mostly due to lack of mutual recognition of national norms.

4.1.3. A 1994 survey is currently in progress in another Member State⁽⁶⁾. As of May 1994, the preliminary conclusions are that mutual recognition of technical standards in the European Union still does not function adequately. Companies are obliged to certify their products once again for each market. The barriers are largest in the electronic and electrical goods sector.

4.1.4. In early 1994 the European Commission issued a press release outlining the experiences with the Internal Market of some 80 cases of companies who have been in contact with Euro-Info Centres. However, the responses are not limited to matters directly resulting from the Internal Market programme.

4.1.4.1. While companies in the survey generally appreciate the savings in time and money due to the abolition of border controls and the lower cost of transport, those reporting negative aspects tend to complain about lack of European Union standards, lack of mutual recognition of national norms, type-approvals, etc., and the cost of international payments. The change to the new VAT system and the reporting of Intrastat information has been costly to many companies.

⁽¹⁾ Euro Info Centre Survey 1994.

⁽²⁾ European Directors Publ. *Financial Times*, February 1994.

⁽³⁾ OJ No C 339, 31. 12. 1991, p. 16.

⁽⁴⁾ Confederation of Danish Industries.

⁽⁵⁾ Danish Ministry of Industry.

⁽⁶⁾ Confederation of Spanish Employees.

4.1.5. Eurochambres has published an April 1994 report on an European Union-wide survey of non-tariff barriers in the European Union, so far covering 2,000 companies in five Member States. Companies in general find the new VAT system to be an improvement, but many have experienced transitional problems. Intrastat reporting is considered burdensome. Problems with refund of VAT and the differing systems of fiscal representatives are criticized, but generally speaking European companies believe that trade has become easier with the removal of frontier controls.

4.1.5.1. Companies complain about refusal of Member States to recognize national standards and tests. The diversity of type-approval and certification procedures and the small number of recognized laboratories that can grant European type-approval are criticized. Firms believe that more information is needed on the mutual recognition of standards and their rights in this area.

4.1.6. The US International Trade Commission has published its 6th follow-up report on the Internal Market in January 1994. The report focuses strictly on Member State implementation of Internal Market rules, but interprets the Internal Market substantially wider than the European Commission, and includes some 600 legal measures in its survey, including flanking policies in the field of energy policy, social legislation, etc. The report cites the ongoing recession, monetary instability and difficulties in the ratification of the Maastricht Treaty as having fuelled uncertainty and implicitly delayed realization of the Internal Market.

4.1.7. The Economic and Social Committee's Opinion⁽¹⁾ on Consumer Protection and Completion of the Internal Market stated inter alia that 'in a number of cases, official statements do not reflect consumer realities. For instance, the idea of a frontier-free European area is difficult to reconcile with duty-free allowances for travellers, national quotas for certain products such as cars, obstacles to the provision of after-sales services and guarantees for cross-frontier purchases, or the problems encountered by consumers in cross-frontier banking transactions'.

5. Results of the ESC Hearing and Questionnaire — Remaining obstacles to completion of the Internal Market

Despite the well documented successes in creating a Single European Market there are still many obstacles

which remain to be overcome. These were indicated in responses received by the Economic and Social Committee to 200 questionnaires, and in the oral evidence given by over 40 of the participants representing national and European interest groups at a one day Hearing organized by the Committee on 30 June 1994. A total of 62 substantive obstacles were mentioned of which 32 referred to the free movement of goods, 15 to the freedom to provide services and freedom of establishment, 13 to the free movement of people and 2 to the free movement of capital. The following is a summary of the main issues which were raised in these monitoring exercises, and represent the views of respondents.

5.1. Free movement of goods

5.1.1. Standards

- There is insufficient application of the principle of the mutual recognition of standards in many areas. This leads to the persistence of technical barriers to trade e.g. in food additives, nutritional labelling, pesticide residues in fruit, electrical and electronic equipment, weighing equipment, and weights and dimensions of vehicles.
- Slow pace of production of EU standards within the framework of 'new approach' Directives e.g. building materials. Widespread complaints about the lack of standardization mandates for CEN.
- European product safety markings are interpreted differently at Member State level and give rise to different or additional national requirements.
- Different testing requirements in several Member States make additional tests on imported products necessary although these products have already been tested in the Member State of origin.
- Difficulties have been experienced due to the lack of recognition by national authorities of certificates of conformity for industrial products. Companies are questioning the competence of certain Member States' testing laboratories.
- There is a general tendency towards 'environmental nationalism' whereby the application of Member State environmental regulations act as non-tariff barriers e.g. the chemical industry, packaging.
- The method of implementation of the European Environment Mark (Ecolabel) is perceived by some to be a technical barrier to trade. The objectivity of environmental requirements is perceived as questionable by some manufacturers.

⁽¹⁾ OJ No C 339, 31. 12. 1991, p. 16.

- Additional labelling information is required in some Member States. There is a problem of 'label inflation' as the EU eco-labelling scheme can coexist with national labelling requirements.
- Concern was expressed about the non-uniform application of ecotaxes and packaging waste legislation throughout the European Union. Bans on secondary packaging in wrapping is a major barrier to trade for non-local companies.
- There is a lack of harmonization of legislation regarding the movement of waste, including toxic waste, throughout the European Union. At present some Member States may be dumping grounds for others.
- Non-harmonization of legislation for the use and release of biotechnology products constitutes an obstacle to the free movement of goods.
- European Union legislation regarding food additives is not applied in one Member State.
- Some Member States impose more strict health requirements e.g. pesticide levels in infant foods.
- Variations in consumer protection standards inhibit free movement of goods, for example there are different legal traditions in northern and southern Europe. Manufacturer's declarations are sufficient in northern Europe, whereas certification per individual product is required in southern Europe.

5.1.2. Public procurement

- Complex bureaucratic requirements in certain Member States effectively work as barriers to trade in the construction industry.
- Difficult in practice to get contract unless the company is established locally.
- For construction contracts some Member States require the submission with tender documents of a balance sheet not more than 6 months old.
- The thresholds for the publication of requests for tenders in the Official Journal are too high to ensure access for SMEs.
- Complaints about short delays between publication date and tender date.
- Difficulties are experienced by SMEs in getting access to tenders in other Member States due to stringent prequalification requirements.

- Translation problems often make it impossible for SMEs to respond to public tenders in other Member States within the prescribed period.

5.1.3. Taxation

- The application of VAT at destination rather than at source causes trade distortion due to different rules for local products. A better cash flow is achieved for imported purchases.
- The transitional VAT system does not operate in a satisfactory manner. Costs are higher and the administrative burden greater than heretofore. There are concerns that the definitive system may also be too complex.
- Different VAT rules in Member States create substantial difficulties. European distribution centres cannot be established due to severe VAT administrative burdens.
- There is concern about the long delay encountered in some Member States to obtain the required information for determining VAT transfers between Member States, and also to obtain intra-European Union trade statistics. In one Member State it was reported that only 50% of returns had been received from firms in the first quarter of 1994 regarding products which had been despatched in November 1993.
- To obtain VAT registration in some Member States as a prerequisite for obtaining orders, it is necessary either to have a resident office or to have obtained a contract. The stringent requirement for fiscal representation is a particular obstacle for SMEs.

Many SMEs claim that they cannot work in other Member States because of differences between Member States in the application of the 6th VAT Directive.

- Farmers in one Member State having high VAT payment thresholds purchase a substantial amount of input materials in other Member States. There is a large difference in the purchase price due to a wide gap in VAT rates in adjacent Member States resulting in major losses for suppliers in the home Member State.
- With continuing and significant variations in the tax exclusive prices of motor vehicles, obstacles created by dealers and/or manufacturers hinder the personal importation of vehicles in some Member States.

- There are wide variations in the production cost of products where energy represents a high proportion of cost, e.g. chlorine, crystal glass. This is due to different rates of excise duties on fuels used in the manufacturing process.
- There are wide variations in taxation on biofuels in adjacent Member States.

5.2. *Freedom to provide services and freedom of establishment*

5.2.1. Financial services

- It was argued that legislation is necessary to regulate financial services such as mortgages. An example was quoted of a person taking out a house mortgage with a company in another Member State not being allowed to offset the interest payments against taxation which would have been possible if the mortgage had been taken out in the home State of the mortgagee. Thus the taxation rules of some Member States effectively prevent cross-border transactions.
- Although the market for insurance services was opened on 1 July 1994, there are discrepancies in the taxes levied on insurance policies in the home Member State, ranging from 0 % to 30 %, resulting in a distortion of competition.
- An insurance company in one Member State refused to accept a liability claim for automobile equipment of a standard accepted in each of the Member States concerned because it was installed in another Member State. The Economic and Social Committee has adopted an Opinion on this issue ⁽¹⁾.
- Differences in withholding taxes on interest at source distort trading between Member States, including transfers between parent companies and subsidiaries ⁽²⁾.
- Banks in some EEA countries reported difficulties in setting up branches in some European Union Member States due to obstacles caused by national legislation.

5.2.2. Transport

- Variations in State aid to airlines.
- Aircraft noise limits vary considerably in practice between Member States leading to the imposition of a ban on noisy aircraft in some Member States.

- Different size pallets are required for the handling of air freight in some Member States.
- Discrepancy in treatment between companies which apply European Union transport hygiene requirements and those which do not due to the non-enforcement of the legislation.
- Different axle weights per country for road transport cause problems for international freight movement.
- Some passengers eligible for concessionary fares for rail transport must purchase tickets separately in each Member State, thus making it impossible to travel without interruption across frontiers.

5.2.3. Subcontracting

Distortion of competition in the construction industry, particularly affecting SMEs, when there is temporary transfrontier employment which does not respect host State legislation with regard to working and living conditions.

5.2.4. Energy

- Electricity supply and/or distribution monopolies and the lack of third-party access to the transmission network prevent competition.
- Differences in the treatment of public and private energy suppliers vis-a-vis competition from third countries are regarded as constituting distortions of the Internal Market.

5.2.5. Telecommunications

- Concern was expressed that freedom to provide voice telephony throughout the European Union is not yet permitted.

5.3. *Free movement of people*

- The mutual recognition of diplomas and certificates in practice applies only to the 'regulated' professions. There is a lack of mutual recognition in the non-regulated professions often requiring re-education. The definition of regulated and non-regulated professions is not the same in all Member States.
- Member State legislation reserves the right to give legal advice to members of the home State legal profession.
- A citizen of another Member State, who has paid the same social insurance contribution, is often not eligible for the same entitlements as a citizen of the

⁽¹⁾ OJ No C 339, 31. 12. 1991, p. 16.

⁽²⁾ CES 689/94 final, 6. 7. 1994 (ECO/190 'Report').

home State. In some cases citizens may forfeit certain entitlements if they reside in Member States other than their home Member State.

- Pensioners who change residence to another Member State often lose supplementary State benefits.
- There is no reciprocal recognition of pension contributions given to public officials who wish to take up a position in the public service of another Member State.
- Apprentices who go to another Member State for unpaid training can obtain only a 3 months residence permit as they are classified neither as students nor as employees.
- When unemployed people travel from their home Member State to another Member State, for example on a language training programme, they are not permitted to collect unemployment benefits in either State.
- Language barriers inhibit the free movement of people.
- Third country citizens find it to be almost impossible to obtain an educational qualification in a Member State other than their Member State of residence.
- Cross-border motorists entering some Member States are stopped and asked the nature of their business.
- Three lane motorways between Member States frequently contract to single lane carriageways at the border, thus inhibiting cross-border commuting to work.
- In one Member State motor car export documentation must be taken when a car is driven across the frontier of that Member State.
- Citizens of the European Union and non-European Union citizens of the EEA are treated differently at European Union airports.

5.4. *Free Movement of Capital*

- Cross-border payments are perceived as taking too long, being too expensive, and having costs which are not transparent. The Committee has adopted an opinion on this issue ⁽¹⁾.
- Complaints about the absence of a single currency.

6. **Synopsis of key findings of the Economic and Social Committee's Hearing and Questionnaire**

6.1. This first assessment by the ESC of the operation of the Internal Market has examined the situation in a constructively critical manner, and has identified a substantial number of issues which remain to be resolved. The following are some of the key findings of the ESC assessment.

6.2. *Regulation and Subsidiarity*

6.2.1. Respondents emphasized the need for transparency and consistency with regard to European Union legislation. Concern was frequently expressed about the unevenness of European Union legislation and its enforcement in the areas of human and animal health, product safety, consumer protection, standards and testing, taxation and environmental protection leading to distortions of competition in the Internal Market.

6.2.2. For example it was pointed out that there are different legal traditions for consumer protection in northern and southern Europe. In northern Europe a manufacturer's declaration of conformity is deemed to be sufficient while in southern Europe certification is required for each individual product. Harmonization at the level of the EEA is considered to be the only real solution.

6.2.3. It was noteworthy that no concern was expressed about over-regulation by the institutions of the European Union. On the contrary, it was considered that the concept of subsidiarity is often carried too far in the direction of decentralized regulation, the result of which is the creation of new barriers to trade between Member States.

6.3. *Standards and Testing*

6.3.1. Many companies and organizations reported difficulties in obtaining mutual recognition of Member State product requirements, testing and certification. Although European Union Internal Market legislation should, in principle, cover essential health and safety requirements, it appears that Member States often demand additional requirements.

6.3.2. Information about national standards is difficult to obtain. Widespread differences remain in the methods of approval, and in the scope and duration of approvals.

6.3.3. The application of Directive 83/189/ESC has been the primary instrument for preventing barriers to trade in the area of technical standards. However it is perceived as being too narrow in its scope. Difficulties have been experienced by the lack of recognition by

⁽¹⁾ CES 854/94, 6. 7. 1994, not yet published.

national authorities of Certificates of Conformity for industrial products. The competence of testing laboratories in certain Member States is called into question.

6.4. *Environment*

6.4.1. This issue emerged almost autonomously. Environmental legislation is perceived as posing a large number of obstacles to free trade. A significant number of respondents expressed concern about a trend towards a new environmental protectionism and the application of subsidiarity which were perceived as major dangers for the Internal Market.

6.4.2. There is an increasing number of product related national environmental laws, decrees or voluntary agreements. Many companies are concerned about 'label inflation' as the EU eco-labelling scheme can coexist with national labelling schemes.

6.4.3. Bans on secondary packaging and requirements to recycle packaging are perceived as making trading more difficult for non-local companies which have to transport products over long distances. The Committee refers to its recent Opinion ⁽¹⁾ on the proposed 'Packaging Directive'.

6.4.4. The key issue is the existence of wide variations in the environmental requirements for products throughout the European Union. There is an urgent need for harmonization even at a higher level so as to ensure that the objectives of higher environmental standards and the completion of the Internal Market are balanced and complementary ⁽²⁾.

6.5. *Value Added Tax and Excise Duties*

6.5.1. There is widespread concern about the difficulties caused by the application of VAT at destination. There are two main reasons for this concern.

6.5.1.1. The first is that it gives rise to distortions of trade as a better cash flow can be achieved by the purchase of products imported from other Member States. This distortion is amplified in cases where wide discrepancies occur between VAT rates in adjacent Member States, or when large quantities of products may be purchased legally without declaration of the VAT paid.

6.5.1.2. The second reason relates to administrative procedures which are very complex. In some cases, for example where fiscal representation is demanded requiring lengthy and expensive procedures in several Member States, the costs are prohibitive for SMEs. In

general the implementation of the transitional VAT control system has imposed additional administrative burdens on businesses.

6.5.2. Another cause for concern arising from the transitional VAT system, which imposes VAT at destination combined with the abolition of border controls, is the development of fraud and also the reduction in VAT revenue for some Member States leading to higher budget deficits.

6.5.3. Furthermore, different VAT rules in Member States cause substantial difficulties. Firms wishing to operate European distribution centres cannot do so without a severe administrative burden. There are widespread difficulties with consignment stocks, differing definitions of contract work, distance-selling operations. It appears that all but the most simple bilateral transactions have become administratively complex.

6.5.4. Trade distortions also occur due to discrepancies in excise duties on industrial materials in adjacent Member States. This is particularly relevant in the case of fuels and chemicals used in the manufacturing process.

6.6. *Other issues*

6.6.1. *Public Procurement*

Complex bureaucratic requirements in certain Member States effectively work as barriers to trade in the construction industry whether for public tendering, repair work, or for the establishment of a business. It is claimed that it is difficult to obtain a contract, unless the company tendering has a local establishment.

6.6.2. *Free Movement of People*

The main issues which were raised related to the lack of recognition of qualifications in the 'non regulated' professions; the loss of certain social welfare benefits and pension entitlements by citizens when resident in another Member State; and the lack of reciprocal recognition of pension contributions given to public officials wishing to work in another Member State.

7. *Conclusions*

7.1. The full operation of the Internal Market is crucial to economic and social development within the European Union. However, the expectations which existed at the time of passage of the Single European Act have not yet been met. It is essential that a vigorous programme be adopted to eliminate all remaining obstacles.

⁽¹⁾ OJ No C 129, 10. 5. 1993, p. 18.

⁽²⁾ OJ No C 332, 31. 12. 1990, p. 107.

7.2. There is need to achieve an appropriate balance between EU and national regulation. The implementation and control of existing regulation must be supervised rigorously. The responses to the hearing and questionnaire have pointed to the need for greater harmonization of legislation.

7.2.1. The Economic and Social Committee repeats its recommendation expressed in its Opinion on the Strategic Programme on the Internal Market ⁽¹⁾ that the use of Regulations rather than Directives is more appropriate to strictly technical provisions.

7.3. Directive 83/189/EEC has been the primary instrument for preventing barriers to trade in the area of technical standards. However this Directive applies only to proposals for national technical requirements introduced after the coming into force of the Directive. While the scope of the Directive was widened subsequent to its introduction, a further widening of its scope is necessary together with more intensive implementation and a greater emphasis on harmonization programmes.

7.4. There is at present no formal European Union mechanism for the systematic review of trade barriers. The Economic and Social Committee considers that a systematic Europe-wide inventory of these barriers in the European Union and the EEA is needed to understand the full extent of existing problems. This inventory would make possible the drawing up of a comprehensive working programme to eliminate the remaining barriers.

7.5. Until now there has been no obligation on Member States to notify the Commission when they do not recognize the equivalence of the national rules of other Member States. However, the Commission has put forward a new procedure for the exchange of information on national measures derogating from the principle of the free movement of goods within the Community. The Economic and Social Committee has strongly welcomed this proposal subject to certain modifications recommended to improve operational procedures ⁽²⁾.

7.6. Differences are emerging in the environmental provisions for products throughout the European Union. There is need to ensure an appropriate balance between the requirements of higher environmental standards and the completion of the Internal Market. The Economic and Social Committee recommends a greater harmonization of environmental standards, even at a higher level so as to ensure balance and compatibility between objectives of improved environmental requirements and the functioning of the Internal Market.

7.7. The complexity of the transitional VAT regime, the existence of different administrative procedures in Member States, inadequate administrative cooperation between Member States and wide variations in the rates of value added taxes between Member States are inhibiting the free movement of goods throughout the European Union. They also contribute to serious budgetary problems in some Member States.

7.7.1. The Committee recommends that measures be taken to achieve the maximum clarity, simplicity and consistency when introducing the definitive system so that all obstacles to intra-Union trade are eliminated.

7.8. There is an information gap regarding the rights of the various economic and social interests in relation to their rights in the Internal Market. Basic knowledge of when a barrier is legal or illegal would be useful.

7.8.1. The Committee recommends that easily understandable information about legal rights should be disseminated.

7.9. There are significant differences in the taxation treatment of certain financial services sourced in another Member State.

7.9.1. The Committee recommends that individuals who obtain house mortgage in another Member State should be given the same taxation allowance for interest payments as if they had sourced the mortgage in their home State. Similarly taxation on insurance premiums should be charged at the rate applicable in the home State of the insured.

7.10. The lack of mutual recognition of qualifications in 'non-regulated' professions is inhibiting the free movement of people.

7.10.1. The Committee recommends that an intensive programme be developed by the Commission to establish objective educational and training equivalence for all 'non-regulated' professions.

7.11. Cross border payments are perceived as taking too long, being too expensive, and having costs which are not transparent.

7.11.1. The Committee in its Opinion on 'Cross-Border Payments' ⁽³⁾ has recommended the development of a code of practice between the interested parties which would increase speed of payment, reduce costs and improve transparency.

7.12. Complex bureaucratic requirements for public purchasing in certain Member States act as barriers to trade.

⁽¹⁾ OJ No C 304, 10. 11. 1993, p. 10.

⁽²⁾ OJ No C 195, 18. 7. 1994, p. 6.

⁽³⁾ CES 854/94, 6. 7. 1994, not yet published.

7.12.1. The Committee recommends that an urgent examination be conducted by the Commission to ensure that administrative requirements are not imposed on firms from other Member States which effectively act as barriers to trade.

7.13. To avoid distortion of competition linked to temporary cross-border employment, it would be helpful if the Proposal for a Directive concerning the posting of workers in the framework of the provision of services ⁽¹⁾ were accepted by the Council.

7.14. The loss of certain social welfare benefits and pension entitlements by citizens when resident in another Member State inhibits the free movement of people.

⁽¹⁾ OJ No C 225, 30. 8. 1991, p. 6; OJ No C 49, 24. 2. 1992, p. 41.

7.14.1. The Committee recommends that measures should be proposed by the Commission to remove these disparities, where practicable.

7.15. The Committee recommends that the Commission should publish annually a list of all complaints received about the imperfect functioning of the Internal Market, should comment thereon and state the action which it has taken or proposes to take.

7.16. Having completed this initial assessment in the context of the First Annual Report on the Functioning of the Internal Market, the Committee intends to conduct further analyses of specific areas prior to the publication of the Commission's Report next year.

7.17. The Committee considers that the operation of the Internal Market is crucial to economic and social development within the European Union. While much has been achieved, much remains to be done. The Committee hopes that the actions resulting from this assessment will lead to the elimination of the obstacles identified, and to the creation of a more equitable and transparent Internal Market.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the Green Paper — Strategy options to strengthen the European programme industry in the context of the audiovisual policy of the European Union

(94/C 393/05)

On 14 April 1994 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the Green Paper — Strategy options to strengthen the European programme industry in the context of the audiovisual policy of the European Union.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 28 July 1994. The Rapporteur was Mr Flum.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion by a majority vote in favour and one vote against.

1. Introduction

1.1. This Green Paper 'looks at the future of one specific industry: the European film and television programme industry' because, as stated in the Foreword, 'films and television programmes (are) prime vectors of European culture and (provide) a living testimony to the traditions and identity of each country.' The Green Paper is intended to provide the basis for 'wide-ranging, in-depth consultations'. The essential problem is summed up as follows:

'How can the European Union contribute to the development of a European film and television programme industry which is competitive on the world market, forward-looking and capable of radiating the influence of European culture and of creating jobs in Europe?'

1.2. The precursors of this Green Paper were the White Paper on 'Growth, competitiveness, employment — the challenges and ways forward into the 21st century' [COM(93) 700 final of 5 December 1993], the draft Council Resolution on 'Digital video broadcasting — a framework for Community policy' [COM(93) 557 final of 17 November 1993], the proposal for a European Parliament and Council Directive on the use of standards for the transmission of television signals⁽¹⁾ and the Green Paper on pluralism and media concentration in the Internal Market — an assessment of the need for Community action [COM(92) 480 final of 23 December 1992].

1.3. Two reasons are given for confining the Green Paper to the development of the European film and television programme industry:

— because, in the words of the Green Paper, film and television are 'the prime vectors of culture' and 'as living testimony to the traditions and identity of each country they deserve encouragement';

— because the Green Paper sees the programme industry as 'a strategic element in the development of the audiovisual sector', making it imperative to keep a close watch on trends in this area: 'As recent developments show, the most powerful operators on the world market (equipment manufacturers and cable and telecommunications operators) are seeking to control the most important programme catalogues'.

2. Preliminary comments

2.1. The threat to programme diversity and freedom of expression posed by the most powerful operators on the world market and possible European counter-strategies, is already evident at this point, but this threat is then glossed over: the Green Paper sticks to discussing the economic consequences of the various 'strategic options' it presents. At the same time, no account is taken of the influences and divergent interests of worldwide media groups when defining the aims of the European strategy for the development of the programme industry. Rather, the Commission assumes that 'the entrance of new actors, with greater financial resources, on the audiovisual stage opens up new prospects in terms of new investments and new outlets for the European programme industry.' And it refers to the rather optimistic forecasts contained in the White Paper mentioned above that, with the increased growth in the European audiovisual industry, 'job creation could be of the order of two million by the year 2000'.

2.2. The Green Paper gives a more realistic analysis of the obstacles to the development of a truly European programme industry. Language barriers, partitioned markets and failure to use new technologies to the full may hinder the development of a European programme industry. This is why the Commission feels that the European Union must 'mobilize its resources to invest in the development of a programme industry capable of competing at home and on the world market, acting as a vehicle for its culture, creating jobs and generating

⁽¹⁾ OJ No C 341, 18. 12. 1993.

profits. What is needed, therefore, is a medium/long-term policy with the ultimate aim of making the industry profitable again in an open, dynamic world market'.

2.3. Although the Green Paper sees the development of a competitive European programme industry as a prerequisite for maintaining 'cultural diversity', there is no mention of safeguarding the specific cultural characteristics of European film and TV productions in the 'Strategy options to strengthen the programme industry'. It has long been an open secret that promoting such programme industries from a purely commercial angle does nothing to advance cultural diversity, but leads to productions which promise the highest possible ratings and which are more and more alike. This is in itself sufficient to make it essential to preserve and develop licence-fee-financed public-service productions in Europe: public-service broadcasters have produced a demonstrably higher proportion of cultural programming than their commercial competitors. This important point is also ignored in the 'Strategic Options'.

2.4. After describing the existing instruments — the 'television without frontiers' Directive establishing the general framework for free movement of television broadcasting services, the promotion of independent European productions, the MEDIA programme — the Commission turns to the 'options for the future'. It does not set out to provide 'an inventory of practical measures to be proposed at European level. Instead, the Commission sees the options discussed as a basis for discussion, principles that should govern action by the Union and priority strategies that could be jointly defined'. Nevertheless, the Commission believes that 'urgent, vigorous action' is required to allow European industry to benefit from the free play of market forces. This in turn requires 'removing barriers in the single market', as the Commission categorically states, drawing on its White Paper in which it points to the worldwide trend towards liberalization and deregulation, saying that this applies equally to the audiovisual sector. In concrete terms, 'the development of specific national rules for the audiovisual industry must not be allowed to interfere with the functioning of the single market'. In the same breath, the Commission bemoans the lack of transparency and acknowledges that 'globalization of the industry makes it increasingly difficult to analyze the market penetration strategies of international audiovisual or multimedia groups'.

3. General comments

3.1. The Commission's analysis does not prompt it to comment on ways of limiting the market power of international groups. The Commission's chief concern is to improve market transparency, and so it calls for 'cooperation between the Commission and national

authorities responsible for applying the rules of competition' and 'tighter checks on the application of Community law':

'The implementation and enforcement of common rules and the imposition of sanctions in the event of non-compliance are vital for the harmonious development of broadcasting in Europe. Differences between Member States in the application of the rules would distort competition in the system of free exchange of television programmes provided for by the 'television without frontiers' Directive.'

3.2. Strategies for restricting market share also fall foul of the Commission's objective of undistorted competition.

3.3. The Green Paper ends with a series of questions aimed at achieving greater transparency and creating financial incentives. The Commission advocates a 'change in attitude' and to this end intends to supplement the Green Paper with an extensive hearing of industry representatives 'to canvas the views of individual operators and organizations representing the industry at European level'. In answering these questions and in the course of the hearings it is essential that proposals for restricting power over the media in Europe are discussed. Pan-European rules should not be based on the lowest common denominator.

4. Specific comments

4.1. By concentrating on the unimpeded operation of the internal market and by endorsing the trend in the service sector towards worldwide liberalization and deregulation, the Green Paper deliberately steers clear of the possible social consequences of unbridled competition in the audiovisual field. At the same time, films, television and radio programmes cannot be compared with other services because, in essence, they represent the cultural identity of European countries. Unrestricted competition would undoubtedly lead to the European market being dominated by a small number of mainly non-European media groups, thus jeopardizing this cultural identity.

4.2. For this and other reasons, the European Union took steps in December 1993 to ensure that the GATT world trade agreement excluded the audiovisual sector in order to preserve Europe's cultural autonomy and diversity. The Green Paper argues that action to create a common information area should be speeded up in response to technological advances — especially the imminent process of digitalization and its consequences for the programme industry. Yet, by the same token, it should be pointed out that the process of concentration in the media sector is also forging ahead, with an urgent need for regulation. In any event, this aspect cannot

simply be put on ice until the Commission has reached concrete conclusions based on the opinions of the European Parliament, the ESC and other institutions on the Green Paper on 'Pluralism and media concentration'.

4.3. Moreover, neither the lessons gained from experience with the 'Television without frontiers' Directive of October 1989, nor recent political developments have prevented a retreat to a position where industrial policy is the sole issue. The quota arrangements for European programming, which the television Directive sought to achieve, have been ignored by commercial broadcasters. The ESC feels that these developments should have sounded alarm bells for the European Union's media policy, triggering measures to combat media concentration in Europe, as the ESC has proposed over and over again.

4.4. The Economic and Social Committee notes with interest the Commission's target of creating 2 million jobs in the audiovisual sector by 2000.

To allow this trend to be monitored the Committee calls on the Commission to submit an annual progress report.

The ESC emphasizes that statistics should include only newly created jobs and not shifts from one media sector to another.

4.5. Yet the ESC cannot ignore the fact that the numerous comments and suggestions it has submitted in recent years concerning the future prospects for a democratic, European media culture have yet again been ignored. In any case, consultation prior to publication of the Green Paper was limited to representatives of the industry and to users, even though the ESC had repeatedly expressed its willingness to conduct preliminary consultations.

5. Draft responses to the questions raised in the Green Paper on Strategy options to strengthen the European programme industry in the context of the audiovisual policy of the European Union.

5.1. How can the application of Community law and its monitoring be made more effective ⁽¹⁾?

For any kind of monitoring on the application of Community law to be effective, the ownership status of audiovisual media in Europe must be transparent. With the technical possibilities opened up by digitalization and the virtually unrestricted opportunities it provides

for duplicating programmes, there is a greater need to curb the processes of increasingly large-scale media concentration. Compulsory disclosure of ownership status in the audiovisual field must therefore be enshrined in Community law, along with specific limits on involvement in this field (cf. ESC Opinion on the Green Paper on pluralism and media concentration in the internal market — an assessment of the need for Community action, of 22 September 1993).

5.2. How can the diversity of services be taken into account? How can intra-European distribution of programmes be encouraged? Are clearer common definitions needed? Should preference be given to incentives to invest in the production of programmes and the acquisition of rights rather than mechanisms based on broadcasting time ⁽²⁾?

The diversity of services can be fostered as much by restricting concentrations at both national and European level, as by introducing specific measures to promote diversity. Intra-European distribution can be achieved by encouraging supranational broadcasting companies such as ARTE. To this end, public structures would be helpful if only because the cost of broadcasting multilingual programmes would presumably deter commercial operators. In addition, Europe-wide projects such as MEDIA could have a positive effect on the development of European programme structures and production processes.

It would make sense in several respects, and indeed it would be necessary, to lay down common definitions, for instance, to limit media concentrations, as well as to define the conditions for the provision of incentives. Incentives for investment in programmes should be channelled into promoting the production of culturally valuable programmes or acquiring the rights to these.

5.3. Should Community rules on media time scales be retained, given the need to maximize earnings and encourage the emergence of new formats and services? Should existing rules be amended and extended to forms of exploitation other than broadcasting ⁽³⁾?

As regards media time scales, the rules on exploitation need to be radically revised, given the wide range of interests and dependencies in film production and the imminent proliferation of programme channels in the wake of digitalization.

⁽¹⁾ Green Paper — questions, p. 37.

⁽²⁾ Green Paper — questions, p. 39.

⁽³⁾ Green Paper — questions, p. 40.

5.4. How can the relationship between the development of new types of service and the development of the European programme industry be optimized? Should incentives be developed for new ways of transmitting audiovisual programmes (notably those on individual demand, as opposed to broadcasting services in the strict sense — 'point to multipoint' communication)? What would be the appropriate arrangements ⁽¹⁾?

The ESC feels that incentives for new ways of transmitting audiovisual programmes — especially by individual demand — are unnecessary. Not every innovation in the audiovisual sector needs to be supported, particularly when such innovations merely provide additional facilities, rather than plugging identifiable gaps in the communications field. On the other hand, there is quite clearly a need to lay down rules at the start in order to prevent large media concerns from extending their growing dominance to this sector as well.

5.5. Should the horizontal approach to financial incentives be continued, covering all phases of the creation/production/distribution/exploitation process, or should funds be concentrated on a number of priority phases to apply leverage to the process as a whole? And if so, on which ⁽²⁾? In particular: How can the development of projects be improved in a European context? How can pan-European distribution of programmes be encouraged and the compartmentalization of national markets be brought to an end? How can high-quality dubbing and subtitling be promoted? How can investment be encouraged? How can training be geared to the market and new information technologies?

Whether a horizontal approach to financial incentives is appropriate for the entire range of audiovisual activity in Europe depends on the needs identified in particular areas. Both the technological and financial development prospects would have to be examined, with particular attention paid to promoting initiatives which are not simply calculated attempts by large media concerns to fill any last gaps in the market.

Pan-European distribution of programmes can mainly be encouraged through intensive information campaigns about products in the major — or, if possible, all —

European languages. Creating a pool of translators for this purpose would be one of the most important investments and could at the same time set new quality standards for dubbing. This could be financed through levies on TV advertising, especially as these levies would benefit all concerned in the long run. The Committee feels that the Commission's efforts in this area have so far been inadequate.

5.6. Should the project-by-project (creation, production, distribution or exploitation) approach be continued for financial incentives? or, should priority be given to companies, taking the whole range of their activities into account ⁽³⁾?

The claim that providing incentives to companies, taking the whole range of their activities into account, sparks growth could be a dangerously incorrect conclusion. Economic history shows clearly that giving everyone a slice of the incentives cake is not nearly as effective as providing specific financial incentives for individual projects.

5.7. The mechanisms which must be applied in order to bring about changes in structures at European Union level must have a genuine European dimension and be adequately funded in order to provide the 'critical mass' required to achieve the objectives within a reasonable length of time ⁽⁴⁾.

See the suggestions in point 5.5 above made in response to the questions concerning pan-European distribution of programmes. The same precondition applies for any other kind of incentive.

5.8. How can the European Union cater for the special problems of countries with low production capacity or a restricted language area?

Should they be catered for under the mechanisms applicable across the board or should specific mechanisms be developed? (If so, what form should they take?) ⁽⁵⁾.

The Economic and Social Committee supports all additional measures to ensure that cultural diversity and specificity are secured and maintained in countries with low production capacity or a restricted language area.

The cultural importance of the audiovisual sector referred to by the Commission cannot be excluded from the European Union's area of competence as a mere product of market mechanisms.

In its recent Communication on Europe's way to the information society — an action plan [COM(94) 347 final], the Commission for the first time stresses, as

⁽¹⁾ Green Paper — questions, p. 41.

⁽²⁾ Green Paper — questions, p. 43.

⁽³⁾ Green Paper — questions, p. 44.

⁽⁴⁾ Green Paper — questions, p. 45.

⁽⁵⁾ Green Paper — questions, p. 57.

suggested by the ESC, that films and television and radio programmes are cultural products which cannot be treated like other products⁽¹⁾.

5.9. With an eye to the development of the audiovisual market in the countries of Central and Eastern Europe:

Should action by the European Union be confined to development and reconstruction programmes for industry in general (and hence, potentially, the audiovisual industry)?

or

Should the Community's financial incentives be extended to professionals in these countries?

or

Should specific instruments be developed to encourage initiatives by Community companies in these countries in a spirit of partnership⁽²⁾?

Community financial incentives should be extended to professionals in the countries of Central and Eastern Europe, not least because such exchanges would benefit programme diversity in EU countries. This does not preclude the encouragement of specific initiatives by

⁽¹⁾ See COM(94) 347 final, p. 20.

⁽²⁾ Green Paper — questions, p. 47.

Community companies in a spirit of partnership, provided that these companies put up an adequate proportion of the financing themselves.

5.10. Should a cooperative framework for exchanges and thought be set up with a view to improving national systems of support for the programme industry and promoting their convergence?

What should be the priority themes?

Should such an exercise promote: common priorities in national support systems; a gradual move towards a European dimension; a debate on funding arrangements⁽³⁾?

For the reasons outlined above, the ESC categorically advocates setting up a cooperative framework for exchanges and thought to promote the convergence of national systems of support. A key issue here should be the question of introducing a pan-European levy system, as outlined in point 5.3.2(ii) of the Green Paper.

The objective of any such reflection should be to determine specific measures for providing financial support at Community level and beyond for elements of European culture in audiovisual programmes. The time is ripe for such measures.

⁽³⁾ Green Paper — questions, p. 51.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the proposal for a European Parliament and Council Directive amending Council Directive 89/647/EEC with respect to the Supervisory Recognition of Contracts for Novation and Netting Agreements ('Contractual Netting')

(94/C 393/06)

The Council decided on 13 July 1994, in accordance with Article 57(2) of the Treaty establishing the European Economic Community, to ask the Economic and Social Committee for an Opinion on the abovementioned proposal.

The Section for Industry, Commerce, Crafts and Services, which was responsible for the preparatory work, adopted its Opinion on 28 July 1994. The Rapporteur was Mr R. Pelletier.

At its 318th Plenary Session (meeting of 14 September 1994) the Economic and Social Committee adopted unanimously the following Opinion.

1. Presentation of the Proposed Directive

The aim of the proposed directive is to amend Annex II of the Solvency Ratio Directive (89/647/EEC). This Annex deals with the treatment of off balance sheet items concerning interest and foreign exchange rates. The intention is to allow a broader supervisory recognition of the risk reducing effect of bilateral netting than at present. Since the present text of the Solvency Ratio Directive recognizes only bilateral netting by novation as a risk reducing factor, the new proposal will enable national supervisory authorities to recognise the risk reducing effect of further types of netting and, in particular, of bilateral close-out netting, provided that the legal validity of the contractual netting is proven.

The proposed changes will also apply to Council Directives 93/6/EEC of 15 March on the capital adequacy of investment firms and credit institutions and 92/121/EEC of 21 December 1992 on the monitoring and control of large exposures of credit institutions.

As the Solvency Ratio Directive is contained in the Annex to the EEA Agreement, the new proposal should also be inserted in Annex IX of the Agreement under II No 19a.

2. Comments

The ESC is pleased that the Commission is proposing amendments to the Solvency Ratio Directive with the aim of maintaining the necessary consistency between EU legislation and the proposals being prepared by the Basle Committee.

This initiative will enable EU financial institutions to benefit from a relaxing of the capital requirements for covering risks associated with dealings in interest rate and foreign exchange contracts. It will prevent the

distortion of competition between EU and non-EU institutions. The ESC therefore recommends that the proposed directive be adopted as rapidly as possible, although it would suggest certain changes which it thinks are necessary if the directive is to be applied properly in the different Member States.

These concern the following areas.

2.1. It is desirable to increase the legal security of such contracts throughout the European Union.

In addition to amending the Solvency Ratio, Own Funds and Large Risks Directives, it might well be a good idea for the Commission to put forward some form of binding Community act so that Member States which have no legislation on the validity of contracts for novation or netting agreements take the appropriate steps by 1 January 1996 at the latest. Such an initiative would enable the market in financial derivatives to develop in the EU within the spirit of the Single Market.

In the same spirit, the ESC also thinks it is necessary to adopt rapidly the 1985 draft Directive on the winding-up of credit institutions, amended in 1988.

2.2. The privileged status of netting by novation in the proposed Directive seems excessively influenced by common law and favours the prudential treatment of this type of netting.

For the needs of the present proposal, one can speak of three forms of netting:

2.2.1. Netting by novation:

The effect of netting by novation is to cancel initial commitments by the parties concerned and replace previous gross obligations by a single new obligation

equal to the net amount. It assumes the existence of an agreement between the parties concerned.

Netting by novation may be relevant if the claims of parties towards each other are expressed in the same currency and have the same expiry date. So, its scope is fairly limited.

An important feature of netting by novation is that it operates as contracts are concluded. This makes 'cherry picking' impossible (i.e. the process where the liquidator of a bankruptcy differentiates between the claims and obligations concerned by requiring the enactment of those which are advantageous to the mass and refusing to pursue those which are not), except in the case of claims arising from the same contractual relationship, where neither 'cherry picking' nor the exception of non-performance is conceivable.

2.2.2. Netting by payment:

The parties are agreed that if, at any time, one of them has to pay through one of these 'payment centres' in foreign currency, he can amalgamate his debt with all of the sums in foreign currency which the other party owes him and just pay the balance.

2.2.3. Close-out netting:

Netting by close-out or acceleration is when a contract stipulates that the bankruptcy of one of the parties liquidates all current contracts, and results in the calculation of a single payment due by one party to another. The effect of 'netting by close-out' for a non-bankrupt party is to produce a credit or debit balance. But such contracts often contain a 'walkaway clause' allowing the non-bankrupt party not to pay off a net debit balance for which he might be liable following netting. The Basle Committee finds that such a clause introduces an element of instability and uncertainty which does not square with the idea of netting, and therefore proposes that netting contracts containing such a clause should not be taken into consideration when calculating standards for own funds.

But close-out netting, unlike netting by novation, does not have the effect of cancelling initial obligations; it is simply a means of settling payments which are due. This netting-out of payments only comes into effect in the event of a default and the total cancellation of all transactions as a result of this default. It allows current transactions to be paid off, their replacement value to be assessed and amalgamation to take place (the classic case of a default being that of bankruptcy).

2.2.4. Views differ on whether netting-out and amalgamation by contract are really interchangeable concepts. However, one thing seems certain: it is accepted under civil law that amalgamation may apply to third parties in the event of a bankruptcy whenever it concerns associated debts. As a result, amalgamation which

is performed, for example, under a current account agreement may be applied to third parties, even if the claims concerned are expressed in another currency, have a different expiry date or have different features.

The proposed directive, which concerns the solvency ratio, only has to question the legal validity of these clauses in the event of the bankruptcy of a counterparty.

2.2.5. In this context close-out netting must see its legal validity fully recognised on the same footing as netting by novation. Anyway, legal systems which have taken account of the amalgamation of foreign exchange transactions — irrespective of whether they belong to the common law countries (USA, ...) or the civil law countries (Belgium, France) — recognize the validity of the close-out netting payment.

2.2.6. Conclusions

2.2.6.1. The distinction drawn between netting by novation and other forms of netting in the Commission's proposal for a directive has no equivalent in the legislation of countries with a civil law system.

So, the definition of netting by novation contained in the proposal is surprising (a contract under which 'mutual claims and obligations are automatically amalgamated in such a way that this novation fixes one single net amount and thus creates a legally binding, single new contract extinguishing the former contracts'). Such a definition appears to be inadequate compared with the law in countries with a civil law system. The Commission should therefore define netting by novation in terms which mean something in different legal systems.

2.2.6.2. In addition, it is possible that, in the eyes of countries with a civil law system, types of netting other than netting by novation may offer the same legal security as netting by novation as understood under common law.

It would therefore seem logical for the proposal to take this into account by granting other forms of netting the same privileged treatment as that given to netting by novation.

2.2.6.3. In some countries (USA, Belgium, France) specific legislation has just been adopted allowing the amalgamation of interbank payments under certain conditions. The aim of this legislation is to grant this particular form of amalgamation legal security at least equal to that given to netting by novation under common law.

One therefore wonders why the proposal should refuse to put payments made under these legislations on an equal footing, as regards prudential treatment, with netting by novation.

2.3. *Application of the proposed directive in practice*

Article 1 — Annex (II) — Conditions for the recognition — page 9

The proposal states that amalgamation can only be applied if it is accepted that the claims and obligations of the credit institution are confined to the net value under:

- the law of the jurisdiction in which the counterparty is incorporated and, if a foreign branch of an undertaking is involved, then also under the law of the jurisdiction in which the branch is located;
- the law that governs the individual transactions included; and
- the law that governs any contract or agreement necessary to effect the contract for novation or the netting agreement.

Such requirements lead to complications, which should be removed. Let us take an example: if a Spanish branch of a French bank concludes a rate swap with a Portuguese branch of a German bank, under an agreement of the British Bankers Association amalgamation would have to be permitted under French, Spanish, German, Portuguese and English law, which is a very severe constraint and leads one to wonder about the legal validity of amalgamation in territories where branches are located.

The proposal stipulates in (b)(ii) that the credit institution should have furnished to the supervisory authorities 'written and reasoned legal opinions...'. This obligation goes beyond the requirements set out by the Basle Committee and necessitates major transfers of documents which are not indispensable. It would suffice to require that the institution should keep its documents at the disposal of the supervisory authorities. In addition,

the wording of the last paragraph (b)(iii) of the proposal is ambiguous. With respect to a smooth functioning of the single market, Member States are 'obliged to strive for a uniform assessment of agreements for contractual netting by their competent authorities'; is this an obligation or a recommendation? This freedom of assessment by national authorities must not lead to distortions of competition.

2.4. *Calculation of weightings*

The draft directive proposes that the weightings applied for potential future contract risks should be based on the notional total of each contract. Such a method is too strict since in reverse transactions with the same counterparty the risks themselves are reversed. So, weightings should be based solely on the amalgamated amounts of contracts.

But generally the most logical method would be to adjust weightings in the light of the risk in each individual contract.

At the outside it could be proposed for all contracts, whether amalgamated or not, that the market value of contracts be subtracted from the weightings when this is negative. Compared with the current method for calculating solvency ratios, such a change would enable account to be taken of the fact that the appearance of any counterparty risk — assuming that a market value remains positive — is all the more unlikely when a contract portfolio is currently losing money. This could be done by calculating weightings in accordance with the results of the simulation methods used in banks.

2.5. *Multilateral amalgamation*

Multilateral amalgamation is designed to extend the advantages of amalgamation to contracts concluded with any group of counterparties taking part in amalgamation arrangements, and not with a single counterparty as in bilateral amalgamation.

Multilateral amalgamation schemes such as ECHO and NACHO-MULTINET are being developed. The proposed directive should be amplified on this point, and indeed the Basle Committee has already given some thought to the matter. Multilateral amalgamation should not be treated as a sedimentation of bilateral amalgamation arrangements, since a claim against a defaulting party may be partially settled by claims held by that counterparty against other, non-defaulting members of the clearing system.

Bearing in mind the standing of the future participants in such schemes (echonetting,...) and the very low

probability of several counterparties defaulting at the same time, there is no justification in taking account of a risk in the system, especially as the supervision carried out by the banking authorities on the clearing systems and the management rules applying to the system are safety factors compared with the risk involved in face-to-face transactions.

The reduction of counterparty risk should therefore be taken into account by applying some form of partial

exemption geared to the features and quality of the multilateral amalgamation scheme.

It seems sufficient to impose a weighting of 20 % on the clearing system, even if it is not, strictly speaking, a credit institution. The Lamfalussy report envisages making bodies which manage clearing systems subject to a prudential supervisory authority which, irrespective of the legal status of the clearing system, should be sufficient grounds to justify giving it a weighting of 20 % as if it were a credit institution.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the role of the public authorities in the partnership (Article 4 of the Framework Regulation)

(94/C 393/07)

On 22 February 1994 the Economic and Social Committee, acting under the fourth paragraph of Article 23 of its Rules of Procedure, decided to draw up an Opinion on the role of the public authorities in the partnership (Article 4 of the Framework Regulation).

The Section for Regional Development and Town and Country Planning, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 26 July 1994. The Rapporteur was Mr Masucci and the Co-Rapporteur was Dame Jocelyn Barrow.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion by a majority vote (one abstention vote).

1. Introduction

1.1. Article 4(1) of the Framework Regulation governing the Structural Funds, approved by the Council on 20 July 1993, states that:

'Community operations shall be such as to complement or contribute to corresponding national operations. They shall be established through close consultations between the Commission, the Member State concerned and the competent authorities and bodies — including, within the framework of each Member State's national rules and current practices, the economic and social partners — designated by the Member State at national, regional, local or other level, with all parties acting as partners in pursuit of a common goal. These consultations shall hereinafter be referred to as the 'partnership'. The

partnership shall cover the preparation and financing, as well as the ex ante appraisal, monitoring and ex post evaluation of operations.

The partnership shall be conducted in full compliance with the respective institutional, legal and financial powers of each of the partners.'

1.2. This is one of the key innovations of the revised Regulations, in that for the first time the 'partnership' is to include the economic and social partners. The parties are to act 'in pursuit of a common goal' through 'close consultations'.

1.3. A recent ESC Own-initiative Opinion⁽¹⁾ dwelt on the identity and role of the partners, the levels and

⁽¹⁾ OJ No C 127, 7. 5. 1994.

forms taken by the partnership, and the instruments of participation. However, these points were only considered in connection with the economic and social partners.

The present Opinion, in contrast, is based on the premise that the partnership and the close consultations — and hence the development philosophy which underpins them — can only work if the relevant public authorities at national, regional and local level are sympathetic and supportive, in both practical and formal terms.

The Opinion therefore seeks to assess the relevant authorities' attitude to the implementation of Article 4, by considering some cases which the Committee has learned about directly or via studies and research. In this way the Committee hopes to help make the partnership more successful.

1.4. The Committee offered its interpretation of this Article in the earlier Opinion. One reason why an interpretation was necessary was that the wording was the result of hard-fought negotiations between the Member States, which led to the amendment of the Commission's original proposal. Several aspects of the Committee's interpretation are useful for the purposes of the present Opinion:

1.4.1. Firstly, the reference to 'each Member State's national rules and current practices' does not exonerate any Government from consulting the economic and social partners, but simply concerns the way in which the consultations are conducted. And where no such rules or practices exist, this is the moment to establish them.

1.4.2. Secondly, the term 'close consultations' is stronger than 'information' or just 'consultation'. It means the involvement — in various forms — of the economic and social partners in the decision-making process, without prejudice to the fact that the final decision, at the appropriate time, lies with the relevant authorities.

1.4.3. Thirdly, the nature and breadth of these 'consultations' will vary according to the institutional, legal and financial powers of each partner. Moreover, while systematic consultation or the transfer of decision-making power to negotiations between the parties is conceivable where social policies are concerned, in the case of economic and development policies the role of the public authorities is clearly of a higher order than that of the social partners.

1.4.4. Fourthly, we are talking about a range of partners which includes not only trade unions and employers' organizations, but also organizations representing more specific sectoral interests.

1.4.4.1. These partners have differing arrangements for involving the interests which they represent; hence

the partners at the various geographical levels cannot be designated automatically, as account must be taken of how representative they really are.

1.4.5. Fifthly, close consultation is envisaged at all stages of regional policy: preparation, financing, monitoring, and ex ante and ex post evaluation.

However, the economic and social partners can offer the greatest contribution at the preparatory and evaluation stages, and can play an important part in improving management transparency and informing and involving the public.

1.4.6. Lastly, the extension of the partnership to the economic and social partners reflects a change in the thinking behind Community regional policy, i.e. acceptance that development necessitates the synergic involvement of all the main interest groups.

This change is no coincidence — it is partly a reflection of the nature of the present recession, and of the difficulty of boosting competitiveness and employment in order to overcome it.

1.4.6.1. It is becoming increasingly difficult for large companies to boost employment as restructuring is making them less labour intensive. The aim of an annual 2% increase in employment, mooted in the White Paper, can best be met by small and medium-sized firms, which play a vital role in the relation between growth and employment.

1.4.6.2. This need is reflected in the changing shape of regional policies over the last ten years. In the past, such policies focused mainly on attracting outside investment and companies.

Over the 1980s, a second generation of strategies came to the fore. These sought to promote endogenous resources and activities, in order either to reinforce existing local initiatives or to create new ones in such areas as infrastructure, small businesses, the cooperative and non-profit sector, cottage industry, and general services.

1.4.6.3. More recently, the tendency has been towards a fusion of the two earlier strategies, combining the promotion of internally generated development with efforts to attract incomers and inward investment using new technologies. In other words, internally generated development is fuelled by externally generated development and is not just a local matter, as it fits into the national economy and the Community's internal market.

These third generation strategies are thus designed to enhance the business environment and communications, as well as upgrading human resources and stimulating new entrepreneurial skills.

1.4.6.4. The development of local economies, which has become a key plank of regional policy, requires the decentralization of public structures, decision-making processes, and expenditure. The Presidency Conclusions of the Corfu European Council of 24-25 June 1994 also stress that local development initiatives are an essential element of the new model of development mentioned in the White Paper ⁽¹⁾.

2. Some case studies

2.1. Regional policy studies have tended to focus on the role of the social partners and to refer only indirectly to that of the authorities. They have often demonstrated the conditions under which the social partners can influence the action of the authorities; but they have not shown how influential or effective the various tiers of public authority might be in the implementation of regional policies or in securing one type of results rather than others.

2.1.1. This chapter describes the situation in certain regions of the EU. Some of the instances mentioned are positive, others negative; clearly they are not exhaustive, nor indicative of the country as a whole, as the situation in the larger Member States is extremely complex and sometimes unclear. However, enough is known to enable us to pinpoint general problems.

The regions concerned are in the UK, France, Italy, Germany and Spain. They thus span the whole institutional range from centralized State to federal State, via the limited regionalism of France and the more pronounced regionalism of Italy.

2.2. UK

2.2.1. The ESC Opinion on the fourth annual report on the implementation of the reform of the Structural

Funds (1992) (Rapporteur: Mr Little) ⁽²⁾ cites a statement made by a UK Government representative during a visit to Scotland.

2.2.1.1. It transpired that the UK Government does not intend to designate as formal partners either trade unions or employers, and that they will not be invited to participate in the working committees and monitoring committees.

Only representatives of the development agencies and bodies of the various regions will be formally involved in the elaboration and implementation of regional policy, because these are the only parties deemed to have the necessary knowledge and experience.

2.2.1.2. In Scotland too, the Government has turned down a formal request from the trade unions to be involved in consultations on the use of the Structural Funds.

2.2.1.3. Nevertheless, the lobbying by the social partners has had some effect. At the same meeting it was announced that the Government has agreed to hold informal discussions with the social partners on the operation of the Structural Funds.

2.2.2. The situation in South East England shows the important role which the public authorities play in EU structural policies in both a positive and a limiting sense.

2.2.3. The South East of England is an imprecise region to identify. In geographical terms it covers an area from Oxford to Dover. In planning and administrative terms it consists of the region of Greater London and a separate region of the South East covering the counties of Kent, East and West Sussex, Surrey, Hampshire, Isle of Wight, Berkshire, Oxfordshire, Buckinghamshire, Bedfordshire, Hertfordshire and Essex.

2.2.4. There is no elected authority representing the whole region and London. In London the strategic body, the Greater London Council, was abolished in 1986, though some coordination matters now rest with the London-wide committees of locally elected bodies, the 32 boroughs (plus the city of London). One of the most active of these is the London Planning Advisory Committee (LPAC).

2.2.5. In the rest of the South East there is little coordination of the two-tier local government system and the many other government and non-governmental bodies. For the whole of the South East there is SERPLAN, the London South East Regional Planning Conference, an association of elected representatives from local authorities with a planning remit. The body has no executive powers. There are currently two associations of London local authorities.

⁽¹⁾ 'The European Council considers that local development initiatives offer considerable potential for reinforcing the economic and social fabric of the European Union and for creating jobs. They are an essential element of the new model of development mentioned in the White Paper and will help to preserve cultural diversity within the Union'. Presidency Conclusions of the European Council at Corfu, 24-25 June 1994, page 8.

⁽²⁾ OJ No C 195, 18. 7. 1994.

2.2.6. The main central government departments associated with local government and economic development, the Department of the Environment, Department of Employment and the Department of Trade and Industry had separate regional structures. Critics often pointed out that they did not effectively coordinate the myriad of regional and sub-regional development programmes. In 1993 the UK government recognized that the delivery of its policies, particularly in the field of urban regeneration, lacked cohesion and decided to unify the regional structure of administration. It put the government agencies under the authority of one regional civil servant, a regional controller which took effect in April 1994. This unified the departments responsible for the management of European Union structural funds, though as yet there is little difference in the way they are administered. The South East is still divided into two regions.

2.2.7. For European Structural Fund purposes the partnership of bodies in the South East has not been extensive because the main UK areas which qualified for Objective 2 funding were in the North, Wales and Scotland. The exception is that London received some Article 10 funding in 1989 which was monitored by a partnership between local authorities and central government. The other exception is the Social Fund (Objectives 3 and 4) to which many South East authorities successfully applied. Local authorities, representatives from the voluntary sector, higher education and from government schemes sit on the national monitoring committee. South East representatives participate, such as one officer representing the two London associations of local authorities. As in most UK partnerships, central government civil servants take the lead by chairing the committee, providing the secretariat and setting the agenda. It is generally thought that the dialogue between the partners and central government is minimal. The size of the national committee is often considered to be very large, but this is necessary to ensure all types of representatives can participate.

2.2.8. Since 1993 some parts of London have become eligible for Objective 2 funding. New partnerships contribute to the Single Programme Documents (SPDs) which are approved by the Commission. The partnerships now include a wider group of representatives. The monitoring committee in the East London Lee Valley initiative includes the six local authorities involved, the three local training agencies, local development agencies, two business groups, the local government associations, representatives from the voluntary sector and higher education. The local unions are not represented. Local authority representatives are officers rather than elected people.

2.2.9. Another example is the Isle of Thanet area in the South East region, which has as partners local authorities, East Kent Initiative (private sector), higher education, the Tourist Board, the voluntary sector, a water company, English Nature and the Kent training body. Again the trade unions are not represented. The partners have a role in drawing up drafts of the documents, but the final programming document is approved by the government department. The committees meet at six monthly intervals.

2.2.10. The final example of partnership is the Kent and Nord-Pas-de-Calais's cross-border project (INTERREG). The national partnership is mainly based on local authorities with central government and Commission representatives. There is also a joint committee composed of partners from Nord-Pas-de-Calais and separate working parties.

2.2.11. With the reform of the funds the government has simplified their administration. Whereas there were committees monitoring the CSF, then operational programmes governing smaller areas, now there is one programme committee associated with the special programme document. Local authorities argue this presents less opportunity for effective partnership, strengthens the centrally run secretariats and prevents sub-programme areas developing strategies.

2.2.12. Any form of regional coordination is going to be hard in the complex political and economic geography of the South East. As not much of the area is eligible for funds, the opportunity for building a regional European strategy is limited. However, in terms of the application of Article 4, there are monitoring committees in the programme areas and these involve most local actors, including local business and the voluntary sector. Trade unions, which have been deprived of their tripartite role by the government since 1979, are not partners. Even though there are examples of good partnerships, there are limits to the extent partners can shape decisions. Central government civil servants, responsible to ministers, chair the committees and set the agendas.

2.2.13. Partnership in the UK is also constrained by the absence of an elected tier of regional government and the transfer of functions away from elected local bodies to unelected agencies. The result of the highly complex sub-national structure is to make the coordination of policies, and thus partnership, difficult to achieve, leading to a loss of transparency.

2.2.14. The absence of a regional authority appears to complicate matters in three ways:

- firstly, it could overburden the national authorities, who are unable to keep close, constant, systematic tabs on the implementation of Community assistance;
- secondly, the creation of quango-type bodies produces a plethora of poorly coordinated and often overlapping agencies, making it difficult to plan and implement policies in a targeted manner;
- thirdly, the public is generally denied any say in the organization of their region, as not only are the socio-economic organizations excluded, but often also other interest groups, and even the local authorities.

2.2.15. The first lesson to be drawn from this is that systematic, effective participation in EU regional policies requires non-fragmentary administrations and institutions, with fixed responsibilities for identifying key problems and objectives. And to facilitate the achievement of Community objectives, these institutional bodies should ideally be in close touch with the socio-economic circumstances of the target area.

2.3. *France*

2.3.1. As France has only introduced regionalized institutions in recent years, and has done so cautiously, the powers of the French regional authorities are limited. At the same time, France's administrative structure is rather complex and it is difficult to ascertain the precise breakdown of responsibilities and duties between regions, départements, and towns.

2.3.1.1. The changes introduced in the 1980s were undoubtedly a step forward, even though constitutional and other experts tend to feel that the French regional authorities generally enjoy fewer powers than their counterparts in other countries. The democratic credentials of the regions have undoubtedly been reinforced by the advent of universal-suffrage elections. However, the French system does not give the regions constitutional importance.

2.3.2. It should also be noted that the institutional reform enacted in 1992 gave a fresh boost to the role played by the regional and local authorities in economic and social measures. It makes the interlinkage of local authorities the main instrument for decentralized economic measures.

2.3.2.1. However, structural policies remain a mixture of programmes and other ventures in which the region is constrained by the objectives and methods laid down by central government. Despite attempts at reform,

administrative organization remains extremely hierarchical. And the economic ministries' main concern is to lay down rules that are uniform. It is significant, for example, that the regional authorities are directly responsible for only 10 % of expenditure on training.

2.3.3. France's decentralized administrative structure includes important bodies with socioeconomic duties, namely the regional economic and social councils. These councils, made up of representatives of the institutions and the social partners, have some responsibilities in the implementation of Community structural policies. However their powers are limited, as the councils are advisory rather than actually shaping policy.

2.3.3.1. This limitation is widely regretted, as the councils are felt to possess considerable potential and specialist knowhow. As things stand, the councils run the risk of being confused with other local bodies involved in economic programmes and actions of various types. Hence they are unable to provide more than a discussion and information forum for the parties concerned, and this is not enough.

2.3.4. However, there are a few cases (for example in the French region of Hainaut, an Objective 1 region) in which firms have been involved in 'close consultations' on the preparation of the CSF. The channel for this has been the chambers of commerce, which have been involved in the full and the select steering committees and are felt to have played a useful part in shaping the final programmes. This is a small but encouraging step forward.

2.3.5. Although the French administrative structure is more elaborate than the English one, it still bears signs of the centralist tradition. The planning and successful implementation of structural policies depend to a large extent on the technical capacities of the central authorities, as it is they who are the driving force behind programmes and decisions, and they who enlist local bodies to help them define problems and achieve objectives.

2.3.5.1. The advantage of this type of administration is that it is results-oriented and may, under the right conditions, make for effective Structural Fund assistance. These conditions are not always present because they are linked to the degree of awareness of regional socio-economic conditions. The central authorities can thus foster better results by using decentralized institutional machinery to monitor key programmes, problems, and opportunities.

2.3.5.2. In conclusion, although French regional policy is centralized, it does provide for some contact with both the local authorities and the socio-economic organizations. However, the practical arrangements and the account taken of needs and views are purely discretionary, and at all events remain far removed from the spirit of 'close consultation' enshrined in Article 4.

2.4. Italian 'regional pacts'

2.4.1. It should first be noted that the Italian Government accepted the trade unions' formal request to apply Article 4 properly and fully.

2.4.2. Although relatively recent, the Italian regional system is more structured than that of France or the UK. The 'ordinary' regions were established in 1970, alongside other 'special status' regions which enjoy greater regional autonomy.

2.4.3. Attempts — still at an early stage — have recently been made to give local bodies a greater role in development policies.

One such attempt, which is worth mentioning because it is a new departure, takes the form of 'regional pacts' developed thanks partly to the promotional work of the National Economic and Labour Council (CNEL), the consultative body representing the social partners.

2.4.3.1. The pacts have focused on the southern regions of Italy, i.e. those suffering the greatest development lag. Since the winding up of the Cassa per il Mezzogiorno (a fund which provided additional resources to support projects in the south, termed 'special assistance'), these regions have found it more difficult to obtain national funding.

2.4.3.2. The new arrangements are designed to plug this gap by identifying development projects which cover cohesive areas and can involve dynamic groups, organizations and bodies in the promotion of new initiatives.

2.4.4. The 'pacts' have generated a regionally based assistance system which works as follows:

- designation of a local 'locomotive' body which undertakes to organize planning and implementation. This may be the public authority (as is the

case in Vicenza, in the Veneto region) or a trade association or other interest group (trade unions, employers, environmentalist groups, etc.) as has occurred in Brindisi, one of the main examples of a 'regional pact';

- a regional survey, with canvassing of local administrative officials and economic operators;

- organization of a forum of interested parties to decide the features and priorities of the project;

- launch of the project proper. The parties formalize the pact and set about implementing it.

2.4.5. The target area of the pact is decided as follows:

- selection of a subregion of acceptable size (e.g. about the size of an Italian province);

- identification of a problem (infrastructure networks, technological innovation projects, etc.) and of the local bodies which are in a position to solve it.

2.4.6. The schemes are at an early stage but are undoubtedly promising, although some hurdles still have to be overcome.

2.4.6.1. Finance is one problem area, as the groups which join forces to draw up the pact lack the requisite economic resources.

2.4.6.2. The results are not always up to expectations, as the projects do not always manage to create new development and employment opportunities.

2.4.6.3. However, more important for our present purposes is the fact that dealings with the public authorities pose the major problem. A recent CNEL forum identified the role of the local authorities as a particularly weak link.

2.4.6.3.1. Most of the regional pacts have been spearheaded by the social partners, especially the trade unions and the regional employers' organizations.

As a rule the local authorities have played only a passive role and have not been a locomotive of the pacts. In some cases, they joined them after a project had already been defined.

2.4.6.4. There is also uncertainty about the appropriate level of public-authority involvement: Regional authorities? Provincial authorities? Local-authority associations?

Even when specialized administrative bodies exist, things do not necessarily run smoothly. Sicily is a case in point, despite the existence of a regional economic and social council which is supposed to provide active back-up for the work of the social partners.

2.4.6.5. This probably means that the culture and organizational capacity of the Italian public authorities are just as important as their institutional powers and legal framework.

2.5. *North Rhine-Westphalia (Germany)*

2.5.1. This is a particularly important example, not only because of the economic importance of North Rhine-Westphalia but also because the consultative mechanism which underpins regional policy is so highly planned and structured.

2.5.1.1. With 18 million inhabitants, North Rhine-Westphalia is the most highly populated Land in Germany. It produces 25 % of the country's GDP, contains 40 of Germany's hundred largest firms, and accounts for 25 % of national exports.

The decline of the steel industry has meant continual restructuring. The Land accounts for 50 % of German applications for Objective 2 assistance and takes up the bulk of aid under the Community's RECHAR programme.

2.5.2. Thanks partly to pressure from the social partners, regional structural policy is consensus-based. To this end, the Land has been subdivided into 15 regions based on the districts covered by the chambers of commerce and industry.

The definition of regional policy is extremely broad. Alongside the core areas of restructuring of industry, services, agriculture and tourism, equal importance is given to such considerations as social justice, environmental development and equal treatment of men and women.

2.5.3. The parties involved in the pursuit of consensus are the local authorities, representatives of trade and industry, unions, environmental associations, the voluntary sector, women's organizations, and other associations.

2.5.4. Regional conferences have been set up in all regions. They are subdivided into special committees, each headed by a person who participates in the

consultations. Managerial groups have also been set up to prepare further work, more especially the preparatory work for drawing up a regional development blueprint.

2.5.5. The process is an open one with a limited formal structure. The many problems, which have to be tackled as they arise, include:

- how to fit this process and all these participants into an existing legal structure without changing it;
- how to involve the public by ensuring proper representation;
- involvement of town and local councillors;
- the public authorities' response to this self-organization process;
- the availability of trained staff within the trade unions.

2.5.6. The development blueprint is drawn up in several stages:

- analysis of the economic structure, the labour market and existing infrastructure;
- drawing-up of key projects for the region as a whole;
- identification of key guidelines for the region's development.

2.5.7. Finally, a blueprint is produced for each region which is politically although not legally binding, as the Land Government cannot reject it without justification and is required to provide financial support for the ensuing programmes.

The development blueprints are adopted by the regional councils and the bodies representing the associations before being sent to the Land Government where a special committee draws up an opinion on them.

The procedure is thus an open one which in its final stage involves the Land Parliament.

2.5.8. This exemplary model for consultation has been in a pilot stage for several years and has proved its worth, although it does raise a number of problems. It is also a highly specific case, within a context where the individual Länder have undoubtedly reacted more positively to Article 4 than has the Federal Economic Minister, who has appeared rather reticent on the subject of 'close consultations'.

2.6. *Spain*

2.6.1. In Spain, the national authorities have hitherto taken an extremely centralizing approach to regional development policies.

However, there are legal bases for involving the social partners, and they do take part in special forums concerning specific areas of social policy.

2.6.1.1. The legal bases lie both within the Spanish Constitution (Articles 7 and 28) and in the Organic Law on trade-union freedoms [Article 6(3)].

These enable the social partners to participate in any areas of socio-economic life decided bilaterally with the various tiers of public authority.

2.6.1.2. Apart from the bilateral relations established between social organizations and the public authorities, there are a number of statutory bodies in which the social partners can participate effectively. They include the General Vocational Training Council, the General Council of the National Employment Institute, and the Economic and Social Council.

The relevant committees generally operate at regional level, but sometimes also at province level.

2.6.2. The Spanish legal system facilitates the use of a consultation system. This is because it shares responsibilities between the national authorities and the decentralized ones (the autonomous communities and the local authorities). The breakdown is the same as for the Community Support Frameworks, as the CSFs for each Objective are subdivided into a multiregional CSF which is the responsibility of the national authorities, and regional CSFs which are the responsibility of the autonomous communities.

The decentralized authorities are already beginning to act independently.

2.6.2.1. The Andalusian authorities wish to instigate a consultation process, at least in formal terms, founded on an agreement between the autonomous community, the trade unions and the employers' organization.

The goodwill shown by the Andalusian authorities does not seem to have rubbed off on the national authorities as regards the central funds allocated to Andalusia (with the exception of Social Fund finances, especially Objective 4).

This suggests that the participation process is incomplete and fragmentary even within a single region.

2.6.2.2. Mention should also be made of the community of Valencia, where the authorities have recently, together with the trade unions, organized a forum with

local authority representatives to discuss decentralized regional development.

It emerged that there was a chronic lack of information about Community regional policy mechanisms, especially Article 4.

This initiative is a new and extremely encouraging departure, because it applies the partnership (which should be extended to all the relevant socio-economic representatives) to the substance and objectives of regional development, with employment as its first concern.

2.7. *Comments on the situation in Belgium, Greece, the Netherlands and Portugal*

2.7.1. No detailed scientific surveys are available on the smaller Member States, even though they are interesting for a number of reasons (administrative structures, ethnic splits, autonomous areas). The main surveys of participation in regional policy have looked at the larger Member States (in terms of both population and area) — France, Germany, Italy, Spain and the UK.

A recent survey by the European Trade Union Confederation provides some indirect information and ideas, although it focused on the role of the trade unions and did not dwell on that of administrative bodies.

2.7.2. Some pointers emerge concerning Objective 2 regions of Belgium (Liège, Hainaut, Aubange).

The report, which covers the period 1989-93, focuses on the flow of information to the social partners and the extent of their participation. While they are well informed of regional development plans, they feel that the national and regional political and administrative authorities take little heed of their views and are not supportive of participation in the shaping of regional policies. The social partners were not involved in the discussion and selection of operational programmes. This was left to the region's political authorities, who did not give sufficient encouragement to 'close consultations'.

The report also notes that the social partners often only receive information after decisions have already been made.

2.7.2.1. The report also mentions the potential role of the Wallonia economic and social council as a consultation forum, but notes that it is hamstrung by

the regional authorities' failure to encourage maximum involvement.

2.7.2.2. Mention is made of an interesting experiment in Turnhout whereby members of the monitoring committee meet prior to the framing of development programmes for an 'advance consultation' which enables them to hammer out a preliminary position on the objectives to be achieved.

However, the report also mentions shortcomings in information, and in particular 'poor communication' about the progress of the programmes launched by the Commission. The trade unions feel that more regular information and monitoring would facilitate matters for the Flemish public authorities. They recommend that the Commission give the regional authorities and the social partners regular progress reports.

2.7.3. Similar comments apply to Greece. The report stresses that the social partners were not involved in the preparation of the plans between 1989 and 1993. It attributes the unsatisfactory preparation and implementation of the plans to the inadequate institutional arrangements for development planning. For example, the way that planning services are clustered in the national Economic Ministry is inappropriate.

2.7.3.1. Poor consultation is felt to be partly the result of organizational problems and lack of technical back-up for the public regional bodies. It is noted, for example, that the regional councils receive only incomplete information. The report deems it vital that a technical department be set up within the Commission to provide regional authorities with the technical back-up which they need in order to prepare the plans.

2.7.3.2. As in other countries, the main problem seems to be how to activate the development potential of each region and find institutional channels for mobilizing local resources and for securing a full commitment from the public authorities at both national and regional level. To this end, the report proposes the establishment of development associations at regional level, comprising members of the central and local authorities and representatives of private business.

2.7.4. The report also highlights dissatisfaction and problems in the South Limburg region of the Netherlands. Programmes supported by the European Social Fund are carried out under the aegis of the regional employment commission, to which the social partners belong. Despite this, their involvement — especially on the trade union side — is unsatisfactory.

2.7.4.1. Programmes supported by the regional development funds are conducted by a special committee (the European Stimulation Programme for South Limburg), on which the public authorities and chambers of commerce are represented. Here too, there is criticism of the inadequate involvement of the social partners.

2.7.4.2. In this case the failure to launch close consultations is not due to technical problems or insufficient administrative decentralization, but rather to what might be termed a 'technocratic prejudice'. The public authorities are unwilling to hold more consultations because they prefer decision-making to be swifter and less cumbersome (involving fewer, more technically qualified parties).

2.7.5. In Portugal, regional decentralization is not the key factor in the implementation of the partnership principle.

This is because the whole of Portugal is an Objective region for Structural Fund purposes. Hence the question of the partnership principle arises chiefly at national level.

2.7.5.1. Consultations on the regional development plan, and more especially on the setting-up of such aid schemes as PEDIP (specific programme for the development of Portuguese industry), had raised hopes that the Government would be more willing to involve the economic and social partners in the implementation of the Community Support Framework (CSF).

However, such hopes seem to have been dashed by the wording of the CSF approved by the Commission, and by the legislation providing for a coordinated structure covering management, monitoring, evaluation and checks on the implementation of the CSF.

2.7.5.2. The involvement of the economic and social partners in the CSF is limited to a vague statement that they will be 'involved in the monitoring of the CSF within the framework of current rules and practices in Portugal'.

National legislative provisions do not match up to the framework created or the expectations raised by the Government. In the Committee's view, the provisions for involvement of the economic and social partners do not constitute proper application of the partnership principle. Partnership will not be achieved by the units which, together with Commission representatives, are responsible for the monitoring and assessment required under Community regulations.

However, mention should be made of one laudable exception which shows greater receptiveness to the economic and social partners and can be seen as a move towards regional decentralization. This is the newly created possibility for representatives of regional business associations to participate in the management units of one of the sub-programmes of the operational programmes.

3. The problems to be tackled

3.1. In the Committee's view, the priority objectives for Community regional policy during the 1994-1999 programming period will flow from the present economic situation and the new partnership described in Article 4. These objectives are:

- to maximize employment;
- to carry out 'close consultations'.

3.1.1. These objectives are precisely those of the White Paper, which makes the planned jobs conditional on 'political and social partner agreement' ⁽¹⁾ concerning pay and the labour market. In line with these objectives, regional policy should thus be seen:

- as a combination of local (internally generated) development and an outside (externally generated) contribution;
- in the widest possible sense, giving equal weight to productive investment, investment in services and infrastructure, and social and environmental aspects;
- as a consensual process which brings together all parties involved in development.

3.1.2. Two factors are crucial to such a policy:

- decision-taking bodies near the local level;
- synergy with the socio-economic organizations.

3.1.3. This approach reveals the limitations of purely technocratic management by agencies and quangos which, even where they are present at local level, do not generally consult the social partners and sometimes even bypass the local authorities. It also shows the limitations of channelling the socio-economic partners' involvement through non-specialist bodies such as the economic and social councils, whose representatives are normally delegates with no direct local involvement. These councils tend to play a strictly advisory role and do not

help to create synergies which would enhance local development.

3.1.3.1. Although technocratic instruments were useful when the aim was to attract new businesses, or to attract new resources to restructure established businesses, they no longer suffice when the aim is to create even one new job. Hence a managerial approach to development should be complemented by an analysis of needs, a survey of local resources and capacities, and the galvanization of the general public.

3.2. North-Rhine Westphalia has undoubtedly adopted a more systematic approach than the other areas covered by the national and regional case studies of chapter 2. However, given the wide variety of institutional and administrative systems in Europe, it is not the Committee's intention to propose models but rather to encourage the swapping of information and experience.

3.2.1. In any case, no system is without its disadvantages, and a complicated system causes difficulties and delays even in a well-established cultural framework such as the one just mentioned.

And if it is grafted onto an underdeveloped base, any consultation system will prove complicated.

3.2.2. Two initial conclusions can be drawn from the above:

- that each country, region or area must select a consultation system geared to its particular socio-economic features;
- that if the system is not to cause delays, it must permanently address all development problems, and not just the deployment of the Structural Funds.

A region with an efficient consultation mechanism for development issues would undoubtedly be better able than others to tackle all economic situations.

3.3. Studies and analyses, particularly those conducted by legal experts, have laid special stress on the structure of regional decentralization in the different countries. Member States' customs and practices vary, partly because of their differing sizes and total population. Some accord the regional authorities considerable powers, while others are more centralist.

3.3.1. These are highly sensitive and complex matters, and they have both political and institutional impli-

⁽¹⁾ White Paper on Growth, competitiveness, employment (page 146, Point 8.8a).

cations. In some countries they are the subject of lively debate. The partnership principle is a central issue here, but it must not be made a political football.

3.3.1.1. At all events, the Committee is not impervious to the subject of decentralization. The establishment, under the Maastricht Treaty, of the Committee of the Regions proves that it is an option which also enjoys the support of the Member States.

The regional authorities' greater amenability to the implementation of Article 4, in contrast with the wariness displayed by the national governments, is further proof that decentralization reinforces democracy and participation.

3.3.1.2. Experience has shown that regional political powers can help to galvanize endogenous potential, particularly if a Member State is above a certain size.

3.3.2. The sheer variety of political and administrative structures makes alignment of Member States' institutional channels inappropriate. However, building on their special features and public policy traditions, these channels can be organized in a way which ensures that structural policies are not implemented in a piecemeal, fragmentary fashion.

Hence it is not necessarily the case that in all Member States the reference unit will be a regional authority with significant powers and specialized bodies attached to it. In some of the smaller Member States, the reference unit should comprise several smaller areas with a similar economy, rather than being based on administrative rules and boundaries. In such cases, where there are no precise administrative divisions, the focus should be on support for local economic activities.

3.3.3. Small local authority areas tend to have an inadequately diversified economy and suffer from a lack of administrative staff. Here the problem is to identify areas which are large enough to provide the critical mass needed for development, and to set up intermediary coordinating bodies which can liaise between their local authorities.

3.4. A second problem is the 'environment' (institutional and otherwise) which nurtures economic development and makes it possible.

3.4.1. Social studies show that certain areas (some very large, but some very small) offer better conditions and opportunities for carrying out projects and making effective innovations.

Although efficient public authorities are of assistance, the projects are not coextensive with regional authority

areas as a variety of factors come into play: infrastructure networks, the presence of business services, involvement of the local authorities, social service networks.

3.4.2. The prospects of success are therefore better in areas where the authorities play a regulatory role which ensures that the different parts of the network operate smoothly. Such conditions are found in some very large regions (i.e. larger than a regional authority area) and also in certain industrial or manufacturing districts which have a particular economic specialization and which are usually quite small (they could be termed 'sub-province' areas).

3.5. A third and final problem concerns the quality and adequacy of the public and administrative machinery for implementing Community regional policies.

3.5.1. This problem, which has been little researched, is not a matter of whether or not rules on decentralization exist, but of how the rules are interpreted and applied in practice. Achievement of structural policy objectives depends to a large extent on this factor, which in turn depends on public authority traditions of efficiency.

3.5.2. The public authorities are often perceived as lacking a real commitment to these policies, as being concerned only for economic benefits and neglectful of the practical input needed, and as being poorly equipped or lacking the broader 'administrative culture' or tradition of 'social dialogue' needed to administer these processes properly.

3.5.3. In such a context, regulations are not the answer. The solution is to encourage the public authorities to become more efficient and more results-oriented, to recruit skilled staff, and to improve staff specialist knowledge of regional policies.

3.5.4. However, the efficiency of a local or regional authority is often as much the result, as the cause, of a region's low level of development.

4. Conclusions

4.1. Although it can only base itself on limited analyses of a few of the wide variety of schemes, the Committee feels that it can safely say that full application

of Article 4 requires three things from all tiers of the public authorities:

- firstly, the political will to implement the Article. This presupposes an awareness of the general benefits of a consultation process in the framing of development policy, and an awareness of its particular benefits for competitiveness and employment in a time of economic recession;
- secondly, the existence of a culture of participation and social dialogue;
- thirdly, allocation of responsibilities and resources at all administrative levels, and the technical ability to organize participation and steer it towards the desired objective.

4.2. It should be stressed that the first of these requirements is not just a matter of a positive or a negative political will, but of much wider shortcomings:

- a simple lack of attention to, and familiarity with, Article 4 on the part of the decentralized authorities;
- and/or a strictly formal acceptance and implementation of Article 4 which fails to trigger the necessary synergies. It may be symptomatic of a failure to understand the nature of the consensual process required, or it may simply mean that appropriate technical and political instruments are lacking.

Clearly each case must be assessed individually and in depth — even where things seem to be satisfactory — in order to establish what steps are needed (political, or improving information, or technical).

4.3. A culture of participation is less widespread than appears.

There is a marked tendency not to distinguish between information, general consultation, and the 'close consultations' enshrined in Article 4. Close consultations are a dynamic process conducted in the field, and not merely a one-off event.

4.3.1. Close consultations also differ in their purpose, as is clear where a technocratic conception of regional development prevails, whether it comes straight from a centralized authority or is delegated to an agency or quango.

Such bodies often show a quite sensible interest in the views of the representatives of local authorities and specific interest groups (not generally the social part-

ners). However, this really only amounts to a judicious means of gathering information in order to flesh out or support an existing framework.

The true purpose of consultation, in contrast, should be to bring together and reconcile differing needs and factors. In other words, it should mean a real political dialogue.

4.4. Although a positive political will and a culture of participation are vital, they are not enough on their own. If the physical capacity to organize a consultation process is lacking, then nothing will be achieved.

Participation should take place at all stages of Community regional policy, from the planning stage through to assessment, and the present Opinion views participation as a process.

4.5. It is obvious that this type of regional policy will be easier to implement in an institutional framework based on decentralized political and administrative authorities with significant powers and resources. However, the Committee feels that the absence of such conditions (and in the smaller Member States there may be good practical reasons for this) is no excuse for inaction. The crucial factor is the three requirements mentioned above.

4.6. In the Committee's view it is the task of the Commission to ensure that the Structural Fund Regulations — including Article 4 of the Framework Regulation — are complied with in full. Any programme part-financed by the EU should be accompanied by a declaration from the Government concerned, specifying the partnership arrangements.

4.6.1. In view of the wide variety of participation arrangements, it is important that the Commission should bring them to the attention of the regional and local authorities, and encourage these authorities to discuss their experience with them.

It is not enough to mention participation arrangements in the annual reports submitted under the Regulations (where such arrangements do not receive adequate mention anyway). Forums, seminars and conferences need to be organized.

4.7. Both the Commission and the national authorities need to provide the local authorities with much more information on the meaning and scope of Article 4. At present such information is woefully inadequate. They should also arrange training courses for public officials at all levels, on the political and technical aspects of the consultation process.

4.8. The Committee asks the Committee of the Regions to examine joint initiatives on the partnership procedures, for submission to the national authorities and the Commission. The Committee is also interested in the COR's stance on this.

4.9. Finally, the Economic and Social Committee would reiterate the undertaking it made in the con-

clusions of its Own-initiative Opinion on the involvement of the socio-economic partners in Community regional policy⁽¹⁾; the Committee intends to keep a close eye on the implementation of Article 4 by regularly monitoring the steps taken by the authorities and the progress made.

⁽¹⁾ OJ No C 127, 7. 5. 1994.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*
Susanne TIEMANN

Opinion on the Regional planning and development strategies for the Atlantic coastal regions (Atlantic Arc)

(94/C 393/08)

On 24 February 1994 the Economic and Social Committee, acting under the third paragraph of Article 23 of its Rules of Procedure, decided to draw up an Own-initiative Opinion on the Regional planning and development strategies for the Atlantic coastal regions.

The Section for Regional Development and Town and Country Planning, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 30 August 1994. The Rapporteur was Mr Speirs.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted unanimously the following Opinion:

1. Introduction

1.1. The Committee supports the concept of cooperation between Atlantic regions in order to stimulate their development and would call upon the Community to formulate a strategy for securing that such development takes place which could be the subject of consultation with the Economic and Social Committee.

1.2. The Commission has given fresh impetus to the implementation of the EUROPE 2000 Programme by allocating MECU 4 to an Atlantic Arc Pilot Action Programme, making with equivalent co-finance a total of MECU 8.

1.3. In order that the economic and social partners can contribute to and benefit from the resulting cooperation

projects it is of the highest importance that their views be included at the formative stage and that their views should also be sought at the impact assessment stage. The Economic and Social Committee is ideally qualified and structured to contribute to this process.

1.4. Preliminary studies have been carried out regarding the Atlantic Regions notably that on the 'Atlantic Arc' by CEDRE. Furthermore, since 1975, the Regions comprising the Conference of Peripheral Maritime Regions (CPMR) have recognized the need to work together and in a Resolution passed in 1992 the Regional Committee of the European Parliament addressed the problem of the Atlantic regions.

2. Characteristics of the Atlantic Regions

2.1. The Atlantic Arc is a conceptual link between all Atlantic border regions of the European Union from Scotland to the Canary Islands. It can be said to include some 30 % of its territory and only 16 % of its population. It is however difficult to list the regions already belonging to it because two definitions of a different nature keep overlapping.

2.1.1. A study-related territorial concept based on the Commission's breakdown of the Community's territory (as part of the Europe 2000 programme) into large areas which have been the subject of transregional forward studies. This breakdown has no legal force whatsoever. It is based on geographical considerations (shared geographical features) and the scope which areas offer for action (suitability for cooperation projects). It also reflects a practical consideration, namely that a detailed forward study of the Community territory as a whole is an impossible task. It should be noted that islands and overseas territories (Azores, Canary Islands, Madeira, Guadeloupe, Martinique, Guyana) have been included in this breakdown.

2.1.2. A cooperation-related territorial concept based on political will. The Atlantic Arc committee is one of the four committees of the Conference of Peripheral Maritime Regions. It is a political committee composed of regional authorities which have made a conscious decision to belong to it. The territory covered is not fixed since the number of member regions has gradually increased since the committee's formation. This is the committee which implements ATLANTIS and other interregional cooperation programmes.

2.2. The Atlantic regions differ both physically and as regards the problems which they face. Much of Scotland is mountainous while south-west France has a flat terrain. Industrial activity, most of it centred on heavy industry now in decline, prevails in Cantabrica, Wales and the Scottish lowlands, whilst Ireland, the west of France and the Alentejo are mostly rural. Tourism has been developed, sometimes to an excessive degree in Algarve, Andalusia, Madeira, the Canary Islands, and some parts of the French coast. It is important to acknowledge the scale of the diversity as it could present a challenge to any attempts to promote cooperation rather than competition.

2.3. The economic and social situation of the Atlantic regions is the result of a number of historic and economic factors including the centralization of political and administrative power which has accentuated the problem of peripherality and has made it difficult for the

regions concerned to adapt to changes in the pattern of trade consequent upon the introduction of new and speedier methods of transporting goods and people. This has resulted in reduced competitiveness and high levels of emigration. Furthermore the problem of peripherality has been accentuated by the impact of the recession which has reduced employment opportunities, by the structural influence of the major industrial and commercial groups and by the pursuit of public sector policies involving curtailment of expenditure. On the positive side historic links between Spain, Portugal and the Latin American countries, between the United Kingdom, Ireland and the USA, and between France and Canada remain in being and might be revitalized.

2.4. The regions are largely rural and agricultural and are affected by the economic changes typical of this sector. Even within the Atlantic regions the policies pursued under the CAP have for many years contributed to a widening of the division between a small group of farmers who have successfully modernized and a much larger group who have become or are about to become marginalized. People are leaving agriculture and there is a tendency for young people also to leave the area and seek employment elsewhere. For the regions concerned other activities must be found which have as their objective rural development rather than farming development.

2.5. Much manufacturing industry is concentrated in traditional sectors where there has been a lack of capital investment and an inability to take advantage of new technology. In addition to heavy industry, the industries which play a key role in terms of employment and regional economic development are:

1. minerals and metallurgy;
2. agri-foodstuffs;
3. textiles and clothing;
4. wood and furniture;
5. construction of transport infrastructure;
6. shipbuilding.

On the other hand it must be acknowledged that there are instances where companies have adapted to technological change and have survived.

2.6. Tourist facilities in many areas have been developed at a time when people had less leisure time and tended not to travel beyond the boundaries of their own nation. Nowadays people are more demanding and more sophisticated in their outlook on life and while much has been done to respond to these demands, facilities could be improved and new forms of tourism catered for. It is necessary therefore that the regions

should diversify their tourist potential by offering new facilities based on their historic, cultural and scenic qualities. (This aspect of tourism is covered more in depth in the ESC Opinion on tourism — Rapporteur: Mr Lustenhouwer).

2.7. Perhaps the oldest and most common activity in the Atlantic regions is fishing, providing employment for thousands of workers at sea and even more on land. It is well known that fishing is facing serious problems because of the imbalance between effort and resources and pollution of the sea.

2.8. Finally, there is the problem of transport and communication. Many ports are small and though an effort has been made in most cases to link the regions to the national centre, little effort has been made to create other transverse links or to follow the Atlantic coast as has been done in the US along the Pacific Ocean. Arcantel, a telecommunication system providing links between several atlantic ports in order to exchange various information, seems to be a successful example of coordination and proved to be useful both in the field of trade relations and that of vocational training.

2.9. While the regions of the Atlantic Arc face serious problems the outlook is not entirely bleak and encouragement can be taken from the fact that certain regions on their own initiative have reversed the decline. Largely through the development of partnerships with companies outside the Atlantic Arc the electronics, pharmaceutical and food processing industries have been developed in certain areas. This strategy, however, has certain drawbacks in that the cost is high, the commitment to research and development low and there may be vulnerability to foreign decision-making in the context of global competition.

2.10. The problems of the Atlantic regions have been compounded by the fact that economic recession has in recent times hit the most prosperous parts of the Community in consequence of which national Governments have tended to neglect peripheral areas and concentrate upon the main areas of industrial activity. It is all the more important that the reasons for recent successful developments should be studied and that links between regions within the Atlantic Arc and between such regions and countries outside the Arc should be encouraged and developed.

3. A New Strategy for the Atlantic Arc

3.1. The overall strategic objective of an Atlantic region's programme should be to enhance their development potential by facilitating the provision of support

designed to foster economic links between regions or between one or more regions of the Atlantic Arc and countries outside the European Union.

3.2. Most of the Atlantic Arc regions are eligible for Structural Fund assistance under one or several 'objectives' but programmes drawn up to secure funding are based on national boundaries. Trans-European Networks (TEN's) and Community Initiatives such as INTERREG are specifically aimed at cross-border links, including those across maritime borders as is the case for most Atlantic Arc borders. All these instruments need to be used to the maximum extent with emphasis on an integrated approach across the Atlantic Arc area.

3.3. In the Opinion of the Committee, it is essential that an instrument should be established which would enable the regions of the Atlantic Arc to secure financial assistance in support of programmes designed to foster economic links between regions or between one or more regions of the Atlantic Arc and countries outside the Community. However such an instrument should either be a major INTERREG programme or be supported by funding which is additional to that mentioned in paragraph 3.2. The Committee would point out that in its June 1994 Opinion on the Community initiatives, it regretted that maritime border areas' eligibility was to remain very much the exception and that the INTERREG programme left no scope for cooperation on both sides of external frontiers (eastern Europe or the link between Sicily and Tunisia).

3.4. Since public sector funding is limited its impact must be stringently assessed. The factors to be identified in such an assessment should be the extent to which the expenditure would stimulate local initiatives, would help to stimulate economic growth while taking account of social needs and the need to achieve greater efficiency.

3.5. Alternative forms of financing local initiatives should be explored. For example, the European Commission has issued a proposal for a Council Decision⁽¹⁾ which would promote coordinate and strengthen the measures adopted for the creation of cooperatives. Cooperatives can be a useful way of administering a project which is labour-intensive and has a low capital cost. Provision might also be made for the Atlantic regions to have access to soft loans or a revolving fund.

3.6. It is very important that the private sector should be made aware of the potential for development within the area and of the natural and human resources available for such development. Therefore the availability of

(1) COM(93) 650 final.

risk capital is essential. Some successful developments have already taken place ('Finatlantica' creating links between regional banks and 'FINARC' providing funds for SME's). But information on these successful developments should be spread around and more possibilities should be created.

3.7. The transition from low technology industry employing unskilled labour to more diversified activities requires an immense effort to boost business partnerships and create or develop a tertiary sector, a direct adjunct of industrial activity. The Atlantic regions must therefore seek to establish and develop centres of excellence combining industrial, research and training interests thereby providing the support necessary for the setting up of more specialized productive and innovative small and medium-sized businesses.

3.8. Finally, a partnership model might be promoted involving public sector agencies, the private sector, co-operatives and local community-based development associations. The successful partnership models created under the LEADER programme might give useful guidance in this respect.

4. Projects which might be assisted

4.1. As stated in para. 3.1 assistance can best given in support of programmes which foster links between regions or which promote the economic development of a particular region or regions within the Atlantic Arc. Programmes to be supported might include projects which have the following objectives:

4.1.1. the restructuring of manufacturing industry, agriculture, fisheries and forestry by the introduction of new technology and modern methods of communication and marketing;

4.1.2. the encouragement of the establishment of SMEs particularly those which can benefit from the human resources available in the locality and the qualities which they possess as a result of the environment and the cultural heritage within which they have been brought up;

4.1.3. the establishment of centres of excellence of the type mentioned in paragraph 3.7;

4.1.4. the development of new methods of fish conservation and the development of fish farming including scientific study of methods of farming species of fish which have not hitherto been farmed and the development of more efficient methods of marketing and selling fish;

4.1.5. in order to support the farming and fishing sectors, it is vitally important that agricultural and fishery produce (cereals, dairy products, meat and fish) be processed locally. This will mean the development and modernization of harvesting machinery and of grading and processing plant. Such a move would help to add value to local products and at the same time would provide more jobs.

Similarly, the development of biotechnology could give a significant boost to the use of agricultural products for non-food uses;

4.1.6. the development of tourism by upgrading the facilities in traditional holiday resorts, by promoting the cultural heritage, by encouraging recreational or activity tourism (sailing, fishing, etc.) and by finding innovative ways of promoting and marketing rural tourism;

4.1.7. the introduction of modernized telecommunications and of new information technology systems to enable those working in manufacturing industry, tourism, trade agriculture and fisheries to overcome the problems of peripherality which can now be made much less severe if modern methods of information transfer are introduced;

4.1.8. the development of inter-regional co-operation throughout the Atlantic Arc by means of the exchange of information a current example of which is the successful development of an association of several Atlantic ports which by the use of computers exchange data on the movement of ships and goods which has resulted in a boost for trade;

4.1.9. the search for new trading partners particularly those which are not at present served by the major ports like Rotterdam or Antwerp and the development of trading partnerships arising from the historic transatlantic links mentioned in paragraph 2.3;

4.1.10. the introduction of feeder and cabotage lines for container transport of goods by sea which would not only give fresh impetus to maritime transport along the Atlantic coastline but would in addition take some of the pressure off the major highways and result in environmental improvement;

4.1.11. the development of inter-regional road links and hub airports and the modernisation of smaller ports which are so vital to local communities;

4.1.12. the development of multi-modal platforms whereby central points for the transport of goods by air, sea and road are created;

4.1.13. the improvement of the urban environment by the introduction of new technology and the development of local services in medium sized towns so that

potential developers may be assured that the services available to the enterprise and the quality of life of its employees will be comparable to those which exist elsewhere;

4.1.14. the setting-up of training courses at colleges and universities to enable local people to acquire whatever new skills are necessary to enable them to take advantage of the new opportunities of employment which may become available to them;

4.1.15. the setting up of schemes to improve or protect the environment of the area which is undoubtedly one of its greatest assets.

5. Conclusions

5.1. The problems of the regions of the Atlantic Arc have not been addressed adequately until now. If the situation is to improve it follows that the Community, national Governments and the regions themselves must work together to produce and implement integrated innovative and sustainable programmes which are

specifically designed to meet the needs of the area. As a first step the Community, having studied the problems in detail, should produce a Community Programme for the Atlantic Regions.

5.2. It is also important that planning law should be applied consistently at all levels. If a European Programme is established the whole Atlantic coastline must be strengthened in pursuit of effectiveness and inter-regional solidarity. Reference is made in paragraph 2.2 to the fact that regional diversity might give rise to competition rather than co-operation. Care should be taken that any programme does not have the indirect effect of further marginalizing the weaker regions by giving priority to the stronger ones.

5.3. Finally in order to increase transparency efficiency and democracy some thought should be given to an appropriate institutional structure for implementing the programme at Community, at national and at regional level. All the social and economic interest groups without exception should be entitled to participate and the guiding principle should be that of subsidiarity.

Done at Brussels, 14 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

Opinion on the proposal for a Council Directive concerning the enforcement, in respect of shipping using Community ports and sailing in the waters under the jurisdiction of the Member States, of international standards for ship safety, pollution prevention and shipboard living and working conditions⁽¹⁾

(94/C 393/09)

On 30 March 1994 the Council decided to consult the Economic and Social Committee, under Article 84(2) of the Treaty, on the abovementioned proposal.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, drew up its Opinion on 20 July 1994. The Rapporteur was Mr Whitworth.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion unanimously.

1. Introduction

1.1. This Proposal is one of the more important measures foreshadowed by the Commission in its Communication on a Common Policy on Safe Seas [COM(93) 66] dated 24 February 1993. That Communication was the subject of a Committee Opinion dated 24 November 1993 which supported in principle the action proposed in respect of Port State Control.

2. Background

2.1. International standards for the construction and operation of ships, the training and certification of crews and certain aspects of living and working conditions on board are laid down in a corpus of international Instruments adopted over the years by the International Maritime Organization (IMO) and the International Labour Organization (ILO). These Instruments are binding on those States which ratify them and in such cases the States are responsible for ensuring that ships operating under their flags comply with the standards (Flag State Control).

2.2. In 1981 the IMO introduced the principle that contracting governments should take steps to ensure that ships visiting their ports which were not parties to the Safety of Life at Sea (SOLAS) Convention should be required to conform to standards not lower than those prescribed in the Convention. This principle has been inserted in all subsequent international maritime legislation thus establishing a requirement for ships in international trade to comply with international standards whether or not their country of registry has ratified the relevant convention. This is the legal basis of Port State Control as it is exercised today.

2.3. The Conventions provide, in general, that Port State Control shall in the first instance take the form of the examination of the Certificates which the Conventions require to be on board the ship. Such certificates, if valid, shall be accepted unless there are clear grounds for believing that the condition of the ship or its equipment does not substantially correspond with the particulars of the Certificates. Deficiencies are to be remedied before the ship proceeds to sea. Major deficiencies which could hazard the ship or persons on board may necessitate the detention of the ship till remedied.

2.4. A number of IMO Resolutions adopted since 1975 provide guidelines for Port State Control. IMO Resolution A742(18) adopted on 4 November 1993 extended the scope of Port State Control to cover a number of specified Operational Requirements in respect of the safety of ships and pollution prevention. The relevant Conventions are in the course of revision to embrace the terms of this Resolution (e.g. a new Chapter XI of the SOLAS Convention including a new Regulation on Port State Control operational requirements is due to enter into force on 1 January 1996).

3. The Memorandum of Understanding

3.1. The (maritime) Member States of the Community, together with Finland, Norway, Sweden and latterly Poland and Canada, currently operate a common policy and practice in regard to Port State Control. This is laid down in a Memorandum of Understanding (MOU) which dates from 1982 between the Maritime Authorities of the countries concerned. The Memorandum has been consistently revised to update standards to reflect agreements reached within the IMO and to introduce more effective inspection procedures.

⁽¹⁾ OJ No C 107, 15. 4. 1994, p. 14.

3.2. While acknowledging the value of the Port State Control regime stemming from the Memorandum, the Commission points out that its provisions are not legally binding on the signatory States; further that there is no systematic approach to inspection and detention of ships and a lack of uniformity in the inspection criteria adopted. The Commission also suggests that some Member States apply the terms of the MOU less rigorously than others and that substandard ships can avoid more stringent inspections by selective use of ports of destination. It further takes the view that the MOU regime has failed to reduce the numbers of maritime casualties and pollution incidents in European waters.

4. The Commission's Proposal

4.1. The Draft Directive seeks to establish a uniform Port State Control regime throughout the Community (and hence throughout the EEA) on a mandatory basis. Its requirements will therefore be legally binding on Member States and hence on their surveyors who carry out ship inspections.

4.2. The detailed provisions of the Directive embrace the terms of the current MOU with the addition of quite extensive and detailed new criteria for inspection and detention. In particular it places a somewhat higher emphasis on Detention, institutes an 'Enhanced Control Regime' for certain categories of ships, suggests a 'Special Inspection Regime' for ships of a proven higher standard and lays down minimum qualifications for Port State Inspectors.

4.3. While the Commission apparently intends that continued use should be made of existing MOU resources, the draft Directive nevertheless appears to duplicate the work of the existing MOU Secretariat and controlling Committee by providing that similar functions shall also be carried out by the Commission assisted by a new Advisory Committee.

5. General Comments

5.1. Consistently with the support in principle which it accorded to the proposed action in its Opinion on the Commission Communication on Safe Seas, the Committee welcomes the draft Directive and endorses the objectives which it seeks to meet. In particular it supports the declared strategy of the Commission to strengthen the operation of the MOU by requiring all Member States to apply Port State Control in a uniform manner and to devote sufficient resources to its operation to ensure that minimum inspection targets are met.

5.2. It believes that the criteria for the inspection and detention of vessels should be sufficiently rigorous to ensure that all vessels trading in European waters comply with all aspects of internationally agreed standards and hence that the operation of sub-standard ships is eliminated. These objectives should be achieved without instituting an unduly bureaucratic regime or imposing excessive burdens on the great majority of ships which are properly operated in conformity with their national requirements and international standards. In this context detailed inspection requirements should not prolong a ship's normal turn-round period in port unless clear evidence of potential deficiencies renders this necessary.

5.3. The Committee has noted that the detailed provisions of the existing MOU have been supplemented and strengthened in a number of areas. It welcomes the fact that generally speaking such new criteria correspond with the provisions of IMO and ILO instruments currently or shortly to come into force. This is consistent with the views expressed in a number of earlier Committee Opinions (and particularly in paragraph 3.4.3 of the Opinion of the Common Policy on Safe Seas) that obligations imposed on non-EC ships should be based on internationally agreed standards and requirements. Nevertheless there remain some areas of potential conflict between Community and international law.

5.4. It is recognized that for the Port State Control to be fully effective and consistently applied its essential requirements must be legally binding on the Governments of Member States and reflected in their domestic legislation. However the effectiveness of ship inspections is essentially dependent on the judgement of individual surveyors. Accordingly the wording of the Articles and more particularly the Annexes should be consistent with that of the IMO Instruments [particularly Resolution A742(18)] where the more detailed procedures are expressed as guidelines to be followed at the discretion of the surveyor when he deems them to be necessary or appropriate in the circumstances obtaining on board a particular ship.

5.5. Equally it is important that the specific criteria which surveyors are required to follow should be capable of objective assessment so as to avoid disputes about the outcome of inspections and the pressures to which surveyors may be subjected in this context.

5.6. The draft Directive rightly places considerable emphasis on detention pending rectification as the ultimate sanction when an inspection reveals deficiencies which are clearly hazardous to safety, health or the environment. It is equally important that there should be safeguards against the power of detention being

exercised in an arbitrary or capricious manner by an individual surveyor. Accordingly the requirement in Article 9.4 that surveyors should act in accordance with the provisions of Regulation 19(f) of Chapter I to the SOLAS 1974/78 Convention is to be welcomed.

5.7. The Committee is unclear about how the proposed Directive and the current Memorandum of Understanding should continue to co-exist. There are a number of references in the Directive to the on-going function of the MOU and its administration as well as its SIRENACE database. Yet the detailed inspection criteria which the MOU contains will be superseded by the corresponding provisions of the Directive and thus for practical purposes will be of no effect. It is generally acknowledged that the MOU has performed a valuable and effective role over the past 12 years in coordinating port state control in European waters and has become the model for similar agreements in other parts of the world. There would be widespread concern if the proposed Directive were not to take full advantage of the proven expertise which the MOU has built up during more than a decade of its existence.

5.8. It is clearly desirable that the MOU procedures and those of the Directive in its final form should be brought into line. One way of achieving this would be for the controlling Committee of the MOU (which comprises representatives of each of the participating countries and the Commission) to align the MOU policies and requirements with regard to inspections and detentions with the equivalent provisions proposed in the draft Directive. (The Committee notes with satisfaction that a similar proposal is contained in the draft Final Declaration of the Fifth Ministerial Conference on Port State Control). The Commission could then bring forward a Council Directive making the revised Memorandum, together with such amendments thereto as may be subsequently agreed from time to time, binding on Member States. In this way the accumulated expertise and world-wide influence of the MOU would be retained and duplication of functions between the Commission and the MOU would be avoided, while at the same time enhanced legally-binding criteria would be adopted.

5.9. The Committee recalls advocating a similar approach in its Opinion on the Commission proposal for a Council Directive on the approximation of the laws of Member States with regard to the Transport of Dangerous Goods by Road (CES 1281/93) when it suggested that the Council Directive should require Member States to comply with the ADR Agreement on the International Carriage of Dangerous Goods by Road currently in force.

5.10. This procedure should not be allowed to delay the initial introduction of more stringent and effective Port State Control procedures but once in operation should permit the procedures to be updated more swiftly.

5.11. Since the draft Directive was published a Committee of Inquiry into the prevention of pollution from merchant shipping, set up by the UK government under the chairmanship of Lord Donaldson has issued its Report. It shares the view of the Commission that high priority should be given to strengthening the effectiveness of Port State Control. It makes a number of detailed proposals which it suggests that the UK government should recommend to its MOU partners for incorporation in the MOU procedures. Among these are proposals for self-targeting, saturation inspections and the identification of the owners and managers of ships found to have serious deficiencies. Clearly this Report constitutes a useful contribution to current thinking on Port State Control and the Committee believes that the Commission should give full consideration to its proposals. Other helpful proposals should be similarly considered.

6. Specific Comments

6.1. Article 2 — Definitions

6.1.1. The reason given in the Explanatory Memorandum for the addition of the International Convention on Tonnage Measurement of Ships 1969 is not understood since it is not intended that existing ships must be 'upgraded' to comply with the 'additional requirements' after the new gross tonnage arrangements take effect on 18 July 1994.

6.1.2. Nevertheless after 18 July all ships are required to be provided with an International Tonnage Certificate (1969) and inspection of such a Certificate will be an integral part of Port State Control as proposed in the Draft Directive.

6.2. Article 3 — Scope

6.2.1. The proposed extension of the Port State Control procedures to ships sailing in the territorial waters of a Member State would present insuperable practical difficulties. The Explanatory Memorandum suggests that this is necessary to cover possible intervention on a ship in transit which has been accused of a pollution incident. However the UN Law of the Seas which deals at length with the rights of 'innocent

passage' specifies the powers of intervention under international law which are adequate to deal with such incidents. Further, ships in transit are not covered by the Port State Control provisions of the IMO and ILO Conventions on which the Directive is based.

6.2.2. Nevertheless the provisions should be applicable to any (e.g. river) port to which seagoing ships have access and to ships anchored outside port limits.

6.3. *Article 5 — Inspection Commitments*

6.3.1. It is clear from the definition of a 'ship' in Article 2 that the 25 % target comprises ships other than those registered in the Member State. The fact that this should be read in conjunction with the priority list in Annex I should ensure that a Member State cannot meet its obligations by merely selecting the easiest ships for inspection. It is noted that the thirteenth Recital states that the target should ensure that about 80 % of the foreign ships operating within the area at a given time should have been subject to an inspection. Possibly Article 5.1 might be expanded to reflect these points.

6.3.2. It should be made clear that the priority list in Annex I is for the guidance of Member States and that the numbering of the criteria is not indicative of the order of their importance.

6.3.3. As the fourteenth Recital points out a Special Inspection Regime could enhance maritime safety by providing an incentive to shipowners to apply standards above those required by the Conventions. The detailed criteria would need to be tightly drawn and should be the subject of detailed consultation prior to adoption. They should not exempt vessels from periodic random inspection.

6.4. *Article 6 — Inspection Procedure*

6.4.1. Surveyors should be obliged to 'satisfy themselves' as to crew ability and awareness [paragraphs 1(b) and (c)]; the term 'verification' connotes an unrealistic degree of proof. 'Ability' is not an appropriate word in the context of Articles 7 and 9 of the Training Directive. Ships from outside the EC should be required to comply with the STCW Convention and IMO Resolution 742(18) rather than with a Community Directive which is not binding upon their countries of registration.

6.4.2. Paragraph 1(d) should call on the surveyors to make an initial assessment of the vessel including the living and labour conditions as specified in the relevant ILO instruments.

6.4.3. The reference to the 'related certificate' in paragraph 1(e) is not understood as there is no such requirement in ILO Convention 164 which is shortly to be incorporated in the Appendix to Convention 147. However a requirement for the presence of a ship's Medical Guide would be appropriate.

6.4.4. The investigation of any report or complaint (per item 2 in Annex III) might be added to the minimum elements of inspection in paragraph 1.

6.5. *Article 9 — Rectification and Detention*

6.5.1. The requirement of Regulation 19(f) of Chapter I of the SOLAS 1974/78 Convention that all possible efforts should be made to avoid a ship being unduly detained or delayed should be spelled out in this Article as is the case in paragraph 3.11 of the MOU.

6.6. *Article 10 — Follow-up of Inspections and Detentions*

6.6.1. The requirement that a ship whose deficiencies cannot be rectified in the port of inspection should only be allowed to proceed to a repair yard 'located in the Community' is queried. The restriction has no basis on safety grounds and indeed the voyage to a non-Community port with appropriate repair facilities could well be shorter and safer. Nevertheless re-inspection after repairs should be by a Community surveyor.

6.7. *Article 11 — Professional Profile of Surveyors*

6.7.1. The minimum criteria for surveyors detailed in Annex VII is generally welcomed. The IMO Sub-Committee on Flag State Implementation is developing similar criteria and the two should not be incompatible. A reference might be made to the need for appropriate training and there could be derogations from the two-year qualifying period in such circumstances.

6.7.2. In its earlier Opinion on the Common Policy on Safe Seas the Committee suggested that Community funds could make a significant contribution to the

availability and training of surveyors to carry out port state inspections. The Committee welcomes the initiatives already taken under the KAROLUS programme.

6.8. *Article 14 — Publication of Detentions*

6.8.1. The proposal that details of detentions should be published is welcomed as incentives for shipowners, flag state administrations and classification societies to ensure compliance with international standards. Publication could be effected through the MOU Secretariat.

6.8.2. However the commercial damage occasioned by such publication could be considerable. Hence publication should exclude detentions for deficiencies which have arisen through no fault of the shipowner — e.g. heavy weather damage or accidental machinery failure. The intention to publish should be notified at the time of detention so that representations to the contrary can be made.

6.9. *Article 15 — Fee for reinspection*

6.9.1. The heading of this Article makes clear, though the text does not, that the fee is chargeable only for second and subsequent inspections to ensure that deficiencies revealed on the first inspection have been rectified.

6.10. *Articles 17 and 19 — Advisory Committee and Procedure*

6.10.1. The necessity for these provisions would not arise if the procedure suggested in paragraph 5.8. of this Opinion is followed.

6.11. *Annex I — Priority List*

6.11.1. Average detentions (referred to in paragraph 2) should be assessed on both a percentage and numerical basis.

6.11.2. A new paragraph should be added 'Ships flying the flag of a State which has failed to ratify the main body of applicable IMO and ILO Conventions'.

6.12. *Annex III — Clear Ground for more Details*

6.12.1. Item 2 — a report or complaint — might equally appear in Annex I as a prima facie reason for inspection. It is implicit that surveyors should respect the anonymity of the source of the complaint.

6.13. *Annex IV — Procedures and Guidelines*

6.13.1. ILO publication 'Inspection of Labour Conditions on Board Ships' constitutes the sole reference in the Directive to the corpus of ILO Conventions governing shipboard living and working conditions comprised in ILO Convention 147.

6.13.2. As indicated in its earlier Opinion on the Common Policy for Safe Seas the Committee attaches considerable importance to this aspect of Port State Control and recommends that the Conventions contained in the Appendix to Convention 147 should also be listed in the Annex. Reference should also be made to the application of new and additional ILO Conventions as they come to be added to the Appendix.

6.14. *Annex V — Enhanced Control*

6.14.1. The enhanced control requirements for certain categories of ships which warrant such detailed examination are welcomed. Clearly close attention needs to be paid to older ships. However, as was pointed out in paragraph 3.7.1 of the Committee's Opinion on the Commission Communication on Safe Seas, 'age itself is not an efficient criterion of the quality of a vessel if it is built, operated and maintained in accordance with international standards'. Accordingly, it is difficult to justify a ship's age as a rigid criterion, hence the specific figures proposed for oil tankers and bulk carriers for the application of the listed Guidelines should permit divergences where justified in individual cases.

6.14.2. The same room for discretion should be allowed for enhanced control of passenger ships. Nevertheless the suggested criteria are of the utmost importance and the capability of the crew in these respects is an important consideration.

6.15. *Annex VI — Deficiencies which may warrant Detention*

6.15.1. An additional example should be added as paragraph 11: 'Deficiencies arising from non-compliance with the requirements of ILO Convention 147 when these are clearly hazardous to the safety of the ship or to the safety and health of the crew.'

7. *Summary and Conclusions*

7.1. The Committee welcomes the draft Directive and endorses the objectives which it seeks to meet.

7.2. While recognizing the considerable achievements of the MOU regime in the twelve years of its existence it acknowledges that Port State Control inspection requirements should have the force of Community law and be applied in a uniform manner.

7.3. It reiterates the views expressed in its previous Opinions that Community requirements should be based on international instruments adopted by the IMO and the ILO and welcomes the fact that this situation generally underlies the requirements of the present Directive.

7.4. It is important that the Port State Control regime should be sufficiently rigorous to ensure the effective application of internationally agreed standards in all vessels calling at Community ports, without at the same time penalising those ships which are properly operated

and maintained. Generally speaking the draft Directive achieves a proper balance in this respect.

7.5. The Committee is concerned that full advantage should be taken of the proven expertise which the MOU has built up. An effective means must be found for the Community and the MOU regimes to co-exist: the requirements of each should be brought into line with the other and unnecessary duplication of functions avoided.

7.6. The Commission should examine the suggestions in regard to Port State Control made in the recent UK Report of the Inquiry into the prevention of pollution from merchant shipping before finalizing the present draft Directive.

7.7. The present Opinion makes a number of specific comments designed to further the accuracy and effectiveness of the Commission's proposals.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on:

- the proposal for a Council Directive on the licensing of railway undertakings, and
- the Proposal for a Council Directive on the allocation of railway infrastructure capacity, and the charging of infrastructure fees ⁽¹⁾

(94/C 393/10)

On 18 January 1994 the Council decided to consult the Economic and Social Committee, under Article 75 of the Treaty establishing the European Community, on the abovementioned proposals.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject appointed Mr Bleser as Rapporteur on 12 January 1994. However, for health reasons, he was subsequently replaced by Mr Decaillon. The Section drew up its Opinion on 20 July 1994.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee unanimously adopted the following Opinion.

1. Preliminary remarks

1.1. Before examining the two proposals for Directives, it seems useful to examine the role played by the railways in the context of European Union transport.

Railways have for years been losing substantial shares in the markets in goods and passenger transport. This has had a damaging effect on the environment.

The Economic and Social Committee believes that measures should be taken to improve the situation of the rail networks.

It would therefore be useful to outline the legal framework governing railway enterprises.

1.2. From the start of traditional rail transport last century, standardized legal instruments were drawn up for the sector and its undertakings in order to facilitate international rail transport.

These instruments mostly took the form of agreements concluded between railways, and were not necessarily covered by international provisions in national law.

The divergences between these national laws and regulations constitute an obstacle to the Community approach.

1.3. Initially private, Community railway undertakings have developed into public undertakings responsible for the supply and marketing of passenger and goods transport services. They operate in the various transport markets and compete with other public and private-sector undertakings.

1.4. These undertakings have formed the International Union of Railways (UIC) — a representative body recognized by the UN — which has legal personality and provides a vehicle for technical and commercial cooperation between its members.

1.5. Under current rail transport regulations, international transport operates on the basis of cooperation between all the railway undertakings involved.

For most activities, these regulations are implemented by means of the 'UIC leaflet'. Despite this state of affairs, railway undertakings have been unable to maintain their share of the market. Indeed rail transport is declining from year to year.

1.5.1. Technical framework

The first real legal instrument, signed by governments of UIC member countries, was the Railway Technical Unity. This laid down the rules governing the tracks and rolling stock used for international transport.

1.5.2. Commercial framework

International goods and passenger traffic is generally governed by the Convention concerning international carriage by rail (COTIF) and by its annexes on uniform rules for the international carriage of goods by rail (CIM) and for the international carriage of passengers by rail (CIV).

⁽¹⁾ OJ No C 24, 28. 1. 1994, p. 2.

1.5.3. Traffic management

International goods and passenger traffic is regulated by the conferences which the networks hold at regular intervals.

2. Introduction

2.1. The proposals for Directives concern (a) the licensing of railway undertakings and (b) the allocation of railway infrastructure and the charging of infrastructure fees; they are submitted pursuant to Directive 91/440/EEC of 29 July 1991.

2.2. Directive COM(93) 678 final — SYN 488 sets out the criteria to be applied by Member States when issuing operating licences to Community railway undertakings, or when extending or amending such licences.

2.3. Directive COM(93) 678 final — SYN 490 sets out the principles and procedures to be observed in the allocation of railway infrastructure capacity and the charging of infrastructure fees.

3. General comments

3.1. Directive 91/440/EEC provides the legal basis for developing separate accounting for the management of rail services and infrastructure in the European Union.

3.2. Without wishing to contest the validity of the two proposals for Directives, the Economic and Social Committee would point out that certain conditions have to be met before these Directives are implemented. Leaving aside the legal aspects, these conditions relate, in particular, to existing integrated links between the networks. The replacement of existing agreements is therefore not specified at any point in the Directives.

3.3. The separation of infrastructure management and transport operations, necessary for accounting reasons, and the improvement of railway undertakings' financial situations, are far from a reality in most Member States.

Implementation of the Directives will therefore give rise to legal difficulties and pose problems concerning national budget policies.

Technical interoperability is another area which is not harmonized.

3.4. Although the various Member States have legislation on most aspects of railway management (see preliminary remarks), there will clearly be a lacuna in the law — particularly with regard to rail technology — if reference is no longer to be made to UIC agreements, and more especially, to UIC leaflets. The forum for the

debate on transport policy issues transcending the framework of the European Union is the European Conference of Ministers of Transport (ECMT).

3.5. UIC agreements do not have legal force. They are drawn up as a result of voluntary negotiations between networks with a common problem. They are used voluntarily as a point of reference for trade and technical matters, or in connection with the application of legislation. These agreements are complied with because of their practical usefulness. It would be advisable to assess whether the UIC should, at least during a transition stage, serve as a reference organization (as the ECAC does for civil aviation and the IMO for maritime navigation). The general objectives and criteria that Member States are entitled to negotiate should therefore be determined, and the undertakings operating in the market should be encouraged to harmonize other areas by means of negotiations.

3.6. *Qualifications, workers' health and working conditions*

3.6.1. A general education, evidenced by a certificate, is the basic requirement for new recruits; however, the skills for most typical railway occupations are acquired via specialized vocational training courses, available only in railway training centres.

3.6.2. This implies that a large proportion of the staff of companies owning infrastructure will be required to hold a certificate issued by a Member State. The question of whether Community certificates should be created therefore remains to be answered. The above applies also to staff of railway undertakings.

3.6.3. Also very important are medical examinations and follow-ups for certain occupations, especially those for which safety is paramount (e.g. train drivers).

3.6.4. To prevent distortion of competition between undertakings, regulations along the lines of those governing civil aviation are required.

3.6.5. The European Community did not think it appropriate to regulate the working conditions of rail transport undertakings. The question is nonetheless raised, in view of the new market conditions. Working conditions must be adapted upwards.

3.7. *Operational safety*

3.7.1. Although one of the main objectives of the Directive is to safeguard the rail safety system, it is not

obvious that all the necessary preconditions have been established for ensuring this in the new market conditions.

3.7.2. With respect to the efficiency of the railway system, the interdependence of safety, regularity and cost effectiveness is only feasible in an integrated system. It would therefore appear absolutely essential that Member State governments give infrastructure managers responsibility both for the allocation of railway infrastructure and for safety.

3.7.3. Although there is a fairly standardized highway code for Europe's roads, this is not the case for railways. The Member States have adopted divergent approaches to this aspect of regulation.

3.8. *Taxation of infrastructure*

3.8.1. The Commission has already tried on several occasions to propose ways of taxing infrastructure costs, including external costs as far as possible. Despite numerous discussions and suggestions, it has not yet been possible to find a more or less harmonized approach to the allocation of infrastructure costs to users.

3.8.2. Although the Directive suggests moving in the direction mentioned above, its terminology is rather vague. Expressions such as 'to market efficiently the available capacity', 'no abusively high fees shall be charged' or 'non-discriminatory rules' are hardly likely to lead to a more or less harmonized Community system of tariffs.

3.8.3. It is clearly fairly difficult to put a precise figure on external costs. However, a start should be made by submitting a proposal laying down basic rules for all transport modes. Any system which does not permit a full, harmonized evaluation of each mode's external costs and benefits will produce intermodal distortions. This is the principle which must underlie the Community's approach towards the charging of infrastructure costs.

3.8.4. Regulations 1108/70/EEC of 14 June 1970 and 2598/70/EEC of 18 December 1970 introduced an accounting system for expenditure on infrastructure in respect of transport by rail, road and inland waterway.

Although rules have not been laid down on the allowance to be made for external costs, these Regulations provide a useful basis for calculating the infrastructure costs to be charged to users.

3.9. *Appeals and insurance*

3.9.1. As long as there is a direct link between the owner and the operator of the infrastructure, railway undertakings will resolve their disputes themselves under international law.

3.9.2. This is not the scenario envisaged by the proposals for Directives. Apart from the means of redress available under national and Community law, there is to be no right of appeal to the Commission against Member States' decisions regarding the licences and fees for the use of infrastructure.

3.9.3. At present the individual Member States have considerable scope for applying civil liability and insurance rules in widely different ways. These areas must therefore be harmonized.

I. PROPOSAL FOR A COUNCIL DIRECTIVE ON THE LICENSING OF RAILWAY UNDERTAKINGS

4. Specific comments

4.1. Article 2(a) 'railway undertaking'

The definition should accord with Directive 91/440/EEC: 'transport services for goods and/or passengers' ⁽¹⁾.

4.2. Article 8(1)(c) and (2)

4.2.1. No reference document exists other than the Commission Communication 92/C 338/01 ⁽²⁾ on the comparability of vocational training qualifications between the Member States of the European Community established in implementing Council Decision 85/368/EEC of 16 July 1985, 'Transport Sector'. This Communication includes a comparative table of diplomas, certificates and other vocational training qualifications granted to locomotive drivers in each of the Member States.

4.2.2. This table nevertheless provides a basis on which to determine the equivalence of diplomas, certificates and other vocational training qualifications issued in each Member State for an occupation which, by the very nature of its activities, is engaged in international transport.

4.2.3. In order to guarantee the fundamental principle of the free movement of persons, the freedom of establishment and the freedom to provide services, as set out under Articles 48, 52 and 59 of the Treaty, the question of the mutual acceptance of any future licence must be addressed.

4.2.4. The various jobs performed by railway workers will have to be defined along with the job requirements in a relevant Community harmonizing instrument or in the body of this Directive.

⁽¹⁾ Translator's footnote: the English text already says *and/or*, whereas the French text only says *or*.

⁽²⁾ OJ No C 338, 21. 12. 1992.

4.2.5. It is not possible to impose the principle that railway undertakings are to be made responsible for staff training — especially in safety matters — and are to pass on their knowledge to new undertakings. If this principle is to be applied by mutual consent, it should be based on objective commercial criteria.

4.3. *Article 9*

The extent of civil liability should be specified.

The minimum cover for each type of accident should be determined.

A link should also be established between Articles 7 and 9 by making provision for a financial guarantee instrument which embraces the financial fitness and third-party liability concepts.

4.4. *Articles 12 and 13*

With regard to the compliance with 'national laws compatible with Community law', this text can only partly cover the provisions currently in force to ensure the conditions of transport (see preliminary comments).

II. PROPOSAL FOR A COUNCIL DIRECTIVE ON THE ALLOCATION OF RAILWAY INFRASTRUCTURE CAPACITY AND THE CHARGING OF INFRASTRUCTURE FEES

5. Specific comments

5.1. *Article 2(a)*

See comment under 4.1. Reference to the Directive on licences should also be made.

5.2. *Article 5*

In line with civil aviation practice, undertakings established prior to this Directive should be granted preferential rights on precise train paths, according to the principle of 'grandfather rights'.

5.3. *Article 6*

Under Article 7 of Directive 91/440, 'Member States shall take the necessary measures for the development of their national railway infrastructure taking into account, where necessary, the general needs of the Community'. The question of economic viability is not raised.

This brings us back to the comments in 3.8.3 on the need to take account of all costs, including external costs.

If the Member State is to meet the total rail infrastructure costs, the meaning of Article 6 is hard to grasp.

5.4. *Article 8*

See comments under 3.8.

5.5. *Article 10*

Article 10(2)

What are the criteria used to vet this knowledge? Which authority defines these criteria?

Article 10(3), (4), (5) and (6)

The regular conferences governing international goods and passenger train timetables have proved their worth. Flexibility with regard to timetable changes has always existed. Awarding train paths in the manner suggested here appears less flexible.

Article 10(7) and (8)

No harmonized legal basis will exist for the safety certificates to be issued by the competent authority if certain provisions of particular agreements between networks are not included in legal texts.

5.6. *Article 12*

Contrary to the provisions covering other modes of transport, no appeals may be made to the Community authority. This right of appeal should be made available in the event of disputes between several operators and train-path users.

6. Conclusions

6.1. The two proposals under discussion overlap with Directive 91/440, which was the subject of an ESC Opinion (4 July 1990, Rapporteur: Mr Haas). The interpretation of the basic text poses difficulties, as the drafts under discussion in the various Member States for transposing it into national law demonstrate. These difficulties are compounded by those caused by the proposals now under discussion. Since these two proposals are not based adequately on the reality of the situation and on the work of the international bodies empowered to deal with all matters to do with interoperability, their application is under threat.

In the general interest of rail transport development and, consequently, the environment, these problems of transposition and application must therefore be solved beforehand.

6.2. The railways must be integrated into a competitive market by taking into account the specific aspects

of this mode of transport and by adopting an intermodal approach which takes account of all internal and external costs and benefits.

6.3. The Committee calls for criteria to be more clearly defined, steps to be less rushed and certain texts to be revised in the light of the arguments put forward in this Opinion.

Done at Brussels, 14 September 1994.

The President

of the Economic and Social Committee

Susanne TIEMANN

Opinion on Inland Waterway Transport

(94/C 393/11)

On 24 February 1994 the Economic and Social Committee, acting under the third paragraph of Article 23 of its Rules of Procedure, decided to draw up an Opinion on Inland Waterway Transport.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 7 September 1994. The Rapporteur was Mr von Haus.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion unanimously.

1. Preliminary comment

Most of the issues dealt with in this Opinion concern only Belgium, Germany, France, Luxembourg and the Netherlands which are connected by a network of inland waterways. This applies in particular to points 4 ('restructuring in inland shipping'), 5 ('immediate measures') and 6.3 ('organization of the market'). On the other hand, some of the comments in the sections on 'harmonization measures within the framework of a master plan' and 'trans-European inland waterway network' apply to all the other EU States too.

2. Importance for transport policy

2.1. A clear indicator of the considerable importance of inland waterways for transport policy in the European Union is the fact that they account for 38 % of the goods

carried within the Community, although only five of the twelve Member States have an interlinked inland waterway network. In 1990 12,860 vessels with a loading capacity of 12.1 million t transported a total of 425 million t on the inland waterway networks of Belgium, Germany, France, Luxembourg, the Netherlands and Switzerland.

2.2. Inland waterway transport meets most of the specifications for a modern, forward-looking mode of transport. It is cheaper, safer and more environmentally friendly than its rail and road competitors.

2.3. Generally speaking the rehabilitation and expansion of waterways infrastructure does not harm the environment, use up much land or concrete over the landscape. Environmental damage to the countryside can easily be repaired.

2.4. In addition, inland waterway transport is the only mode of transport with substantial free capacity. This is highly significant bearing in mind the forecast growth in goods transport in the wake of the internal market, the opening-up of the borders of the central and eastern European countries and the increasing division of labour in the economy.

2.5. This applies in particular to combined transport (multimodal). In this respect it bodes well for the efforts of the Commission and all the Member State governments to promote an environmentally benign and socially acceptable transport system by exploiting free capacity and the inherent advantages of each mode.

3. Economic situation

3.1. The persistent decline in freights since 1992 has led to a steady deterioration in the economic situation of inland waterway shipping in Germany, France and the Benelux; in the first few months of 1994 this assumed critical proportions. Small and medium-sized firms are threatened by closure and workers by the loss of their jobs. Highly skilled workers are leaving the industry, which could jeopardize any future revival in inland shipping. There has already been a slump in training in firms. The exceptions to this trend are those vessels participating in the tour de role systems with freight sharing and price maintenance.

3.2. In March 1994 the NEA (Netherlands Centre for Research, Information and Education in the field of Traffic and Transport) published a study, sponsored by the Commission's Directorate General for Transport, into inland waterway costs and prices; this shows that the gap between costs and freight rates has been widening continually since 1992 and in 1994 is at its widest point since market observation began under the Rhine Navigation arrangements.

3.3. In a document of 8 March 1994 the Central Commission for the Navigation of the Rhine (CCR) rightly states that the economic situation of Rhine shipping is so worrying that the loss of a substantial part of the fleet is now inevitable, despite every effort to rein in its operating costs.

3.4. The International Inland Waterway Union (Internationale Binnenschiffahrts-Union) and the Rhine International Navigation Consortium (Internationale Arbeitsgemeinschaft der Rheinschiffahrt e.V.) refer to a 'life-threatening crisis' and an 'unprecedented fall in freights'.

3.5. The root cause of the critical situation in western European inland shipping is the drastic drop in freights, up to 80 % in the case of cross-frontier tanker transport.

Apart from specialized vessels and vessels participating in the tour de role system still used in the Netherlands, Belgium and France, it is in general no longer possible to cover costs in inland waterway shipping.

3.6. The reasons for this precipitous fall in freights are:

- the inland waterway fleets of Belgium, Germany, France, Luxembourg, the Netherlands and Switzerland have a structural overcapacity of about 15 % in the case of dry cargo vessels and 20 % in the case of tankers;
- the recession in these countries has resulted in a 4-5 % fall in bulk cargoes;
- in Germany the abolition of national inland shipping tariffs — in anticipation of liberalization of the transport market — has substantially accelerated the fall in freights;
- Europe's railways are engaged in a price war with inland waterways. Freights in Germany, which have fallen by 50-60 % in recent months, have been undercut even further by the Deutsche Bahn AG;
- inland shipping is made up of a large number of small carriers faced with a relatively small number of large shippers. Where there is overcapacity, this will inevitably lead to a fall in freights.

3.7. The economic situation of the inland shipping industry varies on account of distortions of competition in the Member States. It is worst in Germany where abolition of the pricing system for domestic transport has virtually completed the liberalization process, while other countries still have systems for sharing cargoes and maintaining prices (tour de rôle).

4. Restructuring in inland shipping

4.1. In June 1994, the Commission issued a report on the organization of the market in inland waterway transport and the tour de role system. The publication of such a blueprint is welcomed everywhere by the operators concerned, represented by the International Union for Inland Navigation (IBU) and the European Skippers Organization (ESO). Independently of this, all parties have called for immediate measures to safeguard the profitability and long-term viability of this indispensable mode of transport. Basically this report calls on the EU Council to lay down a harmonized procedure for the gradual abolition of any remaining tour de role systems and tariff-setting by an agreed date, backed up by a series of safeguard and accompanying measures.

4.2. The panoply of 'structural improvement' instruments developed by the Commission in cooperation with the countries concerned and contained in Regulations (EEC) Nos 1101/89, 844/94, 1102/89 and 3690/92, provides an opportunity to reduce the structural overcapacity by scrapping and to limit new building through the old-for-new scheme.

4.3. However, as pointed out by the Committee in its Opinion on the proposal for a Council Regulation (EC) modifying Regulation (EEC) No 1101/89 on structural improvements in inland waterway transport [COM(93) 553 final — SYN 475], the framework conditions contained in the original Regulation need to be improved. The necessary changes relate to the differentiation of scrapping premiums according to vessel size, a tightening up of the old-for-new system, an increase in the special contribution (penalty), the funding of the scrapping premium and some organizational arrangements.

5. Immediate measures

5.1. The Committee urges the Commission to take the following decisions forthwith, as part of the structural improvements in inland waterway transport, to ensure the economic viability and long-term future of western European inland shipping:

5.1.1. At the present time 373 vessels are on the waiting list for the current scrapping scheme. Scrapping cannot take place for lack of funds. The Commission is urged to coordinate and help organize the efforts of the individual Member States concerned to raise the funds required to pay the necessary premiums.

5.1.2. A new scrapping scheme should be introduced aimed at removing 15 % of the equivalent dry cargo tonnage including pusher craft and 20 % of the equivalent tanker tonnage. The general conditions of the relevant Regulations should be amended as follows:

5.1.2.1. The premiums for larger vessels should be differentiated so as to provide more incentive to scrap such vessels. The present per tonne premium rate should apply to vessels of 650-999 t. For vessels of 1 000-1 199 t it should rise linearly from 100 to 130 %, remaining at 130 % over 1 200 t.

5.1.2.2. The scrapping scheme should be based on a tendering procedure and not subject to any ceiling, i.e. it should also be possible to apply for premiums above the maximum rate.

5.1.2.3. The funding needed to achieve the above-mentioned scrapping target is estimated at approximately ECU 180 million for dry cargo vessels and

ECU 95 million for tankers. The funds should come from the governments of the Member States and/or the EU. In this connection the ESC welcomes the inclusion of a heading in the EU budget as a first step in the right direction. It is no longer economically justifiable to ask the industry to finance the scrapping premium on top of the repayment of old debts from the earlier 1990 scrapping scheme.

5.1.2.4. In the case of dry cargo vessels and tankers, two separate scrapping schemes should be provided for vessels of less than and more than 1 000 t to ensure that larger vessels are scrapped.

5.1.2.5. The old-for-new scheme should be tightened to a ratio of 1.5:1. The special contribution should be raised, but not the scrapping premium. Article 8(1)(a) of Regulation 1101/89, which stipulates that the special contribution is to be equal to the premium, should be amended accordingly.

6. Harmonization measures within the framework of a master plan

6.1. As part of the master plan for European inland shipping announced by the Commission, measures are required to align the conditions of competition, to create a common market organization and to generate ideas on developing and financing a trans-European inland waterway network.

6.2. There are numerous social, fiscal and technical regulations which differ from one Member State to another and result in distortions of competition because they affect the cost structure of firms. It is therefore recommended that the following harmonization measures be taken:

6.2.1. Complete incorporation in national legislation of EU Directives on access to the occupation of inland waterway carrier.

6.2.2. Framing of minimum manning rules for all waterway categories and rules on crew rest periods for inland waterways in Belgium, Germany, France and the Netherlands.

6.2.3. Drawing-up of common occupational health and safety regulations.

6.2.4. Support for the setting-up of a Community Fund to maintain and safeguard vocational training and the acquisition of qualifications, so as to counteract the trend away from training.

6.2.5. Uniform European vocational training, leading to the acquisition of the same qualifications, would also serve this objective.

6.2.6. These measures could be usefully underpinned by an R & D programme to look into the possible uses of modern communications technology in inland shipping and by the provision of practical guidelines.

6.2.7. A study should be made of whether the guidelines being drawn up by the CCR for waste disposal in Rhine navigation could be applied to the interlinked western European inland waterway network.

6.3. The transport markets are organized differently in the Member States — resulting in distortions of competition and only partially helping to ensure economically viable freights — and are therefore in urgent need of alignment. Regulation (EEC) No 3921/91, which abolishes by 31 December 1994 the arrangements whereby cabotage within the Community is reserved for EU vessels, was a first step in this direction. From that date there will be no restrictions whatsoever on transport operations between any EU ports.

6.3.1. While domestic inland shipping tariffs were abolished in Germany on 1 January 1994, the Netherlands, France and Belgium still operate *tour de role* systems for sharing cargoes and setting prices. It is the intention of the governments concerned to dismantle these systems only gradually, with a transitional period of 5-6 years. The obligatory tariffs in the *tour de role* system guarantee good freights for the carriers; these can then be used to subsidize other operations for which freight rates are markedly lower. The disadvantage of the *tour de role* systems, however, is that they make it considerably more difficult to change vessels. They have the further disadvantage that shippers are unable to choose a vessel which meets their requirements in terms of quality, safety and size. Nor, unlike the rest of the market, are they able to influence freight prices. Rapid abolition of the *tour de role* system is a prerequisite for a harmonized market with equal conditions of competition for all participants. To offset this, selective transport policy measures should be encouraged to improve the integration of inland waterways into combined transport operations within the EU.

6.3.2. On 7 December 1992 the Council authorized the Commission to open negotiations with non-EU central and eastern European countries on East-West transport arrangements; such arrangements must take account of the economic situation and cost structure of the industry in EU and non-EU countries. Account must

also be taken of the conditions created by the increase in trade between the EU and the central and eastern European countries. Free access to the market and unregulated freight prices must be phased in as economic conditions become comparable and cost structures within the third countries are brought into line with those of western European inland shippers. The principles underlying the bilateral inland shipping agreements concluded between some EU and central and eastern European countries should be incorporated in the proposed multilateral treaty. This applies in particular to the 50-50 sharing of cargoes in reciprocal trade and the prohibition on long-haul cabotage (within the borders of the EU) and on short-haul cabotage (within the borders of one country). Cabotage involving an international operation followed by a national operation must also be subject to authorization.

6.3.3. The Committee welcomes the statements by the Commission and Member State governments to the effect that when a pan-European transport master plan is drawn up, more weight will be given to environmental protection in transport policy. These assertions need to be backed up by concrete decisions and measures. In the case of inland shipping, this means that the potential for switching from other modes to inland waterways must be studied and if necessary helped along by political decisions, eg. by the charging of external costs in line with the pollution actually caused. The objective of transport policy must be to switch goods transport from lorries to rail so as to relieve the roads; the necessary rail capacity would be achieved by relinquishing bulk cargoes to inland waterways.

7. Trans-European inland waterway network

7.1. The Committee welcomes the Council Resolution of 29 October 1993 on the development of a trans-European inland waterway network which takes account of the desired technical compatibility of the waterways and lays down the measures to be carried out as a matter of priority. In this connection, the Po and its links with the Adriatic should be included in the list of priority measures for a European waterway network. This would boost the development of trans-European connections with the southern as well as the eastern countries.

7.2. It would also be advisable to lay down a timetable of priorities for the separate development measures according to their importance for intra-Community transport. A logical extension of this would be to draw up cost-benefit analyses which take account of the advantages for the economy, society and the environment.

7.3. It is in the Community's interest to carry out the costly development measures under this programme

rapidly. Co-financing from the EU budget to top up national financing is called for.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*
Susanne TIEMANN

Opinion on Towards the Personal Communications Environment: Green Paper on a common approach in the field of mobile and personal communications in the European Union

(94/C 393/12)

On 19 May 1994, the Commission decided to consult the Economic and Social Committee on Towards the Personal Communications Environment: Green Paper on a common approach in the field of mobile and personal communications in the European Union.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 7 September 1994. The Rapporteur was Mr Mobbs.

At its 318th Plenary Session (meeting of 14 September) the Economic and Social Committee adopted the following Opinion unanimously.

1. Introduction

1.1. The Council Resolution of 22 July 1993 reviewed the situation in the telecommunications sector and the need for further development.

1.2. Resulting from consultation, there was a consensus within the Council about a number of key aspects, of which the following are considered amongst the most important.

1.2.1. There is a general acceptance that liberalization of telecommunications services markets is the inevitable result of technologies and market developments.

1.2.2. There is a general requirement for maintaining the financial stability of the sector and safeguarding universal service, while proceeding with the necessary adjustment of tariff structure.

1.2.3. It is imperative to have a clear timetable for regulatory changes with defined milestones, in order to give the sector the necessary stability.

1.2.4. A realistic approach to further liberalization must be followed, taking into account the need for adjustment in peripheral regions with less developed networks.

1.2.5. There is a general recognition of the value to users, industry and the whole of the European economy of a well developed telecommunications infrastructure and of advanced and efficient telecommunication services.

1.2.6. The opening of the Union telecommunications market for third countries should be linked to comparable access to such countries' markets.

1.3. Many actions have already been taken by the Commission, Council and Member States. As an action for the future, the Council considered as a major goal;

in the short term, the development of mobile and personal communications and gave its support to the intention of the Commission to publish a Green Paper on the subject.

1.4. This 'Green Paper on a common approach to mobile and personal communications in the European Union' is part of the comprehensive and on-going work of the Commission since the 1987 'Green Paper on the Development of the Common Market for Telecommunication Services and Equipment'⁽¹⁾ though that Green Paper did not address matters specifically related to mobile communications.

2. Commission Green Paper

2.1. Aims and approach of the Commission:

2.1.1.:

- to permit the development of a Union-wide market for mobile services, equipment and terminals⁽²⁾;
- to identify common principles, where required, for achieving this objective, in relation to the provision of mobile infrastructure, the development of mobile networks and services, and the supply and operation of mobile terminals;
- to promote the evolution of the mobile communications market into mass personal communications services, with particular emphasis on pan-European services, and
- to facilitate and promote the emergence of trans-European networks and services in the sector, and to ensure that the sector's development is achieved in a manner consistent with public interest.

2.1.2. The approach chosen by the Commission is that the policy should:

- be based on the recognition of the major market and technology trends which are having dramatic effect on an already innovative sector;
- build on Member States' policies which, in most cases, have led to a substantially more open and competitive environment;
- extend the basic principles of the Union's telecommunications policy and Community law, in particular the balance achieved between liberalization and harmonization, to mobile communications;
- take full account of the wider international dimension and framework for cooperation;
- develop further the internal market in this area, as the basis for a strong negotiating position, bilateral and multilateral, aimed at achieving comparable market access in third countries.

2.1.3. The Commission considers that five major changes are required to remove the barriers to further development. This results from consultation and analysis undertaken by the Commission in preparation of the Green Paper and are summarized as:

- abolishing all remaining exclusive and special rights;
- removal of all restrictions on the provision of mobile services;
- full freedom for mobile network operators to operate and develop their networks;
- unrestricted combined offering of services via the fixed and mobile networks, and
- facilitating pan-European operation and services provision.

2.1.4. In identifying detailed positions, the Green Paper limits itself to fields where a common position is required at European Union level. These positions are:

- licensing conditions for mobile operators;
- conditions for service, provision, interconnection, infrastructure, frequency allocation and numbering issues;
- launching the evolution towards personal communications.

2.2. Other general observations of the Commission

2.2.1. The EU policy of liberalization of all public voice telephony services by 1998 (with some possible derogations) is complemented by the Commission proposals concerning mobile communications.

2.2.2. Without liberalization measures, the speed of progress towards successful commercialization would be slowed down and a window of opportunity lost to our trading competitors.

2.2.3. The liberalization proposed in the Green Paper allows for competition to prevail throughout the European Union and is considered the best way forward if the potential benefits of all efforts are to be realized.

2.2.4. Mobile equipment manufacturers already compete with each other, around a common set of standards. The Green Paper proposes that competition should be extended to the mobile network(s) and the provision of services.

2.2.5. The Green Paper proposes that there should be a minimum of two competing mobile network operators for most mobile technologies. All licences for mobile operators must be based upon objective grounds, be transparent, non-discriminatory and respect the principle of proportionality.

⁽¹⁾ COM(87) 290 final, 30. 6. 1987.

⁽²⁾ 'Equipment' includes base stations and 'Terminals' includes handsets.

2.2.6. Safeguards will be introduced to avoid abuses of dominant positions:

- national telecommunication operators (TOs) will no longer have a vested right to a presence in every segment of the communications market. They will compete in exactly the same way as any other operator and be subject to the same competition rules;
- service providers — those dealing with the end customers — shall have commercial freedom and should not be subject to licensing restrictions. To promote pan-European services and the innovative combination of different services, the mobile network operators shall be obliged to meet 'reasonable' requests to deal with service providers, [subject in the case of refusal to a right to appeal to the national regulatory authority (NRA)] and to provide transparent and non-discriminatory conditions for interconnection. This commercial relationship must be fully recognized by all Member States;
- interconnection conditions must be transparent, non-discriminatory, cost-orientated and be compatible with the principle of proportionality;
- mobile operators will not have to use infrastructure supplied by national telecommunication operators. They will have the freedom and choice to develop and build their own infrastructure or obtain infrastructure from third parties.

3. General comments

3.1. The Committee welcomes the Green Paper and congratulates the Commission on producing clear suggestions for the way ahead in this sector.

3.2. This Green Paper is an important part of the ongoing work of the Commission since the 1987 Green Paper. All Member States supported the 22 July 1993 Resolution which set out a timetable for the further development of the telecommunications sector. Therefore the Committee expects that all Member States will continue to support the Commission now that detailed proposals for the way ahead are emerging.

3.3. The Committee supports the Green Paper whilst recognizing that it contains important proposals, a number of which may require considerable changes in some Member States in the way in which new services are offered to the public. Therefore, whilst giving its support, the Committee has some reservations, especially about the ability to see all proposals implemented as suggested. These are considered in Section 4.

3.4. With the pan-European digital mobile system, GSM, the European Union has established a world leading technology and must build on its success. To date some 60 countries worldwide have either adopted GSM or signalled their intention to do so.

3.5. The Green Paper states that:

- the market potential for personal communications services is huge;
- whilst the maximum density for fixed wire telephones is not expected to exceed 50% of the population ... personal communication services penetration has the ultimate potential to reach near 80% of the population, and
- a cumulative investment in mobile infrastructure of between ECU 27 and 45 billion is projected to the year 2000.

3.6. Mobile communications is a high growth area and one in which European technology leads the world. Thus it is important to look at the proposals in the light of a substantially expanding market with increased opportunities for manufacturers, service providers and network operators providing benefits to the European economy as a whole. The active development of mobile and personal communications will be a major factor in stimulating employment in the telecommunication sector in the face of job losses resulting from the deployment of new technologies in the fixed network. The overall effects of this on employment are hard to assess but may be broadly neutral.

3.6.1. Some Member States are lagging behind with effective implementation of existing approved EU legislation, specifically as regards:

- implementation on the Terminal Equipment, basic ONP and Services Directives⁽¹⁾;
- separation of operational and regulatory functions has not been effectively achieved nor have actual and effective NRAs been established as contemplated in these measures in all Member States. Effective NRAs must operate to ensure compliance with all relevant laws and regulations, since the Commission cannot be expected to cater for all aspects of regulation at the domestic level.

3.6.2. Relevant Member States will have to take steps in order to ensure that deficiencies of this nature will have to be rectified in order for positive action in the field of mobile and personal communications to make significant progress.

⁽¹⁾ 88/301/EEC — OJ No L 131, 25. 7. 1988, p. 3.
90/387/EEC — OJ No L 192, 24. 7. 1990, p. 1.
90/388/EEC — OJ No L 192, 24. 7. 1990, p. 10.

4. Specific comments

4.1. The Committee considers the Commission will need to give further consideration to the following, before a White Paper or concrete proposals for further actions are drafted. Reference is made to the Proposed Positions set out in the Green Paper (Figure 1, pages 40 to 52).

4.2. *Licensing procedures*

The Commission raises important issues relating to licensing procedures and licensing terms and conditions which vary from Member State to Member State and may in themselves be anticompetitive and not transparent and non-discriminatory. The Commission's comments on these issues highlight an essential need to ensure transparency and non-discriminatory behaviour. There is a danger that without this, an incumbent TO could cross-subsidize its own mobile network to the detriment of the new entrant GSM operator.

4.2.1. In addition some concern has been expressed at the idea that licences should be granted at auction. The auctioning of frequencies may mean increased costs being passed on to the user. The Committee does not think this would be desirable.

4.3. *Service provision*

The Green Paper suggests a Code of Conduct for Service Providers. The Code, based on voluntary participation, should spell out essential requirements and commitments on availability and quality of service. It could contain more binding requirements on participants with regard to infrastructure services. The Committee considers that any code of conduct should be adapted to national traditions and practices.

4.3.1. In addition to the obligation on mobile network operators to deal with the 'reasonable' requests of service providers, there should be a requirement that any new entrant into the mobile market place may, if it so chooses, become a service provider of any other already established mobile operator pending roll-out of the new entrant's mobile network.

4.4. *Interconnection*

It is critical that interconnection should be facilitated. Again this heightens the need for proper and effective NRAs. Those needing interconnection will probably have need for recourse to the NRA in the event that the operator of the PSTN (for example) and the new

operator cannot agree terms for interconnection, including the tariff. In this regard, the work of the Council already exemplified in Council Directive 92/44 on the application of the open network provision to leased lines is relevant.

4.5. *Infrastructure*

The ability for new operators to establish their own infrastructure is very important. Whether it makes economic sense for a new operator to build his own infrastructure is a matter that should be left to the operator, the economic choice should not be hampered by continuing monopoly ownership. Increasingly, limited competition in infrastructure is being permitted in the Union and the benefits of such competition to consumers ought to be reflected in the prices paid for the provision of services.

4.6. *Radio frequencies*

Access to radio frequency spectrum on a fair and equitable basis by all mobile operators is critical. The planning and allocation of radio frequency spectrum must therefore be dealt with impartially and independently of any particular TO. It is therefore important that such matters be administered by the NRA or by a separate independent body in each Member State.

4.6.1. It is important that binding common bands be made available for DCS-1800 services and UMTS⁽¹⁾, DCS-1800⁽²⁾ is a part of the GSM⁽³⁾ family and frequencies have already been allocated to an existing network in some Member States. No major developments in these standards are expected at present. The GSM 900 systems should have enough frequency to meet demand in Europe for some time to come. Any policy should allow for a smooth transition from today's technologies to a third generation UMTS system and sufficient frequency should be available.

4.6.2. GSM operators throughout the Union face problems in those Member States where, for example, GSM frequencies have not been cleared in accordance with Council Directive 87/372/EEC⁽⁴⁾. This will restrict the ability of the competing GSM business to compete with each other on similar frequencies.

(1) UMTS = Universal Mobile Telecommunications System.

(2) DCS-1800 = A Standard for a Personal Communications Network in the 1800 MHz band.

(3) GSM = Global System for Mobile Communications.

(4) Council Directive of 25 June 1987 — OJ No L 196, 17. 7. 1987, p. 85.

4.7. *Numbering*

The same access numbers for networks and services could considerably simplify use of the various services in Europe and lead to increased traffic. There can therefore be no objection, in principle, to new uniform numbering arrangements. But the Commission must at the same time draw up a financing plan in collaboration with various network operators. It is not clear who is to carry the cost of the reorganization of numbers.

4.7.1. Furthermore, administration of numbering plan should not be left to any TO. It is a regulatory function which should be separated (see 4.6 above).

4.8. *Launching the evolution to personal communications services*

The comments on the interconnection of fixed and mobile communications networks apply to a great extent here too. Despite the reference to removal of restrictions on the combination of the operation of fixed and mobile networks contained in the review of the situation in the Telecommunications Sector in 1992, the Council's position is that a decision on the network monopoly must be linked to a broad public consultation to which the forthcoming Commission Green Paper on infrastructure will contribute.

4.9. *Other matters*

4.9.1. *Fair competition*

More should have been made in the Green Paper of the need for separation of businesses of TOs. This is necessary to avoid the risks and likelihood of cross-subsidies, hidden costs and undue preferences between these respective businesses.

4.9.2. Separation of business should also be covered by statements adding to existing Union law, including Competition Law, on issues such as cross-promotion of services. There should also be an adjustment for the new entrant where the incumbent TO has gained lead time and enjoys a strong presence in the market.

4.9.3. There are other issues of an information nature. For example, confidentiality and access to information. There may well be a need for a 'Signatory Affairs Office' within the TOs to ensure that the new entrant's commercial information (for example, its orders for leased line capacity in certain geographic areas) remains confidential and does not 'migrate' into the hands of the 'commercial' side of the TO.

4.9.4. With regards to tariffing, it is important to develop the market to ensure cost oriented tariffing. In this regard, the principle already stated in EU Directives and Communications argue against 'access deficit charges' as an appropriate way of rebalancing tariffs. Transparent and nondiscriminatory charging principles should be clearly established.

4.9.5. *Access to third markets*

4.9.5.1. This Green Paper foreshadows the need for balanced and fair trading conditions to ensure that the European telecommunications industry is efficient and able to compete effectively in global markets. This is an appropriate goal. Whilst European markets are presently more open to operators from outside the Union, there is concern about reciprocal treatment.

4.9.5.2. The Committee, whilst noting the Commission comments, has grave doubts about the prospects for the success envisaged. Legislative restrictions, in particular in the USA hold out few prospects for the EU making any significant inroads in the USA. Therefore the Committee thinks that much more positive action, maybe at a political level, will be needed for any degree of worldwide level playing fields to be achieved in the foreseeable future.

4.9.6. *Data protection*

The Commission recognizes the concern for privacy. GSM technologies offer more security than analogue systems. The Commission has stated that resolution of data protection needs are scheduled to be the subject of a forthcoming proposal.

4.10. *Health, safety and the environment*

Increasing acceptance by the general public of the use of radio frequencies as a means of communications is the basis for the whole mobile industry. Therefore, concerns about hazards caused by the use of radio frequencies must be considered and taken into account. Likewise, environmental matters need to be taken into account. For example, the Green Paper refers to the need for operators to share sites, not only to benefit consumers by reducing infrastructure costs and to encourage fair competition, but also to reduce the impact on the environment by preventing, wherever possible, unnecessary proliferation of radio masts and the like.

4.11. *Economic and social issues*

4.11.1. As is true in many sectors, technological developments will continue to have an effect on employment. On the one hand, jobs will be lost in the fixed

network sector, on the other hand, new jobs will be created as the mobile network sector expands. A strong European telecommunications industry should ensure a competitive position in world markets, bringing consequential economic benefits, including benefits for European employees.

4.11.2. In this context, questions of training and retraining are of great importance. Initiatives by the

Council and the Commission aimed, not only at harmonizing and liberalizing services, but also at studying the economic impact and consequences of these decisions would be greatly welcomed. Employees' fears could perhaps be substantially allayed if this problem were to be accorded high priority.

4.11.3. A necessary prerequisite for these initiatives is an in-depth study of the economic and social consequences for the telecommunication sector as a whole.

Done at Brussels, 14 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

Opinion on the Communication from the Commission to the Council and the European Parliament on Immigration and Asylum Policies

(94/C 393/13)

On 28 February 1994, the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the abovementioned communication.

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 18 July 1994. The Rapporteur was Mr Flum.

At its 318th Plenary Session (meeting of 14 September 1994) the Economic and Social Committee adopted the following Opinion by a majority vote, with two abstentions.

1. Introduction

1.1. Throughout the process of European integration, the Economic and Social Committee has unfailingly adhered to the fundamental principle of respect for human rights regardless of origin, race, sex, creed or nationality. It has constantly supported the idea that people of different origins should be able to live together in peace and without discrimination, has militated in favour of equal rights for citizens in all areas of society (wherever these are not explicitly covered by national civic rights) and has called for an extension of citizens' rights.

1.2. An integral part of the work of the Economic and Social Committee has therefore been the combatting of xenophobia and racism, the improvement of the legal status and living conditions of non-EU nationals living

legally in the European Union, and the upholding of the principle of the right to asylum.

1.3. With the free movement of persons becoming a reality in the European Single Market, an awareness has grown of the need to coordinate and harmonize the European Community's policy on the protection of its external borders. Towards the end of the 1980s the EC Commission accordingly gave consideration to the introduction of a specific Directive setting out the Community's policies on asylum and immigration. The Economic and Social Committee, which had already decided in 1988 to set up a Study Group to this effect, welcomed the Commission's move. The Commission's plans, however, failed to come to fruition, not so much because of the lack of an institutional framework in the Treaties of Rome, as because of the absence of any political agreement within the Council of Ministers. A

Draft Directive drawn up under the responsibility of Commissioner Bangemann was therefore once more withdrawn.

1.4. In connection with the intergovernmental conferences charged with the task of preparing the Maastricht Treaty, the Economic and Social Committee resolutely called for the creation of appropriate Community instruments to a) launch an asylum policy consistent with international laws and standards and based on the finest national traditions, and b) pave the way for an immigration policy based on common criteria.

1.5. With the signing of the Treaty on European Union of 7 February 1992, the institutional framework for Community action is finally in place. Action now would be in the clear interests of the Member States of the European Union, would be beneficial to European citizens and to non-EU nationals and their families legally resident in Europe, would protect individuals suffering from political persecution, would guarantee the humane treatment of refugees, and would prevent illegal employment without discrediting the workers concerned⁽¹⁾. The Committee welcomes the new Treaty provisions but would also stress the need to speed up the procedures for putting them into practice.

2. Content of the Commission Communication

2.1. The EC Commission's Communication is a working document which offers an excellent basis for the necessary further development of common policies on immigration and asylum. It contains a general survey of the current level of intergovernmental cooperation in the European Union, describes the instruments which have been developed in the Union, provides a clearly structured plan of the areas within society where action on immigration and asylum is needed, and lays down a framework for further action based on the reality of the immigration and asylum policy objectives actually pursued in the Member States.

2.2. The Commission calls for a common analysis and the launching of possible action in a wide variety of policy areas, ranging from the causes and control of migratory flows to the integration of legal immigrants. The Commission is also in favour of differentiated instruments governing the entry and legal status of immigrants and taking into consideration the various reasons why people leave their country of origin.

2.3. The Commission describes existing instruments for monitoring migratory flows, surveys the legal frame-

work in the European Union, and points to other areas where cooperation might well be successfully stepped up with a view to harmonizing entry and residence criteria.

2.4. The Commission Communication thus contains much of the information necessary to analyze the causes of migration, understand the situation of immigrants and appreciate the conditions which have to be fulfilled for entry. The whole problem is thus put on a more objective footing. This paves the way for a genuine, factually-based and democratic dialogue which will help to remove prejudices and overcome xenophobia and racism.

2.5. The Commission Communication suggests, as the ESC has already demanded, that the European Union should create a European legal framework to plan and regulate immigration, thereby meeting the requirements for a de facto 'society' of immigration. The facts presented by the Commission confirm that the introduction of free movement of workers within Europe has, generally speaking and in terms of sheer numbers, not led to substantial migration between Member States. This is partly due to the success of the Community's cohesion policy. In terms of the migration of well-qualified persons, however, a pattern of well-ordered, integration-driven flows has undoubtedly emerged in the EU.

2.6. The historical experiences of the Member States of the European Union are a major pointer to the instruments which can be used to ensure that migratory flows caused by economic factors are orderly and beneficial to all parties. Important preconditions for controlled migratory flows are equal opportunities and roughly equivalent living conditions in all the regions of Europe; it is not necessary however for living conditions to be absolutely identical.

2.7. The views expressed by the ESC in its Opinions on xenophobia and racism, immigration policy, and the legal status of migrant workers from third countries, are reaffirmed by the Commission and offer a basis for assessing the latter's current proposals on Immigration and Asylum Policies⁽²⁾.

⁽¹⁾ ESC Opinions on the Status of Migrant Workers from Third Countries (OJ No C 159, 17. 6. 1991, p. 12; OJ No C 339, 31. 12. 1991, p. 82).

⁽²⁾ ESC Opinion on Racism and Xenophobia (OJ No C 23, 30. 1. 1989, p. 33); ESC Opinions on the Status of Migrant Workers from Third Countries (OJ No C 159, 17. 6. 1991, p. 12; OJ No C 339, 31. 12. 1991, p. 82); ESC Opinion on Immigration Policy (OJ No C 40, 17. 2. 1992, p. 104).

2.8. The comments which appear below are confined to aspects of the EC Commission's Communication which seem to be of vital importance at the present time, as well as to any additions and changes deemed to be necessary in this complex field.

3. General comments

3.1. Coordinated, common immigration and asylum policies within the European Union are inescapable; they are also of quintessential importance if we are to guarantee the free movement of persons in the European Union whilst continuing to show understanding for people suffering from hardship.

3.1.1. The agreed process of coordination will lead in turn to a further deepening of cooperation between the Member States of the European Union and the better mutual understanding of a policy area which, despite common values and a common base, has developed in quite different ways in the Member States of the European Union on account of different historical experiences and policies.

3.1.2. The framework provided in the EU Treaty for the future formulation of the European Union's immigration and asylum policies marks a first important milestone on the road to European integration. Further steps will have to be taken when the intergovernmental conference decides on the future shape of the European Union Treaty.

3.1.3. Common immigration and asylum policies will strengthen economic and social cohesion in the Member States. An agreed common policy on immigration criteria and on the protection of the European Union's external borders will also make it possible for non-EU nationals legally resident in a Member State to move freely within the EU on the same basis as EU nationals.

3.1.4. The Commission has the backing of the Economic and Social Committee in declaring itself to be an 'honest broker' in efforts to gradually put together European policies on immigration and asylum. Discussions on the future shape of the European Union's immigration and asylum policies must not be held behind closed doors. They must be open and pragmatic, as befits a democracy, and citizens of the Union must also be allowed to join in and influence the proceedings.

3.1.5. Asylum and immigration policies in many ways overlap since, in reality, it is not always possible to analytically differentiate between the various reasons why an individual refugee leaves his country, with victims sometimes having been through unimaginable human sufferings and humiliations ranging from hunger and environmental catastrophes to torture and kidnappings. Causes such as political repression, ethnic conflicts, obstacles to freedom of worship, persecution of women, economic hardship, social injustice, violation of civic and human rights, are in some respects closely

intertwined. A common approach is therefore needed, particularly if there is to be real integration in the society of the host country.

3.1.6. Nevertheless, significant differences of opinion exist regarding the measures needed to tackle the causes of flight and migration and the possible help available to those concerned. The Committee here would reaffirm its call for a political blueprint on EU immigration and reiterate its proposals on the need to combat the evils which force people to become refugees⁽¹⁾.

3.2. However praiseworthy, the progress made in putting in place European asylum and immigration policies is essentially confined to 'defensive' aspects. This is regrettable.

3.2.1. The fixing of admission quotas for asylum-seekers and refugees should be categorically rejected.

3.2.2. Family reunification whereby family members join non-EU immigrants legally resident in a Member State of the EU should also be authorized without restrictions, provided the conditions and definitions laid down in EC instruments on the free movement of persons are complied with.

3.2.3. As far as the control of illegal immigration is concerned, previous efforts have been concentrated on expulsions, and not on penalties for the employers of persons without work permits, as the ESC has recommended⁽²⁾.

3.2.4. Persons seeking refuge in the European Union must be protected against exploitation and inhumane treatment from human smugglers and their organizations. Such organizations and their intermediaries should be tackled with the full power of the law.

3.2.5. Where a person is expelled, reasons must be given for the expulsion order and the person concerned must be informed about his rights.

3.2.6. The fight against illegal employment must not be limited to disciplinary and repressive measures. Policies must also be developed to ensure that illegal employment disappears. Initial action to tackle this problem has already been taken in a number of EU Member States.

3.2.7. Previous national experiences in regularizing the right of residence in border areas need to be analyzed, and any positive aspects to come out of the application of workers' rights to immigrants should be harnessed and used as a basis for Union-wide regulations.

3.3. The Economic and Social Committee considers it essential that all measures taken under asylum and refugee policies should aim to identify people suffering from hardship and offer them help.

⁽¹⁾ ESC Opinion on Immigration Policy (OJ No C 40, 17. 2. 1992, p. 104).

⁽²⁾ ESC Opinion on Immigration Policy (OJ No C 40, 17. 2. 1992, p. 104).

3.4. In the formulation of admission criteria, and the drawing-up of a differentiated but coordinated policy to tackle the causes of migration, consideration should be given to all the various factors which cause people to leave their home, either because they are seeking asylum, or need protection as refugees, or wish as migrants to overcome hunger and economic hardship. Having laid down these general points of principle, the Economic and Social Committee would now like to express its views on individual aspects of the problem whilst recommending that the Commission adopt a differentiated approach.

4. Overcoming discrimination and racism

4.1. The Committee reiterates its view that fighting xenophobia and racism, and protecting the basic rights of all people living in the European Union, are at the very heart of the philosophy of the new Europe⁽¹⁾.

4.1.1. Existing legal instruments on the protection of ethnic minorities should be implemented throughout the Union, and if necessary further strengthened. They should also be harmonized under a European Convention on the protection of ethnic minorities. Here the various experiences and policies of the Member States need to be analyzed and further developed.

4.1.2. Common legal criteria for entry into the European Union should be free of discrimination and compatible with the UN Convention on the elimination of all forms of racial discrimination.

4.1.3. Legal instruments confer rights on those concerned and can change patterns of behaviour within a short period of time.

4.1.4. Deep-seated attitudes however can only be changed gradually. Educational and training systems are therefore extremely important in combatting racism and xenophobia. Of supreme importance, in addition, is the setting of a good example by those responsible for promoting harmonious relations: not only the public authorities at all levels, but also parents in relation to their children, political parties, the media, employers and trade unions, the police, churches and individuals.

5. Asylum policy

5.1. People who face persecution by the state or are in physical danger because of their political convictions, nationality, ethnic group, race or religious affiliation should be afforded protection in keeping with the noblest European traditions.

5.1.1. The preparatory work already done by the Member States in connection with the Schengen and

Dublin Agreements, in pursuit of a European asylum policy based on national conceptions, indicates how important and necessary it is to move gradually and with circumspection towards regulation of the problem at European Union level. The present state of affairs however is a sign of Europe's 'fall from grace'. Economic difficulties, though an understandably serious problem, should not present an excuse for lack of action.

5.2. A harmonized European asylum policy must be based on international laws such as the Geneva Convention on Refugees and be in tune with the finest traditions of European countries.

5.2.1. Harmonization entails the adoption of uniform asylum recognition criteria. It is also necessary to examine how the Geneva Convention, which dates from 1951, has been applied in practice.

5.2.2. The right to asylum, concomitant with an obligation on the state to defend human rights, must be fully recognized. Asylum-seekers should on grounds of principle be entitled to enter the host country and stay there temporarily without being returned to the external frontiers of the EU, or to the country where their rights have been violated, whilst their entry dossiers are being processed.

5.2.3. Different national asylum procedures need to be harmonized and asylum-seekers must have access to legal advice even at the stage where their application is first being filed. Decisions should be reached within a few weeks of the asylum application being filed. In the event of the application being turned down, the applicant must have the right to have his case reviewed by an independent court of appeal.

5.2.4. Uniform asylum procedures and the harmonization of asylum recognition criteria will to a large extent ensure that any decisions on asylum are accepted by both parties. Access to the Court of Justice of the European Union offers a guarantee that the law in question will be applied uniformly.

6. Refugee policy

6.1. Special refugee status should be accorded to de facto refugees such as war (including civil war) refugees, as well as to those who cannot be sent back to their country of origin for humanitarian reasons (refugee status B).

6.1.1. Persons with refugee status B should be given the same rights as other refugees under the Geneva Convention, particularly in respect of integration measures such as access to employment, schooling and family unity. Arrangements must be in place so that there is a possibility of prolonging long stays indefinitely.

⁽¹⁾ ESC Opinion on Racism and Xenophobia (OJ No C 23, 30. 1. 1989, p. 33).

6.1.2. To avoid unfair burdens, consideration should be given to the evening out and if necessary redistribution of responsibilities within the EU. Whatever the redistribution method adopted, however, it should not lose sight of humanitarian considerations, and especially the basic principle of family unity.

7. Immigration policy

7.1. Legislation on immigration could pave the way for asylum and refugee policies to concentrate on their real and original functions of granting refuge on grounds of political persecution or for humanitarian reasons.

7.2. A future immigration policy should be based on the following principles: curbs on immigration to be achieved by removing the causes in the countries of origin; controls based on nondiscriminatory, realistic admission criteria, including measures to ensure their fair and humane application; protection of the rights of immigrants.

7.3. This common experience should form the foundations of an immigration policy based on the principles of solidarity, humanity and assistance.

7.4. In the meantime all countries of the European Union, including countries with a tradition of emigration, are experiencing immigration from non-EU states. An integrated immigration policy within the framework of harmonized European legislation would help to ensure that this process is both controlled and socially acceptable, although the many existing agreements would also have to be respected. This would make it possible to transform a *de facto* 'society' of immigration into a 'country' of immigration.

7.5. Common immigration criteria are an inevitable and logical consequence of the policy of protecting the rights of legal immigrants.

7.5.1. The Commission Communication makes it clear that progress under the aegis of European cooperation has been very uneven in places. If an immigration policy is to be realistic, carefully-targeted and economical with resources, it needs to rely on specific data bases with the help of which the causes of immigration can be monitored and, more especially, the conditions necessary for successful integration in the European Union can be identified.

7.5.2. Without adequate data on employment trends, workforce potential, housing, nursery care and schooling, there is no proper basis for setting immigration quotas.

7.5.3. A European immigration policy can only be successful and of real help to the people concerned if the competent national and international authorities involve social, religious and human-rights groups in this humanitarian work.

7.5.4. In this context the social partners have a particularly important role to play in the world of work.

7.5.5. Different social groups will also have to be involved in defending humanitarian principles and promoting equal rights and mutual tolerance between people of the host country and immigrants. The instruments available within the European Union should accordingly be used more effectively and, where necessary, combined to concentrate on specific targets.

7.5.6. This policy, however, also presupposes that people who have found a new home in the Community make active efforts themselves to integrate into society which, of course, does not mean that they have to lose entirely their individual cultures. Self-help is important if the native population and immigrants are to live together harmoniously and mutual prejudices are to be broken down or prevented from arising in the first place.

7.6. Apart from the need to coordinate national immigration policies within the European Union, it is particularly important that the European Union and countries of origin should work together. This will make it possible to strengthen the rights of immigrants and make public opinion in the host countries aware that migratory movements are part of the 'normal' course of events. This could help to address and dispel existing fears. Immigration policy thus has a central role to play in stabilizing democratic processes both within the European Union and in the countries of origin.

8. Integration policy

8.1. It should be emphasized in particular that immigration and asylum policies should not be confined to the necessary harmonization of legal instruments. Active integration measures are one of the most important elements of any immigration policy based on European traditions.

8.2. The Economic and Social Committee regards integration as a two-way process. A comprehensive integration policy should therefore be targeted not only at the immigrant population, but should also involve the population of the host country, so that measures which promote integration among young people, in schools and in the workplace can attain their true objective of improving mutual understanding.

8.3. The ratification of ILO Conventions by the European Union would be a sound basis for improving the legal situation of migrant workers. Granting migrant workers equal rights, equal treatment, and hence equal opportunities, as the Economic and Social Committee has advocated in its Opinion on the 'Status of Migrant Workers from Third Countries'⁽¹⁾, is an important platform for integration.

8.4. An active integration policy should pay greater attention than before to encouraging the acceptance of refugees and immigrants; this can be done by providing information about the cultural differences of immigrants and the root causes of their departure from their home countries.

8.5. Successful long-term cohabitation can only be achieved if the population of the host country as well as the immigrants themselves are in favour of integration. The European Union should therefore not only examine ways of dealing with migratory pressures from the South and East but should also pay more attention than before to the question of immigration needs (demographic and other).

9. Further considerations

9.1. In its comments on citizenship of the Union the EC Commission rightly points to the diversity of legal provisions in the Member States on nationality and naturalization. This is due to the many different historical and philosophical concepts holding sway within the European Union.

9.2. The Economic and Social Committee is of the opinion that Community-wide admission criteria flow logically and inevitably from the policy of granting rights to legal immigrants.

9.3. Another important and logical consequence of this policy is that immigrants should be entitled to live under the same social conditions right across the Community.

9.4. Serious efforts should be made to harmonize naturalization provisions for long-stay immigrants and for immigrants' children who are born or brought up in a EU Member State.

9.5. Naturalization makes an important contribution to integration in that it confers full civic and political

rights. Naturalization for this group of persons should be made easier, partly by allowing applicants to hold more than one nationality.

9.6. Some Member States of the European Union have introduced fixed-term employment permits without offering the right to long-term residence. Careful consideration should be given to this initiative in order to determine what effect it has on (a) employment systems in the host country, (b) the social protection and rights of the workers concerned, and (c) the country of origin. More detailed data needs to be collected in this area, and more information exchanged through the involvement of the social partners.

9.7. In the view of the Committee, particular importance should also be paid to the question of seasonal workers since the economic importance of this type of activity (for everyone concerned) cannot be underestimated. The Committee is therefore in favour of a uniform set of Community provisions in this area, although previous experiences should also be taken into consideration. The Committee believes that a standard approach is needed to (a) the number of seasonal workers allowed in, (b) their period of employment, and c) the procedures for granting authorizations.

9.8. The ESC supports efforts to develop a common philosophy on immigration and asylum policies within the European Union.

9.8.1. Such efforts should be focused on establishing an immigration monitoring centre, on harmonizing admission criteria and on defining minimum rights for immigrants.

9.8.2. The Commission, Council of Ministers and European Parliament should draw up a legal framework in close cooperation with the Member States so that any subsequent problems can be solved.

9.8.3. The ESC asks to be consulted and involved at early stages of the development and implementation of immigration and asylum policies.

9.9. When preparations get underway for the intergovernmental conference on the next phase of the European Union Treaty of 7 February 1992, immigration and asylum policies could perhaps be carried forward and become reality at an early stage by involving and strengthening the rights of the European Parliament. The existing legislative framework for the development of Union-wide immigration and asylum policies should give rise to the adoption of concrete provisions which take into account the Opinions of the Economic and Social Committee. The Economic and Social Committee would also like to be consulted at an early stage of the negotiations on the revision of the Treaty.

⁽¹⁾ OJ No C 159, 17. 6. 1991, p. 12; OJ No C 339, 31. 12. 1991, p. 82.

10. The ESC calls upon the Council of Ministers to introduce a Community instrument on European immigration and asylum policies; such an instrument would also take account of the views and ideas put forward by the Committee.

The ESC has taken note of the Council Resolution of 20 June 1994 on Limitations on Admission of

Third-Country Nationals to the Member States for Employment.

The Economic and Social Committee considers that the main thrust of this Resolution is unhelpful since it is at odds with the basic line taken by the ESC itself.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the proposal for a Council Regulation (EC) amending 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, Regulation (EEC) No 574/72 laying down the procedure for implementing Regulation (EEC) No 1408/71, Regulation (EEC) No 1247/92 amending Regulation (EEC) No 1408/71 and Regulation No 1945/93 amending Regulation (EEC) No 1247/92 [COM(94) 135 final]

(94/C 393/14)

On 14 July 1994 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 18 July 1994. The Rapporteur was Mr Pearson.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted unanimously the following Opinion.

1. Introduction

1.1. The Committee welcomes this proposal [COM(94) 135 final] in that it represents further necessary amending and updating of the texts⁽¹⁾ to facilitate greater coordination of the social security systems to accommodate the future convergence of the social security policies of the Member States.

1.2. The proposal aims to update the Community Regulations in the light of a number of changes to form, substance, and administration made by national legislations since the previous update, especially to take account of bilateral agreements concluded between Member States and to improve the understanding, and functioning of the coordination.

1.3. The Committee draws attention to Article 2 of Regulation 1408/71 (as amended at 1247/92) in which the conditions are to apply equally to civil servants. The

⁽¹⁾ Reg. (EEC) No 1408/71, Reg. (EEC) No 574/72, Reg. (EEC) No 1247/92, Reg. (EEC) No 1945/93.

necessary legislation should be put in place, without delay, in those Member States which have not yet done so to enable the freedom of movement envisaged in that Regulation.

1.4. The Committee is pleased to note, since it is desirable and timely, that the Commission proposes to update and reproduce the 'Compendium of Social Security' Regulations (EEC) No 1408/71 and No 574/72, in a new format in 1994 for all to consult and for those in the Member States who require the information readily available.

Article 1

Concerns amendments to Regulation (EEC) No 1408/71.

These amendments aim to protect certain rights and to remove any misinterpretation or misunderstanding of the existing text relating to:

- a) the deduction and collection of contributions from wholly unemployed workers for certain defined benefits by the Member State of residence in accordance with the provisions of its legislation;
- b) extending the law for the protection of family benefits;
- c) housing allowance in the state of residence;
- d) integration of transitional bilateral agreements for Spain, Portugal and any other Member State;
- e) the definition of 'member of the family' in Ireland and UK;
- f) include the non-exportable, non-contributory rehabilitation benefit in Denmark;
- g) the removal of 'cost of living allowance' since this no longer exists in Luxembourg;
- h) updating agreements between Germany and Greece regarding insurance periods, and to facilitate the restructuring of the Greek social insurance.

Article 2

Concerns the amendments to Regulation (EEC) No 574/72.

These related to the laying down of procedures for implementing the changes to the previous Article 1 — Regulation (EEC) No 1408/71, and also changes in form and administration made within certain Member States.

- a) choice of sickness fund in Germany;
- b) guaranteeing all the rights of the family;
- c) specific account of actual expenditure;
- d) conversion of currencies;
- e) lists of competent institutions — new titles or addresses, or administrative reorganization within the Member States (Denmark, Luxembourg, Netherlands);
- f) reciprocal waiving of reimbursements or methods of reimbursement.

Articles 3 and 4

Relate to the administration and coordination of the social security systems in Spain and Portugal with the other Member States, and the ending of certain transitional arrangements. This leads to greater understanding of the texts and working arrangements within the European Union.

Article 5

2. Conclusion

2.1. The Committee welcomes these necessary amendments in that they create a greater administrative reality and constitute a further step in coordination of social security and health systems with the EU. The Committee in earlier Opinions (e.g. OJ No C 207, 18. 8. 1986) pointed to the detailed and complex nature of the various Community Social Security regulations: it drew attention to the need for a document setting out in simple terms, the obligations and benefits incurred by citizens of Member States moving and working or residing within the Community.

2.2. The 'Compendium of Social Security' is currently being revised (last update 1989). There is a greater need for this document to be updated and made available, than ever before and the Committee anticipates receipt of the new document at an early date. A Data Base containing all the information should also be developed so that accurate, reliable and up to date facts can be readily accessed.

2.3. The Committee agrees this Regulation should enter into force on the first day of the month following its publication in the Official Journal of the European

Communities, recognizing that this Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the proposal for a Council Regulation (EC) concerning a Community programme providing financial support for the promotion of European energy technology 1995-1998 (THERMIE II) ⁽¹⁾

(94/C 393/15)

On 14 July 1994, the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European 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 8 September 1994. The Rapporteur was Mr Beale.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion unanimously.

1. Introduction

1.1. The THERMIE programme should be seen as part of the drive to attain the energy objectives for 1995 laid down in the Council Resolution of 16 September 1986 ⁽²⁾.

1.2. The current THERMIE programme comprises a series of measures intended to support promotional schemes and demonstration and technical feasibility projects under Regulations (EEC) No 2008/90 ⁽³⁾ and No 3640/85 ⁽⁴⁾ and the programme of support for technological development in the hydrocarbons sector under Regulation (EEC) No 3639/85 ⁽⁵⁾.

1.3. The new THERMIE II programme supports projects on the economic viability of new technologies,

going beyond pure technical feasibility. The promotion of European Energy Technologies by demonstrating their economic viability, as well as the promotion of the results of similar projects financed by Member States' programmes or by industry alone, and assistance in their penetration of third country markets through industrial cooperation, cannot be included in the 4th framework programme and are therefore covered by this proposal.

1.4. In its Opinion on the current THERMIE programme, adopted at its Plenary Session on 12 July 1989, the Economic and Social Committee suggested various points which are largely reflected in the new proposal.

1.5. These concerned:

- explicit authorization of financial support for innovative programmes where the research/development phase was not yet completed,
- the inclusion of the concept of 'risk' in the technical and financial aspects,

⁽¹⁾ OJ No C 158, 9. 6. 1994, p. 6.

⁽²⁾ OJ No L 241, 25. 9. 1986, p. 1.

⁽³⁾ OJ No L 185, 17. 7. 1990, p. 1.

⁽⁴⁾ OJ No L 350, 27. 12. 1985, p. 25.

⁽⁵⁾ OJ No L 350, 27. 12. 1985, p. 29.

- the necessary coordination with national programmes.

2. Summary of the Commission document

2.1. The legal basis for the proposal is Treaty Article 235, although Research and Technological Development (RTD) as such comes under Article 130.

2.2. The objectives of the proposal are in line with the main objectives of energy policy:

- security of the Community's long-term energy supply,
- rational management of energy resources,
- clean use of coal and other fossil fuels,
- diversification of energy supply,
- development of regional energy resources.

2.2.1. Furthermore, the programme should contribute to other major Community policy objectives stemming from the completion of the internal market and to improving living conditions in cities and rural areas, strengthening economic and social cohesion, and cooperation with third countries, in line with the priorities laid down in the Treaty on European Union and in the 4th Framework Programme concerning increasing the competitiveness of European industry.

2.3. The content of the new programme would work across sectors and would promote technologies by economic demonstration and dissemination for a specific end-use.

2.4. The proposed programme is intended to provide continuing support to SMEs, and would support small projects with good replication potential in the Community.

2.5. Project support is limited to 35 % of the eligible costs (at all events total public aid cannot exceed 49 % of the total cost of the project), except in the case of horizontal support measures where 100 % support is allowed.

2.6. The eligibility criteria for projects are:

2.6.1. Basically:

- existence of financial risks in demonstrating viability of an energy technology;
- no possibility of sufficient Member State financing and support;

- increase in security of long-term energy supply of the Community;
- conservation of energy resources and the environment;
- improved competitiveness of European industry.

2.6.2. Additional criteria include:

- the 'Community dimension',
- the size of undertakings,
- projects from regions whose development is lagging behind.

2.7. The practical arrangements for the programme will be undertaken through the THERMIE Committee with the assistance of the Member States.

2.8. It is proposed that an Advisory Committee be set up, composed of national representatives, to assist the Commission in:

- defining the programme,
- establishing priorities,
- deciding whether to grant financial support,
- evaluating results.

2.9. The funding for THERMIE II, falling under Heading 3 of the budget, is ECU 30 million for 1995. The amounts not yet allocated, to cover the remaining three years of the programme, will depend on available budgetary resources in those years.

2.10. Administrative and staffing expenditure for 1995 is estimated at ECU 150,000.

2.11. The proposed Regulation is to come into force on 1 January 1995.

3. General observations

3.1. The Committee welcomes the Draft Regulation. The present THERMIE programme comes to an end on 31 December this year and it is desirable that THERMIE continue for another four years in order that the research results are brought to commercialization.

3.2. In its Opinion⁽¹⁾ on the first THERMIE programme, the Committee considered the programme 'to be necessary', although with some reservations.

3.3. The Committee notes that whereas under THERMIE reference is made to technical and economic risks, the word 'technical' has not appeared in the equivalent Article (Art. 2) of THERMIE II.

⁽¹⁾ OJ No C 101, 22. 4. 1989.

3.4. The Committee recently received from the Commission copies of the latter's report to the Parliament and the Council on the implementation of the first THERMIE programme which was issued as long ago as 9 December 1993 [COM(93) 642 final].

3.5. However, THERMIE and THERMIE II are not strictly comparable programmes since the technical demonstration part of THERMIE will be included in the 4th Framework Programme.

3.6. The Committee is also concerned to note that, as a result of the Maastricht Treaty, the specific non-nuclear energy-research programme and the THERMIE II programme are to be conducted under different Treaty Articles (Articles 130 and 235) and supervised by separate Directorates-General (XII and XVII, respectively).

3.7. Even though close liaison between those two DGs is understood to be assured, the Committee wonders whether such a division of responsibility might not constitute an obstacle to proper realization of the programme. The 'frontier' between what is research and technological development (RTD) and the proving and dissemination of technology that can be shown to have economic application in practice is not necessarily a fixed one.

3.8. That aspect is underlined by the fact that THERMIE II will almost certainly have less money allocated to it than under the present programme. The Committee understands that this is due to what is mentioned in paragraph 3.5, namely the transfer of technical demonstration to the 4th Framework Programme.

3.9. Another significant change from THERMIE to THERMIE II which the Committee has identified is, however, the proportions of funds to be allocated to each of the main energy sectors (see details under 'Specific Comments'). Whereas previously Rational Use of Energy (RUE) was to take 30 %, under THERMIE II RUE is to receive 60 %, with corresponding reductions in the other headings.

3.10. In the medium term, that is probably a sound move since RUE offers more immediate benefit in terms of energy supply and environmental protection. However, in the longer term the various renewables will be important to energy supply and employment.

3.11. The Committee also notes with interest the detailed figures published by the Commission suggesting certain macro-economic and environmental benefits expected per ECU spent on the THERMIE programmes. The Committee believes that these figures are at best

illustrative, rather than certain to be achieved as a result of THERMIE alone (cf. paragraph 9.1 of the Financial Statement annexed to the Draft Regulation).

4. Specific comments

4.1. *Explanatory memorandum*

While understanding that such a memorandum is necessary, the Committee feels that — taking up, as it does, one third of the Commission's document — it is more relevant to the specific

research programmes than to THERMIE II as such.

4.2. *Preamble*

What is said about the explanatory memorandum above seems to apply a fortiori to the preamble, which ought to concentrate on the reasons why the Commission wishes to divide its efforts in these matters between two DGs, even if different Treaty articles are held to apply.

4.3. *Article 3*

The Economic and Social Committee ought to be listed together with the European Parliament and the Council as 'being kept informed'.

4.4. *Article 5*

A new paragraph should be added making clear that Community financial contributions to projects cannot be assured for projects whose life extends beyond the duration of the THERMIE II programme.

4.5. *Article 8*

In the absence of expenditure estimates for any year after 1995, it is not clear how many projects the Community will be supporting within the range ECU 100,000-500,000 quoted.

4.6. *Article 10*

The Committee would like to feel confident that 'closer coordination with national schemes' will 'avoid duplication of similar projects'.

4.7. *Article 16*

The Economic and Social Committee ought also to receive the 'report on the implementation of the Regulation' and at the same time as the European Parliament and the Council, if it is to be able to offer worthwhile comments in good time.

4.8. *Statement of impact on SMEs and employment*

Although the Committee shares the Commission's concern to ensure that it supports enterprises able to carry out the projects for which Community funding is requested, there is nevertheless a need for the formalities involved to be such as to encourage SMEs to participate in THERMIE II and not positively to discourage them.

4.9. *Annex 1*

4.9.1. Rational Use of Energy

The Committee notes and approves the Commission's evident intention to give Transport the first priority in RUE projects under THERMIE II, whereas it was listed after Building, Industry and Energy Industry under THERMIE.

4.9.2. Renewable energy sources

Energy from Biomass and Waste and Solar is listed first, with Wind also receiving greater priority listing than Hydro and Geothermal, a re-ordering of priorities which the Committee welcomes. It is, however, questioned whether Wind will prove environmentally acceptable in inhabited areas, while there are known to be public objections to the construction of new dams for hydroelectricity.

4.9.3. Financial statement

4.9.3.1. Paragraph 7.1 thereof shows that RUE is to receive 60 % of funding under the new programme, compared with 30 % under THERMIE. Consequent reductions in the other headings follow: 26 % down to 15 % for renewables; 23 % down to 13 % for solid fuels; 21 % down to 12 % for hydrocarbons. These changes are said to be justified by experience under THERMIE while renewables receive greater priority under the 4th Framework Programme.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the proposal for a Council Regulation (EC) on measures to be taken in dealing with certain beneficiaries of operations financed by the Guarantee Section of the EAGGF⁽¹⁾

(94/C 393/16)

On 14 July 1994 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the abovementioned proposal.

The Section for Agriculture and Fisheries, which was responsible for preparing the Section's work on the subject, adopted its Opinion on 1 September 1994 (Rapporteur: Mr Bastian).

The Economic and Social Committee unanimously adopted the following Opinion at its 318th Plenary Session held on 14/15 September 1994 (meeting of 14 September).

SUMMARY

Subject to the amendments and additions proposed below, the Committee endorses the proposed Regulation.

The Committee deplores the fact that in the field of measures to curb fraud, a field in which discreet action is required, informal cooperation between the Member States is not enough to bring about a sizeable reduction in the number of cases of fraud attributed to operators.

The Committee trusts that the more binding regulatory framework proposed by the Commission will measure up to the task of curbing this type of fraud.

The main objective of the proposed Regulation is to initiate a fraud-prevention campaign based on an 'early warning system' involving the Member States and the adoption of concrete measures once a 'warning' has been issued. The Committee recommends, in particular, that the Member States' fraud departments launch an intensive campaign of preventive measures (involving, for example, increased physical inspections).

The Committee draws attention to the fact that the effectiveness of the measures will depend, to a large extent, on the readiness of each Member State to identify unreliable operators without delay and to forward relevant information on these operators as soon as there has been an administrative finding of an irregularity, in order that preventive measures may be taken in the other Member States.

1. Preliminary Observations

1.1. The general framework for EU measures to combat fraud committed against the Guarantee Committee of the EAGGF is provided by Council Regulation (EEC) No 595/91 of 4 March 1991 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Common Agricultural Policy and the organization of an information system in this field.

1.2. Recognizing the need to avoid unnecessary multiplication of regulations, the Committee deplores the fact that it has not been possible, on the basis of the abovementioned Regulation, and in particular its Article 4, to develop more effective administrative cooperation between the Member States in respect of the communication of cases of fraud and irregularity.

1.2.1. The Committee does, however, recognize that the above Regulation does not meet all the requirements (it does not, for example, lay down any time limits for

the communication of the relevant information between Member States). Furthermore, the task of the Member States is complicated by the introduction of the Single Market, the establishment of the European Economic Area, and the large number of preferential agreements signed by the European Union.

1.2.1.1. The Committee also considers that the complexity of EU rules is a factor in the increased incidence of fraud; it calls upon the EU authorities to simplify, as far as possible, the provisions which they lay down and to bear in mind at all times, when drafting the provisions, how they will be able to monitor their effective application, with the collaboration of the competent authorities in the Member States.

1.3. Although the Proposal for a Regulation covers only a number of types of fraud committed against the budget of the Guarantee Section of the EAGGF, it nonetheless complements the existing instruments for combating fraud and should contribute towards the general strengthening of the measures to combat fraud which the EU authorities have been pursuing in collaboration with the Member States.

⁽¹⁾ OJ No C 151, 2. 6. 1994, p. 13.

1.3.1. The Committee would point out that fraud is not limited to operations financed by the Guarantee Section of the EAGGF — all operations financed by the EU may fall victim to fraud.

1.4. In the Committee's view, the Regulation proposed by the Commission is an appropriate, necessary contribution to the pursuit — as advocated by the Copenhagen European Council on 21 and 22 June 1993 — of the campaign against fraud and irregularities affecting the EU budget and, in particular, fraud committed by the various economic operators in connection with the tendering procedures, the granting of export refunds and sales at reduced prices of intervention products.

1.5. The Committee welcomes the action taken by the Commission, which has made the campaign against the various economic operators, who are the main perpetrators of fraud (by volume) against the Guarantee Section of the EAGGF, one of the priorities of its anti-fraud policy in 1994. The Commission's 1993 report demonstrated that fraud in respect of refunds accounted for 22% of the cases of fraud notified to the Commission in 1993 and 68% of the sums involved (i.e. ECU 168 million of the overall total of ECU 248 million).

1.6. From a general point of view, the Committee notes that fraud against the Guarantee Section of the EAGGF damages the transparency of the Common Agricultural Policy and, as a consequence, harms the public image of farmers at a time of economic crisis and budgetary stringency. The Committee therefore approves the aim of the proposed Regulation, which is to facilitate cooperation between the competent authorities in the campaign against irregularities committed by operators.

2. General Considerations

2.1. *Respect for the principle of subsidiarity*

2.1.1. Measures to combat fraud are primarily the responsibility of the Member States, who possess most of the means of action and powers. Under Article 209a of the EC Treaty, the Commission and the Member States have clear obligations and responsibilities as regards measures to combat fraud.

2.1.2. The Member States are required to arrange regular and close collaboration between the competent departments of their administrations, with the assistance of the Commission. The Proposal is fully in accordance with this legal framework since its aim is to strengthen partnership and to expand anti-fraud cooperation between the Member States.

2.1.3. The Committee notes that the Commission respects the principle of subsidiarity by excluding itself from the field of application of the proposed Regulation; only the 'competent national authorities of the Member States' will be provided with the information available under the new system of identification. The political

significance of the proposed Regulation is, however, very considerable since it establishes a Community system requiring Member States to distribute information on certain operators and adopt preventive measures.

2.1.4. The Committee notes that the Commission does not consider it necessary for the proposed identification system to be managed on a centralized basis but it points out that, where appropriate, clearance of accounts will depend on a proper application of the proposed Regulation.

2.2. *Guarantees given to operators*

2.2.1. In the Committee's view, this is the most sensitive aspect of the proposal for a Regulation since it will mean Member States accepting the principle of a systematic exchange of information on operators.

2.2.2. The Committee wishes to stress the difference between cases where it is established that an operator has committed a fraud and cases where operators are simply suspected of fraud.

2.2.3. In the former case, which is referred to in Article 1(2)(a), identification of the operator at EU level does not appear to raise any particular legal problem. Following an administrative or legal procedure, such an operator had been convicted of fraud; the Committee considers it to be absolutely essential for this information to be transmitted between Member States and for preventive administrative measures to be adopted in respect of the operator concerned.

2.2.4. In the latter case, which is referred to in Article 1(2)(b), the operator is the subject of a 'well-founded suspicion' of having committed fraud. The Proposal for a Regulation does not specify the criteria for assessing this suspicion, which is however linked to such important legal consequences as whether or not the operator will be identified in all the Member States and whether or not the measures specified in Article 3 will be invoked in respect of the operator. The Committee calls upon the Council to define these criteria as accurately as possible in its Regulation.

2.2.5. The Committee wishes to underline the seriousness of the injury to an operator unjustly identified by a Member State as presenting a risk of 'non-reliability'. It is therefore essential that the Regulation clarifies the terms 'well-founded suspicion' and that the proposed system should indeed 'have built into it a maximum of guarantees and precautions' to protect operators, as stated in the Explanatory Memorandum.

3. Specific comments

3.1. *Article 1(2)(b)*

3.1.1. The Committee considers that the term 'well-founded suspicion' is too vague to be legally acceptable.

The Commission intends to provide a concrete definition of the term in the implementing Regulation in the light of the substantive law of each Member State in order to avoid complicating the Regulation by technical details arising as result of the different legal situations in the Member States.

3.1.2. The Committee would, however, call upon the Council to define this term more precisely in the Regulation itself. With reference to Article 3(1) of Council Regulation (EEC) No 595/91, the Committee proposes to the Council that, for example, the following wording be adopted:

'those who are the subject of a well-founded suspicion, i.e. operators in respect to whom there has been a primary administrative finding of an irregularity'.

3.1.3. The implementing Regulation will set out the classification of 'primary administrative findings of an irregularity' established by the competent administrative authorities of the Member States with regard to operators; this classification will enable each Member State to set in motion the procedure for identification and communication provided for in the framework Regulation.

3.1.4. In the Committee's view, this will remove the legal risk of 'well-founded suspicions' resulting from a simple 'assessment' of the risk of non-reliability made by the competent authority in a Member State; the concept of 'well-founded suspicions' will be clearly defined on the basis of a precise administrative act.

3.2. *Article 2*

3.2.1. In the Committee's view the final phrase of Article 2, 'or where appropriate, at the Commission's initiative', would appear to be in contradiction with a system of identifying non-reliable operators and communicating the information solely between the Member States, as established under Article 1(1).

3.2.2. The proposed wording of Article 2 may give the impression that the Commission would be able to compel a Member State to initiate an identification and communication procedure. According to the Commission's interpretation, the final phrase only relates to cases covered by Article 3(3).

3.2.3. With a view to avoiding any misinterpretation and in order to observe the principle of subsidiarity which underlies the Regulation, the Committee proposes that the passage in question be clarified as follows:

'(...) or, where appropriate, at the Commission's initiative in the case provided for under Article 3(3)'.

3.3. *Article 3*

3.3.1. The effectiveness of the proposed system hinges on the measures set out in Article 3.

3.3.2. The Committee would point out that, although the agricultural regulations already include provisions whereby beneficiaries who commit serious irregularities may be temporarily or permanently excluded from benefits paid directly to farmers, there are no such EU rules covering operators.

3.3.2.1. The proposed Regulation will make good this legal shortcoming and should strengthen the preventive side of the campaign against fraud.

3.3.3. The Committee does, however, consider that it should be possible, where appropriate, for the measures set out in indents (a) and (b) to be cumulative so as to strengthen the range of sanctions available to the Member States. The Committee therefore proposes that the preposition 'or' between indents (a) and (b) be replaced by 'and/or'.

3.3.4. With a view to guaranteeing the rights of operators, the Committee also proposes that indent (b) be amended to read as follows:

'b) suspension of the payment of the amounts in respect of operations in progress to be determined and, where appropriate, of the release of the security relating thereto, until an irregularity within the meaning of Article 1(2)(a) has been determined (or no such irregularity has been determined)'.

3.4. *Article 4*

3.4.1. *Point 1*

3.4.1.1. With a view to guaranteeing the basic rights of the operators covered by the proposed Regulation, the Committee proposes that the first sentence be amended to read as follows:

'the measures referred to Article 3 must comply *inter alia* with the following principles ...'.

3.4.1.2. It also proposes that the following indent d) be added:

'd) a reasonable time-lag between the initiation and the conclusion of the procedures set out in Article 3(1)(a) and (b)'.

3.4.1.3. Inclusion of this indent would also help to guarantee the economic interests of the operators covered by the proposed Regulation. The implementing Regulation should specify what is to be understood by the term 'reasonable time-lag' in each Member State in the light of its own national procedures.

3.4.2. *Point 3*

3.4.2.1. The Committee cannot accept the proposed wording of this paragraph as it is bound to offend the legal sensitivity of the Member States; in the light of the principle of subsidiarity it would, in the Committee's

view, be difficult if not impossible to ask the Member States to make changes to their national laws on the confidentiality of judicial investigations for the sake of the application of this one Regulation.

3.4.2.1.1. By way of contrast, it is stated in one of the recitals to Council Regulation (EEC) No 595/91 that 'national rules relating to criminal proceedings or mutual assistance between Member States at judicial level in criminal matters must not be affected by the provisions of this Regulation'.

3.4.2.2. The Committee understands the reasons why the Commission has inserted this paragraph; it frequently happens that when the Commission asks for information with regard to an operator, cooperation is refused on the grounds of the confidentiality of judicial investigations.

3.4.2.3. According to the Committee's understanding of the proposed Regulation, however, this problem does not arise because:

- the information referred to in Article 1(2)(b) relates to an administrative phase *to which the confidentiality of judicial investigations does not apply*;
- the information referred to in Article 1(2)(a) implies that the operator has:
 - either admitted having committed fraud and agreed to pay a fine to the competent administrative department of the Member State, which could then decide not to initiate (or to terminate) legal proceedings; in this case the confidentiality of

judicial investigations *does not apply* (or no longer applies);

- or been convicted by the courts, in which case the confidentiality of judicial investigations *no longer applies*.

3.4.2.4. The Committee proposes that Article 4(3) amended to read as follows:

'In the case of operators as referred to in Article 1(2)(b), Member States shall take all the necessary measures to ensure the earliest possible transmission between the appropriate national authorities of information which they have gathered in the course of the administrative phase of the procedure for establishing that fraud has been committed or attempted.'

3.4.2.4.1. For the same reasons the Committee proposes that the penultimate recital of the proposed Regulation be amended to read as follows:

'Whereas a maximum of guarantees must be provided to operators in the implementation of this Regulation in order to ensure that it does not have unjustified or disproportionate damaging effects on the operators concerned.'

3.4.2.5. The Committee also calls for the following new point 4 to be added:

'This Regulation shall be implemented in accordance with existing EU and national provisions governing the protection of personal data.'

3.4.2.5.1. The Committee considers that this clarification is necessary in order to guarantee all the basic rights of the operators.

Done at Brussels, 14 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

**Opinion on the proposal for a Council Regulation (EC) amending Regulation (EEC)
No 2930/86 defining the characteristics of fishing vessels**

(94/C 393/17)

On 13 July 1994, the Council decided to consult the Economic and Social Committee, under Articles 43 and 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 1 September 1994. The Rapporteur was Mr McGarry.

The Economic and Social Committee unanimously adopted the following Opinion at its 318th Plenary Session held on 14/15 September (meeting of 14 September 1994).

1. Introduction

1.1. Since 18 July 1994 all EU fishing vessels have been obliged to calculate their gross tonnage under uniform rules of measurement (Reg. 2930/86).

1.2. In practice, given the large number of vessels involved, it has proved technically impossible to meet this deadline.

1.3. This is particularly so in the case of smaller vessels, which comprise the bulk of the EU fleet.

1.4. The Committee notes that in the meantime the Council has agreed in principle with the proposal and has also introduced some changes to it. One such change is that the upper limit for 'small vessel' classification has been increased from 10 metres to 15 metres overall length.

2. General remarks

2.1. The Committee supports the proposal to standardize the calculation of tonnage of fishing vessels to meet the objectives set out by the Commission.

2.2. The general system for tonnage measurement is that set out in Annex 1 of the International Tonnage Convention, 1969, which calculates the volumetric capacity of a vessel.

2.3. Several vessels have been measured under different formulae with resultant discrepancies in values between vessels of roughly similar size.

3. Specific remarks

3.1. The Committee agrees with the proposal to remeasure vessels in excess of 10 metres. It considers that any increase in this 10 metre threshold would lead to undesirable results, in that it would enable more vessels to be built specifically to take advantage of the seemingly less demanding requirements of the lower category, i.e. 'rule-beater'.

3.2. This would lead to a very substantial increase in fishing effort in that category as the performance and efficiency of such specially designed smaller vessels would be much greater than existing vessels of similar length.

3.3. The Committee also points out that the longer the vessel the greater the scope which exists to change its shape and specifications, leading to greater divergence and discrepancies in tonnage measurements.

3.4. The Committee is concerned that the basic intention of the proposed Regulation, which is to measure the enclosed volume of vessels, will be frustrated if the threshold is raised.

3.5. The Committee agrees that the deadline should be extended to allow sufficient time for the objective of the basic Regulation to be achieved. However, such extension of time should be based on a more realistic estimate of survey effort than that given in the Memorandum, which seems to be excessive.

3.6. In this regard clarification is required as to whether in-water or out-of-water surveys are intended. The Committee believes that an out-of-water survey would greatly increase the time required per vessel and would involve substantial direct as well as indirect costs.

3.7. The Committee considers that an out-of-water survey should not be required for vessels less than 24 metres.

3.8. The Committee asks whether a computer programme is not available, or capable of being designed, which could be used to perform this task where a vessel's plans are available, with a consequent saving in time, effort and expense. The possibility of using computer-linked electronic surveying techniques on vessels should also be investigated.

3.9. The interim formula proposed for remeasuring medium sized vessels is perhaps too simplistic as it appears to take less stringent account of variations in hull designs or the shape of vessels. The raising of the

small vessel threshold from 10 metres to 15 metres must be therefore viewed with concern.

3.10. The Committee is unclear as to what is meant by the 'use of a special frame to measure the internal dimensions' and queries whether such a device actually exists.

3.11. As the necessity to remeasure is an additional obligation imposed by a Community Regulation, the

cost should be met by the Member State and/or the EU and no cost, direct or indirect, should fall on vessel owners.

3.12. The Committee would like a supervisory committee to be set up to ensure common interpretation and implementation of the measures through the EU.

3.13. The other elements in the proposal for a Regulation can be supported.

Done at Brussels, 14 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

Opinion on the Contract between Agriculture and Society

(94/C 393/18)

On 23 March 1993, the Economic and Social Committee decided, in accordance with Article 23(3) of the Rules of Procedure, to draw up an Opinion on the Contract between Agriculture and Society.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 12 July 1994. The Rapporteur was Mr de Paul de Barchifontaine.

The Economic and Social Committee, at its 318th Plenary Session (meeting of 14 September 1994), adopted the following Opinion by a large majority, with one vote cast against and 3 abstentions.

SUMMARY

In recent years, the agricultural environment has been transformed with consequences which are still unclear. This transformation is connected with:

- the reform of the Common Agricultural Policy adopted on 22 May 1992, and the emergence of a European rural development policy;
- the conclusion on 15 December 1993 of the Uruguay Round of multilateral trade negotiations, which will affect the operation and even the approach of the CAP;
- the collapse of Communist regimes in central and eastern Europe, followed by the Soviet Union itself;
- the forthcoming enlargement of the European Union to include Austria and several Nordic countries, already members of the European Economic Area.

Attention also needs to be given to likely trends on world agricultural and foodstuffs markets, which have been disrupted by a surplus of supply over solvent demand and by competition among exporting countries.

In a world in the throes of radical changes, this Opinion is intended, in the spirit of the 'Granada Document', to clarify agriculture's place and many and valued functions in society.

It attempts to bring together aspects of a 'contract' between agriculture, the rural world and society in the European Union. To that end, it stresses the complementarity of rural activities and between town and country, the need for effective guidance of agricultural production, and action to benefit the individual, the family and society, to improve mutual understanding between farmers and other citizens.

The Opinion concludes with an appeal for a European Union rooted in greater solidarity and openness than hitherto.

AGRICULTURE, THE RURAL WORLD AND SOCIETY IN THE EUROPEAN UNION

- ESC Opinion on development and future of the CAP ⁽⁷⁾;
- ESC Opinion on the GATT Uruguay Round ⁽⁸⁾;
- ESC Opinion on the effects of the CAP on the social situation of farm workers in the Community ⁽⁹⁾.

1. Introduction

1.1. This Opinion is based on the 'Granada Document' (see the Appendix, which forms an integral part of the Opinion) and a number of other documents which analyze the sector's problems, in particular the following:

- COM(88) 501 final: The future of rural society ⁽¹⁾;
- ESC Opinion on this Commission text ⁽²⁾;
- ESC Opinion on environment and agriculture ⁽²⁾;
- ESC Opinion on disadvantaged island regions ⁽³⁾;
- ESC Opinion on a policy for upland areas ⁽⁴⁾;
- ESC Opinion on the contribution of the cooperative sector to regional development ⁽²⁾;
- ESC Opinion on the LEADER initiative ⁽⁵⁾;
- ESC Opinion on young farmers and the problem of succession in agriculture ⁽⁶⁾;

1.2. In all these documents on the problems of rural society, the Committee has reviewed the problems existing at the time and proposed measures to prevent other problems arising, while encouraging development.

1.3. Unfortunately, in relation to the objectives, which were relevant in political terms, the measures taken and resources allocated have been very limited, disappointing the expectations of the people of very extensive regions of the European Union.

1.4. Once again, the Committee is taking the initiative to draw attention to the situation of rural society in the European Union, and calls for the creation of practical conditions to support the rural population.

1.5. Society has a duty towards the rural population to stop the deterioration in conditions where it is still continuing.

2. Preliminary remarks

2.1. Agriculture is a strategic sector for all countries:

- it produces high quality food and non-food products, as well as services linked to its operation (farm holidays, leisure activities, etc.);

⁽¹⁾ Commission of the European Communities: The future of rural society. Communication from the Commission to the European Parliament and the Council dated 29. 7. 1988, Bulletin of the European Communities, Supplement 4/88.

⁽²⁾ OJ No C 298, 27. 11. 1989.

⁽³⁾ OJ No C 232, 31. 8. 1987.

⁽⁴⁾ OJ No C 175, 4. 7. 1988.

⁽⁵⁾ OJ No C 31, 6. 2. 1991.

⁽⁶⁾ OJ No C 195, 18. 7. 1994, p. 64.

⁽⁷⁾ OJ No C 40, 17. 2. 1992.

⁽⁸⁾ OJ No C 332, 31. 12. 1990.

⁽⁹⁾ OJ No C 207, 18. 8. 1986.

- it helps to protect the environment and participates in rural planning: this function is also important in peripheral urban areas;
- it plays an irreplaceable role in peopling the countryside, making full use of it and encouraging rural development;
- it is the driving force, in the modern economy, of a complex, large-scale system (the agri-food system), and as such is an important source of income and employment in rural and other areas. It provides jobs in many service-sector enterprises and in the trade and industry which supplies agricultural inputs, as well as in the agri-processing industry and distributive trade;
- it helps to maintain the vital equilibria, the recycling of carbon dioxide and fixation of carbon, the production of renewable raw materials, management and protection of soils, promotion of bioenergy, etc.;
- it is a direct source of jobs, above all in labour-intensive production;
- it guarantees and encourages a widespread distribution of incomes — especially income from land — which is highly desirable in socio-economic terms;
- it contributes to the diversity of customs and cultures.

2.2. Rural society fulfils many indispensable functions both for the economic activity of its inhabitants and for society as a whole.

2.2.1. The rural world constitutes the vital economic area and the place of origin of a large sector of the population. More than half the population of the European Union lives in rural areas, which represent nearly 80% of the surface area of the 12 Member States.

2.2.2. Great importance has been given in recent years to the key role agriculture must play in conserving nature (water, soil, air, flora and fauna), and thus ensuring a healthy environment to the benefit of all.

2.2.3. The countryside is one of the foundations for production of natural, healthy produce and raw materials. It is important that agriculture-related activities should be located, as far as possible, in the countryside in order to help with job creation.

2.3. The excessive emigration from the countryside and urban concentration of the population leads to demographic disadvantages (imbalance in the distribution of the population, both as a whole and by age groups), economic disadvantages (excessive costs involved in the concentration of the population) and social disadvantages (disappearance of rural traditions and culture, many problems linked with life in large agglomerations).

2.4. Agriculture in the European Union is heterogeneous. Alongside the efficient, highly capitalized and profitable enterprises, there are still medium-sized peasant holdings, mainly in upland and disadvantaged areas, whose economic situation is far from ideal. Such holdings work 55% of the useful agricultural surface area of the European Union. Their role in terms of human settlement, maintaining jobs, and safeguarding the natural and cultural heritage, is essential and irreplaceable.

2.5. The General Agreement on Tariffs and Trade (GATT), through successive 'Rounds' of negotiations, seeks to establish a system of gradual liberalization of trade. It is useful to remember that the system of variable levies applied to the import of agricultural products into the EC was agreed at the Dillon Round (1961-1962), the Kennedy Round (1964-1967) and the Tokyo Round II (1973-1979), only in exchange for certain concessions which distort Community preference — one of the three principles of the CAP (the others being the unity of markets and financial solidarity).

2.5.1. The Committee, while taking note of the commitments entered into recently by the EU in the GATT framework, feels duty bound to draw the attention of the Council and of the Commission to the serious negative consequences of the new agreement for the production and income of European farmers.

2.5.2. The Committee hopes that the future World Trade Organization intended to replace the GATT will devote the necessary attention to the problem of social and ecological costs, levels of which vary considerably from one country to another.

2.5.3. The Committee regrets that exchange rate instability frequently gives rise to unfair competition.

2.6. Moreover, the liberalization of agricultural trade — decided in December 1993 after the long, difficult and complex negotiations of the Uruguay Round — will contribute to establishing a more appropriate overall relationship between supply and demand on a world scale.

2.7. At the same time, reorganization and restructuring of its agriculture and its CAP are becoming inevitable for the European Union. It will have to substantially reduce its subsidized exports and improve access to its market because of the simultaneous effect of provisions on import quotas granted to third countries and reduction of customs duties.

2.8. Such measures will have some negative consequences for rural society, which according to the COPA will suffer a loss of agricultural jobs estimated at 750,000 full-time posts, further set-aside of useful agricultural

land estimated at about 10 million hectares, further depopulation of the countryside and impoverishment resulting from a fall in the money value of land, buildings, woodland, etc.

3. The main points of a contract between agriculture, the rural world and society in the European Union

CONTRACT:

Legally, a 'contract' is an agreement whereby one or more persons assume an obligation towards one or more others to provide, do or refrain from doing something. In this Opinion, the term has a political and social sense, signifying a consensus among the members of society.

3.1. *The Granada document*

3.1.1. In the spirit of the Granada document:

3.1.1.1. The Committee feels that any legislative action in the farming sector must cater for: safeguarding human rights for the whole population, protection of health, maintenance and improvement of the quality of the environment, careful, sensible use of natural resources and sound application of technical and biological progress (the scientific challenge).

3.1.1.2. The Committee considers that environmental protection must be incorporated in farming policy, as in other policies.

3.1.1.3. The Committee feels that it is important to:

- reinforce the synergy between farming, the environment and sustainable development;
- ensure consistency between economic growth and sustainable development, designed to safeguard and improve the quality of life and the purchasing power of the entire population;
- strike a balance between economic development, social development and regional development.

3.1.1.4. The Committee believes that priority should be given to attaining the objectives of international cooperation and solidarity between peoples, while taking into account the world famine problem and the difficulties of developing farming in countries haunted by poverty and destitution.

3.2. *The interdependence of rural activities and the complementarity of town and country*

3.2.1. Family farming based on personal responsibility has been a hallmark of European civilization. It has contributed to economic and social development,

adjusting its structures, production and management methods. Family farming is still intrinsic to a type of society characterized by freedom, respect for the patrimony and family-based living and working communities. These characteristics should be preserved.

3.2.2. Farming cannot be viewed separately from the upstream ('agri-supply') and downstream (agricultural trade and services, food and distribution) sectors. It is an integral part of the economy and social activity. It is a key element in rural life, and is fundamental to civilization and society.

3.2.3. Problems of rural society can only be solved through an active and balanced partnership of everyone involved in rural life. The way ahead lies in rural socio-occupational sectors consulting one another, double-jobbing by some workers under fair competition conditions, internally-generated development of the countryside, and provision of outside back-up in the form of capital, infrastructures, the establishment of economic activities, guidance, advice and research services — all this without prejudice to economic intervention by the public authorities which, provided it does not distort competition, is often necessary.

3.2.4. The Committee shares the view that it is necessary to strengthen solidarity and cooperation between town and country.

3.2.4.1. The countryside has had many problems resulting from depopulation, while excessive urban concentration has become difficult — or impossible — to manage, and involves heavy burdens without necessarily giving any extra benefit.

3.2.4.2. Town and country planning must help to strengthen or create growth points, in order to achieve optimal use of space and a balanced, integrated and coherent management of regional resources.

3.3. *Guidelines for agricultural production, and incomes of rural origin*

3.3.1. Agriculture producing for large markets must gear its production quantitatively and qualitatively to the needs of the single market and to export possibilities.

3.3.1.1. Food and agricultural services must possess the quality sought by users. Consumers, for instance, want foodstuffs to be a safe, nutritional and agreeable

product complying with regulations. They are also interested in whether the production methods used are 'eco-friendly'.

3.3.1.2. Demand trends are influenced by advertising, changes in the distribution sector and the agri-foodstuffs industry, better in-depth knowledge of dietary and food hygiene rules. Alongside mass consumption, there is a growing demand for quality products.

3.3.1.3. World trade in farm products is influenced by the play of supply and demand, but also by other factors, such as the rate of inflation in different countries, exchange rate instability, the existence of restrictions on imports or exports, and unfair competition practices. It is increasingly regulated by GATT, and will soon be covered by the World Trade Organization (WTO).

3.3.2. Agriculture should, in line with the Treaty of Rome, guarantee a secure supply to processing industries and consumers, at reasonable prices.

3.3.2.1. The dilemma now facing Europe is that agriculture is expected to guarantee, at one and the same time:

- in the case of mass products, reasonable prices and security of supply for processing firms and consumers;
- quality products which are ecologically sound;
- protection of the countryside and help in preserving, in both quantitative and qualitative terms, the land it uses.

The costs of these policies must be carefully assessed, particularly in the light of structural aid policies for internal and outlying areas.

3.3.3. Agriculture must defend the countryside. Farmers realise the need for quantitative and qualitative maintenance of their land. In particular, they consider that expropriations on grounds of public need should be justified in technical, economic, social and environmental terms. In addition, compensation should be fair and equitable. Land-use planning and expropriations on ground of public need must therefore be calculated to ensure optimum spatial and socio-economic land utilization.

3.3.4. The future of agriculture and the countryside depends particularly on access to farming for young people. This requires definition and application of measures suggested in the Own-initiative Opinion

adopted by the ESC on Young Farmers and the Problem of Succession in Agriculture (CES 573/94 of 27 April 1994).

3.3.5. That future is also determined by the farm sector's attraction potential on the labour market.

3.3.6. Europe-wide alignment of sensible tax arrangements could help agriculture fulfil the major roles the European Union has assigned to it.

3.3.7. Agronomic research and development may no longer be seen exclusively in commercial terms, but should also cater for constraints associated with the multiple functions which farming and rural society are required to fulfil. They must also cover related sectors: food industries, renewable energy, conservation of the environment. Biotechnology and genetic engineering must receive special attention, and the long-term effects of introducing genetically modified organisms into eco-systems cannot be neglected. R & D must also take account of cultural and ethical considerations.

3.3.8. The farming population must have the chance of a reasonable standard of living.

3.3.8.1. Technical progress, the CAP reform and its back-up measures provide opportunities in this direction: compensation for permanent natural handicaps, more efficient farm structures, Structural Fund action — a major means of channelling aid to the poorer regions — and so on. The necessary financial resources must be available on a lasting basis.

3.3.8.2. There should be help in creating conditions favourable to the development of regional production, in order to make incomes more reasonable, in particular for agricultural populations. More specifically, society at large should pay for the environmental services rendered to it by farmers.

3.3.8.3. Previously impracticable solutions are now available, since the isolation of rural centres — which aggravated their depopulation and underdevelopment — can be broken.

3.3.8.4. The opportunities thrown up by technological developments in the fields of transport, energy and telecommunications should be seized urgently, in order to stimulate local growth.

3.4. *Protection and promotion of individuals, families and society*

3.4.1. If it is to be of benefit to rural communities, development must entail the establishment and improvement of technical infrastructures (roads, public transport networks, energy, electricity, water supply, waste collection and disposal, etc.), together with careful land-use planning, and efficient public administration.

3.4.2. At the same time, general, technical and vocational training of farmers and farm labourers needs to be strengthened at all levels. Continuing training should become the norm.

3.4.2.1. All aspects of progress (transfer and original research, teaching, development and dissemination of knowledge) have a fundamental role to play.

3.4.3. The Committee welcomes the extension of social policy — necessarily involving cultural concerns — to the social, family and economic protection of workers, particularly farmers and farm labourers.

3.4.4. The Committee is aware of the problems of the rural housing stock, which is in need of renovation, modernization and rebuilding. The sometimes difficult question of coexistence of different generations is related to this.

3.4.5. The following problems should be highlighted in connection with the farm sector and the self-employed in general:

- the position of spouses jointly working or managing farms, and others associated with them (farmers' children);
- holiday arrangements and the establishment of farm locum services.

3.4.6. The Committee is concerned about the living and working conditions of farm labourers and the need to guarantee adequate legal security for seasonal and temporary workers.

3.4.7. Collective action (group farming; cooperation; production, buying, selling, processing and service associations) has a significant part to play in enhancing the standard and quality of life.

3.4.8. Social, family and economic protection represents a bond of solidarity between individuals, between occupations, and between the town and country.

3.4.9. Organizations and local and regional authorities must encourage a closer partnership between town and country.

3.5. *Familiarizing the general public with farming*

3.5.1. The public is not knowledgeable enough about the role and functions of agriculture, although these are primary essentials for mankind.

Apart from the functions already listed under 2.1, it should be pointed out that:

- mostly capital-intensive, agriculture continues to employ a considerable workforce, and stimulates employment in upstream and downstream industries and in the service sector (tourism, insurance, banking, cooperatives, trade, research, consultancy, public and private services, etc.);
- agriculture generates high added-value, contributing to trade figures and the balance of payments;
- farming is an essential activity, helping to maintain and promote biological, ecological, social and human balance on our planet.

3.5.2. Technically, agricultural production is linked to surface area, climate, water and atmospheric conditions; the use of plants and animals makes it a highly sensitive area of activity.

3.5.3. The Committee believes that a continuing effort to inform the public objectively should be made.

3.5.3.1. Public relations campaigns should be organized particularly by the farming community, aiming at various occupational sectors (two-way flow of information), by the public authorities including the European Institutions, by trade associations, by the general, technical and vocational training and education authorities, by campaigning bodies, by the press (specialist and general) and by the other media (radio, TV, etc.).

3.5.3.2. It stresses that this effort to provide information on the importance of agriculture in society and daily life should be included as soon as possible in school syllabuses — and why not in the kindergarten?

3.5.3.3. Information on agriculture should focus on production, the sector's problems and characteristics, farm work and technologies, and foodstuffs (health, diet, cost of food, etc.). Agri-tourism provides an opportunity for fruitful exchanges, and model farms, farm shops and so on are valuable points of contact.

3.5.3.4. Information should be spread widely, and be two-way. In particular, farmers should be conscious of the problems of urban society: they cannot ignore the needs and changing requirements of consumers, the nature of other professions, or the risks, dangers and obligations inherent in numerous economic activities.

3.5.3.5. The Committee feels that experience acquired in the various Member States should be shared.

3.6. *Towards a more cooperative and open European Union*

3.6.1. The Committee believes that if current difficulties are to be addressed, the European Union must set up a common project leading to economic and social convergence. Success will largely depend on the level of solidarity among the populations of the Union.

3.6.2. Agricultural policy comprises elements of solidarity between farmers and consumers. As it evolves, it must ensure a rational development of agricultural production which respects the environment, technical progress and optimal use of the factors of production, and guarantees a fair standard of living for the rural

population, market stability, and secure supplies and reasonable prices for the consumer.

3.6.3. With a view to future Community enlargement, the Committee feels that the political authorities should give careful consideration to the role to be played by agriculture, which it believes should contribute actively to the consolidation of the European Union.

3.6.4. The Committee is convinced that a dynamic agriculture, supplied with the necessary resources to meet the technical, economic and other challenges facing it, will continue to play a dominant strategic role. This role embraces security of food supply, promotion of the environment, rural land use, and striking a social and human balance.

3.6.4.1. What is best for society and the environment does not necessarily, in this case, tally with what is best in immediate or short-term economic terms.

3.6.5. The bonds of solidarity between the urban and rural areas of the European Union should be strengthened, as should interregional cooperation, particularly in the fields of economic development (e.g. farmers' exchanges), education, training, research, culture and the environment.

3.6.6. A large part of the world's population does not have enough to eat. Hence the vital importance of agriculture, in Europe as elsewhere.

Agriculture is life: there is no future without it.

Done at Brussels, 14 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

Opinion on the proposal for a Council Directive amending Directive 79/409/EEC on the conservation of wild birds⁽¹⁾

(94/C 393/19)

On 28 March 1994 the Council decided to consult the Economic and Social Committee, under Article 130s of the Treaty establishing the European 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 5 September 1994. The Rapporteur was Mr Wick.

At its 318th Plenary Session (meeting of 14 September 1994) the Economic and Social Committee adopted the following Opinion by a majority vote in favour and six votes against, with five abstentions.

1. Introduction

1.1. Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds⁽²⁾ stipulates that Member States are to take the requisite measures to establish a general system of protection for all species of birds naturally occurring in the wild state in the European territory of the Member States to which the Treaty applies (Article 5) and take the requisite measures to preserve, maintain or re-establish a sufficient diversity and area of habitats for all these species.

The species listed in Annex II to the 1979 Directive may, however, be hunted in accordance with national legislation (Article 7). Member States are to ensure that the practice of hunting complies with the principles of wise use and ecologically balanced control of the species of birds concerned. They are to ensure in particular that migratory species shall not be hunted during their return to the rearing grounds [Article 7(4)].

1.2. The Committee notes the Commission's statement that in most EU Member States the closing date for the hunting season for migratory species is generally 31 January. In some Member States, however, the season does not close until 28 February or 10 March. In a number of other Member States different regions have different closing dates.

1.3. In a judgement issued on 19 January 1994, the Court of Justice gave a narrow interpretation of the concept of 'return to their rearing grounds', by stipulating that the closing date of the hunting season in respect of migratory species of birds must be set in such a way as to guarantee full protection for these birds during their pre-breeding migration. This applies even if a number of birds of a particular species start their migration at an earlier date than the average flow of migrants.

In pursuance of this judgement, Member States could therefore virtually be obliged to close the hunting season in respect of a number of migratory species by 31 January,

or theoretically even in December, in view of the fact that biological data (in particular that supplied by the ORNIS database) shows that certain individual birds may start their pre-breeding migration before that date, even though the main migration period occurs well after that date.

Bearing in mind that Directive 79/409/EEC explicitly recognizes that hunting 'constitutes acceptable exploitation' (11th recital) and in view of the fact that Article 2 of the Directive refers to 'ecological, scientific and cultural requirements', in addition to 'economic and recreational requirements', the European Court of Justice's interpretation appears to go beyond the intentions of most Member States and may lead to a situation of legal uncertainty in some States.

1.4. In Draft Directive COM(94) 39, the Commission is seeking to clarify the legal situation by defining Member States' discretionary power, whilst linking it to criteria guaranteeing full observance of the principle of wise use.

1.5. The Committee endorses the Draft Council Directive, subject to the following observations.

2. General observations

2.1. In its Opinion of 25/26 May 1977⁽³⁾ the Committee warmly welcomed the general principles underlying the Draft Directive, but it also drew attention, even at that stage, to the need for compromise between the various interests concerned in order to avoid conflicts which could affect the way in which the Directive was implemented.

2.2. More recently, on 29 May 1991, the Committee unanimously adopted an Opinion⁽⁴⁾ on an initial proposal to amend Directive 70/409/EEC. This amendment acknowledged, inter alia, that, in view of the fact that natural phenomena do not remain constant and

⁽¹⁾ OJ No C 100, 9. 4. 1994, p. 12

⁽²⁾ OJ No L 103, 25. 4. 1979.

⁽³⁾ OJ No C 152, 29. 6. 1977.

⁽⁴⁾ OJ No C 191, 22. 7. 1991.

economic and social developments are intrinsically subject to fluctuations, a degree of flexibility should be incorporated in the legislation; it was proposed, *inter alia*, that the various annexes to Directive 79/409/EEC be verified at set intervals (e.g. every five years) in accordance with predefined criteria.

2.3. The Draft Directive clarifies the term 'return to their rearing grounds' (Article 7.4 of Directive 79/409/EEC) by adding a series of criteria which are set out in a new Annex VI to the 1979 Directive. The Commission further proposes that a new Article 15 be inserted in Directive 79/409/EEC stipulating that the new Annex VI might also be adapted to technical and scientific progress (as is the case with Annexes I and V) by the ORNIS committee set up for that purpose under Article 16 of the abovementioned Directive.

2.3.1. The criteria set out in the new Annex VI, for the purpose of determining the end of the hunting season were already included in the Second Report on the Implementation of Directive 79/409/EEC — document COM(93) 572 final of 24 November 1993, Annex 4, and they constitute the Commission's conclusions following the work carried out by the ORNIS Committee for the adaptation of the Directive to technical and scientific progress. That Committee, which comprises representatives of all the Member States, is assisted in its work by a scientific working group made up of experts from the 12 EU States.

The Committee notes the Commission's declaration that the provisions set out in the Draft Directive are based on the results of the abovementioned work. The Committee does, however, deplore the fact that it did not have access to these results at an early enough point in time. The Committee also proposes that the findings be made available to all interested parties on request.

2.3.2. The concept of 'conservation status' is a key aspect of the criteria set out by the Commission; this concept is also clarified in the abovementioned Report. According to the ORNIS Committee, species with an unfavourable conservation status are those with some populations declining within the EU or with very low population levels. Unfortunately this term is not defined in the Commission's proposal. An indication should be given of where an official definition of the term is to be found.

2.3.3. The 10 day period marking the beginning of the migratory passage in respect of each species and each region is a second variable; this complex biological phenomenon, which is influenced by a number of factors, requires scientific study and analysis.

2.3.4. The Commission has informed the Committee that the scientific and technical information required for the implementation of Directive 79/409/EEC and, more especially, for the application of the criteria under review by the Committee will in future be obtainable from, in particular, the ORNIS database.

2.3.5. The Committee also notes one of the conclusions set out in the Report referred to in point 2.3.1, namely that 'the deterioration and destruction of habitats pose more serious threats to the survival of wild birds in Europe than hunting as such'.

The Committee therefore insists that the directive, if adopted, be accompanied by the allocation of the increased funds for bird habitat preservation and conservation necessary to restore stocks.

2.4. The Committee finds the Commission's proposal for different closing dates for different birds too complex and unclear for its effective operation by hunters, conservationists, landowners, police and the courts. The Commission's proposal would also increase the opportunities for wild bird hunting because it would allow most Member States to choose to extend their open season for hunting by a month. The new month for hunting — February — is one when many birds are migrating and their numbers are low after winter.

The Committee would therefore prefer to see a single closing date, based on the one used by the vast majority of Member States, 31 January.

3. Specific comments

3.1. *Final recital*

Whilst the French and English versions of the proposal clearly state that the Member States may use the proposed criteria 'to determine the end of the hunting season' the German version, for example, refers only to the determination of the hunting period. All versions should be amended accordingly.

3.2. *Article 1.1*

The proposal stipulates that 'Member States shall also ensure that these species are protected during their return to their rearing grounds'. Bearing in mind that Directive 70/409/EEC provides for a general scheme for protecting all species of birds, including those listed in Annex II, and with a view to making it clear that the hunting season is to be closed in good time, the Committee proposes that the term 'are protected' be replaced by 'are not hunted'.

3.3. *Article 1.2*

The Committee points out that both the French and English versions of the Proposal refer to adaptation of the Annex 'to technical and scientific progress', while the German version, for example, refers only to 'technical progress'. Here, too, all versions should be amended accordingly.

3.4. Article 2

The Committee expects that the Member States will not only pass the necessary laws, regulations and administrative provisions but that they will also check

that they are properly implemented. This task will also involve ensuring that normal hunting practices do not lead to species with an unfavourable conservation status (a) being confused with other species and (b) being subjected to an intolerable level of disturbance.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on Community Energy Policy

(94/C 393/20)

On 23 March 1993 the Economic and Social Committee, acting under the third paragraph of Rule 23 of its Rules of Procedure, decided to draw up an Opinion on Community Energy Policy.

The Section for Energy, Nuclear Questions and Research, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 14 July 1994. The Rapporteur was Mr Gafo Fernández, the Co-Rapporteurs Mr Frandi and Mr von der Decken.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion by a large majority, with 11 votes against and six abstentions.

1. Reasons for the Opinion

1.1. Energy is of crucial importance to the competitiveness of the Community economy and the quality of life of Europe's citizens.

1.2. This led, on the occasion of the Intergovernmental Conferences set up to prepare the Maastricht Treaty, to the European Commission drawing up a draft Energy Chapter to be incorporated in the Treaty. The Energy chapter was finally withdrawn since no political consensus had been reached and the usefulness of such a chapter had not been discussed in sufficient depth either by the Institutions of the Community or by European economic and social organizations.

1.3. Shortly afterwards, however, the European Parliament and Economic and Social Committee adopted Opinions on the internal electricity and natural gas markets which expressed support for the idea of a common energy policy and argued that this was an essential step towards completion of the Single Market. The Committee is also aware that although the current energy-supply situation is healthy, it could be affected in the medium term by political instability in various energy-producing areas. This fact, together with the

European Union's increasing dependence on external energy supplies, plead for a common energy strategy which, operating under the banner of subsidiarity, would try to combine respect for the energy context of each individual Member State with adoption of a common position vis-à-vis the outside world, so that the political and economic advantages to be gained from the European Union taking coordinated action in the energy field could be turned to good effect without this entailing an increase in the level of intervention and regulation.

1.4. For all these reasons the Economic and Social Committee feels that it would be useful to address to the other Community Institutions, Member State governments and different economic and social interests this Opinion, which includes a model of a draft Energy Chapter, with the aim of launching an in-depth discussion of the scope and timeliness of a Common Energy Policy for the European Union.

1.5. So that the Opinion would reflect the diversity of views existing in the EU on energy issues, the Committee held two public hearings to gather the opinions both of independent experts and of the main

socio-economic organizations involved in the energy sector. Similarly the Study Group held a special meeting in the Canary Islands (Spain) with the representatives of the various outlying and remote regions to learn about the specific situation and priorities of these regions with regard to energy. Many of the opinions expressed at these hearings have been crucial to the preparation of this Opinion.

2. Historical background

2.1. After the ECSC Treaty of 1951 and the EURATOM Treaty of 1957, where coal and nuclear energy respectively were treated separately, the most important foundations for a Community energy policy were laid in the Paris Council meeting of December 1972 and in the Council Resolution of 17 September 1974 on a new energy policy strategy for the Community⁽¹⁾.

2.2. These set out both the thinking behind what came to be known as the 'Community energy objectives' and the first target figures for the whole Community, namely the 'energy objectives for 1985'.

2.3. The philosophy behind these objectives was based on three underlying principles.

2.3.1. The first was that these Community energy objectives should consist of a set of quantifiable scenarios which would serve as a basis for long-term action both by Member State governments and by businesses and individual citizens in these countries.

2.3.2. The second was that these objectives should act as guidelines and not be binding. Their legal form was a Council Recommendation, which is not formally binding. This meant that the Community energy policy was to be the sum of the separate energy policies of the Member States which were to converge voluntarily towards the Community's own energy objectives, without however the Commission having the necessary legal back-up to enforce such convergence.

2.3.3. The third principle was international cooperation to resolve energy problems, both with the energy-producing countries and later with the rest of the world's energy-consuming countries, within the International Energy Agency (IEA).

2.4. These initial energy objectives were subsequently updated and refined, and objectives published for 1990 and for 1995. They all had a common element, namely an underlying concern to guarantee Community energy supplies at an acceptable price, something which has been achieved in practice ever since the 1970s, even during the recent Gulf crisis.

2.5. Nevertheless, it must also be pointed out that the degree of convergence of national energy policies towards Community objectives has been limited. One of the fundamental reasons has been the persistence of primary energy utilization structures which differ greatly from one Member State to another.

2.6. Thus it is not surprising that the Commission's 1988 document on the internal energy market pointed to considerable obstacles still facing the creation of such a market and indicated that there were major differences in prices, taxation and the availability of energy sources between the Member States.

2.7. The 1988 document implied a sea-change. From a philosophy based exclusively on the external aspect of security of supply, a dual philosophy had evolved which, while not abandoning this aspect, tried to combine it with an extension of the internal market to the energy sector.

2.8. Considerable progress has been made since 1988 in the creation of the internal energy market, although at a slower pace — especially in the case of electricity and natural gas — than in other sectors of the economy. One of the reasons for this has been the lack of convergence between Member State energy policies.

3. Community and world energy scenarios up to the year 2010 and beyond

3.1. The Committee considers that a Community energy policy should take account of scenarios of future developments in both the Community and the world; such scenarios should establish the main numerical references for both demand and supply, for all energy and for the different sources. At least the major trends should be covered beyond the year 2010, because the supply of oil in particular is going to be concentrated on the OPEC countries (cf. point 5.3.4).

3.2. In the course of its work the Committee has therefore considered the various available scenarios and the way they have evolved over the last few years. Nevertheless, it did not think it advisable to include a reference to any specific scenario in this Opinion, since selecting a single scenario could mislead decision-makers into over-reliance on a single forecast.

4. General considerations for a Community energy policy

4.1. *Energy policy within the framework of macro-economic policies*

4.1.1. Energy policy is one of the most important instruments in the economic policy of a country. As such it is of crucial importance for the attainment

⁽¹⁾ OJ No C 153, 9. 7. 1975, p. 1.

of overriding general objectives, especially those for growth, inflation, employment and wealth distribution.

4.1.2. In the Committee's view this calls for the creation of a favourable energy investment climate which can accommodate a long time-scale before investments bear fruit. This in turn requires a transparent legislative framework which, in particular, remains stable over a long period.

4.2. *Security of supply*

4.2.1. Since 1973 security of supply in relation to fuel imports has been one of the fundamental elements of Community energy cooperation. Although such cooperation has not been to the fore during the current relative over-supply in energy, there is no doubt that the EU's dependence on imports, which has risen steadily over recent years, from 44 % in 1985 to 52 % at present, means that this principle must remain one of the mainstays of energy policy and take on increasing importance.

4.2.2. Such security of supply may be improved in various ways. Firstly, by an adequate combination of the various primary energy sources, taking into account factors such as the concentration of supply, the life expectancy of proven reserves and their relative cost in terms of final energy. Secondly, by the right geographical combination of origins of supply, taking account of geopolitical factors such as the proximity or policies of the producer regions. Thirdly, by using internal instruments such as strategic reserves and contingency plans in the event of possible supply crises, as suggested by the Committee in its opinion on the subject⁽¹⁾. Finally, we must not forget the potential importance for security of supply of the efficient use of energy and the competitive exploitation of the EU's indigenous resources, provided this is compatible with protection of the environment.

4.2.3. At all events, the best guarantee of external supply lies in friction-free cooperation between the Member States within the Community and the political impact which such a strategy is likely to have on our external energy suppliers.

4.2.4. Security of supply must not, however, be understood solely in terms of dependence on imports. In an earlier ESC Opinion⁽²⁾ it was defined not only as the availability of sufficient energy resources, but also in terms of regularity of service, especially for electricity and natural gas. Similarly, guarantees of supply must cover, under satisfactory economic conditions for all

parties, the whole territory of the EU, in particular its insular and remote regions.

4.2.5. In the Committee's view these three elements in combination — external security, regularity of supply and guarantee of satisfactory supply to the regions — constitute the definition of security of supply.

4.3. *Creation of the internal energy market*

4.3.1. The Committee has had occasion recently to comment on this aspect⁽²⁾, stating that the energy market is a key element in the Internal Market (without which the latter would be incomplete) and that it should also serve to strengthen the overall competitiveness of the Community economy.

4.3.2. In particular the objective of the internal energy market was defined as 'ensuring that energy availability and prices are comparable in all the regions of the Community'.

4.3.3. In achieving this, however, two criteria had to be respected: the 'public service obligations' of the electricity and natural gas sectors towards a large segment of society; and the need to guarantee economic and social cohesion between the Community's different regions.

4.3.4. In the Committee's opinion the creation of the internal energy market, together with security of supply, are the twin pillars which must form a harmonious basis for the formulation and development of a common energy policy in the EU.

4.4. *Energy and economic and fiscal instruments*

4.4.1. The objective of economic and fiscal instruments — viewed as double-edged weapons, either imposing charges or providing tax concessions — has been defined as to internalize the external costs or diseconomies produced by the use of certain natural resources and the impact on the environment where the market may not allow their cost to be accurately reflected in the final price. They allow use/consumption to be brought into line with long-term sustainable development; these instruments therefore are possibly a key element in the application of a policy such as energy policy, in that they may tax some forms of energy and subsidize others.

4.4.2. The Committee considers that the energy sector, and in practice the oil industry, is heavily taxed at present and wants this to be taken into consideration when it comes to changing existing economic and fiscal instruments, or introducing new ones.

4.4.3. The Committee supports the introduction of economic and fiscal instruments to promote the rational

⁽¹⁾ OJ No C 332, 16. 12. 1992.

⁽²⁾ OJ No C 73, 15. 3. 1993, p. 31.

use of energy and the protection of the environment, provided such instruments comply exclusively with the following criteria:

4.4.3.1. They should be used much more for specific objectives, less as a mere source of revenue, provided that the competitiveness of European industry does not suffer on the world markets.

4.4.3.2. Transparency will be required in their definition and the way they are administered; they should also be commensurate with the objectives to be achieved, whilst consideration should likewise be given to their effects on employment.

4.4.3.3. The Member State authorities, including regional and local, have the option of introducing instruments most suited to their specific needs.

4.4.3.4. It is within the Commission's competence to propose to the Council the economic and fiscal instruments to be introduced uniformly throughout the EU for the purpose of attaining the energy policy objectives. Similarly it is for the Commission to examine whether national and local instruments are compatible with the proper functioning of the internal market.

4.5. Energy and research

4.5.1. The Committee has on several occasions reiterated its full support for the common research and technological development policy⁽¹⁾. This policy, especially in the energy sector, has contributed to boosting the exploitation of indigenous energy resources, further promoting renewables⁽²⁾, improving energy efficiency and achieving more environmentally-friendly levels of energy production and consumption⁽³⁾.

4.5.2. The Committee considers therefore that in future research policy should be completely interwoven with energy policy. The former, working with a longer time frame, should point the way ahead for the energy sector. Attention must also be paid, however, to more short-term problems and developments affecting energy policy, often resulting from political decisions.

4.5.3. Energy-research policy must also step up the dissemination of findings in order to increase the returns on financial investment. Research findings should not only be made available to the Community's own energy-producing and -using sectors, but also to these

sectors in other countries, especially in those countries with which the Community has technical and economic cooperation agreements. The THERMIE programmes are intended to have a marked impact on these aspects of the dissemination of energy technologies.

4.6. Energy and environment

4.6.1. Similar considerations apply in the case of environmental policy. The Committee realizes that many forms of energy production and use have a considerable and potentially damaging effect on the environment, but it is also aware that energy promotes progress, growth, employment and quality of life, and that it is consequently necessary to achieve a proper balance between the costs and benefits of energy use⁽⁴⁾.

4.6.2. In the Committee's view it is possible to resolve the conflict of goals between environmental and energy policy rationally and by exploiting technological advances. Environmental considerations often dovetail with the call for efficiency in energy production, conversion and use. The Committee endorses the idea of energy and the environment working together in tandem as efficiently as possible and subject to progressively stricter conditions governing the relationship between them, provided that these conditions have a solid technological foundation, are based on an acceptable cost-benefit ratio and, in particular, do not jeopardize secure and regular energy supplies.

4.7. Energy and economic and social cohesion

4.7.1. As far as energy is concerned, cohesion has to be viewed from the dual perspective of security of supply and regularity of service under satisfactory economic conditions which are comparable throughout the EU. The Committee has drawn up an Opinion on this particular issue.

4.7.2. The Committee realizes that the cost of energy supplies cannot be the same everywhere in the European Union. For this reason it thinks that the trans-European energy networks, conceived as the backbone of the internal market in this sector, should logically be supplemented by inter-regional energy networks co-financed, in the case of the least favoured regions, by the Cohesion Funds, the aim being to reduce as far as possible the extra fixed costs linked to the remoteness or low population density of these regions and to open them up for economic development.

4.7.3. In the case of the EU's remote and especially insular regions, similar considerations apply where security of supply is concerned. It would be absurd

⁽¹⁾ OJ No C 19, 25. 1. 1993 and OJ No C 201, 26. 7. 1993.

⁽²⁾ OJ No C 19, 25. 1. 1993.

⁽³⁾ OJ No C 269, 14. 10. 1991.

⁽⁴⁾ OJ No C 352, 30. 12. 1993.

to require of distant and isolated energy systems a diversification strategy similar to that of the core area of the EU. Hence suitable means will have to be found, ranging from priority supply in the event of a crisis to Community co-financing of major investment in the infrastructure required to achieve a comparable level of supply and quality of service.

4.8. *Energy policy and the principle of subsidiarity*

4.8.1. The Committee is aware that the non-renewable nature of the fossil fuels currently being used, and the technological developments of recent decades, have shifted the energy debate away from the national to the world arena. Furthermore, many decisions regarding energy production and use are increasingly being taken at regional and local level, especially where renewables and the rational use of energy are concerned.

4.8.2. The Committee is similarly aware of the major errors committed in planning energy supply and demand in all the EU Member States. These errors can partly be put down to inaccurate forecasts of economic growth rates and partly to the substantial fall in energy intensity (especially between 1979 and 1985), resulting in lower than expected energy consumption; they can also be attributed to technological advances and the discovery and exploitation of new indigenous resources. The Committee is concerned that, following the period 1979-1985, there has appeared a tendency for the energy intensity again to recover. The Committee would suggest that the reasons for this should be investigated and any practical remedies included in energy planning.

4.8.3. Energy decisions involve long time horizons for design and construction as well as substantial sums of money and are frequently irreversible; the costs of the resultant overcapacity in energy, especially electricity, have been very high for both the Member State economies and the world economy.

4.8.4. The Committee has had the opportunity to voice its support for the establishment of pan-European energy security⁽¹⁾, which it considers should be introduced first as a matter of priority in the EU itself.

4.8.5. For all these reasons the Committee considers that the application of the principle of subsidiarity in the context of energy policy should mean that only such powers are transferred to the EU as are justified to achieve the real efficiency which is the objective of subsidiarity. In this context the EU should be able to

intervene adequately in areas such as security of supply and harmonization of, inter alia, specific fiscal, environmental and public service aspects of energy. This would bring the following benefits.

4.8.5.1. Increase Community solidarity in the use of the EU's indigenous energy resources, although national sovereignty over such resources would still apply.

4.8.5.2. Improve security of supply through the adoption of a common strategy within the IEA, coordinated at European Union level and with sufficient flexibility to embrace different national and regional approaches.

4.8.5.3. Cut the reserve capacity of the system, especially in the electricity sector, with a reduction in the cost of supply without lowering the level of security and quality of service.

4.8.5.4. Help towards the gradual establishment of the internal energy market and its objectives.

4.8.5.5. Encourage the acceptance of power plants at local level.

4.8.5.6. Reinforce EU world leadership — both political and economic — in the energy sector.

4.9. *International dimension of Community energy policy*

4.9.1. The Committee acknowledges the important part which the International Energy Agency has played, and will have to go on playing, in binding together the interests of the main OECD energy-consuming countries. Nevertheless, it believes that the EU, by coordinating Member State energy policies, can enhance the weight of the individual countries within the IEA. The Committee therefore considers that such coordination will have to be based on the following principles.

4.9.1.1. Worldwide cooperation and solidarity on energy: this principle was formulated in 1973 and has demonstrated its soundness and relevance over the last 20 years, its most recent example being the European Energy Charter⁽¹⁾. The Committee, aware of the need for solutions negotiated on the basis of solidarity, fully endorses this principle. Such cooperation should cover all areas, but above all the dissemination of energy research findings, the rational use of energy and a reduction in its impact on the environment.

4.9.1.2. World energy leadership by the Community: Against the background of this philosophy of cooperation, the EU should also take a leading role in the search for global solutions to energy problems. This

⁽¹⁾ OJ No C 269, 14. 10. 1991.

role should be pursued both by the European Union and by the Member States within their respective terms of reference, though it is essential that the Twelve speak with a coordinated voice in the various international energy fora, while respecting the individual agreements entered into by the Member States.

4.9.2. The Committee would point out that this international dimension of EU energy policy, based on the principles of cooperation, solidarity and leadership, not only contributes towards world stability and progress, but is also the sole means of guaranteeing safe and lasting supplies of energy under satisfactory economic conditions, which is the ultimate objective of this policy.

5. Sectoral aspects

5.1. *World situation*

5.1.1. The trend in the EU's energy balance since 1973 has been highly satisfactory (Appendix 1). Not only has the consumption of energy per unit of output fallen sharply, but dependence on imports has been cut back from 62.5 % in 1973 to 52 % at present, although there has been a worrying turnaround in this ratio over the last few years. In addition, the balance between the different primary energy sources has improved considerably since users have had more opportunity to diversify, which in turn has improved the competitiveness of firms in this sector.

5.1.2. Nevertheless, there are still sharp differences between the Member States in their primary energy balances, per capita consumption and dependence on imports. This situation is attributable to a series of geographical, economic and social factors which have to be taken into account when a Community energy policy is drawn up.

5.2. *Solid fuels*

5.2.1. Current situation: In 1992 solids accounted for 21 % of total primary energy consumption; their contribution to the total balance has barely changed since 1973. Four Member States produce coal with a high calorific value and six lignite and peat. In 1992 35 % of total consumption was met by imports from several different countries.

5.2.2. Most Community coal is markedly more expensive than the prices of imported coal landed in the EU, with the exception of opencast mining. Some of this coal comes from countries with lower extraction costs because working conditions and environmental standards are far below those of the Community. Historically

this difference in costs has led to heavy national subsidies, both for production and marketing; these subsidies have first to be scrutinized and approved by the EC Commission. The Council has approved new aid arrangements for the period 1994-2002, concurrent with the life of the ECSC Treaty, which will entail a gradual reduction in subsidies and closure of the less competitive pits. In the view of the Committee careful consideration needs to be given to the impact of pit closures on medium- and long-term supply, and to the economic feasibility of reopening temporarily unworked pits.

5.2.3. Macro-economic impact: The coal sector is a major provider of jobs; investment, though substantial (ECU 1 142 million in 1990), takes a long time to become productive. As a sector it is noted for technological innovation in mining and processing methods.

5.2.4. Community production of coal is important for security of supply, not only with regard to the actual quantities of energy supplied, but also because it takes priority in the generation of electricity in power stations located near the mines themselves. Any reduction in capacity will have to take account of the impact on supplies to these power stations, especially the cost of alternative facilities for receiving and transporting solids. Imported coal will play an increasingly important role in the diversification of future supplies.

5.2.5. The high costs of transporting coal by land mean that consumption is compartmentalized at local level; for this reason the coal sector has only an indirect effect on the internal energy market through the electricity it produces.

5.2.6. The use of economic and fiscal instruments is widespread in this sector in the form of production subsidies and assistance with the very high social costs. Nevertheless, a possible eco-tax would have a very adverse effect on this sector, as would any other charge on either production or use. This is due to the low profitability of mines and the strong international competition from imported coal.

5.2.7. Solids have been noticeably detrimental to the environment at all stages (extraction, processing, transport and consumption), although new technological developments and the growing use of higher quality coal will make it possible to use them in a more environmentally-friendly way. This should give a boost to the import of high quality coal to the detriment of more polluting varieties.

5.2.8. Priority lines of research in this field are gas scrubbing, clean fuel technology, gasification, economic re-use of spoil and tailings, improving working conditions and safety in mines.

5.2.9. The underground production of solids has highly important social repercussions, especially at regional and local level. Therefore, before pits are closed, account should be taken of the feasibility of developing alternative job-creating activities in the regions concerned.

5.3. Oil

5.3.1. Current situation: In 1992 oil accounted for 45% of total primary energy consumption, thus considerably down on the 62% of 1973. Its share has, however, been virtually static since 1982.

5.3.2. Of this quantity, 78% was accounted for by imports of highly diverse origin, although the OPEC countries were the main source of supply. Of the present Community countries, only the UK is a major producer. On the other hand, the Community's refining industry has a slight surplus capacity, although its primary distillation capacity was cut back considerably (30%) between 1980 and 1990; the quality of its products has risen to meet the higher environmental demands of the consumer.

5.3.3. The oil industry has a high macro-economic impact in terms of jobs (it employs almost a million persons directly and indirectly) as well as in terms of GAV (Gross Added Value) and investment — and especially if seen in conjunction with the petrochemical sector. Oil also has a major impact on the economy, especially in all those activities which are related to the transport sector, as became clear during the successive oil crises of the 1970s.

5.3.4. The oil industry is sensitive with regard to security of supply. The wide diversity of producing countries is undoubtedly one guarantee of security. But it must not be forgotten that oil is the energy source most dependent on imports, and that there is a trend towards concentration of future supply in fewer countries; those factors plead in favour of the geographical diversification of supply. This can be complemented by the possibility that the availability of proven reserves in new producing areas will increase as a result of oil price increases.

5.3.5. The main problems which persist in relation to the internal energy market in the oil sector concern the totally inadequate alignment of special taxes on petroleum products.

5.3.6. Economic and fiscal instruments are much used in the oil sector. Besides the special taxes, there are other

substantial charges, such as charges on the liquid and atmospheric emissions of refineries, the taxes on waste oil or for cleaning up contaminated land at service stations. Together, they constitute a major source of tax revenue for the Member States. However, all these instruments have been used almost exclusively for revenue-generation purposes; in future this approach should be changed and the tax revenue used, at least partly, on measures to promote the energy objectives, such as improving efficiency in the use of energy, developing renewables or subsidizing the use of more environmentally-friendly fuels. The eco-tax would have an adverse effect on oil, although not as substantial as in the case of solids.

5.3.7. The impact of oil on the environment at the production, distribution and consumption stages is also important. Major programmes to minimize this impact are, however, under way, although the investment required is substantial.

5.3.8. This has not been a priority sector for EU-financed research, although the work being carried out in this area should be regarded as of fundamental importance. Research has been centred on new exploration and production techniques and, to a lesser extent, new clean fuel processes. We should emphasize here the great importance for the EU's security of supply of increasing, however marginally, the efficiency of extraction of oil deposits.

5.3.9. The flexibility of transport, and of the use of oil products, makes this primary energy source an important element in promoting economic and social cohesion insofar as such fuels can be supplied to all regions of the EU on roughly the same conditions in terms of price and quality.

5.4. Natural gas

5.4.1. Current situation: In 1992 natural gas represented 19% of the EU's total primary energy consumption. Its share has been increasing slowly but continuously since the 12% of 1973. This trend is expected to continue over the next few years.

5.4.2. The percentage of imports, although still moderate, has been increasing steadily since 1980 and currently stands at 38% of total consumption. On account of the particular factors which affect the supply of this product — severely restricted flexibility in supply and transport — there are only four main external suppliers, namely Norway, the CIS, Algeria and to a lesser extent Libya.

5.4.3. The direct macro-economic impact of the natural gas sector is significant in terms of both job creation and investment in exploration or distribution.

5.4.4. The security of supply situation for natural gas may be described as comfortable in the short term, but not without its dangers in the medium and long term. This is due to the heavy concentration of potential supply, the decline in production in the Community itself and the actual terms of the contracts. Other positive factors cannot be overlooked, however, such as Norway's closer links with and possible accession to the European Union, the political stabilization of relations with the CIS which should ensue from the European Energy Charter, and the EU's own interest in ensuring, through regular purchases of natural gas, political stability within the CIS and North Africa.

5.4.5. One unsettled issue in the natural gas sector is the establishment of a new regulatory framework which will make it possible to attain the objectives of the internal market in this sector⁽¹⁾.

5.4.6. For the moment the use of economic and fiscal instruments in the natural gas sector is limited. The introduction of the eco-tax would have only a moderate effect.

5.4.7. The production, distribution and consumption of natural gas has a limited impact on the environment, with minimum particulate and SO₂ emissions and relatively low CO₂ emissions.

5.4.8. Priority research areas in this sector should include the utilization of natural gas in electricity generation to improve the performance of power stations.

5.4.9. The impact of natural gas on economic and social cohesion is considerable. Because of the particular nature of this energy source, a significant part of the Community's territory — namely the lower-income outlying and remote rural regions — has no or only very local supplies of natural gas, and the cost of supplying these regions on market terms is high.

5.5. Nuclear energy

5.5.1. Present situation: Nuclear energy currently accounts for circa 13 % of the EU's primary energy supply and is therefore fourth behind oil (44 %), coal and gas among the primary energy sources. This percentage is higher than in Japan and the USA (both less than 10 %); for the whole world the figure is 6 %.

5.5.2. The EU leads the world in the proportion (about 33 %) of electricity produced from nuclear energy

(throughout the world nuclear energy is used practically exclusively to generate electricity — see chapter 5.8). Nevertheless, it is a particular feature of nuclear energy use in the EU that it is generated in only six Member States, and then to markedly different degrees. The contribution of nuclear energy to total electricity production in the individual countries is, in descending order: 1) France — 75 %, 2) Belgium — 60 %, 3) Spain — 36 %, 4) Germany — 27 %, 5) UK — 21 %, 6) Netherlands — 6 %, other countries — 0 %.

5.5.3. The growth in nuclear energy has recently been relatively high in the EU (4.5 % p.a., 1986-1991), but the prospect is for stagnation in both the EU and USA. This reflects a policy split regarding the use of nuclear energy and nuclear safety, as well as varying levels of acceptance of nuclear energy by the public in the Member States. Consequently the ESC's Own-initiative Opinion on the technological problems of nuclear safety⁽¹⁾ calls on the EU to reach some degree of consensus on the future role of nuclear energy.

5.5.4. Impact on the economy as a whole: On account of its advantages (see chapter 5.8) the production of electricity from nuclear energy has a high gross added value. Nuclear energy is CO₂ free, which could be an important factor in the future. The ESC would point out in this connection that extra efforts and precautions are needed to solve problems in the fields of safety, decommissioning and final storage.

5.5.5. Security of supply: Thanks to the wide dispersion of uranium deposits throughout the world and the ease with which large (strategic) reserves of raw materials can be held in a limited space, as well as their relatively low price, nuclear energy makes a major contribution to security of supply, assuming of course that a high level of safety has been reached. Given this fact and the high proportion of electricity produced from nuclear energy (33 %), on the one hand, and the varying degrees of acceptance of nuclear energy in the Member States of the Community, on the other, the following three comments are called for:

- a substantial increase in electricity generated from nuclear energy would further improve security of energy supply in the EU;
- it is hardly probable in the present climate that nuclear energy production in the EU can be expanded whilst public opinion is generally concerned about, if not actually hostile to, the idea of nuclear energy;
- furthermore, there could also be a considerable backlash against the acceptance of nuclear energy if,

⁽¹⁾ OJ No C 73, 15. 3. 1993, p. 65.

despite all the efforts, a serious nuclear accident were to occur;

- if nothing changes, we may possibly have a serious energy crisis on our hands in the next 10 to 15 years when, for technical reasons, because they are at the end of their useful life, a large number of existing nuclear power stations go out of service and their production has to be replaced.

5.5.5.1. The reasons for these comments are as follows: there are no possibilities of renewables filling the ensuing energy gap. The gap could, at least partially, be filled by expanding the production of domestic coal in the EU; (but this would mean opening new mines (or reopening old mines), possibly at great cost. The gap could of course be filled by large quantities of imported energy (mainly coal and natural gas) which would drastically exacerbate the EU's dependence on imported energy.

5.5.5.2. For these reasons it is clear that discussions about the future of nuclear energy, its public acceptability and its contribution to energy production are of central importance to medium and long-term security of supply in the EU.

5.5.6. Internal market: For many years now electricity, and hence also nuclear electricity, has been traded within the EU, with some Member States net importers and others net exporters. The further expansion of nuclear energy, allied to improvements in the integration of long-distance transport lines, can reinforce the hitherto positive effects on the internal market.

5.5.7. Economic and fiscal instruments: For various historical reasons nuclear energy has been supported by R & D in many countries of the world, including the EU. This support has fallen back considerably in the Member States since the introduction of nuclear energy on to the market. Member States have certain permanent tasks, e.g. safety controls, decommissioning and final storage.

5.5.8. Environment: Under normal operating conditions nuclear energy keeps well within the limits of permissible radioactive emissions and does not emit sulphur oxides, nitrogen oxides and carbon dioxide. With present-day technology, however, there is always the risk of major accidents. For this reason the ESC has called for a fundamental improvement in nuclear safety.

5.5.9. Research and development: Future R & D should concentrate on safety improvements, methods of testing the safety of final storage sites, and exploring the possibilities of using combined power-heat systems, e.g. for district heating.

5.5.10. Economic and social cohesion: With its great know-how and experience the EU can and must help to

draw up international standards and rules in the field of nuclear safety, and in particular help the central and eastern European countries to solve their safety problems. By providing support for the developing countries through the export of nuclear plant and installations, within the framework of international nuclear control treaties, nuclear energy can open up a wide range of future industrial activity in the EU, with the possibility of improving economic and social cohesion.

5.6. *Hydroelectric energy*

5.6.1. In 1992 hydroelectric energy accounted for 1.2% of the EU's consumption of primary energy, although it took a 9% share in electricity production and accounted for 18% of total installed capacity.

5.6.2. Its macro-economic impact has been important in the past and made it possible to correct regional and seasonal water-supply imbalances, meet agricultural needs and satisfy the drinking-water requirements of the population. Nevertheless, since the best hydroelectric sites are already being exploited, the future contribution of this sector will be more limited and will in practice be centred on the development of reversible-pump turbine stations linked to excessive base-load generating capacity.

5.6.3. Despite the fact that rainfall variations seriously affect output, the contribution of hydroelectric energy to the electricity-generating sector as a whole is considerable since it introduces flexibility into the management of the electricity sector and brings down total production costs; hydroelectric energy is an ideal back-up for the production of electricity from thermal sources.

5.6.4. The hydroelectric energy sector's contribution to security of supply is considerable in some Member States; nevertheless its contribution is more limited if we take the EU as a whole, except insofar as it is used to mutually complement national electricity production systems.

5.6.5. Its contribution to the internal energy market basically resides in the complementarity referred to earlier; at the present time it also accounts for most of the seasonal electrical energy trading contracts signed between Member States.

5.6.6. Economic and fiscal instruments may be applied to this sector if the imposition of a charge on the consumption of water for this purpose becomes widespread. This might have an adverse effect on the sector's profitability. We should also assess the positive effects of dam-building on agricultural activities, regulation of flow rates and flood-control.

5.6.7. Existing hydroelectric power-stations have a moderate impact on the environment. Popular opposition to the construction of new dams has nevertheless grown apace.

5.7. *Renewable energy sources*

5.7.1. Current situation: In 1992 renewables accounted for 0.4 % of total primary energy consumption. The most important of these have been agricultural biomass, the utilization of urban waste, solar energy, wind energy and mini-hydraulic turbine power generation.

5.7.2. The importance of these energy sources therefore lies less in their present share of total energy production than in their low impact on the environment and the fact that they can help to alleviate the energy problems of the outlying regions. For this reason, major medium- and long-term development is thought to be desirable.

5.7.3. The macro-economic impact of the sector is slight, although many applications of renewable energy generate more added value per unit of output and in a wider variety of areas than conventional sources. Unlike other kinds of energy, the technology required for the use of certain renewables is such that they can be installed by small and medium-sized firms.

5.7.4. The contribution of renewables to security of energy supply is of little significance for the EU as a whole, although locally, especially in many island regions, they constitute the only viable alternative to oil for diversification purposes.

5.7.5. Except for the electricity they contribute to the distribution network, renewables have a fairly limited impact on the internal energy market.

5.7.6. Economic and fiscal instruments have been used mainly to subsidize the setting-up of renewable energy schemes. These subsidies should be continued in future.

5.7.7. Renewables are in general fairly environmentally-friendly.

5.7.8. Research in this field is, comparatively, very important and is focused on the development of technologies to make the application of various renewable energy resources more economical and efficient.

5.7.9. The social repercussions of the use of renewables are much more important than their share in the energy market would suggest. Renewables after all play an important role in developing isolated regions, in

improving the quality of life of people living in such regions, in decentralizing energy and, importantly, in creating employment.

5.8. *Electricity*

5.8.1. Current situation: Electricity, the production of which accounts for 36 % of primary energy consumption, is used as a network secondary energy in the EU. This percentage is similarly high throughout the industrialized world.

5.8.2. Macro-economic impact: Electricity is the most important secondary energy for modern industrialized societies; above all this is reflected in the fact that the average annual growth of electricity consumption has been maintained recently even at a time when primary energy consumption was falling. Its gross added value is very high because electricity has a very broad range of applications in many industrial processes (to produce heat and drive power), not least because of its use in information technology.

5.8.3. Security of supply: The supply of electricity is reasonably secure because production is located within the Community, primary fuels are relatively well diversified and transmission networks interlinked. The interlinking of networks should nevertheless be carried even further.

5.8.4. Internal market: There is still no decision on EC Directives concerning common rules for the internal electricity market. Such Directives would deal with harmonization and the level of liberalization, but would also create a new legal framework.

5.8.5. Economic and fiscal instruments: During the historical development of electrification these have been employed repeatedly and to varying degrees in EU Member States. Furthermore, electrification has always been an integral part of structural policy (with the aim of aligning living conditions in country and city) as well as of energy and social policy. In this connection it is important to make energy prices sufficiently transparent and to harmonize a number of tax instruments within the EU.

5.8.6. Environment: Electricity, as a network secondary energy, i.e. disregarding its actual generation, is the most environmentally-friendly fuel of all. The health fears regarding electromagnetic fields should however be investigated further.

5.8.7. Economic and social cohesion: As a network energy and on account of its great importance for modern industrialized society, electricity is a good instrument for consolidating economic and social cohesion in the EU.

5.9. *Rational use of energy*

5.9.1. Current situation: The falling trend in the intensity of energy consumption in the EU was positive insofar as it indicated a more rational use of energy, i.e. a more efficient use of energy resources. But as an indicator it was affected by other, not strictly energy-related factors, such as changes in the structure of GDP in Europe as a whole where basic industries with very high energy consumption per unit of output are gradually declining in relative importance.

5.9.2. Rational energy use is as it were one of the EU's main domestic energy resources. Its three principle applications involve improving the efficiency of energy conversion, reducing individual consumption (industrial or domestic) and using surplus thermal power for co-generation purposes. Nevertheless, this multiplicity of applications, together with the low level of energy prices, acts as a disincentive to investment in the improved energy efficiency of consumption and discourages energy-saving.

5.9.3. There is no rational energy use sector as such, but each energy sector develops its own criteria for improving efficiency; consequently its macro-economic impact can only be established in terms of the energy which has not been consumed and the increase in competitiveness which it generates, although it is impossible to place a figure on this.

5.9.4. Rational energy use is a key factor in guaranteeing security of energy supply, since any reduction in consumption helps to boost the degree of self-sufficiency.

5.9.5. Rational energy use has no direct impact on the internal energy market.

5.9.6. The use of economic and fiscal instruments in connection with energy consumption has helped to curb and rationalize use. In the past, however, revenue-generation criteria have prevailed, without due attention being given to measures to support rational use.

5.9.7. The rational use of energy ⁽¹⁾ is totally harmless

to the environment, hence its crucial importance if any progress in environmental protection is to be made.

5.9.8. Research in this field is not active enough, although in recent years the efficiency of many processes has improved considerably. There are innumerable means of reducing energy consumption without sacrificing the quality of life and which would be economically worthwhile. These means are frequently not used, either to keep the initial investment cost down, or because of potential management problems or for lack of awareness and motivation on the part of users.

5.9.9. The rational use of energy has an important and positive indirect impact on employment, both through the opportunities for direct employment in manufacture and installation, and through the new opportunities it may generate in regions and areas where there is less potential for the use of other conventional energy sources.

5.10. *Sectoral conclusions*

5.10.1. The Community production of solid fuels makes a noteworthy contribution to security of supply, job creation and social cohesion. Coal has an important role to play in the diversification of supply. Nevertheless, the factors which count against this fuel — e.g. its environmental impact and lack of competitiveness of underground production — point to a decline in its share. The Committee recommends that this process be allowed to unfold gradually with as little social disruption as possible and always taking into account its important role in electricity generation and security of supply.

5.10.2. The oil sector is still the backbone of the EU's energy supply. It is fairly compatible with all the requirements of a Community energy policy, except that its heavy dependence on imports encourages caution regarding its long-term share of the energy balance.

5.10.3. The natural gas sector is the energy sector with the best forecast growth prospects. Account must, however, be taken of the negative aspects connected with security of supply — particularly worrying in the medium-term — and the uncertainties surrounding the construction of the internal market; nor must the need to maintain a balance with a view to economic and social cohesion between the regions of the EU be overlooked.

5.10.4. The nuclear energy sector makes a major contribution to the EU's electricity production (approximately 33 %). It is nevertheless used to markedly different degrees in the Member States. Nuclear energy has a good record in terms of security of supply and impact on the environment. It remains however a controversial source of energy because of the potential risk from major accidents. The ESC would point out that extra

⁽¹⁾ E.g. the use of Integrated Resource Planning (IRP), defined by the European Commission as 'a concept to balance supply-side options and demand-side measures in order to minimize the costs of consumers' energy services and thus ensure an efficient allocation of resources'.

efforts and precautions are still needed to solve problems in the fields of safety, decommissioning and final storage. Discussions about the future of nuclear energy and its contribution to electricity production are nevertheless of central importance to medium- and long-term security of supply in the EU.

5.10.5. The hydroelectric sector, which is well-established in some Member States, has limited possibilities for future growth. Nevertheless its great flexibility, low variable costs and positive contribution to the optimization of national electricity grids, mean that its value is high and well out of proportion to its share in energy supply.

5.10.6. The renewables sector has a positive balance in terms of security of supply (subject to certain renewable energy generating equipment and the occurrence of natural elements) and environmental protection. This sector also presents undeniable social advantages even though its share in the total energy market is less important. For this reason, and where justified on grounds of economic rationality, renewables should be promoted as much as possible in isolated areas and particularly the most remote areas of the EU.

5.10.7. As the most important source of secondary energy, the electricity sector is of vital importance to the economy, security of supply, the environment and economic and social cohesion.

5.10.8. Rational use of energy is one of the energy sectors with the best future prospects. Its contribution is wholly positive in terms of increased competitiveness, security of supply and environmental protection.

6. Elements to be included in a Community energy policy

6.1. *Need for a common energy policy*

6.1.1. The Committee, basing its case on the analyses carried out in earlier chapters, considers that a Community energy policy is needed.

6.1.2. The proper coordination of Member State policies, and thereby the creation of a favourable climate for investment in energy production and distribution, is necessary precisely because of (i) the considerable differences between Member States in terms of energy conditions and historical developments; (ii) the need for security of supply, (iii) the creation of the internal market, and (iv) economic and social cohesion.

6.1.3. The Committee considers that an Energy Chapter should be incorporated in the Treaties on European Union when they are next revised. By including such a Chapter, and by adhering strictly to the principle of

subsidiarity, it should be possible to lay down the mechanisms for coordinating national energy policies and so eventually arriving at a common energy policy.

6.2. *Scope of such a policy*

6.2.1. The ultimate objective of such a policy is to improve the competitiveness of the Community economy and enhance the quality of life of its citizens. To achieve this, energy must be supplied on the best possible economic terms to all groups of consumers, with satisfactory conditions for security of supply and environmental protection, within the framework of free market principles, but not forgetting the need for economic and social cohesion.

6.2.2. This energy policy should be formed from a set of minimum elements which together constitute a coherent common policy on energy. These elements should be defined by strict application of the principle of subsidiarity and harmonization of certain aspects at EU level.

6.2.3. The Commission should propose the elements to be incorporated in the common energy policy, but they will require participation of the European Parliament and the Economic and Social Committee, and unanimous approval by the Council. The aspects to be harmonized must be dealt with as stipulated in the Treaties for each specific case.

6.3. *Elements of a common policy*

6.3.1. The EU's energy policy should be based on (i) the definition of a number of common objectives and (ii) the establishment of a series of elements, namely security of supply, definition of the scope of the public service obligations in this sector, economic and social cohesion, and the relationship of the energy sector to EU policies, especially those on the environment, competition and research.

6.3.2. Common energy objectives

6.3.2.1. The common energy objectives should act as guidelines for both the Member States and EU firms and citizens. They should be set for periods of ten years and reviewed periodically. They should be drawn up by the Commission, taking into account the national energy policies of the Member States. These objectives should be seen as following on from the similar measures which the EU has been developing since 1973.

6.3.3. Security of supply

6.3.3.1. In accordance with the arguments set out in point 4.2, security of supply policy should, under normal circumstances, include the coordination of external energy policy relations and encouragement for a more rational use of energy and for the exploitation of indigenous sources. A common strategy should be established for crisis situations.

6.3.3.2. The adoption of a common energy strategy in the event of a supply crisis could mean the adoption of coordinated action by the EU, within the IEA, on the reduction of consumption, use of strategic reserves, measures to curtail the free circulation of goods, establishment of a national system of controlled maximum prices, and the adoption of a single, coordinated voice in the EU's external energy relations. It would be for the Commission to propose measures and for the Council to take a unanimous decision on them. The Member States would be responsible for implementing these decisions in the way which they considered most suitable for achieving the objectives set.

6.3.3.3. External political relations with regard to energy should be developed in accordance with the common external policy guidelines laid down in the Treaties.

6.3.3.4. Programmes should be established to support the rational use of energy and exploitation of the EU's indigenous energy sources, with due respect for free market principles and protection of the environment.

6.3.4. Internal market and public service obligations

6.3.4.1. The energy sector should also be included in the internal market, though a way will have to be found to smoothly integrate its special features, such as security of supply and public service obligations.

6.3.4.2. The common definition of public service obligations in the electricity and natural gas sectors should embrace the universal supply obligation as far as practicable and appropriate and a system of proportional distribution of prices, covering a specific territory, for groups of consumers who have not renounced this right.

6.3.4.3. The Member States may voluntarily decide whether or not to establish and apply these public service obligations. If they do so, the obligations must establish a suitable balance with other Treaty chapters, such as those on competition law and the free movement of goods. The Committee would like to see all the Member States establish such public service obligations.

6.3.5. Economic and social cohesion

6.3.5.1. Establishing common energy objectives will in itself contribute towards economic and social cohesion. Cohesion should, however, be supplemented by the energy networks and by special consideration of the energy needs of the outlying and remote regions.

6.3.5.2. The trans-European networks were conceived as the backbone of the internal market. Clearly they will also be useful in bolstering the security of gas and electricity supplies throughout the EU, reducing cost differences between Member States and groups of consumers, and making maximum use of indigenous energy resources.

6.3.5.3. Consequently this concept should be extended to embrace trans-regional energy networks. These networks would receive priority financing from the Structural Funds and the European Investment Bank and would serve to reduce the extra fixed costs of infrastructure for supplying energy to the EU's outlying or less populated regions. This would also boost compliance with the afore-mentioned public service obligations — mandatory universal service and proportional distribution of prices — taking the existing REGEN/INTERREG II Community initiative projects as a basis.

6.3.5.4. Cohesion also implies that the outlying and remote regions, with few energy resources of their own, with less potential for diversification of their energy balance and with a higher proportion of energy consumption for transport, must have preferential access to supplies in a crisis, in accordance with arrangements to be established by each Member State.

6.3.5.5. Specific Community programmes should be developed to enable the endogenous energy potential of these regions to be fully exploited. Cooperation between these regions and the search for common solutions should be encouraged.

6.3.6. Relationship with other Community policies

6.3.6.1. An agreed definition of the relationship between this and other EU policies will be particularly relevant in the case of economic, environmental, competition, transport and research policies.

6.3.6.2. When introducing economic and fiscal instruments in the energy sector, priority should naturally be given to macro-economic and social considerations. Nevertheless, their repercussions for and compatibility with energy policy objectives should be studied. National aid to stimulate the use of indigenous energy sources will be particularly relevant here.

6.3.6.3. The Commission would be responsible for approving the compatibility of these national instruments and for evaluating their contribution to the common objectives and the internal market. In the case of common instruments for the whole European Union,

it will, as is mandatory, be for the Commission to submit a proposal, which must be adopted unanimously by the Council in cooperation with the European Parliament and after consultation of the Economic and Social Committee.

6.3.6.4. Environmental policy and energy policy must complement each other and be coordinated. In this connection, energy measures which contribute to the attainment of environmental policy objectives should be promoted, in particular energy efficiency and use of renewables, and measures which unduly harm the environment should be avoided. Similarly, environmental policy will have to be framed in such a way that a study is made of the impact of all measures on the common energy objectives and, if necessary, of alternative means of achieving the same objectives.

6.3.6.5. Energy policy and competition policy should be suitably coordinated so that the strict application of the latter does not prejudice security of supply, compliance with public service obligations and economic and social cohesion. On the other hand, energy policy should be implemented in such a way that it does not unnecessarily endanger free market rules in the energy sector.

6.3.6.6. When transport policy aims are being drawn up, their implications for the energy sector must be taken into account, especially for the objectives of rational energy use.

6.3.6.7. Energy research policy must be coordinated with the common objectives and provide medium- and long-term solutions which can be applied by the greatest possible number of potential users in the Member States. Dissemination of the findings of this research must be encouraged, especially among small and medium-sized firms, as is being done under the THERMIE programme.

6.4. *Elements to be harmonized in the energy sector*

6.4.1. The elements to be harmonized in the energy sector are those necessary for achieving a single market in the sector and those required for the common energy policy.

6.4.2. The most important are energy taxation, and factors affecting the protection of the environment and compliance with the public service obligations.

6.4.3. Community harmonization will be established on the basis of a minimum threshold which the Member

States will be able to go beyond according to their needs and priorities, in line with the subsidiarity principle. The Commission will ensure that the minimum threshold contributes to the attainment of the common energy objectives and that the Member States' decisions are compatible with these objectives and the internal market.

6.4.4. The harmonization process will be the minimum required to achieve the common objectives. The instrument of harmonization will be the Directive, with the legal basis depending on the specific aspect. The Directives will try to leave the Member States maximum freedom of action while complying with the objectives.

6.5. *Introduction of an energy chapter*

6.5.1. Such a chapter will have to be drawn up at the 1996 Intergovernmental Conference to prepare the revision of the EU Treaties. In framing this chapter, careful account must be taken of the energy situation in other countries applying to join the EU and, in particular, the implications of the European Energy Charter.

6.5.2. The Economic and Social Committee is aware that its role is normally to advise on proposed legislation referred to it by the European Union; it would, however, like to make use of its right of initiative to address to the other EU Institutions some points which could be considered for inclusion in a possible Energy Chapter in the Treaties. On this basis, it has drafted its ideas in such a form that they can serve as both a summary of the foregoing comments and a contribution to the debate on and possible final drafting of this chapter.

7. **Proposed energy chapter**

To serve as a working reference model for other EU Institutions.

TITLE XVIII

ENERGY

Article 130A

The objectives of the European Union in the energy sector shall be to improve the competitiveness of the Community economy and enhance the quality of life of its citizens. To this end, the aim shall be to supply energy on the best possible economic terms, with satisfactory security of supply and environmental protection conditions, within the framework of free market principles but without forgetting the need for economic and social cohesion.

Article 130AB

1. To attain these objectives, a series of elements shall be established which together constitute a coherent common policy on energy, along with a series of aspects in need of harmonization at European Union level.

2. The Commission shall be responsible for proposing the elements to be incorporated in the common energy policy, but subject to the unanimous approval of the Council in cooperation with the European Parliament, and after consultation of the Economic and Social Committee. The aspects to be harmonized shall be dealt with as stipulated in the Treaties for each specific case.

Article 130AC

1. The elements of the common policy shall be: security of supply, definition of the public service obligations in this sector, relationship of the energy sector to other Community policies, and economic and social cohesion.

2. Security of supply shall be achieved through indicative common energy objectives, coordination of external political relations in energy matters, and establishment of a common strategy for crisis situations.

3. External political relations with regard to energy shall be developed in accordance with the common external policy guidelines laid down in the Treaties.

4. The adoption of a common strategy in the event of a supply crisis shall imply coordinated action on the reduction of consumption, use of strategic reserves, exceptional measures to curtail the free circulation of

goods, and the adoption of a single, coordinated voice in the EU's external energy relations.

5. The scope of the public service obligations in the energy sector shall comprise — in those Member States which voluntarily decide to establish and apply such obligations — the universal supply obligation and a system of proportional distribution of prices between groups of consumers and energy sources. These public service obligations must maintain a suitable balance with other Treaty chapters, such as those on competition law and the free movement of goods.

6. In complying with these objectives, the common energy policy shall take account of the implications for other European Union policies, in particular those on the environment, competition, transport and research. In the event that the objectives of the common energy policy are substantially affected by the way these policies are evolving in practice, the Council, acting unanimously on a proposal from the Commission, must decide on an overall solution which best serves the interests of the Union.

7. Consideration must also be given to economic and social cohesion when this common policy is framed. This shall be achieved by extending the trans-European networks to the outlying and remote regions of the European Union, developing their indigenous energy potential and applying the public service obligations.

Article 130AD

1. Harmonization in the energy sector shall be as required to attain the internal market in the sector or as required for the common energy policy.

2. The following, in particular, shall be harmonized: taxation of energy, aspects relating to the protection of the environment and to compliance with the public service obligations.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the Commission Consultation Paper on Ground Handling Services

(94/C 393/21)

On 27 January 1994 the Commission decided to consult the Economic and Social Committee under Article 198 of the Treaty establishing the European Community, on the ground handling services.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 20 July 1994. The Rapporteur was Mr von Schwerin.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion by a large majority, with two abstentions.

1. Introduction

1.1. On 14 December 1993 the Commission adopted a Consultation Paper agreed upon by DG IV (Competition) and DG VII (Transport) on ground handling services at airports [SEC(93) 1896 final].

1.2. The Commission feels it needs to act to reorganize ground handling services because of:

- the expiry of the special block exemptions at the end of 1992 in line with Article 85(3) of the EC Treaty;
- criticism by many airlines of the lack of choice between suppliers, and
- resultant complaints to the Commission.

2. Background**Current situation at EU airports**

2.1. The term 'ground handling services' covers all services connected with aircraft, passenger handling and cargo. This embraces a wide range of different services, which fall into 11 categories:

1. Ground administration and supervision;
2. Passenger handling;
3. Baggage handling;
4. Cargo and mail handling;
5. Ramp services;
6. Cleaning;
7. Fuelling;
8. Aircraft maintenance;
9. Flight operations and crew administration;
10. Surface transport;
11. In-flight catering services.

A large number of people are employed in these 11 areas, including not only technicians and engineers but also other skilled workers and auxiliary staff.

2.2. Within the twelve Member States there is a reasonable degree of choice of service provider on the land side. Thus in most European airports, airline companies are able to exercise direct control over the service they offer to their flight passengers.

However on the air side, that is baggage and cargo handling, ramp services and surface transport, the situation is very different. Five Member States have liberalized to a greater or lesser extent — they already offer, at least, some choice of service-provider within an airport. But seven Member States do not offer any choice, they operate monopolies, of which two are held by national airports and five by national airlines.

Thus, on the air side, a choice between competing service-providers is only available at some European airports.

2.3. Some airports, like some airlines, receive both open and covert support from owners and/or governments.

The owners of airports may be the state, local authorities, private firms, or any combination of the three.

Services as a rule are provided by airport operators, by airline companies (in respect of their own aircraft) or by airline companies acting on behalf of other airlines (third-party services). In isolated cases outside firms are brought in.

Some airports own the land they are located on, while others have to pay a fee for use of the land. Airports which own their land have a competitive advantage, enabling them to calculate charges differently from those which do not own the land. Airports which own

their land have other financing options (balance-sheet operations). This affects the cost structure, thus impacting on competition.

Operating conditions must be comparable for comparisons to be made between handling charges and landing fees. This is the case when a high degree of harmonization has been achieved. There is a considerable lack of harmonization in the case of both airlines and airports. There is a need for further harmonization of technical and social standards, and the same applies to fiscal and environmental matters.

Overall operating conditions at airports vary widely, as do the conditions for ground handling services. Few airports operate all their own ground handling services.

3. Commission proposal

3.1. The Commission proposal aims to reorganize the ground handling services market and open it up to competition, the principal objective being to guarantee quality services and an acceptable level of prices for all concerned.

It is considered essential to avoid discriminatory practices, as observed at some airports, and the distortions of competition between carriers which such practices may engender.

3.2. This objective is to be achieved by opening up the market.

The Commission proposes that the current legal and practical restrictions be removed so as to establish free access to the market by other service suppliers.

This process is to be backed by framework regulations in order to ensure that the market operates in accordance with the principles of competition. This does not preclude national regulations, which could be particularly useful in guaranteeing smooth management of infrastructures and maintaining safety and security. National legislation would nevertheless have to comply with Community law.

3.3. The Commission's line is that, because of differences between airports, the problem could be solved by adopting a differentiated approach, i.e. opening up markets to differing degrees, whilst at the same time recognizing that the interests of passengers and users are of paramount importance.

3.4. The Commission notes that the distribution of investment costs is an important question when opening up the market.

It is felt to be reasonable that a supplier should bear all the costs of providing services. But problems may arise if an airport is forced to shoulder the often considerable investment involved in accommodating new suppliers.

It is proposed that all service suppliers should have to contribute to the financing of all investment, e.g. through the rents and fees, etc., which they will be asked to pay in return for access to the infrastructure.

4. General comments

4.1. The Committee welcomes in principle the Commission's efforts to ensure rapid, functional handling at European airports, especially for passengers. However, the ESC feels it is important that, before any solutions are proposed, the differing conditions at each individual European airport should be collated and analyzed.

The Committee sees it as the Commission's task to provide a clear picture of which airports have fully opened up the different categories of handling services fully, which have opened them up partly and which have not opened them up at all.

The Committee believes that this is an important prerequisite if opening up the market is to bring about fair competition.

4.2. In preparatory discussions on this Opinion, it was noted that the term 'liberalization' should be used with care since it implies open access to the market for any number of operators, e.g. for all airlines wishing to be self handling. The Committee agrees, however, that this is impossible and that a solution should be sought which realistically reconciles competition and choice.

4.3. The Committee feels it is imperative to differentiate between land and air sides when considering liberalization.

Liberalization is much easier to achieve on the land side, and, according to our information, has already been implemented in many cases.

On the air side (particularly ramp services) liberalization is much more difficult to tackle, due to various constraints. Without supporting the principle of full liberalization of the ramp services, the Committee thinks that between an existing monopoly situation and the proposed full liberalization, there is room for a reasonable opening of the market with the introduction of a second and/or third handler(s). This will enable the users to have the choice of competing service providers.

On this point the Committee shares the Commission's view that varying degrees of market opening must be considered as a possible solution.

4.4. In the course of its discussions on the Commission paper, the Committee addressed some of the possible consequences of opening up the market.

It is of fundamental importance to remember that revenue from ground handling services accounts for a considerable proportion of airport operators' earnings.

Depending on the scale of changes, certain effects could for instance be felt in the following areas:

a) Funding of airport investment

In most cases airports are owned by local authorities and are required to be independently profitable. If airport company earnings are lost, this has an impact on funding for the infrastructure of the whole area around the airport. An airport is the hub of a whole economic area and provides the *raison d'être* for a complex series of activities.

If the market is opened up, the cost of the necessary investment will in any event have to be spread over all service providers. In some cases, bottlenecks caused by capacity limitations and the need for coordination can only be reduced or removed by means of heavy investment. If the cost is spread equitably, this factor will in many cases militate against opening up certain services to improved competition.

b) Safety and security

The air side of an airport is a sensitive area in terms of both safety and security, i.e. there is a need for protection against attack and for foolproof technical facilities.

As a general rule, staff are thoroughly screened before they are allowed to work in sensitive areas. There have, however, been cases, where 'third party operators' are involved, of staff starting work in sensitive areas before the results of the security check are known. Passengers in particular, as well as airport and airline employees, are entitled to expect that security is not sacrificed to financial considerations.

The safety/security risk increases when several operators are working on the ramp together.

As a result of the division of labour in effect up to now, workers at all airports have tended to become highly specialized and skilled. This is one reason why there have been so few accidents in normal operations. Maintaining and improving high-level safety standards must be given absolute priority in any revamping of ground handling services.

c) Employment

In the interests of continuity and especially in view of the comments made in b) above, it certainly makes sense to provide for as many full-time jobs as possible in the ramp area.

Bringing in more than one operator often leads to an increase in part-time employment and casual working, and thus to a fall in income levels.

This might reduce the cost of services, but, in macro-economic terms, it would be a negative development. Regardless of any proposed cost-cutting measures, airport and airline employees are entitled to job-security guarantees.

The Committee feels that, in any event, the interests of all employees must be borne in mind when considering this issue.

d) Environmental impact

Standards on noise abatement, water pollution control and building regulations vary enormously between airports. In the case of the new Munich airport, 10% of the DM 8 bn building costs (= DM 800 million) went on reducing the environmental impact.

Depending on the ownership structure, conditions are laid down which sometimes are more stringent than national legislation, especially in cases where there is a high density of population near an airport. To ensure a secure future for the whole air transport sector, environmental protection measures must not be tampered with. There are already considerable problems gaining public acceptance for the operation and expansion of airports.

e) Capacity

On the air side, the possible problems of capacity, security and safety, air space congestion etc. mean that there will have to be proper control over, and a limit to, the number of service providers.

The activities of handling agents and airline companies with their own and third-party handling are an additional burden on airport infrastructure, resulting in considerable capacity losses at airports with limited space available.

London Heathrow, for example, does not allow self-handling, but no less than eight airlines are allowed to offer the full range of ground handling services in the four terminals. In practice, however, only two handlers are active in two of the terminals. The airport operator thinks there are too many handlers and would like to reduce the numbers. They find the scale of equipment,

air side traffic and support facilities makes the whole operation very difficult to manage safely and efficiently.

The Committee recognizes the importance of these views and feels that they should be borne firmly in mind during all subsequent discussions.

f) Ground turn-round times

Ground turn-round times are an important factor affecting capacity projections and productivity for airlines and airports. Having more than one supplier in the field of ground handling services would require a greater degree of planning and control, and therefore more time.

Proper management of ground handling operations creates an opportunity for competition and provides a good service to the airlines and their passengers. In order to ensure optimum use of the limited space available and to maintain short ground turn-round times, it is essential that overall control should continue to remain in the hands of the airport operator, even when the market is opened up and third-party handlers are brought in.

5. Specific Comments
Legal bases

5.1. The Commission refers mainly to Articles 85 and 86 of the EC Treaty, and particularly Article 85(3). On the basis of this Article, the block exemption expired at the end of 1992.

The Committee endorses the statements made by the Commission in its Communication of 1 June 1994 on The way forward for civil aviation in Europe [COM(94) 218 final] insofar as they lay down a timetable for further consultations.

The Commission announces the presentation in October/November 1994 of a draft Directive on how best to ensure the non-discriminatory, transparent and

cost-effective provision of airport services and adequate user participation in decision-making.

The Committee assumes that this document will take into account the results of the discussion on the first consultation paper and of the various studies which have been commissioned.

5.2. In any event, the fundamental importance of this issue necessitates the involvement of the relevant bodies. Steps must therefore be taken to ensure that the Council, European Parliament and Economic and Social Committee are involved.

6. Conclusion

The Commission also pinpoints restrictions which would have to be borne in mind in any reorganization of ground handling services:

- lack of space;
- demands on safety and security;
- technical complexity;
- investment in infrastructure;
- speed of handling.

On these points the Committee is largely in agreement with the Commission. This makes it all the more important to undertake a realistic assessment of the potential consequences before any decision is taken. The whole matter is very complex. The objective of improved performance for passengers, companies and employees must not be sacrificed in favour of any particular economic ideology.

Whilst waiting for the Commission to announce the presentation of a draft Directive, the Committee — after in-depth consultations and with reference to point 13 of the first consultation paper on Ground handling services at airports ('unbundling') — proposes that consideration be given to whether it is possible under Article 87 to oblige airports to differentiate in their cost accounting between airport management activities and the various ground handling services.

Done at Brussels, 14 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

Opinion on Savings: lines of approach for a EU policy

(94/C 393/22)

On 24 February 1994 the Economic and Social Committee, acting under the third paragraph of Article 23 of its Rules of Procedure, decided to draw up an Opinion on: Savings: lines of approach for a EU policy.

The Section for Economic, Financial and Monetary Questions, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 19 July 1994, in the light of the Report drawn up by the Rapporteur Mr Perrin-Pelletier⁽¹⁾.

At its 318th Plenary Session (meeting of 15 September 1994) the Economic and Social Committee unanimously adopted the following Opinion.

Savings: the requirements and the current situation

1. As it develops from the stage of the 'great single market' towards 'economic and monetary union', the European Union cannot fail to recognize the importance of savings to (a) the operation of the 'market' economy, one of the cornerstones of the EU and (b) the EU's social model, which is based on high-quality work, products and services, and the freedom of the individual. Savings contribute towards the formation of private assets which provide cover against the uncertainties of life and back-up to the social protection afforded by the state in the fields of health and pensions.

2. Although mainstream economists acknowledge that there is a strict correlation between savings and investments (resources which are not consumed are put into savings, other things being equal ...), the link is becoming less and less evident in an international economy. It has to be recognized, however, that, on the basis of the available figures, there is a clear correlation in the long term between savings and investment and between investment and growth. Investment geared to growth does not, regrettably, always generate employment in the short term. This is the case with investment geared to achieving higher productivity; but although such investment sometimes destroys jobs, it is often essential in order to bring about the level of competitiveness needed to guarantee market share and therefore preserve at least some jobs. Hence the importance of savings from a structural point of view and the need for a policy on savings; a further reason for such a policy is the need to prevent the public sector deficit from absorbing both household and corporate savings.

3. From a cyclical point of view, savings represent a mobilization of resources which may play an important role in the way in which demand is spread over time, assuming that savings play their 'counter-cyclical' role

to good effect. Increasing savings has a beneficial effect on interest rates for borrowers and, more indirectly, promotes the accumulation of funds not only for enterprises but also for financing large-scale works (infrastructures).

4. In building Europe, the processes of freeing capital movements, establishing an economic area without frontiers and, finally, endeavouring to achieve convergence between Member States' economies on the basis of rather strict criteria (the Maastricht criteria) all require a common approach to savings by the authorities and political decision-makers.

5. The Economic and Social Committee recommends that the EU adopt a policy on savings. In view of the highly different approaches pursued by the Member States in their policies in this field, the ESC believes that steps should be taken to harmonize and improve current practices with a view to making it possible:

- to provide better information for savers (clarity and transparency);
- to achieve efficiency, so that savings can play their economic role of promoting investment, growth, competitiveness and employment in the best possible way;
- to provide fairer treatment of tax-payers in the different Member States;
- to maintain and strengthen the confidence of savers seeking secure investments.

6. Given the level of compulsory taxation and public expenditure in the Member States (approximately 50% of GNP), savings, which are directly affected by these taxes, take on a very special importance for the individual who is endeavouring to provide for his future. This aspect is becoming more and more important in the light of expected demographic changes in the European Union, in which an ever smaller number of persons who

⁽¹⁾ CES 689/94 fin.

have jobs will have to take care of an ever growing number of people who have not. This phenomenon is made more serious by the alarming level of unemployment, the structural component of which will not disappear overnight.

7. It is generally agreed that, in order to prevent inflation, improve productivity, secure once again a proper level of investment and have enough leeway to create new jobs, there is a need to contain the increase in all forms of income growth and the cost of labour, within the framework of measures to achieve economic revival. This may represent a constraint, especially for workers. The encouragement of savings may help to relax this requirement to a certain extent.

8. The European Union and its Member States need voluntary savings — be they 'collective' savings (State savings and corporate savings) or household savings — not only to stimulate their own economies but also to help boost the industries of non-EU countries, principally eastern European countries and developing countries.

9. The ESC notes that the level of savings in the European Union has fallen from some 25% of GNP in the period 1960 to 1973 to 20% of GNP at the beginning of the 1990s. It also notes that the level of savings differs quite markedly from one country to another and points out that the level of private savings has remained relatively stable — with the trend in corporate savings being more satisfactory than that in household savings. Since the 'quality' of savings is just as important as their volume, the ESC also notes that the way in which savings are allocated is far from optimal; direct long-term investment in productive industry is frequently rejected in favour of short-term investments which are considered to be free of risk. Furthermore, public savings are declining because of the alarming increase in deficits.

10. It is thus important for the EU to encourage all measures to promote savings, so as to meet the considerable needs which exist and lay the foundations for future prosperity.

11. The EU should, however, also take steps to avoid a situation whereby the savings of its citizens and enterprises are drawn to non-EU countries — solely on grounds of tax considerations. This risk is all the greater in cases where savings' terms place savers at a disadvantage or are less attractive than those applied by other countries.

12. Despite the bilateral agreements between several of its Member States and the efforts made by the EU itself, cases of double taxation of income from savings

still occur in the EU. This is an aberration in the single market; it discourages capital movement and is unfair.

Guidelines for a savings policy

13. An EU savings policy must of course be geared to meeting the needs of savers, who want, above all, to have security for their savings. An EU savings policy must also take account of a number of constraints which are primarily of a budgetary nature but are also a consequence of the relative rigidity of behaviour patterns and regulations. Furthermore, this area largely comes within the remit of the Member States by virtue of the principle of subsidiarity.

14. A degree of convergence in the EU is, however, essential, especially as the EU is endeavouring to bring about harmonization in the monetary and budgetary fields and, albeit with greater difficulty, in the field of taxation.

15. Public saving clearly comes directly under the remit of the Treaty on European Union (Maastricht convergence criteria) and the need for a common approach therefore seems to be selfevident. There is a lack of knowledge about patterns of private savings, however, and this would justify an in-depth study. The ESC considers that the Commission should carry out (or have carried out) a comparative study of savings patterns in the Member States or even promote the establishment of a lightly-manned organization to gather more detailed data on savings across the board and carry out the attendant studies.

16. A savings policy should at all events give priority to stimulating saving for house purchase or retirement. Both of these forms of savings have the advantage of being medium- or long-term savings.

16.1. In order to promote access to housing and safeguard the housing stock in urban and rural areas, arrangements to help people buy their own property could be improved and supplemented in the light of the situation prevailing in the individual Member States. Steps should also be taken to prevent landlords of rented property from being penalized by the tax system. In some countries, such as France, action should also be taken to remedy the situation arising as a result of excessive conveyance duties which have a deterrent effect on property purchases and on labour-market mobility.

16.2. There is a growing desire on the part of households in the EU to make additional provision for retirement. More widespread use of pension funds involving the ploughing back of profits should be advocated. These could be administered by the social partners. Such funds have both an economic dimension

(they involve long-term investments) and a social dimension (they address the concerns of large sections of the population).

16.3. The current life-assurance schemes, which have rightly become popular, should not be affected by the above proposal. Furthermore, 'popular' savings schemes which are aimed at the least well-off and are therefore exempt from taxation, should continue to be promoted. Incentives, such as company profit-sharing schemes or share-acquisition plans, should be encouraged by means of appropriate measures. Young people should also be encouraged to save; special measures have already been introduced in various countries to promote this goal.

17. Neutral taxation representing, as it were, a 'most favoured savings' clause, should be applied throughout the European Union to savings in the form of investment in shares, which provide businesses with equity capital but which, in the short term, involve a greater risk that investors may make a loss. To give an example, in cases where a given country makes fixed-income investments subject to a tax which constitutes payment in full discharge, the same arrangement should also apply to shares.

18. The European Union should also set itself the following objectives:

- the promotion of (a) self-financing by SMEs and (b) access by SMEs to the financial market in order to prevent them from remaining on the sidelines of the 'savings highways';
- the introduction of machinery for providing equity capital through the intermediary of venture-capital companies;
- more effective channelling of private savings into the development of major infrastructure projects.

19. The use of the ECU, pending the introduction of the single currency, may quickly take on an important role in the policy on savings and the organization of the financial markets⁽¹⁾. Proposals have at the same time been put forward for tackling the excessive fragmentation of the financial markets. These proposals should be accepted.

20. Approximation of taxes on savings applied by the various states remains a key element of savings policy. The first requirement is to introduce the necessary conditions at EU level to prevent double taxation of cross-frontier dividend payments. Secondly, the studies on the establishment of a generally applicable system of withholding tax should be continued; this system should

cover the largest possible number of countries and should be applied, in particular, in the OECD States. If a flight of capital is to be avoided, the level of the tax under such a system should not be too high.

21. Conclusions: savings represent the linchpin of a strategy for growth

21.1. The Report of the Section for Economic, Financial and Monetary Questions attached to this Opinion includes a stocktaking and an analysis which indicates that savings requirements are higher than is generally imagined. Europe's competitiveness and its ability to maintain and create jobs largely depends on bringing about an increase in savings.

21.2. The current level of savings is thus inadequate. Although the level of public savings, which is currently declining because of the indebtedness of the public sector, is subject to constraints — the impact of which cannot be reduced simply by improving the economy and which could only be eased by carrying out necessary structural reforms relating to budgetary expenses — it would be a mistake to focus attention exclusively on this aspect of the situation.

21.3. Private savings must be stimulated; it is especially necessary to encourage corporate savings in order to increase the vital investment capacity of enterprises. There is also a need to promote household savings, the level of which has dropped to an excessive degree in recent years.

21.4. In the medium and long-term there is a need not only to increase the volume of savings but also to bring about stability in the level of savings and give priority to channelling savings towards the equity capital of enterprises, and more generally, towards productive industry. More widespread use of pension funds, as a back-up to the standard systems of paying pensions from current contributions, is one of the ways in which these goals can most effectively be attained, the sustainability of this latter system must also be assured.

21.5. Furthermore, Europe must endeavour to make itself more attractive to international investors and remove, as far as possible, the remaining barriers to freedom of movement of capital within the European Union.

21.6. It is likely that there will continue to be spontaneous harmonization of the taxes on savings levied by the different Member States. Steps should, however, be taken to promote this trend and the difficulties of implementing a withholding tax system throughout the EU must not be allowed to detract from the objective of completing the internal market and making it more effective.

⁽¹⁾ See ESC Opinion on the Commission's White Paper entitled: Removing the legal obstacles to the use of the ECU (OJ No C 133 of 16. 5. 1994).

21.7. The issue at stake here is so important that it is more desirable than ever to promote a) all measures which may lead to an increase in savings and, especially, savings

based on long-term contracts and b) moves to make taxes on savings simpler, more consistent, less subject to change and able to provide a greater incentive to save.

Done at Brussels, 15 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on:

- the proposals for Council Decisions concerning the specific programmes for implementing the fourth European Community framework programme for research, technological development and demonstration activities (1994-1998), and
- the proposals for Council Decisions concerning the specific programmes for implementing the European Community framework programme for Community research and training activities for the European Atomic Energy Community (1994-1998) ⁽¹⁾

(94/C 393/23)

On 14 and 19 April 1994 the Council decided to consult the Economic and Social Committee, under Article 130i(4) of the Treaty establishing the European Community and Article 198 of the Treaty establishing the European Atomic Energy Community, on the abovementioned proposals.

The Section for Energy, Nuclear Questions and Research, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 8 September 1994. The Rapporteur was Mr von der Decken and the Co-Rapporteurs Mr Barbagli, Mr Bernabei, Mr Bordes-Pages, Mr Dunkel, Mr Frandi, Mr Gardner, Mr von Haus, Mr Lyons, Mr de Paul de Barchifontaine, Mr Proumens, Mr Tesoro Oliver.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion unanimously.

1. Introduction

1.1. The fourth RTD framework programme was finally adopted on 26 April 1994 in the form of two Decisions: the first concerns the fourth European Community framework programme for research, technological development and demonstration activities (1994-1998) ⁽²⁾, the second the framework programme for Community research and training activities for the European Atomic Energy Community (1994-1998) ⁽³⁾.

1.2. In accordance with Article 130g of the Treaty on European Union the framework programme provides for four areas of activity:

- implementation of research, technological development and demonstration programmes, by promoting cooperation with and between undertakings, research centres and universities;
- promotion of cooperation in the field of Community research, technological development and demonstration with third countries and international organizations;
- dissemination and optimization of the results of activities in Community research, technological development and demonstration;

⁽¹⁾ OJ No C 113, 23. 4. 1994, p. 4-15-24.

⁽²⁾ OJ No L 126, 18. 5. 1994, p. 1.

⁽³⁾ OJ No L 115, 6. 5. 1994, p. 31.

- stimulation of the training and mobility of researchers in the Community.

1.3. In accordance with Article 130i(3) of the EUT these activities are to be implemented through specific programmes. It is these programmes which are the object of the two documents under consideration.

1.4. The Commission has put forward twenty proposals, seventeen on the first action alone, which covers the majority of Community research activities and accounts for the bulk of the appropriations allocated to the fourth framework programme.

1.5. This Opinion deals with sixteen of these twenty proposals, the Committee having had to give its views on four of the proposed specific programmes — three as on 2 June 1994 and the fourth on 5 July 1994 — as a matter of urgency. These four programmes concern the following areas of research:

- advanced communications technologies and services;
- telematic applications of common interest;
- industrial and materials technologies;
- non-nuclear energy.

2. Framework programme and specific programmes: General Comments

2.1. The Committee welcomes the fact that the Commission has adopted a uniform framework for presenting the various draft specific programmes, thus responding to a two-fold concern for simplification and rationalization.

2.2. This concern is part of an effort to secure more transparency and coherence in Community research, which the Committee endorses unreservedly.

2.3. Against this background the Committee wishes to make a number of comments on all the proposals for specific programmes and on the framework programme itself, which has now been adopted by the European Parliament and the Council, under the co-decision procedure stipulated under Article 189b of the EUT.

2.4. *Procedures for adopting the framework programme and the specific programmes*

2.4.1. The Committee has repeatedly expressed concern about the length of time taken for adopting and implementing the framework programme and has highlighted the risk of disrupting continuity in applying specific programmes, which would jeopardize the entire

Community research effort. The Committee likewise stressed that stability and continuity are key factors in developing research.

2.4.2. In this connection the Committee refers to the comments contained in its Opinions of 3 July 1991 on the proposal for a Decision adapting the second framework programme (1987-1991) ⁽¹⁾, 25 November 1992 on the proposal for a Council Decision concerning a financial supplement to be made to the third framework programme (1990-1994) ⁽²⁾ and its Own-initiative Opinion of 26 May 1993 on the fourth framework programme (1994-1998) ⁽³⁾.

2.4.3. As the Committee also stressed in the second above-mentioned Opinion, there were grounds for hoping that adopting the concept of 'rolling programmes' for Community research action (under which two consecutive framework programmes overlap by one or two years) would have helped secure the continuity vital for worthwhile research work, scale down or terminate nonessential or unproductive research, and implement new research in line with strategic adjustments made at an early stage.

2.4.4. As regards financial aspects, application of this principle was calculated: a) to prevent unwarranted interruptions of research projects on financial grounds, b) to put an end to uncertainty about the funds available, and c) to keep up the momentum of Community research activity by avoiding the need to seek supplementary funding.

2.4.5. For this reason, in its Opinion of 15 November 1989 on the third framework programme (1990-1994) ⁽⁴⁾, the Committee fully endorsed adoption by the Council of this concept of 'rolling programmes', which would also take account of the time needed for adopting not only the framework programme itself, but also the specific programmes.

2.4.6. Quite obviously, application of this concept continues to encounter obstacles: the third framework programme was only adopted in April 1990 ⁽⁵⁾; the last specific programme was only adopted in March 1992; as for the fourth framework programme, it was only adopted on 25 April 1994, the Commission having submitted the relevant proposals in June 1993.

2.4.7. The Committee agrees that there were specific factors behind the delays in the legislative procedure: inter alia, the lack of a Community financial framework, the uncertainties about the decision-making process

⁽¹⁾ OJ No C 269, 14. 10. 1991, p. 24.

⁽²⁾ OJ No C 19, 25. 1. 1993, p. 106.

⁽³⁾ OJ No C 201, 26. 7. 1993, p. 36.

⁽⁴⁾ OJ No C 56, 7. 3. 1990, p. 34.

⁽⁵⁾ OJ No L 117, 8. 5. 1990, p. 28.

for adopting the fourth framework programme and uncertainty over the date of entry into force of the Maastricht Treaty. Be that as it may, most, if not all, of the specific programmes cannot be launched until early 1995, given the time needed for issuing invitations to tender.

2.4.8. The Committee has already expressed a certain scepticism as to whether the new decision-making process can help shorten the lead times.

2.4.9. Although the Maastricht Treaty confirmed that research falls within its remit, the Committee notes that, in a bid to abbreviate the length and complexity of the co-decision procedure, the three-pronged approach involving the Commission, Council and European Parliament is being strengthened and institutionalized, totally excluding the Economic and Social Committee, in parallel with the normal legislative process.

2.4.9.1. The Committee therefore intends to grasp the opportunity provided by this Opinion to express its strong concern about this development; it seems to make referral to the Committee more of a formality than real consultation and might result in it being sidelined in this area of Community activity where the entire range of economic and social interest groups plays a key role. It calls on the Commission to undertake that in the future, it will consult the Committee fully and effectively as required by its Treaty obligations.

2.4.10. This concern is heightened by the fact that in parallel to the practice described above, there has been a proliferation of sectoral and other committees, not to mention the recent establishment of a European Science and Technology Assembly, whose task will be to help the Commission in devising and implementing Community RTD policy.

2.4.11. This said, the Committee stresses the need to return to effective application of the concept of 'rolling programmes' in Community research activity, which presupposes first and foremost that the Commission itself initiates the legislative procedure sufficiently early. Consequently the Committee urges the Commission to take immediately all steps necessary to ensure that, once the procedure has been completed, the specific programmes coming under the next framework programme can be implemented by early 1998 at the latest.

2.5. *Financial aspects*

2.5.1. In its Opinion of 25 November 1993 on the Commission proposals on the fourth framework programme (1994-1998) (1), the Committee stated that the amount proposed for implementing that framework programme, namely ECU 13,100 million from the

Community budget, did not constitute a real increase in Community research funding, bearing in mind the new activities incorporated in the framework programme, such as demonstration and preparation projects, back-up and follow-up projects.

2.5.2. Moreover, the Committee expressed its disappointment at this amount insofar as the Commission saw its proposal as part of efforts to revive economic growth and employment in the Community. Furthermore, in view of the current economic and social situation, the Committee deemed this to be utterly inadequate. Its Own-initiative Opinion of 20 October 1993 on Growth, Competitiveness, Employment — Medium-term Considerations (2), and the subsequent presentation by the Commission of its White Paper in December 1993, both confirmed this fact, if it needed to be, all the more since national research budgets were still being cut back.

2.5.3. Once again the Council has taken responsibility for pruning the Commission's proposal, finally deciding on an overall amount of ECU 12,300 million. An additional sum of ECU 700 million may 'possibly' be allocated to the fourth framework programme between now and 30 June 1996. A decision on this will be taken 'in the light of an assessment of progress made in implementing the framework programme, its contribution to the competitiveness of Community industry at international level, the return on the money invested and the evolution of the European Union's financial perspective' [according to the Research Council press release of 21 March 1994 — 5749/94 (Presse 43)].

2.5.4. The Committee notes that it is still not clear how the funds were divided between the four areas of activity and between the different specific programmes to be implemented under the first area of activity.

2.5.5. The Committee strongly urges the Commission to provide it in future with all the relevant information, particularly financial information, so that it can properly fulfil the advisory role assigned to it by the Treaty in the field of research.

2.5.6. Moreover, for the reasons set out above, the Committee feels that within the most directly effective specific programmes, the funds allocated for their completion must, as a priority, focus on those areas of

(1) OJ No C 34, 2. 2. 1994, p. 90.

(2) OJ No C 352, 30. 12. 1993, p. 32.

research which will make a direct contribution to reviving growth and employment in Europe, on the basis of a more selective approach.

2.6. Examination of the stage reached in specific programmes and assessment of research activities and their results

2.6.1. Article 4 of the draft Decisions provide for (i) continuous, systematic examination by the Commission, assisted by independent, external experts, of the stage reached in the various specific programmes, and (ii) an assessment by independent experts of activities carried out in the areas covered by each of the programmes and their results.

2.6.2. As already expressed in its abovementioned Opinion on the Commission proposals for the fourth framework programme, the Committee reiterates the importance it attaches to taking account, in the various examinations and assessments, of the experience of researchers and other individuals and groups involved in research programmes and affected by these areas of research. Inter alia, it is important for these assessment committees to take account of the experience of researchers engaged in activities covered by the various specific programmes, whether this be in universities, public or private research centres, or in industry.

2.7. Implementation of the specific programmes

2.7.1. Article 5 of the Commission proposals stipulates that the Commission is to draw up work programmes setting out in detail the scientific and technological objectives for each of the specific programmes and specifying the stages in the implementation of the programme and the proposed financial arrangements. Article 5 also stipulates that the Commission shall establish calls for proposals for projects on the basis of these work programmes.

2.7.2. The Committee stresses that equal access to information is a *sine qua non* for establishing genuine equality of access to research programmes for all interested parties. This is particularly important for SMEs, a fact highlighted by the Committee on numerous occasions.

2.7.3. In this connection, the Committee refers to numerous parallel proposals set out in its Opinion on the two draft Decisions on the rules for the participation of undertakings, research centres and universities in the specific research programmes [Opinion of 1 June 1994⁽¹⁾].

2.7.4. In this same Opinion the Committee likewise sets out a whole series of suggestions and proposals for further improving, inter alia, the general framework for involvement in specific programmes.

2.7.5. For this reason the Committee does not intend in the present Opinion to express its views on the general rules for participation provided for in Annex III to the draft specific programmes and has confined its comments to the specific supplementary provisions proposed by the Commission for the various programmes under review.

2.8. Staff and administrative expenditure

2.8.1. The Committee notes that spending on staff and administration varies considerably from one specific programme to another. As a percentage, this expenditure could represent up to more than a quarter of the total appropriations allocated to the implementation of the programme in question.

2.8.2. The Committee is fully aware of the need for research activities to be properly managed and that a large part of this expenditure is justified by the particular features of each of these programmes, e.g. their size, the procedures for implementing them, their innovative nature.

2.8.3. Furthermore, it must be borne in mind that under the new treaty provisions the specific programmes now include activities which were previously financed and implemented outside the framework programme.

2.8.4. Nevertheless, part of the budgets for staff and administrative expenses seems excessive; the Committee notes a lack of transparency in this expenditure and knows nothing about the measures taken by the Commission to reduce such expenditure as part of the simplification of the management of research programmes.

2.8.5. The Committee stresses that it is vital to try to keep staff and administrative expenditure as low as possible in view of the budgetary stringency facing

⁽¹⁾ OJ No C 81, 18. 3. 1994, p. 9.

the Community and bearing in mind that available appropriations must go first to financing the research itself.

FIRST AREA OF ACTIVITY:

IMPLEMENTATION OF RESEARCH, TECHNOLOGICAL DEVELOPMENT AND DEMONSTRATION PROGRAMMES

3. Information technologies [94/0081(CNS)]

3.1. Introduction

3.1.1. The overall objectives of the proposed programme are:

- To help enhance the quality of life and improve the competitiveness of all European industry.
- To contribute to the establishment of the information infrastructure in Europe.
- To strengthen the scientific and technological base of European industry.
- To promote preparatory and validation activities with a view to standardization.¹

3.1.2. This programme is intended to follow on from that adopted by the Council on 15 July 1991 for the period 1990-1994⁽¹⁾; the Committee issued an Opinion on the relevant proposal on 20 November 1990⁽²⁾. A total amount of ECU 1,532 million was allocated for the implementation of that programme.

3.1.3. The Commission proposes allocating ECU 1,911 million from the Community budget for the implementation of this new programme.

3.1.4. The proposed research activities 'must be those which give the most leverage in building up the information infrastructure, which emphasize access, usability and best practice, and which foster Europe's command of generic technologies. At the same time the programme must give the right stimulus to European IT industries'.

3.1.5. The proposed funding is spread as follows between the various areas of research (as a %):

— <i>Underpinning technologies</i>	45
— software technologies	14
— technologies for IT components and subsystems	23

— multimedia technologies	8
— <i>Long-term research</i>	10
— <i>Focused clusters</i>	45
— open microprocessor	10
— high performance computing and networking	13
— technologies for business processes	10
— integration in manufacturing	12

3.1.6. The 'focused clusters' represent a new approach to carrying out RTD activities. They group together activities covering a number of areas of technology, but with a single, well-defined goal. They may incorporate other kinds of activity as their specific needs dictate: networks of excellence, association of suppliers and users, cooperation with EUREKA, coordination with national initiatives, international cooperation, dissemination of results or training initiatives.

3.1.7. The amount proposed also includes ECU 19 million earmarked for the dissemination and exploitation of results. Training activities are also provided for and may call on at least 2 % of the total amount.

3.1.8. The JRC is asked to contribute to research activities in the field of information technologies to the tune of ECU 21 million; this is additional to the appropriations to be allocated for implementing the specific programme under consideration.

3.2. General comments

3.2.1. The Committee broadly approves the Commission proposal and in particular the scientific and technological content of the proposed specific programme.

3.2.2. However, the Committee feels that the proposal needs certain amendments so that the programme adopted by the Council can effectively further the objectives pursued by the fourth framework programme, as reflected in the recitals which precede the proposed Decision, while also taking better account of the EU's economic and social situation.

3.2.3. The Committee feels that in the present circumstances it is vital to focus on practical activities that can be speedily applied and disseminated, in order to facilitate the earliest possible economic recovery in the Member States and to create jobs.

3.2.4. The amendments proposed by the Committee are thus intended to promote economic growth, competitiveness and employment, as well as economic and social cohesion.

⁽¹⁾ OJ No L 218, 6. 8. 1991, p. 22.

⁽²⁾ OJ No C 41, 18. 2. 1991, p. 10.

3.2.5. It is right and proper to ensure that one and the same specific project cannot be put forward successively in different areas, thereby creating confusion and duplication of proposals. The Committee recommends that the Commission put into practice an effective procedure for achieving this objective.

3.2.5.1. It is necessary in this context to envisage simplified procedures for submitting and selecting proposals, making sure that the procedures in question are implemented with greater transparency. The Committee has already recommended this step.

3.2.6. Some of the funds should be set aside for exploratory actions and viability studies intended expressly for SMEs.

3.2.7. It is important to simplify considerably the format of the proposals by cutting out unnecessary detail so as to facilitate their examination by experts during assessment. Any additional detail required at a later stage should be provided when the contracts are signed.

3.3. *Specific comments*

3.3.1. Multimedia technologies

3.3.1.1. It is highly advisable to encourage the integration of vertical consortia with developers and users and to improve SME access to application and demonstration projects, including the following specific projects:

- integration of images, data, voice, etc., on CD-ROM and other media through the conversion of paper documents;
- development of multimedia applications for various sectors, such as publishing and training establishments, banks, etc.;
- demonstration of the potential of multimedia technologies;
- initiatives to disseminate multimedia technologies for small firms and training. (These initiatives could be modelled on the European Software and Systems Initiative — ESSI).

3.3.2. Office and home automation applications

3.3.2.1. The following specific projects should be added:

- integration of various business functions, including cooperative work and workflow;

- integration of multimedia technologies in business process applications;
- document management and business processes, including the conversion of paper documents to electronic form;
- demonstration of application of multimedia technologies to business processes.

3.3.3. Software, basic research and integration in manufacturing

3.3.3.1. No specific comments.

3.3.4. Components and subsystems

3.3.4.1. The list of microelectronic technologies should include an explicit reference to integrated power circuits, also known as 'smart power' technologies.

3.3.4.2. The microsystems applications should include intelligent sensors for industrial control.

3.3.5. Microprocessors and their applications

3.3.5.1. No specific comments.

3.3.6. High performance computing

3.3.6.1. Computer simulation should include the simulation of transport networks, sharing and distribution of electrical power, meteorological forecasts and civil applications of nuclear energy.

3.3.6.2. Information management should include applications in the financial and other service sectors.

3.4. *Budget*

3.4.1. The indicative breakdown of the overall budget of ECU 1,911 million should be brought more into line with the objectives laid down in the programme. It is the Committee's view that the appropriations for software and multimedia technologies and for integration in manufacturing should be increased substantially, offset by a corresponding decrease in the appropriations for components and subsystems technologies and microprocessors and their applications.

4. Standardization, measurement and testing [94/0083 (CNS)]

4.1. Introduction

4.1.1. The general objectives of the proposed programme are:

- to improve the competitiveness of all sectors of European industry (including the particular needs of small and medium enterprises — SMEs)
 - by encouraging industrial innovation;
 - by better product definition and quality control;
 - by more efficient measurement procedures during production;
 - by the mutual recognition of certificates in accordance with the global approach for the establishment of conformity;
- to provide pre-normative research with the resources necessary for the development and the application of Community policies (single market, environment, agriculture, health, transport and protection of external frontiers);
- to undertake the pre-normative research necessary to support the work of CEN, CENELEC, ETSI (European Telecommunications Standards Institute), etc., relating to existing or new written standards;
- to support the forthcoming development of a European measurement infrastructure by helping to coordinate national activities and the development of written standards, methods and advanced measurements systems;
- to help the dissemination and use of good measurement practices in Europe, in particular, in the least-favoured regions.

4.1.2. This programme is intended to supersede that adopted by the Council on 29 April 1992 for the period 1990-1994⁽¹⁾; the Committee issued an Opinion on the relevant proposal on 20 November 1990⁽²⁾. A total amount of ECU 159 million was allocated for the implementation of that programme.

4.1.3. The Commission proposes allocating ECU 167 million from the Community budget for the implementation of this new programme, spread as follows between the various areas of research (as a %):

- *Measurements for quality European products* 40-45
 - development of measurement methods and instrumentation required by researchers;

- development of generic measurement and test methods, reference materials and instrumentation required in the course of product development;
- development of generic measurement methods, standards and instrumentation required in production to improve product quality/production cost ratios.

- *Research related to written standards and technical support to trade* 35-40
 - support to legislation;
 - support to industry;
 - promotion of a European measurement infrastructure;
 - technical support to mutual recognition and accreditation;
 - measurements required by customs laboratories.
- *Measurements related to the needs of society* 20-25
 - health and safety;
 - monitoring of the environment;
 - justice system;
 - support of Europe's cultural heritage.

4.1.4. In the third framework programme, the allocation of ECU 159 million included ECU 92 million for the Joint Research Centre (JRC), and only ECU 67 million for the shared-cost part of the programme. Conversely, the allocation of ECU 167 million mentioned above does not include the ECU 121 million contribution for direct action by the JRC.

4.1.5. The amount proposed also includes ECU 2 million earmarked for the dissemination and exploitation of results.

4.2. General comments

4.2.1. The text is woolly and excessively optimistic in places, glossing over the operational side and the procedures by which the declared objectives are to be achieved.

4.2.2. Priority areas of support for Community policies should be identified in conjunction with other departments of the Commission, and, where appropriate, the Regulatory Committees. Similarly, the European standards organizations should express their opinion on the issues which should be given priority status. Appropriate research into measurement priorities for industry should be commissioned.

4.2.2.1. Consequently, priorities should be clearly outlined in the work programme, so that declared objectives can be attained effectively.

⁽¹⁾ OJ No L 126, 12. 5. 1992, p. 12.

⁽²⁾ OJ No C 41, 18. 2. 1991, p. 4.

4.2.3. Specific action involving simplified procedure (such as Craft) should be undertaken, and thematic networks should be set up. The task of these networks should not be limited to solving scientific and technical problems; they should also provide a benchmark for training and the dissemination and transfer of information in manufacturing firms and service industries (particularly SMEs).

4.2.4. The forthcoming open invitation to tender should provide the flexibility and speed required to meet the most pressing problems involved in the application of Community policy. Consumer organizations should be consulted when necessary.

4.2.5. The relevant national bodies should take part in drafting the programmes (both specific and work programmes). The Commission should act as an observer in the networks of national laboratories, so as to maintain regular contact. The work programme should be revised regularly, and the networks will be asked to take part in this.

4.2.6. An invitation to tender should be published, with the specific aim of establishing networks. This should cover three categories (coordination, transfer of technology, and training).

4.2.7. Setting up a common European measurement and testing infrastructure means that the required technical procedures in the various countries will have to be improved upon and harmonized. These include taring, certification and accreditation. The aims should be:

- to promote coordination of national activities, so as to avoid the risk of doing the work twice in different countries;
- to establish a measurement system for reference in the field of chemistry;
- to organize training courses, and the transfer of know-how to countries where the national measurement centres are less well developed.

4.2.8. CEN/CENELEC/ETSI must be given a say, and they should state their opinion on research into European standardization concerning:

- the application of Community policies;
- the needs of industry.

4.2.8.1. The Commission should be wholly responsible for determining research priorities and allocating funds, and should consider the standpoint of any other groups or associations involved, and the needs of the EU.

4.2.8.2. Transparency must be ensured by issuing invitations to tender. An assessment of tenders can be made by a team of independent experts, following established criteria.

4.2.9. Proficiency testing with other European organizations responsible for laboratory accreditation should be included.

4.2.10. Research projects to validate 'in-house' methods of analysis should not be included when they are of specific interest to one company only, whereas techniques which can be applied throughout industry in the EU should be included.

4.2.10.1. The work programme should refer explicitly to research into the quantitative assessment of properties which are extremely useful for industry and commerce, but have hitherto only been discussed in terms of quality (should there be a direct request from industry).

4.3. *Specific comments*

4.3.1. Add at the bottom of page 2 (after the words 'apply to this specific programme') the following:

'Whereas activities relating to standards, measurement and testing in the steel sector may come to be included in this specific programme, given the forthcoming expiry of the ECSC Treaty.'

This text has already been included in the TIME specific programme (the new BritE/Euram).

4.3.2. Promote the creation of 'thematic networks of excellence' which might help to solve technical problems, but would also serve as a) a benchmark for manufacturing firms and service industries (particularly SMEs), b) a centre for analysing national needs in the areas in question, c) a centre for disseminating and transferring information and knowledge (primarily about Community activities but also networks of national laboratories such as EURACHEM, EURAMET, etc.), and d) a centre for training.

4.3.3. Regulate, by means of a common 'code' of intent, cooperation with CEN/CENELEC/ETSI, and ensure that there is transparency.

4.3.4. Last indent of theme II (page 13): amend the text by including all the measures to verify labelling/content conformity, not only in order to help customs laboratories but also to protect the consumer and the environment.

4.3.5. Third indent of theme III (page 13): why only 'few laboratories' and why only 'narcotics'?

— human dimension of environmental change.

4.3.5.1. Support for the justice system and forensic science should be extended to other materials such as explosives.

— *Environmental technologies* 24-30

— sustainable development and technological change;

— instruments, techniques and methods for monitoring the environment;

— technologies and methods to protect the environment;

— technologies to forecast, prevent and reduce natural risks.

5. Environment and climate [94/0084 (CNS)]

5.1. Introduction

5.1.1. The proposed programme has the following main objectives:

— *Space techniques applied to environmental monitoring and research* 20-25

— to understand the basic processes of the climate and of natural systems;

— methodological research and pilot projects;

— to identify and assess the adverse effects of human activity on the environment;

— R&D on advanced sensor technology;

— to identify ways of preventing or curing such effects.

— Centre for Earth Observation (CEO).

5.1.2. Among the factors to be taken into consideration the Commission mentions the effects of industrial activities, transport, tourism, disposal of waste, urbanization, misuse of water, types of land use and management, and agricultural and forestry practices.

5.1.6. ECU 5 million of the proposed total will be earmarked for dissemination and exploitation of results. It is also intended to allocated 15 % of the total to fundamental research activities and 2 % to training initiatives.

5.1.3. In view of the different levels at which the problems arise — continents, oceans, atmosphere and biosphere — each system must be examined not only on its own but also as it interacts with other systems.

5.1.7. The Joint Research Centre has been called on to contribute to the implementation of the research activities included under the present programme to the tune of an additional ECU 320 million.

5.1.4. This programme is intended to follow on from that adopted by the Council on 7 June 1991 for the period 1990-1994⁽¹⁾. The Committee issued an Opinion on the relevant proposal on 19 September 1990⁽²⁾. A total amount of ECU 469 million was allocated for the implementation of that programme.

5.2. General comments

5.1.5. The Commission proposes allocating ECU 532 million from the Community budget for the implementation of this new programme, to be spread as follows between the various areas of research (as a %):

— *Natural environment, environmental quality and global change* 46-52

— climate change and impact on natural resources;

— atmosphere physics and chemistry, biosphere processes and consequences;

5.2.1. The Committee broadly endorses the programme under discussion. It stresses that the selected research areas are indeed areas of priority given the nature and extent of the problems affecting the environment.

5.2.2. Besides the interactions between the different areas, it is also clear that the proposed research activities will not be as effective or relevant as they could be unless carried out in close symbiosis, exploiting all possible synergies, with activities organized worldwide.

5.2.3. With this in mind, it would have been advisable for the Commission to take stock of (i) parallel research programmes and activities not only in the Member States but especially those in third countries (eg. US, Japan, Canada and Australia) and under the auspices of international organizations, and (ii) existing synergies, or synergies to be developed under the new programme, with the research institutes concerned.

⁽¹⁾ OJ No L 192, 16. 7. 1991, p. 29.

⁽²⁾ OJ No C 332, 31. 12. 1990, p. 23.

5.2.4. There is a risk that the programme's present approach, which places the emphasis on subsidiarity, could lead to duplication and consequently to a waste of funds and fragmented or even controversial findings once the projects have been completed.

5.2.5. The Committee stresses that the environment provides the best example of an area to which Community support brings real added value, especially given the cross-border dimension of the problems to be resolved.

5.2.6. There is no doubt, however, that application of the principle of subsidiarity is still highly beneficial in the case of research projects in areas such as agriculture, forestry and natural environment, where national, regional or local conditions have to be taken into account.

5.3. *Specific comments*

5.3.1. In the light of the foregoing comments, the Committee considers that the international cooperation angle should be given greater prominence in a number of the research areas covered by the programme.

5.3.1.1. This applies in particular to research into atmosphere physics and chemistry and the depletion of the ozone layer; since 1978 NASA has been carrying out highly detailed research projects based on constantly updated mathematical models.

5.3.1.2. Hence the Committee would highlight those research activities which should be carried out as a matter of priority in an international context in view of the scale of the work to be carried out and the possible import of their findings.

5.3.2. With regard to methods of estimating and managing risks, and in particular the development of alternatives to the use of animals for assessing the risks to health and the environment from chemicals, the Committee stresses that it is not enough merely to provide, as the Commission does, for consistency with the work carried out by the JRC's European Centre for the Validation of Alternative Methods, but it must also be ensured that the findings of this work are disseminated systematically so that other researchers can benefit from them too.

5.3.3. The Committee further urges the Commission:

- to avoid a compartmentalization and dissipation of research effort by steering its choice of research projects towards research centres which, either on their own or as part of a consortium or network, have the necessary infrastructure and staff to carry out integrated actions. This recommendation in no

way excludes the need to encourage new participants from taking part in the activities envisaged in the programme, such as research centres, universities and SMEs, either on their own or as part of research networks. The Commission should keep a careful eye on these new participants;

- take all necessary steps to promote increased cooperation between universities and companies, with the dual aim of (i) encouraging the pooling of the scientific and technological resources necessary to carry out research projects and (ii) facilitating the training and recruitment of staff specialized in environmental technologies and allied activities.

5.4. *Additional comments*

5.4.1. The Committee notes that moves to alert public opinion to environmental problems — in itself an entirely legitimate aim — can sometimes lead to scientific findings being misrepresented, in that either only part of such findings are passed on or no precaution is taken to check how accurate they are. The search for publicity at all costs is not always absent from the thoughts of the perpetrators either.

5.4.1.1. For this reason the Committee calls on the Commission to ensure that the contracting parties in research projects fully respect the rules on the dissemination of findings arising from specific programmes.

5.4.1.2. It would also urge the scientific community to act with the greatest responsibility in this matter, either by avoiding the publication and dissemination of information which does not have a firm scientific basis or by providing explanatory or educational material along with the information, aimed at preventing hasty conclusions or decisions, especially of a political and economic nature, which could subsequently be called into question.

6. Marine science and technology [94/0085(CNS)]

6.1. *Introduction*

6.1.1. The general aim of the proposed programme is to 'foster the scientific knowledge and technological development necessary to understand how marine systems function at basin scales, in order to prepare for sustainable use of the oceans and determine their role in global change'.

6.1.2. This programme will follow on from that adopted by the Council on 7 June 1991 for the period 1990-1994⁽¹⁾. The Committee issued an Opinion on the relevant proposal on 19 September 1990⁽²⁾. A total amount of ECU 118 million was allocated for the implementation of that programme.

6.1.3. The Commission proposes allocating ECU 228 million from the Community budget for the implementation of this new programme, to be spread as follows between the various areas of research (as a %):

— <i>Marine science</i>	33-37
— marine systems research;	
— extreme marine environments;	
— regional seas research.	
— <i>Strategic marine research</i>	20-25
— coastal and shelf sea research;	
— coastal engineering;	
— risk and impact evaluation.	
— <i>Marine technology</i>	33-37
— generic technologies;	
— advanced systems.	
— <i>Supporting initiatives</i>	5-10

6.1.4. ECU 2 million of the proposed total will be earmarked for the dissemination and exploitation of the results. It is also intended to allocate 20 % of the total to fundamental research activities and 2 % to training initiatives.

6.2. General considerations

6.2.1. The key objective of this specific programme is to understand the fundamental processes of natural systems as part of an overall strategy for the environment.

6.2.2. Familiarity with and an understanding of the fundamental marine system processes are of crucial importance if an integrated environmental strategy is to be defined and implemented. The Committee is pleased that this importance has been recognized and has been reflected in a substantial increase in the amount of funding granted to the research programme under consideration, which has the full backing of the Committee.

6.2.3. Taking account of the interactions between the climate, the oceans, the atmosphere and biosphere, it is clearly vital that research activities in these areas should not be confined to Europe, but should be extended to a

planetary scale; this calls for a research strategy to be implemented worldwide also. Here, international cooperation becomes essential.

6.2.4. In the same vein, when carrying out the research projects selected, it will also be necessary to work on the basis that the sum of the research effort in the various areas covered by this and related programmes (environment, information and communication technologies, agriculture and fisheries, amongst others) is greater than the individual parts.

6.2.5. Similarly, it should be stressed in this connection that, if this programme is to attain all its objectives, use of space technology becomes very important for monitoring the marine and continental environment and for determining the causes of the disturbances and changes affecting them, whether these have natural causes or are the result of human activities.

6.2.6. All the resources thus deployed, together with the information compiled, should allow solutions to be put together *inter alia* for:

- designing products which will have less impact on the environment;
- promoting technologies to recycle waste;
- designing and implementing technologies to process or dispose of non-recyclable waste (without forgetting the need to reduce industrial effluent and waste).

6.2.7. The essential aspect to stress is the importance — in the pursuit of the objectives of the present programme — of developing methodologies for assessing industrial risks and for reducing natural risks.

6.3. General comments

6.3.1. Putting the subsidiarity principle at the forefront of its thinking, the Commission stresses the need to coordinate and integrate research efforts in Member States and advocates the pooling of knowledge, infrastructure and national research potential.

6.3.1.1. The Committee approves this move which gives added value to Community action and means it is possible to avoid duplicating work done elsewhere as far as possible. It nevertheless draws attention to the fact that the maritime regions in the European Union which are due to be the first to benefit from the results of this programme are in many cases less-developed regions which do not have or have insufficient resources in terms of funding or infrastructure. In addition, there are different geographical conditions to take into account, *inter alia* the extent of the coastline involved.

6.3.1.1.1. In this context, the Committee also draws attention to the observations contained in the Own-

⁽¹⁾ OJ No L 192, 16. 7. 1991, p. 1.

⁽²⁾ OJ No C 332, 31. 12. 1990, p. 38.

initiative Opinion which it has issued simultaneously on Regional planning and development strategies for the Atlantic coastal regions.

6.3.1.2. These features are ipso facto likely to put a brake on profitable, balanced cooperation; the Committee asks that this be taken into account when implementing the programme. This also confers considerable importance on disseminating and exploiting the results of research carried out not only under this programme, but also under programmes in the Member States, so as to benefit all regions in the Community.

6.3.2. The Committee expresses regret, for the reasons set out above, that the importance of securing a complementary approach and synergies with international research programmes has not been stressed more.

6.3.3. The Committee notes that in the European Union there are very few research centres with the advanced infrastructures and qualified staff needed for carrying out research into marine science and technology. It therefore asks the Commission to look into the resources which could be used to help create specialized research infrastructures in this area, particularly in outlying maritime regions and especially the possibilities provided by the Structural Funds, in line with requests already made by the Committee in its Own-initiative Opinion of the fourth framework programme, referred to earlier.

6.3.4. Particular efforts have to be made for training specialists. Training should constitute an integral part of the activities in this programme and a portion of the funds should be earmarked for this purpose.

6.3.4.1. In this connection, the Committee regrets that nothing has been planned for encouraging the development of cooperation between firms and universities.

6.3.4.2. The Commission should also encourage new career paths and university disciplines to be set up which take account in particular of the improvements in knowledge acquired under this programme.

6.4. *Specific comments*

6.4.1. The Committee does not intend to go into the details of the scientific and technical content of the programme under study, the broad lines of which it approves.

6.4.2. It notes the wide-ranging, ambitious nature of the proposed programme which will require a highly focused approach for the selection of research projects to be granted Community funding, so as to avoid a situation where the funds are spread too thinly.

6.4.3. It is clear that the time needed for the proposed activities will extend far beyond the end of the pro-

grammes, scheduled for 1998. The Committee therefore stresses that the procedures for adopting the next framework programme and concomitant specific programmes need to be implemented sufficiently early so as to avoid any lack of continuity in the research effort caused inter alia by an absence of the funds needed to continue promising programmes.

6.4.4. In this connection, the continuous monitoring of programme implementation and the evaluation reports stipulated in Article 4 of the proposed Decision should allow the Commission to take the necessary decisions for a) continuing or interrupting, if such should prove warranted, research projects in progress, b) adjusting programme objectives, and c) choosing new research topics, taking account of the prospects in terms of scientific and industrial developments and also the environment and job creation.

6.4.5. Given the above, the Committee considers it appropriate that the European Union should, as provided for by the Commission, help finance research activities carried out under international organizations or programmes, albeit on an ad hoc basis. However, the Committee asks the Commission to take all the necessary steps, including in the above situation, to ensure that Community funds are wisely used, that the research findings benefit the whole European Union and that the scientific and/or technological spin-offs are positive.

6.4.6. As part of the synergy to be established with other relevant specific research programmes, the Committee stresses the need to ensure that research findings from the present programme also be put to good use in those areas for which they are of direct interest, particularly fish and plant aquaculture.

6.5. *Additional comments*

6.5.1. The Committee draws attention to the fact that the additional comments made about the environment and climate programme fully apply to marine science and technology which are closely linked to environmental matters.

7. *Biotechnology [94/0086(CNS)]*

7.1. *Introduction*

7.1.1. The general objective of the proposed programme is to 'unravel, with all sophisticated means provided by modern biotechnology, the workings of living cells such that practitioners might master, mimic

and eventually reproduce complex cellular processes in greater numbers and with higher efficacy, for the production or conversion of a variety of substances compatible with life, the treatment of diseases, the diagnostic of genetic variation, the restoration of the environment, etc.'

7.1.2. This programme is intended to follow on from that adopted on 26 March 1992 for the period 1990-1994⁽¹⁾; the Committee issued an Opinion on the relevant proposal on 24 October 1990⁽²⁾. A total amount of ECU 186 million was allocated for the implementation of that programme.

7.1.3. The Commission proposes allocating ECU 552 million from the Community budget for the implementation of this new programme, spread as follows between the various areas of research (as a %):

— <i>Cell factories</i>	15-21
— <i>Genome analysis</i>	13-19
— <i>Plant and animal biotechnology</i>	22-30
— plant molecular and cellular biology;	
— animal physiopathology.	
— <i>Cell communication in neurosciences</i>	4-8
— <i>Immunology, transdisease vaccinology</i>	5-9
— <i>Structural biology</i>	9-13
— <i>Prenormative research, biodiversity social acceptance</i>	10-16
— <i>Infrastructures</i>	2-4

7.1.4. Two main approaches are to be employed in the implementation of the programme: 'concentrated means' for research activities under the first four headings and 'concertation' for those under the other headings. According to the Commission, 'concentrated means' covers shared-cost research actions for the implementation of 'large research projects entailing a high level of integration'.

7.1.5. The total amount includes ECU 5.5 million for the exploitation and dissemination of results.

7.1.6. The Commission also provides for horizontal activities (including demonstration activities, analyses of ethical, social and legal aspects of biotechnology, studies into the public perception and socio-economic

impact of biotechnology, training activities); a certain percentage of the appropriations is to be set aside for the implementation of these activities.

7.2. General comments

7.2.1. The Committee welcomes this proposal because biotechnology is an area where the European dimension adds value as the industry sectors concerned are largely international and competing on world markets. The benefit to European enterprises is that they can draw on an adequate science base; this base should be innovative, but also responsive to the needs of European Union enterprises.

7.2.2. Internationally, biotechnology is generating many skilled new jobs, particularly in new and innovative SMEs. Therefore, it is essential that the maximum of these jobs are created in the European Union.

7.2.3. The future of the European Union depends on innovation. In biotechnology, the EU has two significant weaknesses in comparison to the USA, Japan and other advanced Asian countries:

- firstly, there is not an agreed Community-wide priority for this scientific mission. This is true also for the perception within different Directorates-General of the Commission. This has led to a lack of social consensus as the Explanatory Memorandum highlights;
- secondly, the Community has enacted and is still enacting a series of horizontal legislations specifically discriminating against biotechnology. These have hindered European Union developments by increasing the costs and uncertainties around the commercial exploitation of products made using biotechnology methods.

7.2.4. This regulatory framework interacts with the public perception issues to inhibit investment and exploitation of the technology and therefore the creation of new jobs.

7.3. Annex I: Scientific and technical objectives and content

7.3.1. The background

7.3.1.1. The Commission makes the suggestion that 'careful attention will be given to the step bringing research in the context of socio-economic need'.

⁽¹⁾ OJ No L 107, 24. 4. 1992, p. 11.

⁽²⁾ OJ No C 31, 6. 2. 1991, p. 14.

7.3.1.2. That looks like an unexceptionable statement. However, in practice, prejudging the need and acceptance of specific products will erect a wall between the research and the customers for that research.

7.3.1.3. It is historically extremely difficult for expert committees to second guess the market correctly, particularly when it comes to innovation. The use of judgement criteria for a product (support for a demonstration project) or against (lack of socio-economic need) should therefore be approached with great caution. The chief objective in the programme should be to ensure that products can be placed on the market which benefit the European Union citizen.

7.3.1.4. One needs to emphasize again that the European Union is competing for jobs with other countries which are progressing rapidly without such walls.

7.3.2. Area 1: Cell factories

7.3.2.1. The general proposition in this research area is approved. However, it needs to be made clearer that plant cell systems are included in this research area. Although the bulk of this project area is aimed at pharmaceutical biotechnology, there is significant expertise and industry potential in the plant cell culture area.

7.3.3. Area 2: Genome analysis

7.3.3.1. The general proposition in this area is approved. Work on model systems is to provide generic information and methodology. Specific comments are provided in two areas:

- firstly, the linkage with the human genome project in the Biomedical and Health programme should be made formal and explicit in order to maximize the progress in both areas;
- secondly, the model genome concept should also apply to the work on farm animals, i.e. the Community should not be supporting further work on specific animals (see below) but confine itself to basic research. The mouse could be a good model for such research.

7.3.4. Area 3: Plant and animal biotechnology Plant molecular and cellular biology

7.3.4.1. The scope of this programme area is too large and all-encompassing. To give focus in the

implementation phase, a considerable part of the programme should be defined by the agricultural and industrial customers for the research. It is they who know what is 'of agricultural and industrial relevance' and where there is a specific applied goal. However, underpinning science can and should be driven by the relevant academic experts.

7.3.4.2. A formal linkage with the Agriculture and Fisheries research programme should be established. The Committee understands that there is a joint management of the three programmes in the field of life sciences (biotechnology, biomedicine and health, and agriculture and fisheries), but the fact needs to be made clearer to users.

Animal physiopathology

7.3.4.3. As mentioned above, the farm animal genome work cannot be considered as work with model species. There should be continued European Union support only if there is a high level of industry and agricultural support and direction. Work on model species such as the mouse should be considered.

7.3.4.4. Transgenic models for human and animal diseases is a worthy objective but it is questionable how much it fits into this programme rather than into the Biomedical and Health programme.

7.3.4.5. A particularly good area is that of in vitro tests and screens to replace animal experiments. This clearly is of significant impact across a range of industries and of concern across the Community. This area could receive additional emphasis (see below).

7.3.4.6. Methods for somatic gene therapy fall within the remit of the Biomedical and Health programme and would provide only limited generic added value.

7.3.4.7. The synergies with the Biomedical and Health or the Agriculture and Fisheries programmes should be made a requirement for any funding of research in these areas of overlap.

7.3.5. Area 4: Cell communication in neurosciences

7.3.5.1. This programme is accepted as valuable.

7.3.6. Area 5: Immunology and trans-disease vaccinology

7.3.6.1. There is a large potential overlap with the Biomedical and Health programme. This can only be approved if the Commission makes clear how the added dimension of the biotechnology component is to be used.

7.3.7. Area 6: Structural biology

7.3.7.1. This is an area where the added value from the European dimension is clear and already shown to work; this is particularly true for the infrastructure requirements.

7.3.8. Area 7: Prenormative research, biodiversity and social acceptance

7.3.8.1. This area is a ragbag of topics which should be rationalized and reduced.

7.3.8.2. In vitro testing research is valuable and should be included under the theme 'Animal physiopathology', as mentioned above.

7.3.8.3. Biodiversity is of great interest and concern to the Community and its scientists and other citizens. It is not particularly concerned with biotechnology though the latter benefits from it in some areas. It should be funded through an appropriate programme.

7.3.8.4. Biosafety research has been sponsored successfully over many years now. It is questionable whether there is any good reason to spend more research funds in the area; the major scientific questions have been answered; remaining are ones of regulations and acceptance. The acquisition of further data at this stage cannot have a high scientific priority.

7.3.9. Area 8: Infrastructures

7.3.9.1. The Community activities in this area are of high value in ensuring the widespread availability and common access to services for biotechnology. The efforts in this area could usefully be strengthened over what is currently envisaged.

7.3.10. Horizontal activities

7.3.10.1. Demonstration projects are potentially very valuable in helping to overcome the 'socio-economic barriers' and 'facilitate the adoption of new biotechnologies'. It is therefore important to remember the considerations noted in 7.3.1.

7.3.10.2. The potential danger is, in selecting some projects, to take forward to the market in a non-commercial environment. This risk must be recognized and accounted for in any proposal to spend significant public funds in this area.

7.3.10.3. Public perception is of key importance in placing the products derived from biotechnology methods in the market alongside other products in a non-discriminatory way. Industry (both employers and employees), agriculture and consumers organizations have key leadership roles in this area, supported by efforts available within this programme.

7.3.10.4. Useful subjects for European Union support include the provision of teaching materials for schools at all levels where science is taught, also support for proper social science surveys of what has happened in specific product launches in the EU, USA or Japan.

7.3.10.5. Socio-economic impacts: measurement of the socio-economic impacts is a worthy aim for research provided that the long timescale of this impact is recognized.

7.4. Annex II: Indicative breakdown of the amount

7.4.1. The Committee has no disagreement with the overall amount proposed. However, the breakdown needs adjusting for the overlap areas with the Biomedicine and Health programme. Also Area 7 should be reduced, in line with the comments made earlier, and Area 8 spending increased.

8. Biomedicine and health [94/0087(CNS)]

8.1. Introduction

8.1.1. The general objective of the proposed programme is to 'contribute to improving the effectiveness of research and development in medicine and health in the Member States, in particular through better coordination of their research and development activities, to applying their findings through Community cooperation and to using available resources in common'.

8.1.2. This programme is intended to follow on from that adopted by the Council on 9 September 1991 for the period 1990-1994⁽¹⁾; the Committee issued an

⁽¹⁾ OJ No L 267, 24. 9. 1991, p. 25.

Opinion on the relevant proposal on 20 November 1990⁽¹⁾. A total amount of ECU 151 million was allocated for the implementation of that programme.

8.1.3. The Commission proposes allocating ECU 336 million from the Community budget for the implementation of this new programme. The bulk of these appropriations (85 %) will be divided between five priority areas, namely (as a %):

— Research on AIDS, tuberculosis and other infectious diseases	13-20
— Research on cancer	16-20
— Pharmaceutical research	12-18
— Brain research	13-19
— Human genome research	11-17

8.1.4. The research under these headings will be carried out in the form of shared-cost research actions, within the framework of a 'concentration of resources' similarly to the biotechnology programme.

8.1.5. The remaining 15 % will be allocated to concerted actions in the following research areas:

- Occupational and environmental health;
- Other diseases with major socio-economic impact;
- Public health, including health services;
- Biomedical technology and engineering;
- Biomedical ethics.

8.1.6. The total amount includes ECU 3 million for the exploitation and dissemination of results.

8.1.7. The Commission also provides for horizontal activities (including demonstration activities, studies into the ethical, social and legal aspects, and training activities).

8.2. *General comments*

8.2.1. The Committee welcomes this proposal, in particular the emphasis on promoting growth, competitiveness and employment, and also the attention paid to SMEs.

8.2.2. The Explanatory Memorandum focuses on the medical and health needs of the citizen, and rightly so. However, the programme should put greater emphasis on prevention and cure of major diseases and on ways of disseminating the research results more rapidly.

8.2.3. The Committee welcomes the ethical concerns reflected in the Commission's proposals, and that this is clearly affirmed by the exclusion from the Community programmes of any research which could lead to the modification of the genetic constitution of human beings.

8.2.4. In the list of research activities which is mentioned, research into cardiovascular diseases and age-related problems should be moved up and be listed separately immediately after AIDS and cancer research, as a priority area. Cardiovascular illness is the biggest killer in the European Union and also involves detailed understanding of wide ranging pathological work, exactly as in the case of AIDS and cancer. Therefore, this area of research should not be seen as being of lesser importance, as it seems to be in the Commission document.

8.3. *Annex I: Scientific and technical objectives and content*

8.3.1. It seems desirable that most of the pathological research should be financed principally on a shared cost basis. This leaves research into the brain, the human genome, occupational medicine, public health and biomedical ethics to be financed as concerted actions, since these are typically carried out by universities.

8.3.2. Concentrated and coordinated pharmaceutical research will lead to cuts in health expenditure if there is success in improving the therapeutic value of medicines to the extent that illnesses can be prevented and stays in hospital reduced or avoided.

8.3.2.1. Research must therefore be concentrated on actual needs.

8.3.3. *Pharmaceutical research*

8.3.3.1. The objective (i.e. the development of scientific and technical bases required for the evaluation of new drugs) cannot be confined to new pharmaceuticals in the specific fields listed here which are neurological, mental, immunological and viral diseases. It should cover methodological support for all the work carried out by the European Medicine Evaluation Agency.

8.3.4. *Human genome research*

8.3.4.1. The specific nature of the proposed research, i.e. basic research carried out by universities and research centres within national programmes, points to funding by concerted actions.

⁽¹⁾ OJ No C 41, 18. 2. 1991, p. 1.

Hence some of the resources indicated in Annex II (indicative breakdown of the amount) could be usefully transferred to research on diseases with major socio-economic impact.

8.3.5. Research on other diseases with major socio-economic impact

8.3.5.1. Because of their economic impact and the large number of research-oriented companies operating in this field, the emphasis should be on cost-sharing involving these enterprises.

8.3.5.2. The main subjects for research listed under that heading should be towards the solution of major orphan illnesses such as CHF (congenital heart failure), ischemia, etc. Funding should be at around the same level as AIDS and cancer.

8.3.6. Public health research, including health services research

8.3.6.1. Most of the subjects listed constitute an analysis of the situation, of the effectiveness and the efficiency of largely national health services. These are very important but are not properly research and development items. They could be carried out better and more efficiently by other European Union initiatives.

8.3.7. Research on biomedical technology and engineering

8.3.7.1. The list of topics is too restrictive. It should be left more open by changing the heading before the indents to 'Research and development will include but not be limited to'.

8.3.8. Research on biomedical ethics

8.3.8.1. Research on biomedical ethics should be limited to supplying the basic scientific knowledge for legislative activity and involving all people concerned, including scientists, physicians, patients, etc. This knowledge includes respect for confidentiality and privacy. Attention must be paid in particular to ensuring that economic aspects do not prevail over ethical ones.

8.3.8.2. 'Confidentiality and privacy considering medical data', under indent 7, is not really a research subject but needs to be addressed in the proposal for a Council Directive on data protection.

8.3.9. Horizontal activities

8.3.9.1. As research subjects, the activities mentioned in the second paragraph are of doubtful practical value, being concerned with 'values' rather than content.

8.3.9.2. On the contrary, activities mentioned in the third paragraph can be fully endorsed.

8.3.9.3. The fourth paragraph refers to demonstration activities. The Commission fails to specify how the demonstrations are to facilitate European multicentre clinical research at a 'precompetitive stage'. This should not be restricted to epidemiological studies, but should also cover methodology and broadly defined clinical testing (new pharmaceuticals should be treated as 'prototypes' until phase 3 of clinical development).

8.4. Annex II: Indicative breakdown of the amount

8.4.1. The Committee is not qualified to evaluate the indicative breakdown in detail. However, it arises from its evaluation of the programme that 'research into other diseases with major socio-economic impact' should be transferred to the priority A list and therefore each amount for the specific research areas in the A list needs to be redefined.

8.5. Annex III: Rules for implementing the programme

8.5.1. Paragraph 9.1a) provides that research activities on major illnesses will be strengthened, in particular, 'by a targeted training of young research workers' for a maximum of six months. The Committee is of the view that it is inconceivable that a researcher could be thrust into an entirely unfamiliar environment for such a short time and receive any useful training. The training period should be extended from six months to one year.

8.5.2. This paragraph also states the ten specific objectives of the programme. It refers to 'other diseases with major socio-economic impact' as the seventh objective. The Committee considers that this objective should be moved up the list and mentioned after 'AIDS, tuberculosis and other infectious diseases' and 'cancer', as objective 3, making provision for 20 more major projects on a shared cost basis.

9. Agriculture and fisheries (including agro-industry, food technologies, forestry, aquaculture and rural development [94/0088(CNS)])

9.1. Introduction

9.1.1. The general objectives of the proposed programme are as follows:

- To contribute to the improvement of the competitiveness of European agro-industry and primary production by the development of new technologies compatible with sustainable growth and taking account of the needs of consumers.
- To improve the quality of agricultural, forestry and fish products in general and food products in particular.
- To contribute to the implementation of the common agricultural policy and other Community policies (internal market and environment), rural development and to maintain employment in rural areas.
- To contribute to a better match between the production and utilization of biological primary materials¹.

9.1.2. This programme is intended to follow on from that adopted by the Council on 9 September 1991 for the period 1990-1994⁽¹⁾; the Committee issued an Opinion on the relevant proposal on 19 September 1990⁽²⁾. A total amount of ECU 377 million was allocated for the implementation of that programme.

9.1.3. The Commission proposes allocating ECU 607 million from the Community budget for the implementation of this new programme, spread as follows between the various areas of research (as a %):

- | | |
|---|-------|
| — <i>Integrated production and processing chains</i> | 14-16 |
| — <i>Scaling-up and processing methodologies</i> | 6-8 |
| — <i>Generic science and advanced technologies for nutritious foods</i> | 15-17 |
| — <i>Activities to complement Community policies in the agriculture and fisheries sectors, together with the identification of new prospects further to their restructuring. Priority should be given to:</i> | 52-56 |
| — In the agriculture, forestry and rural development sectors, to: | 36-38 |
| — optimization of methods, systems and primary production chains; | |
| — quality policy; | |
| — diversification of farming sector activities and new land uses; | |

- animal and plant health and animal welfare;
- multifunctional management of forests;
- rural development.

— In the fisheries and aquaculture sectors, to 16-18

- impact of environmental factors on marine resources;
- environmental impact of fisheries and aquaculture activities;
- biology of species for optimization of aquaculture;
- socio-economic aspects of the fishing industry;
- improved methodology.

— *Concerted actions* 8
(of which 2 % for fisheries, 3 % for agriculture and 3 % for agro-industrial research)

9.1.4. These concerted actions will be carried out through thematic networks and will concentrate on primary production in agriculture, forestry, fisheries and aquaculture, rural and coastal development and food production and processing.

9.1.5. Of the total amount proposed, 1 % is earmarked for the exploitation and dissemination of results, between 4 and 8 % for horizontal demonstration activities, between 1 and 2 % for horizontal activities on ethical, social and legal aspects, and between 5 and 7 % on training activities.

9.1.6. The JRC is asked to contribute to research activities in the field of agriculture and fisheries to the tune of ECU 7 million. This is additional to the funding proposed for the implementation of the specific programme under consideration.

9.2. Overall assessment

9.2.1. The Committee approves the proposed programme submitted by the Commission which is both clearly worded and specific. The priorities are broadly in line with the needs of agriculture and fisheries and should help to sustain the present moves towards restructuring.

9.2.2. The underlying competitiveness-related aspects of the programme tie in well with the problems of the environment, employment and, more generally, European integration. The Committee regrets, however, that the ethical concerns have not been taken sufficiently into account.

⁽¹⁾ OJ No L 265, 21. 9. 1991, p. 33.

⁽²⁾ OJ No C 41, 18. 2. 1991, p. 1.

9.2.3. Generally speaking, the approach adopted in the definition of the scientific and technical content seems coherent and closely geared to the concerns of the moment.

9.3. *General comments*

9.3.1. The Committee welcomes the fact that the fourth framework programme accords greater importance to life sciences and technologies, in the agriculture and fisheries sectors especially, and that this is also reflected in the budget.

9.3.2. However, the Committee considers that the appropriations will even so turn out to be insufficient to finance all the highly diverse research topics in the programme. Here, too, some attempt to focus the appropriations will be needed if they are not to be spread too thinly.

9.3.3. The need for a strong scientific research base for this competitive sector is very much approved as is the aim to provide a sound scientific base for the setting of standards and regulations.

9.3.4. The Committee stresses how crucial it is that in this field the definition of scientific and technical objectives, and of the research actions to be undertaken, should be based on a social consensus embracing ethical, moral, social and legal, as well as economic and commercial, implications. From this point of view the impact of such research activities on employment is of paramount importance. The Committee believes that it can help to bring about this consensus and form a link between the socio-economic interest groups and political decision-makers.

9.3.5. In future the agricultural and fisheries sectors and their allied processing industries must move forward within a framework based on such a 'social consensus'.

9.3.6. In this way the life sciences and technologies sector, which is becoming increasingly important in society, will be able to go on developing unhindered by any barriers other than those imposed by the state of knowledge, the frontiers of which are forever receding.

9.3.7. The Committee wishes to highlight the importance in the proposed programmes of demonstration activities as a means of making the new technological options based on life sciences and technologies more

attractive. Here it must be emphasized that improving the quality of life for all citizens is a basic objective of research in the life sciences and technologies sector.

9.3.8. The importance of these demonstration activities is that they prove the viability of the new technologies in this sphere and show the economic as well as social benefits which could flow from their use.

9.3.9. For this reason the Committee considers that not only technology producers and technology users must participate in demonstration activities, but also all those whose responsibility it is to ensure that ethical aspects are respected.

9.4. *Specific comments*

9.4.1. Annex I: Objectives and scientific and technical content

9.4.1.1. The Committee notes that on several occasions reference is made to 'biological raw materials'. The use of this term — at any rate in French — may be a source of confusion if it is thought that organic farming products are meant, all the more so as the organic farming regulation is also mentioned.

9.4.1.2. Integrated production and processing chains

9.4.1.2.1. The major crop group chains are a very sensible approach and means should be found to interlink these chains where this is beneficial.

9.4.1.2.2. In the bio-energy chain, the Committee approves the inclusion of energy balance and cost effectiveness. Indeed there should be an early preliminary investigation as to which approaches could best lead to products and applications which are viable without ongoing subsidies. This would save Community funds for those projects with the greatest chance of useful results.

9.4.1.3. Scaling-up and processing methodologies

9.4.1.3.1. Work under this heading should include development and application of sensing and vision techniques, and also minimum processing systems for foods.

9.4.1.4. Generic science and advanced technologies for nutritious foods

9.4.1.4.1. The Committee approves the emphasis on nutritious foods and on food quality, safety and wholesomeness. However it needs to emphasize again

that once safety and wholesomeness are satisfied, quality must be defined in terms of consumer satisfaction and not in terms of compliance with numerical standards.

9.4.1.4.2. In the area of safety and wholesomeness, risk assessment should be added as should be the effects of natural toxicants. Modern changes in agricultural processing and distribution practice also need to come under this heading.

9.4.1.4.3. Spoilage is not only important for fishery products but for other foods as well. Rapid methods for detection of pathogens and spoilage organisms should be included in the programme as should be hygienic design of equipment.

9.4.1.5. Agriculture, forestry and rural development

9.4.1.5.1. The points on quality mentioned above also apply here. The various proposals for biotechnology seem sensible but the reduction of need for pesticides should be made an explicit aim.

9.4.1.5.2. The ecologically viable management of forests is very much approved as is the need to give particular attention to economic viability.

9.4.1.5.3. With regard to rural development, the Committee considers that the list of proposed themes should include an analysis of the prospects for making better use of human potential, especially the development of new careers linked to the diversification of activities in rural areas.

9.4.1.6. Concerted actions

9.4.1.6.1. The Committee also considers that the ethical aspects could be usefully dealt with as part of the concerted actions provided for in the programme.

9.4.2. Financial statement

9.4.2.1. The Committee takes note of the anti-fraud measures referred to in the financial statement. It considers that the use of ISO standard 9000 could help to control the risk of fraud.

10. Nuclear safety and safeguards [94/0072 (CNS)]

10.1. Introduction

10.1.1. The proposed programme has three general objectives, namely:

— To promote European cooperation and technological development in the field of nuclear safety and safeguards.

— To develop a global, dynamic approach to allow an improved understanding and quantification of the overall risk associated with the whole nuclear fuel cycle, considering exposure to ionizing radiation from all sources, including other industrial applications, medical applications and natural radioactivity.

— To create opportunities for training and mobility for scientists.

10.1.2. This programme is intended to follow on from that adopted by the Council on 28 November 1991 for the period 1990-1994⁽¹⁾; the Committee issued an Opinion on the relevant proposal on 31 January 1991⁽²⁾. A total amount of ECU 228 million was allocated for the implementation of that programme.

10.1.3. Under the fourth framework programme, a total amount of ECU 327 million is allocated to research and training in the field of nuclear safety and safeguards. Of this total, an amount of ECU 167 million is allocated to the research and training activities to be carried out by the Joint Research Centre (JRC) for the European Atomic Energy Community and the remaining ECU 160 million is allocated to the indirect action programme under consideration. In addition, an amount of ECU 87 million is allocated to the JRC to provide scientific and technical support for the implementation of safeguards, in accordance with Chapter VII of the EURATOM Treaty, and similar support for the IAEA, activities which are not really research.

10.1.3.1. The research and training activities to be carried out by the JRC (direct action) will cover reactor safety (ECU 37 million), fuel cycle safety (ECU 76 million), and safeguards and fissile material management (ECU 37 million).

10.1.3.2. The Committee deplores that this cost breakdown was not included in the Commission proposal; it was made available to the Committee at a stage which made the preparation of this Opinion difficult.

10.1.3.3. Lastly, it is to be noted that the ECU 167 million, referred to above, include an amount of ECU 16 million for JRC participation in shared cost actions under the indirect action programme.

⁽¹⁾ OJ No L 336, 7. 12. 1991, p. 42.

⁽²⁾ OJ No C 69, 18. 3. 1991, p. 33.

10.1.3.4. The Commission proposes to allocate the budget for the indirect action programme as follows (in million ECU):

— Exploring new concepts	7
— Reactor safety	50
— Closing the nuclear fuel cycle	40
— Radiological impact on man and the environment	50
— Historic liabilities	13
Total	160

10.1.4. Of the total amount proposed, 15 % is earmarked for fundamental research activities, 1.25 % for the exploitation and dissemination of results, 2 % for schemes to promote training for researchers in the fields covered by this programme.

10.2. General comments

10.2.1. The overall budget for nuclear fission under the fourth framework programme is too small and not commensurate with the requirements. It is also badly allocated. It has to be considered against the following background.

10.2.1.1. Europe is the world leader in nuclear fission power. In 1992, Europe generated more electricity by nuclear fission than the United States, and three times as much as Japan. It supplied 35 % of Europe's electricity consumption, compared with 17 % worldwide. The benefits include zero CO₂ emission, and both security of supply and long term price stability in comparison with fossil fuel resources such as oil and gas.

10.2.1.2. Pressure to improve economic performance, while simultaneously improving safety standards, never ceases. The poor state of the nuclear industry in Central and Eastern Europe, and Russia, disclosed following the collapse of their communist governments, has created new problems. A great deal of responsibility for protecting the European public, if possible, from another major accident in one of those countries has, in practice, fallen on the European Union, and this is even reflected in the proposed budget for nuclear fission research.

10.2.1.3. And yet the budget for nuclear fission safety research is less in absolute terms, and substantially less in real terms, than was budgeted for it in either the first or the second framework programme (the ECU 228 million allocated under the third framework programme was aberrantly low and offers no standard of comparison). This is all the more true since ECU 87 million is included for safeguards activities which

are not research proper. This amount should therefore be deducted when considering the figures allocated to nuclear safety research.

10.2.1.4. Taking this into account, the Committee notes as well that the amount allocated to nuclear fission research (including that allocated to the JRC) is only a quarter of the total budget for nuclear research, the other three quarters being devoted to research into controlled thermonuclear fusion which, if successful, is not expected to become a practical option until circa 2050. The Committee cannot help but note that there appears to be a substantial gap between the largely near and medium term fission programme and the exceedingly long term fusion programme.

10.2.2. Despite its current significance and benefits, the future of nuclear fission in Europe is clouded by the absence, in most Member States, of general public acceptance of the safety of nuclear power and its associated fuel cycle. Chernobyl greatly increased public anxieties, and although these have receded somewhat due to the continued safe running of reactors in Member States, the positive case for nuclear power on environmental and strategic grounds has yet to regain its earlier acceptability.

10.2.2.1. In addition, only six of the twelve Member States produce nuclear power, and this in itself produces divergent interests and attitudes at policy-making levels. The Chernobyl disaster provided a common theme on which all have united — this theme being the need to work towards an international understanding and approach to nuclear safety. The ultimate goal must be the international harmonization of safety and licensing.

10.2.2.2. Within the European Union, the aim must be to achieve a broad consensus of opinion on nuclear energy as one of the key components of a common energy and environmental policy. Nevertheless, nuclear fission research under the fourth framework programme must first and foremost serve the primary objective of improving safety. It should also be carried out in a manner which stimulates good collaboration between Member States. Such collaboration will certainly spread a better understanding of safety issues and thus contribute to the process of finding the broad consensus which is sought.

10.2.3. Shared cost and concerted actions are seen as the most powerful, as well as the most cost effective means of stimulating collaboration between Member States. In keeping with the views expressed in previous Opinions, therefore, the Committee believes that the funding for the indirect actions programme is at altogether too low a level especially if one takes into

account that an amount of ECU 50 million is allocated to radiation protection. The Committee considers that, in the future, the balance between direct and indirect action should be reviewed and the allocation for shared cost actions increased.

10.2.4. The Committee is aware, to its concern, that, for example, CGC5, which is responsible for advising the Commission on the indirect action programme for nuclear reactor safety research, was not advised of the JRC breakdown.

10.2.4.1. Without detailed information about the proposed JRC programme being made available to interested parties in advance of final decisions on the programme as a whole, it is not possible for proper coordination to take place. This must point to a potentially significant weakness in the Commission's overall approach to the planning of research in this field of its activities. At Corfu, the European Council called for 'reinforced coordination of research policy'. Given the information to which it has alluded above, the Committee believes that the call is justified.

10.2.5. The Committee believes that to be effective, both indirect and direct action safety research must have a strong customer focus.

10.2.5.1. It is still insufficiently recognized that the regulators represent the public, and that the utilities are responsible for the safety of their plant. The utilities, with responsibility for the safe supply of nuclear-generated electricity to the majority of the Union's more than 300 million people, should certainly be much more closely involved in specifying research requirements and evaluating results, as required under Article 4 of the Commission proposal. Of course, other significant users such as the nuclear fuel producers and reprocessing plant operators must also be involved.

10.2.6. One mechanism the Commission could use to achieve greater accountability would be the establishment of users groups, as was done for example under the Telemat programme. The existence of such groups would aid the development of consensus, since they would be called upon to agree on the safety issues which should drive the research programme, as well as the work needed for their resolution. They should consider the work of the JRC programme as well as the indirect actions programme. The Commission is asked to consider introducing a mechanism along these lines.

10.2.7. In the reactor safety area, in response to the small budget, the Commission proposes to concentrate

the indirect actions resources on only one topic, namely severe accidents. But, while this may well have the greatest political appeal, the exclusion of no less important reactor safety issues concerned with prevention rather than mitigation (as for example structural integrity, ageing, software reliability, probabilistic safety assessment, etc.) leads to a poor match between Community and national priorities for safety research. It also loses the opportunity for this programme to stimulate a consensus on these important topics within the nuclear community. The Commission is asked to reconsider the priorities within the area of reactor safety research.

10.2.8. Inevitably, budget constraints are tight and will remain so. The Commission should take the initiative, therefore, to develop a strategy for rationalization of the major facilities it supports in Europe. Focusing programmes on specific facilities or teams will also encourage practical international collaboration (PHEBUS is a good example).

10.3. *Specific comments*

10.3.1. Work on exploring new concepts should exclude severe accidents, since work under this heading (including work on exploring new concepts) is already covered under the reactor safety heading. The JRC will also be doing work on severe accidents. Work on quantifying the benefits of the passive system, and new fuel cycle activities such as MOX, is supported. Work on partitioning and transmutation should be conditional on the review of present studies, including the question of economic feasibility.

10.3.2. The nuclear industry is, at present, the only industry which covers the complete cycle through to final disposal of waste material. Europe has all the technology of the entire nuclear cycle and is a world leader in this regard. Under the heading of closing the fuel cycle, the development of a co-ordinated position on the basic safety criteria is particularly important in facilitating a consensus. Given that there is no need to go on producing plutonium, there would be a significant benefit from work to demonstrate safe, direct disposal of fuel without the risks or costs of reprocessing.

10.3.2.1. Funding of reactor decommissioning has been omitted, although it was included under the third framework programme. Some ECU 10 million of funding for research in this area should be reinstated to support

pilot dismantling projects to provide a public demonstration of the technical and economic feasibility of decommissioning.

10.3.3. The Committee notes with satisfaction that its recommendation with regard to the 'radiological impact on man and the environment' in the third framework programme has been taken up and more funds allocated to this fundamental, long-term area of research.

10.3.3.1. The Committee is still of the view, however, that it is undesirable to subsume all sources of radiation under the one programme. It covers not only radiation protection in nuclear technology, but also natural, medical and industrial radiation, as well as basic questions concerning the effects of low-level doses. This leads to serious misunderstandings in the public mind in a highly sensitive area.

10.3.4. Work on historic liabilities addresses issues associated with Central and Eastern European and CIS reactors. The provision of technical assistance and capital investment is covered under other European Union programmes. These programmes are substantial and must aim at establishing a reliable and consistent safety philosophy in Eastern Europe. The proposed funding under the fourth framework programme should be used to assist these countries to participate in the collaborative safety research programme.

11. Controlled thermonuclear fusion [94/0073 (CNS)]

11.1. Introduction

11.1.1. The long-term objective of the Community Fusion Programme, embracing all activities undertaken in the Member States (plus Sweden and Switzerland) in the field of controlled thermonuclear fusion by magnetic confinement, is the joint creation of safe, environmentally sound prototype reactors, which should result in the construction of economically viable power stations which will meet the needs of potential users.

11.1.2. For the period 1994-1998, the priority objective is to establish the engineering design of the Next Step within the framework of the quadripartite cooperation between Euratom, Japan, Russia and the USA on the Engineering Design Activities for the International Thermonuclear Experimental Reactor (ITER-EDA).

11.1.2.1. Specialized studies will also be needed to look at possible improvements to concepts in plasma physics and plasma engineering, as well as to carry out the long-term technology developments required for

progressing towards the exploitation of fusion as an energy source. The results of such studies will be of benefit both in the operation of ITER and, in the longer term, in the conceptual definition of DEMO (demonstration reactor).

11.1.3. This programme is intended to follow on from that adopted by the Council on 31 December 1991 for the period 1990-1994⁽¹⁾; the Committee issued an Opinion on the relevant proposal on 20 March 1991⁽²⁾. A total amount of ECU 568 million was allocated for the implementation of that programme.

11.1.4. The Commission proposes allocating ECU 794 million from the Community budget for the implementation of this new programme, spread as follows between the various areas of research on which the Commission proposes that efforts be concentrated (as a %):

— Next Step activities	40-50
— JET Joint Undertaking (focusing mainly on support for Next Step)	22-32
— Concept improvements	22-32
— Long-term technology	5-9

11.1.5. The Joint Research Centre (JRC) will participate in the implementation of the programme, for which an additional ECU 46 million is provided. Most of the research work to be carried out by the JRC will be on ITER support.

11.2. Background

11.2.1. Research into controlled thermonuclear fusion is concerned to discover if there is a way in which, for peaceful purposes, it is possible to replicate the process which takes place in the sun, in which enormous quantities of energy are continuously released from the fusion of hydrogen atoms at millions of degrees centigrade. To succeed in this endeavour would open up access to a potentially very large new source of energy for conversion to electricity.

11.2.2. The achievement of such a goal will require the fusion process to operate in reactors capable of containing temperatures which are normal in the sun, and do so safely and securely, and economically in comparison with other power sources, for periods of time to be measured in decades.

11.2.3. Fusion research started in Europe in the late 1950s, originally being centred at CERN in Switzerland. In 1978 the Community established JET (the Joint European Torus), designed to achieve controlled thermonuclear fusion by magnetic confinement in toroidal geometry by use of a Tokamak configuration. This

⁽¹⁾ OJ No L 375, 31. 12. 1991, p. 11.

⁽²⁾ OJ No C 120, 6. 5. 1991, p. 1.

is not the only approach to the possibility of creating a controlled fusion process, but it is the main route which has been followed in Europe, as also in the United States, Russia and Japan. After five years of construction JET became operational in 1983, and is recognized as the world's leading fusion experiment.

11.2.4. The main purpose of JET has been to explore the design parameters for a successor device which would be capable not only of momentary fusion but, much more importantly, of ignition — i.e. the creation of a self-sustaining plasma. (This second stage of development is invariably referred to as the Next Step). In the words of the November 1993 report of the Scientific and Technical Committee (STC), created to advise the Commission under the Euratom Treaty, 'the Next Step' must be to create another Tokamak device 'capable of reaching ignition and maintaining burn in a plasma for at least 1000 seconds, i.e. long enough to study burn in conditions which may be considered steady-state with respect to all the timescales relevant to the physical behaviour of the plasma'.

11.2.5. It had been the intention that Europe (i.e., in respect to fusion research, the EU together with Sweden and Switzerland) would design and build its own machine (known as the Next European Torus, or NET) for the Next Step. However, in 1988 an agreement was signed with the United States, Japan and the USSR to adopt a collaborative approach to further fusion research and, therefore, to pool ideas and resources, and reduce the costs (Russia has since taken over the responsibilities of the now defunct USSR).

11.2.5.1. Given the fundamental nature of current fusion research, and that it is an exceptionally long-term as well as expensive endeavour, the attractions of adopting such an international approach were — and remain — obvious.

11.2.6. The four signatories to the 1988 agreement have subsequently collaborated on engineering design studies (EDA) for an international thermonuclear experimental reactor (ITER), also to be based on the Tokamak configuration. There have been, and remain, differences of view within the ITER collaboration over the design, but this is hardly surprising given the nature of the task. The important point is that a Second Protocol, to provide for the collaborative studies to continue with the aim of their being completed by 1998, was signed in March this year.

11.2.7. The aim behind the design and construction of ITER is first to achieve ignition and then to demonstrate that it can be continued for more than a few seconds. But it may also be used to examine some of the

problems that will have to be solved in order to proceed to the stage after ITER, which is conceived to be the design and construction of a demonstration reactor able to generate electricity. This stage is referred to as DEMO.

11.2.8. Europe is now committing its main effort, in relation to the Next Step, to the ITER collaboration, but is nevertheless continuing with work on the key technologies associated with NET in case the ITER collaboration should break down. (It should be borne in mind that in practice there is anyway a significant overlap between the design of ITER and the design of NET, so that it is not a case of Europe doubling the total effort it is putting into the Next Step). Some effort is devoted as well to the possible development of other concepts for establishing a controlled fusion process.

11.3. *Comments*

11.3.1. Three main issues would seem to arise for consideration from the research prospectus put forward by the Commission. These are:

- 1) What should be done about the JET programme, which has been scheduled for closure for the end of 1996?
- 2) How important is it to insist on ITER being built in Europe?
- 3) How satisfactory is it to continue to fund fusion research out of the allocation to energy research?

The Committee's comments on these three issues are given below.

11.3.2. The future of JET

11.3.2.1. JET is technically a Joint Undertaking set up under the Euratom Treaty. 80% of its operating costs are met by the Commission from the fusion programme budget. Currently this takes some ECU 100 million or about half of the annual fusion budget.

11.3.2.2. Under the present plans the final phase of activity at JET will be a 6-12 month campaign of experiments with plasmas consisting of a mix of deuterium and tritium gases. Because this will involve extensive burning of tritium it will result in considerable activation of key parts of the facility, and almost certainly make them unusable thereafter. The extent to which the facility could then be used for further research would be greatly limited. It had been intended therefore to close JET in the latter half of 1996, following completion of the deuterium-tritium campaign.

11.3.2.3. As the Commission reports, this decision is now being reviewed — at its own request — by the Consultative Committee on the Fusion Programme

(CCFP). The Commission asked for this review because scientific opinion had been arguing strongly for it: as the CCFP had itself commented in its March report to the Commission, there were 'substantial new scientific and technical arguments... in particular for the benefit of ITER, which speak for the continuation of JET's operation beyond 1996'. The outcome of the CCFP's review is awaited.

11.3.2.4. There is, however, a complication about extending JET's life. The money which would be needed to keep JET going will either have to come from money at present budgeted for other work or from significant savings being made in the next two years within the JET programme itself. These options will obviously require weighing very carefully.

11.3.2.5. The Committee supports the review of JET's future which is now being undertaken, but until it knows the conclusions of that review it cannot make any informed comment about the right decision to take.

11.3.3. The location of ITER

11.3.3.1. There is no doubt that Europe is making a serious effort to reach an agreed design for ITER.

11.3.3.2. There has been strong backing for this committed approach. For example, at its meeting last November, the STC wrote that it was 'pleased that Europe's Next Step activities are presently undertaken within the quadripartite framework of ITER rather than within the European framework of NET'.

11.3.3.3. This view was supported by the CCFP which, at its meeting in March this year commented that 'ITER has become a programmatic focus already in its present EDA phase. Europe should continue strongly to support ITER and prepare for its possible siting in Europe. Work for ITER should have priority'.

11.3.3.4. The Committee has no reason to disagree with the clear opinions of these two advisory bodies, but a question nevertheless arises which has yet to be answered. The question is whether a strong commitment to achieving a successful ITER design is consistent with maintaining that ITER must be built in Europe?

11.3.3.5. The logic of working towards an agreed design is, surely, that if each of Europe, the United States, Japan and Russia then insist on building ITER in their own country or continent, then they would each build largely the same model, there would be quadruplication of design and construction features,

and each of the four would have to meet heavy additional financial costs.

11.3.3.6. If it had been the intent of each of the four participants to the ITER programme to build their own Next Step machine as a matter of principle, it would have been of much greater scientific value if they had all gone along with their own different designs, rather than to have spent so much time and effort trying to agree on only one.

11.3.3.7. Yet it is the stated position of each of Europe, the United States and Japan that if a design for ITER can be agreed, the reactor should be built in their own geographical area. It has been the Committee's view that ITER should be built in Europe. At some stage there will have to be a reconciliation between practice and theory, but whether this will lead to the construction of four ITERs or one is at present unknown.

11.3.3.8. Contrary to appearances, this is not a matter of academic speculation. The Commission states that it is the intention that all the key decisions about these matters will be taken within the timespan of the 4th framework programme.

11.3.3.9. So far, however, no public debate has been initiated about the different options involved, and no information has been made publicly available about the likely comparative costs of each of them. It would be timely if the pros and cons of these different possibilities were publicly addressed, and that the people of the Union, Sweden and Switzerland are properly informed about the choices which will have to be considered.

11.3.3.10. However, while the Commission has not published any cost estimates, figures understood to have been under consideration in 1992 were as follows:

- (1) For an ITER built in Europe it was thought the cost would be of the order of ECU 200 million a year for about eight years.
- (2) For an ITER built in the United States it was thought that the European contribution to the cost would be of the order of ECU 100 million a year, also over eight years.

(Note: The reason it will cost more to Europe to build the ITER on its soil is because the 'home continent' obtains a better return scientifically and technologically, and its industry is better placed to obtain greater benefits due to its closer proximity. Thus, there is what is known as a 'host premium').

- (3) If neither of these options materializes, and Europe decides independently to build its own Next Step device (NET), the annual cost was thought to be of

the order of ECU 400 million a year over a period probably longer than eight years.

(Note: all the figures quoted above seem to be based on the assumption that Russia would pay the same proportionate share as the other three participants).

11.3.3.11. It is obvious there will be a not insignificant cost penalty to Europe (as indeed to each of the other partners) if an international design for ITER cannot be agreed upon, and it is decided to go it alone.

11.3.3.12. The Committee is on record as supporting an international approach through the ITER collaboration, but making it clear nevertheless that if a design can be agreed upon ITER should be built in Europe. In the absence of international agreement to this, the Committee took the view that Europe should go ahead with NET.

11.3.3.13. That is in principle still the Committee's disposition, but a final opinion on the matter cannot be determined until (i) the findings are known of the independent review body the Commission is to set up before a decision is taken to proceed with the Next Step, and (ii) satisfactory assurances have been received from the Commission about the implications of any decision for the funding of energy research other than the fusion programme. The Committee discusses this latter point in the following Chapter.

11.3.3.14. Whatever the eventual decision is, it is obvious that it can only be taken following wide and informed consultation, and in the light of very many different and complex, sometimes contradictory, considerations.

11.3.4. Financing research into controlled thermonuclear fusion

11.3.4.1. Given that it is the Commission's intention that all the key decisions about the Next Step will be taken between now and 1998, the Committee believes that the financing of fusion research does — for the reasons set out below — require some public discussion.

11.3.4.2. The Union finances fusion research exclusively from the budget for energy research. Excluding only the unknown four year figure for the current (i.e. second) Thermie programme, the total budget for energy research for the duration of the 4th framework programme is ECU 2,221 million.

11.3.4.3. Of this sum fusion research receives ECU 840 million, or 37.2 % of the total. This compares with ECU 1,002 million (44.5 %) allocated to non-nuclear

energy research, and ECU 414 million (18.3 %) allocated to research into nuclear fission safety and safeguards.

11.3.4.4. Therefore it is also reasonable to question whether the Commission is justified in such an approach to the allocation of research funds between competing demands on them? The Scientific and Technical Committee wrote in its November 1993 Opinion, already quoted:

'Significant progress towards the application of fusion energy will depend on our mastery of both the physics and technology of fusion. At this stage, fusion research has not provided the demonstration of feasibility which Enrico Fermi achieved for nuclear fission in Chicago in 1942'.

11.3.4.5. In other words, fusion research is still in its very early stages. It has yet to be established whether it is feasible. It is not surprising that Eurelectric, the body which represents the Union's electricity utilities (embracing both generators and distributors) does not consider that priority should be given to fusion at present.

11.3.4.6. As the Committee wrote in point 3.4 of its Opinion on the fusion programme proposed for 1990-1994:

'The Committee can do no more than reiterate the concern expressed in its previous Opinion that the Fusion Programme should not be funded at the expense of other research programmes....'

11.3.4.7. The Committee reinforced this view when commenting on the funding of the research programme for nuclear fission in 3.6 of that Opinion. Referring to the 'need to put considerable effort into researching and developing reactor safety, given that this is one of the Community's essential duties and that it is of considerable importance to the Community's future' the Committee stated:

'This urgent task should under no circumstances be neglected in favour of an extremely long term programme, the results of which cannot be predicted.'

11.3.4.8. The Committee holds the same views about these matters today as it did in its previous Opinion. In particular, the allocation to nuclear fission research remains too small for it to be commensurate with its requirements.

11.3.4.9. But while holding these views the Committee acknowledges that there are other relevant perspectives which have to be taken into account.

11.3.4.10. The Committee is aware, for example, that if there were no fusion programme only a proportion of the funds currently allocated to it would be likely to be

made available to other activities covered in the present energy budget.

11.3.4.11. The Committee is fully aware that national fusion research programmes are concentrated almost exclusively on the Community programme; hence the particular value of this programme as the only truly European research programme. It started out as a European venture and has so far remained a European venture throughout.

11.4. *Conclusions*

11.4.1. The Committee has always felt that fusion research deserved its sustained support, and that remains the Committee's view now. The Committee understands that by its nature fusion research will take a very long time, and require long-term funding, before it will be known for sure whether the outcome will be successful. But this approach is justified by the magnitude of the possible prize.

11.4.2. It is the function of the Council, not of the Committee, to make a political judgement about how much money can or should be found to back fusion research. It is a political decision.

11.4.3. The Committee's responsibility lies in advising on the judgements behind the relative allocations proposed for different activities. Since fusion is financed as part of the budget for energy research the Committee is inevitably concerned to ensure that the funding of fusion research does not squeeze out funds for other activities covered by the energy budget which, for the next several decades, are far more relevant to the energy needs of Europe and its citizens.

11.4.4. That concern remains and, if anything, is heightened by the knowledge that a decision to proceed with the construction of ITER will almost certainly require a greater annual allocation to fusion research than in the programme under review now, even if the decision is to construct it outside Europe. A decision to construct it in Europe would definitely require additional annual funds, while a decision to build NET could possibly double the annual allocation required.

11.4.5. It is for these reasons that the Committee welcomes the Commission's unambiguous undertaking in Annex 1 to its 'Proposal for a Council Decision' that:

'... Before a firm decision is taken to commit the funds needed for the construction of a Next Step device, and in principle not later than 1996, a rigorous, independent assessment of the prospects

for fusion should be undertaken, and its conclusions based on evidence of real progress towards the programme's ultimate goal.'

11.4.6. The Committee believes this is a very important undertaking. It means that a decision to go ahead with a Next Step device will not be a step in the dark, but is likely to have a reasonable chance of securing the breakthrough to ignition that is essential to any further progress.

11.4.7. As a corollary the Committee believes it will be necessary for reasons of public confidence that the members of the assessment team must be scientists of international reputation who are not involved, directly or indirectly, with the fusion research programme in Europe or elsewhere.

11.4.8. In addition to this valuable initiative of the Commission there should be another. Before the presentation of the next (i.e. the fifth) framework programme, the Commission should specifically consider the relative allocation of research funds between the three main headings against the background of the Committee's observations in this Opinion.

11.4.9. Further, the Commission should review on a long term basis how fusion research can continue to be funded without it being apparent or reasonably inferred that the funds are found at the expense of research into existing or 'on the horizon' energy technologies.

11.4.10. These proposals and the Commission's response to them require public discussion involving the Economic and Social Committee.

11.4.11. The Committee would welcome an early response from the Commission to these propositions.

12. **Transport programme [94/0090 (CNS)]**

12.1. *Introduction*

12.1.1. The aims of the proposed programme are:

- to develop a more efficient, safer and more environmentally friendly transport system for passengers and goods;
- to facilitate the interconnection and interoperability of the separate transport networks;
- to increase the efficiency of each individual mode and improve cooperation between them;

- to promote the design and management of infrastructure with a view to reducing the damage to the environment and improving the quality/price ratio.

12.1.2. To achieve this goal, the Commission sees the need for a European approach to research activities in the field of transport. This approach must take into account the research conducted by the Member States and relevant organizations and any findings which are already available; finally it must come up with specific solutions to improve transport.

12.1.3. The present programme is intended not only to encourage synergies between the RTD activities carried out by research centres, universities and firms, but also covers the dissemination and exploitation of the results of these activities, targeting SMEs in particular, especially in Member States and regions participating least in the programme. To this extent it also serves, in line with the White Paper on Growth, Competitiveness and Employment, to reinforce competitiveness and improve the employment situation in the Community.

12.1.4. Funding is estimated at ECU 240 million spread as follows between the various areas of research (as a %):

— <i>Strategic research for a trans-European multimodal network (definition, demonstration and validation)</i>	18-22
— <i>Network optimization</i>	78-82
— Railways	16-18
— Integrated transport chains	5-7
— Air transport	16-18
— Urban transport	10-12
— Maritime transport and inland waterways	19-21
— Road transport	8-10

12.2. General comments

12.2.1. The Committee welcomes the programme's objectives:

- to develop an environmentally friendly and socially acceptable transport system;
- to increase the efficiency and cost-effectiveness of transport;
- to improve the conditions for intermodal transport.

12.2.2. The Committee considers that the specific programme for transport RTDD is an appropriate means of underpinning the political objectives of economic, safe, environmentally friendly and socially acceptable transport.

12.2.3. The RTD programme can, however, be only part of an overall, integrated, European transport master plan. The research should therefore be geared closely to the goals of such a master plan and be ranked in order of priority according to the urgency of the problems to be solved and the importance of the anticipated benefit.

12.2.4. The need to draw up and implement the RTD programme is highlighted by the expected growth in traffic and consequent pressure on people and the environment. In the case of road transport, the Commission states that congestion, inefficiency and safety performance cost the Community economy some ECU 50,000 million a year. Expanding the transport infrastructure merely to satisfy the growing demand for transport would be misguided. What is needed is an approach to transport which, before any expansion of transport infrastructure, studies how transport can be organized more economically by improving the efficiency of each individual mode and the interaction of all modes, based on the strengths of the system and taking into account environmental and social requirements. Modern information technologies can also make a useful contribution, as can the Commission's proposed strategic research into improving the organization and interoperability of the transport system, into developing intermodality, into a trans-European multimodal network, as well as the research into the establishment of a European database intended to highlight links and types of flows for which modal switching could be considered.

12.2.5. The differentiation of network optimization according to the sectors

- railways,
- integrated transport chains,
- air transport,
- urban transport,
- maritime transport,
- inland waterways and
- road transport

is justifiable, although 'integrated transport chains' and 'urban transport' cut across all modes.

12.3. Specific comments

12.3.1. Railways

12.3.1.1. All R & D work in the railways sector should be coordinated with the current activities of the UIC and CER. For instance, research is already under

way into a European high speed network and train safety and information systems.

12.3.1.2. The development of a European rail traffic management system is crucial to close cooperation between European railways, will increase network capacity and reduce the risk of accidents.

12.3.1.3. The planned research into improving rail safety is welcomed.

12.3.1.4. To improve the interconnection and interoperability of railway networks, the research programme should also encompass the general compatibility of electrical power systems, safety systems, EDI systems, gauges and production processes.

12.3.1.5. The strategic prospects of international rail goods transport would be further enhanced by the creation of international quality products with uniform parameters for travel times, punctuality and additional logistical services.

12.3.2. Integrated transport chains

12.3.2.1. Nowadays all carriers already think and act in terms of integrated transport chains when they canvass their customers. The transshipment of goods when transferring from one mode to another raises costs and frequently means that it makes more sense economically to make a throughtrip by lorry. The Commission's aim of helping to optimize transport, and also to ease the pressure on roads, by establishing integrated transport chains will be really successful only if this approach is backed up by regulatory measures.

12.3.2.2. Research into practical obstacles to transfers between modes should be added to the list of priorities in this area, namely:

- improving the interfaces between transport modes and transfer points;
- intermodal vehicles and loading units;
- transport networks and their suitability for intermodal operations;
- logistics with modern information technologies.

The findings should provide a starting point for further strategic reflections on the transfer of goods to rail and waterways as a way of relieving the roads.

12.3.3. Air transport

12.3.3.1. In the Committee's view, the RTD programme for air transport needs to be more specific if the available funds are to be used rationally and efficiently.

12.3.3.2. Besides the general objectives of increased capacity and safety in air transport, the research should focus on:

- cooperation and infrastructure requirements,
- interface problems with modal switching, and
- coordination of airline and other timetables and of reservation systems,
- air traffic management.

12.3.4. Urban transport

12.3.4.1. The Committee endorses the Commission's views and welcomes its research proposals.

12.3.5. Maritime transport

12.3.5.1. The objectives of the research, viz

- increased efficiency,
- improved safety, and
- environmental protection,

should be expanded to include

- relief for land transport under the slogan 'from road to sea' by using coastal shipping.

The integration of coastal shipping into the intercontinental transport system would ease the pressure on infrastructure, is environmentally benign, has high safety standards and can call on virtually unlimited capacity.

12.3.5.2. It would in the Committee's view be helpful if telematics plans were developed for maritime transport and sea-based transport chains, encompassing

- the rationalization and automation of traffic and freight information;
- traffic centres to control fully integrated transport and information management systems;
- value-added services (e.g. information on navigation, weather conditions and currents).

European short-haul maritime transport in particular would benefit from the rationalization and automation of traffic and freight information. The amalgamation of all operational services, possibly including private port authorities and brokerage houses, could go a long way to making ports and interfaces more attractive in the transport chain. Value-added services would increase the safety and convenience of maritime shipping, particularly in coastal waters and the inland waterway network.

12.3.6. Inland waterways

12.3.6.1. The text, which is couched in general terms, covers all the key areas where research projects in this sector are needed and would be appropriate.

12.3.6.2. The interlinking of combined transport operations through goods traffic centres as the interface between the three main modes is very important for the research into the role of this particular mode in the whole chain. Research into how goods traffic centres can manage goods traffic most efficiently should also be expressly mentioned as a further topic of study, to be examined from the angles of organization, technical equipment, use of telecommunications, and operational-logistical facilities.

12.3.6.3. The proposed research into the obstacles which could hamper the development and transfer of goods transport demand to inland waterways should be supplemented by proposals for appropriate measures to eliminate these obstacles and attain the desired objectives.

12.3.6.4. River-sea through-traffic will probably become more important in future and should be considered as a new research topic.

12.3.6.5. The research into barge construction and characteristics should also cover the feasibility of shallow-draught vessels where water depths are inadequate, in addition to increased speed, reduced emissions and energy consumption.

12.3.6.6. In the indicative breakdown of the available funding in the Commission proposal, maritime shipping and inland waterways are grouped together and allocated 19-21%. Their respective shares should be clearly indicated, as is the case for all other modes. At all events it must be ensured that both modes are given appropriate consideration in the distribution of funds, in accordance with their importance.

12.3.7. Road transport

12.3.7.1. The aim of the research proposed by the Commission is to increase the efficiency of road transport, enlarge the capacity of road infrastructure and rationalize movements. The development and applica-

tion of traffic management systems will certainly increase the ability of roads to absorb more traffic, but should not be allowed to exacerbate pollution and congestion. On the other hand, the aim of raising road transport efficiency by avoiding unladen journeys is expressly welcomed.

12.3.7.2. Besides the Commission's proposed research into possible telematics applications in transport, studies should be made of how capacity can be managed flexibly in the transport of goods by road and into cooperation between small and medium-sized transport firms.

13. Targeted socio-economic research [94/0091(CNS)]

13.1. Introduction

13.1.1. The proposed programme is the second innovation, after the transport programme, of the fourth framework programme. Its main aim is to 'contribute to the decision-making required at decentralized, national or Community level, to lay the foundation for sustainable development of Europe's economies enabling them to withstand international competition and create jobs'.

13.1.2. The targeted socio-economic research activities proposed by the Commission thus aim to 'elucidate decision-making in future by developing a shared knowledge base on the challenges facing Europe, based on research and other work in three areas:

- evaluation of science and technology policy options;
- research on education and training;
- research into social integration and social exclusion in Europe'.

13.1.3. With regard to the first of these areas, the proposed programme will follow up the Community programme in the field of strategic analysis, forecasting and evaluation in matters of research and technology (Monitor programme), adopted by the Council on 27 June 1989 for a period of four years⁽¹⁾. The Committee had earlier issued an Opinion on the relevant proposal on 14 December 1988⁽²⁾. The activities to be undertaken will also build on the work done by the JRC's Institute for Prospective Technological Studies, recently transferred from Ispra to Seville.

⁽¹⁾ OJ No L 200, 13. 7. 1989, p. 38.

⁽²⁾ OJ No C 56, 6. 3. 1989, p. 10.

13.1.4. The Commission proposes to allocate ECU 105 million from the Community budget for the implementation of this programme; the breakdown between different research areas (as a %) will be as follows:

- *Evaluation of science and technology policy options in Europe* 45-51
 - analysis of the RTD situation in Europe in a world context;
 - evaluation of relations between short- and medium-term socio-economic needs and changes, and new scientific and technological developments;
 - methods, tools and approaches.
- *Research on education and training* 20-27
 - methods, tools and technologies: innovation and quality in education and training;
 - policies, action and needs.
- *Research into social integration and social exclusion in Europe* 25-32
 - forms and process of social exclusion;
 - causes of social exclusion, in particular unemployment;
 - analysis of migration;
 - evaluation of the impact of social integration policies.

13.1.5. Of the total amount proposed, approximately ECU 1 million will be allocated to the dissemination and exploitation of results.

13.1.6. It should be noted that more than one quarter of the appropriations are intended to cover staff and operating costs.

13.1.7. The JRC is asked to contribute to research activities under the present programme to the tune of an additional ECU 33 million.

13.2. General comments

13.2.1. In its Opinion on the above-mentioned fourth framework programme, which has already been quoted, the Committee welcomed inclusion of such a programme which gave tangible expression to several recommendations which it had itself made earlier.

13.2.2. The Committee thus endorses the presentation of the programme and approves the main thrust of the Commission proposal. Its endorsement is nevertheless accompanied by the following comments.

13.2.3. This type of action, which is new to the Community, does not solely reflect a keen awareness of the relentless rise in unemployment. The thread linking the three proposed types of action is:

- the capacity of research to create new jobs via the development of the production sector;
- training as a way of being able to permanently meet the new and dynamic needs of the production sector;
- social marginalization as a phenomenon with a new and disturbing dimension, stemming as it does from the creation of new production structures (including the phenomenon of geographical relocation), with unemployment being created as social policies themselves face crisis situations.

13.2.4. In the field of research it is generally recognized that there is a need to evaluate:

- the potential benefits of RTD and the advantages it can offer from various points of view — scientific (e.g. new insights into natural phenomena, new methods), economic (improving the competitiveness of companies in various sectors) and social (job creation, new forms of work, consumer protection, etc.);
- the potential costs and risks from the economic point of view (e.g. widening of the gap between regions) and from the social point of view (e.g. destruction of jobs, marginalization of technically illiterate sections of society, psycho-sociological effects, etc.).

13.2.5. In the same vein the Committee would emphasize that socio-economic research should be concerned with all specific programmes, whilst giving priority to its own particular area of responsibility. In this way Community research policy would be consistent with the main objective, which is to establish close links with the dissemination and exploitation of results (area of activity 3) and with specific programmes.

13.2.6. A logical extension of Community action, as well as a preliminary phase necessary for the consolidation of Community activities, is a) the gathering and ordering of information about research activities being carried out in the Member States, and b) the promotion of networks which bring together researchers as well as trainers.

13.2.7. The essence of the proposed initiative is clearly described in the following words: 'The objective of the Community's research activities on education and training must be to support the efforts made by the Member States to strengthen the links between research, education and training and to improve their education

and training schemes by stepping up research, and disseminating the results and innovations which it produces'.

13.2.7.1. The objective of such activities is to help to promote the development in Europe of a society in which lifelong training and education permanently play a central role.

13.2.8. The Commission then affirms with more timidity: 'Poverty and social exclusion are major problems facing the Member States. Research into social integration and social exclusion in Europe is necessary in order to gain a fuller understanding of these problems so that remedies can be found'. There is a two-fold objective here:

- to study how far the current process of European integration (single market, economic and monetary union, world context, etc.) itself gives rise to particular causes of social exclusion and integration, as opposed to factors specific to the changes at national and local level;
- to allow all Member States to benefit from successful social integration schemes, by conducting comparative research and by joint application of the results of evaluations of the most innovative projects.

13.2.8.1. Research under this heading is closely linked to Community initiatives (notably the new medium-term action programme against social exclusion) and national initiatives aimed at combating social exclusion in Europe.

13.2.9. The inspiration behind the proposal, which is traceable because of references in the document, is Delors' White Paper. This White Paper is an essential adjunct to the proposed programme.

13.2.10. We are indirectly led to the conviction that research and the development of production must be linked and that efforts must be focused on the difficulties as well as the positive consequences of such a link. Support for research options which are more favourable to job-creation is perfectly valid but poses major problems. This understood, it is important to identify those points (at least those points illustrated in the document) which are consistent with the views of the social partners.

13.2.11. It is also important to highlight any affinities in the field of training between the views set out in the proposal and the views held by the social partners.

13.2.12. The section of the proposal on social marginalization, which is currently a much more tragic phenomenon than is portrayed, is basically weak. None of the various aspects of the problem (its scale, action taken, and the possible removal of causes) is put across with any clarity. At the same time this is understandable because we are faced here with a political, economic and cultural context that is both highly complex and diverse. It also needs to be made clear that matters become complicated when social policies have been eroded or cut back to the extent that appropriate action is often whittled down to the provision of mere welfare assistance.

13.2.12.1. The document nevertheless deserves praise for having at least raised the problem.

13.2.13. A recurrent theme of the document is the need to strengthen the synergies of RTD activities carried out in the field of socio-economic research. In this context it is important to involve the JRC and ensure that it can play its part in achieving the Community's RTD objectives. The JRC could then play an even stronger role, given the significant amount of research it is already carrying out in conjunction with Community Institutions.

13.2.14. In conclusion, we believe it necessary to recall the views which have already been expressed by the Economic and Social Committee on a number of occasions and reiterated in point 7.6.10 of the Opinion of 25 November 1993 on the proposals for Council Decisions on the fourth framework programme.

14. SECOND AREA OF ACTIVITY:

COOPERATION WITH THIRD COUNTRIES AND INTERNATIONAL ORGANIZATIONS [94/0092 (CNS)]

14.1. *Introduction*

14.1.1. This specific programme is intended to implement the second of the four lines of research action provided for in the fourth framework programme.

14.1.2. 'The essential aim of this activity is to add value to Community RTD via targeted RTD cooperation and synergy with other Community activities, to improve the Community's scientific and technological base and to support the implementation of other Community policies'.

14.1.2.1. 'It will also aim at stepping up coordination of the S & T cooperation between Member States and third countries in order to avoid duplication and to

better define the Community's areas of activity on the basis of the subsidiarity principle'.

14.1.3. For the implementation of this programme the Commission proposes allocating ECU 540 million from the Community budget, spread as follows between the various areas of cooperation (as a %):

- *Scientific and technological cooperation in Europe* 46-55.5
 - collaboration with other fora for scientific and technical cooperation in Europe (COST, Eureka, international organizations) 7-8.5
 - cooperation with the countries of central and eastern Europe and the new independent States of the former Soviet Union 39-47
- *Cooperation with the non-European industrialized countries* 6-7.5
- *Cooperation with the developing countries* 39-47

14.1.4. The EFTA countries which have joined the European Economic Area are full participants in the fourth framework programme; this action does not, therefore, apply directly to them or to the other EFTA countries and non-European industrialized countries which are or will be linked to the Community by bilateral scientific and technical cooperation agreements for the purpose of their participation in specific RTDD programmes.

14.1.5. As regards cooperation with the developing countries, the proposed research activities will in particular ensure the continuation of the actions undertaken as part of the programme in the field of life sciences and technologies for developing countries adopted by the Council on 7 June 1991 for the period 1990-1994⁽¹⁾. The Committee issued an Opinion on the relevant proposal on 19 September 1990⁽²⁾. A total amount of ECU 126 million was allocated to the implementation of that programme.

14.1.6. Of the total amount proposed, about ECU 4 million will be allocated to the dissemination and exploitation of results.

14.2. General assessment

14.2.1. The Committee broadly approves the Commission proposal which for the first time groups together in a single programme, following an approach which is

intended to be coherent, all the Community's international scientific and technical cooperation activities, some of which have hitherto been carried out outside the framework programme, e.g. with the countries of Central and Eastern Europe and with the new independent States of the former Soviet Union.

14.2.1.1. At the same time the Commission's proposals reflect, in line with the fourth framework programme, a desire to develop qualitatively and extend geographically these international scientific and technical cooperation activities.

14.2.2. The Committee considers that this cooperation will not only help to capitalize on European scientific and technical potential but will also add an extra dimension to Community policies vis-à-vis third countries and to its relations with international organizations.

14.2.3. The Committee profoundly deplores the fact that, despite official speeches on the importance of the external dimension of Community action and the need for the European Union to strengthen its relations with third countries, in particular those of Eastern Europe, the Mediterranean and Latin America, the Council has thought fit to cut by nearly one third (from ECU 790 to 540 million) the funds proposed by the Commission for implementing the second area of activity under the fourth framework programme.

14.2.3.1. It notes with deep regret that as a result the Commission's scope for action is severely reduced and that the first victims of these budget cuts are those countries with, in many cases, the lowest level of economic and social development in the world and with the most acute need for scientific and technical cooperation.

14.2.4. The Committee stresses how important it is for such international cooperation to be conducted in close synergy with the scientific and technical cooperation activities of the Member States and of the third countries concerned, so as to avoid any duplication and waste of resources.

14.2.5. With this in mind, international scientific and technical cooperation projects must comply with precise objectives and apply to clearly targeted areas of cooperation where Community action will give real added value, particularly in the light of the transfrontier dimension of the problems to be resolved, in this way avoiding spreading the appropriations too thinly by trying to satisfy everyone.

14.2.6. The Committee notes that the proposed distribution of appropriations is fully justified in view of the nature and scale of the serious economic and social

⁽¹⁾ OJ No L 196, 19. 7. 1991, p. 31.

⁽²⁾ OJ No C 332, 31. 12. 1990, p. 40.

difficulties facing those countries which are intended as the main beneficiaries of this programme.

14.3. *General comments*

14.3.1. Cooperation with Eureka

14.3.1.1. Like the Commission, the Committee is of the opinion that Community research programmes should be dovetailed as closely as possible with activities under the Eureka initiative.

14.3.1.2. This could help to improve and speed up the exploitation of the results of Community research projects.

14.3.1.3. The Committee would, however, point out that one of the main obstacles to such synergies is the difference in project presentation, selection and financing procedures between (i) the Community RTD framework programme and (ii) Eureka.

14.3.1.4. The Committee urges the Commission to study with the officials responsible for Eureka how these differences can be remedied so that all possible links can be exploited effectively.

14.3.2. Cooperation with the Central and Eastern European countries and with the new independent States of the former Soviet Union

14.3.2.1. The Committee is convinced that the principle of mutual interest, on which international scientific and technical cooperation must be based, fully justifies the importance which is attached to cooperation with the countries of Central and Eastern Europe and the new independent States of the former Soviet Union.

14.3.2.2. Just when they are going through a particularly critical phase in their economic and social development, specifically the transition to a market economy, these countries are confronted by a frequently permanent exodus of their intellectual elite, especially from among the scientific and technical community.

14.3.2.3. The R & D sector, a victim of budget cuts forced on these countries by their economic situation, is undergoing a crisis which could have a lasting effect on their economic and social recovery.

14.3.2.3.1. For instance, between 1989 and 1993 the Russian authorities cut R& D funding by two-thirds.

14.3.2.4. On top of this the new independent States of the former Soviet Union have had to convert their military scientific and technical potential to peaceful purposes.

14.3.2.5. Both national and Community cooperation actions have already been undertaken with these countries under the Phare and Tacis programmes, aimed for instance at encouraging the development of their scientific and technical capacity and promoting the employment of researchers and engineers in these countries.

14.3.2.5.1. It should also be noted that the Community is party to the agreement setting up an International Centre for Science and Technology in Moscow, signed on 27 November 1992⁽¹⁾. Its aim is to encourage military scientists and engineers in the Russian Federation to switch to non-military activities.

14.3.2.6. These initiatives have made it possible for teachers who had emigrated from the Central and Eastern European countries to return home; it has also encouraged some of these countries, such as Hungary, to set up a special programme to assist science.

14.3.2.7. The Committee expects the actions proposed under this programme to help give a new fillip to this scientific and technical cooperation as part of a coordinated effort at Community level.

14.3.2.8. It stresses that, in the case of the Central and Eastern European countries and in line with the conclusions of the European Council meetings in Copenhagen (December 1993) and Corfu (June 1994), this effort should form an integral part of the EU's strategy for developing and strengthening relations with these countries within a structured framework covering all areas of common interest.

14.3.2.9. More generally speaking, the Committee would like to see all cooperation with the countries of Central and Eastern Europe and the former Soviet Union include an evaluation of its impact on the environment and of its contribution to the transition towards a market economy.

14.3.3. Cooperation with the developing countries

14.3.3.1. The Committee particularly regrets that the funds allocated to cooperation with the developing countries are still not commensurate with the problems facing three-quarters of humanity, in particular as regards health, food and the environment.

⁽¹⁾ OJ No L 409, 31. 12. 1992, p. 1.

14.3.3.2. Obviously the Committee does not expect the EU to be able to solve these problems on its own. It would however point out that the EU, through its Member States, has specific historical responsibilities vis-à-vis most of the developing countries and has a key role to play in solving these problems.

14.3.3.3. Scientific and technical cooperation is one of the most important instruments in a coherent overall strategy aimed at ensuring lasting economic and social development for the countries concerned, in accordance with, for instance, the recommendations put forward at the United Nations conference on the environment and development held in Rio de Janeiro on 3 to 14 June 1992.

14.3.3.4. Accordingly, close coordination in the use of all the instruments at the EU's disposal for cooperation with the developing countries is essential.

14.3.3.5. The Committee stresses that Community scientific and technical cooperation actions will only give real added value if they are carried out in close synergy with similar national programmes (which the Community actions should help to coordinate) and with those implemented by international organizations such as FAO and WHO.

14.3.3.6. It would also highlight the importance of ensuring that the chosen research projects are entirely appropriate to the real economic and social needs of the developing countries and that they help to enhance the scientific and technical potential of these countries, in terms of both research staff and infrastructure.

14.3.3.7. It further considers that a dynamic technology transfer policy is vital for the success of the actions to be carried out under this programme, especially those with countries with the least developed research infrastructure.

14.3.4. Cooperation with the Mediterranean countries

14.3.4.1. The Committee is convinced that the burgeoning peace process in the Middle East opens the way for closer cooperation between the EU and all the Mediterranean countries, in the scientific and technical field especially.

14.3.4.2. Against this background, Community action may act as a catalyst in encouraging regional cooperation not only between the EU and the Mediterranean countries but also between these countries them-

selves. Irrespective of their specific situation, these countries have economic and social problems with a clear regional dimension requiring regional solutions.

14.3.4.3. Therefore the Committee calls on the Commission to step up scientific and technical cooperation with all the Mediterranean countries, in particular with these countries' research institutes and centres, in line with the conclusions of the Corfu Summit.

14.3.5. Cooperation with the Latin American countries

14.3.5.1. Similarly the Committee considers that the development of scientific and technical cooperation with the Latin American countries must form an integral part of the EU's policy for strengthening its political and economic relations with these countries. Such cooperation should slot into the drive for regional integration currently under way in Latin America (Mercosur, Rio Group).

15. THIRD AREA OF ACTIVITY:

DISSEMINATION AND EXPLOITATION OF THE RESULTS OF RESEARCH, TECHNOLOGICAL DEVELOPMENT AND DEMONSTRATION [94/0093 (CNS)]

15.1. Introduction

15.1.1. The aim of this programme is to implement the third of the four areas of research activity provided for in the fourth framework programme.

15.1.2. This area of activity has three objectives:

- to ensure the widest possible dissemination of the results of RTD activities carried out under Community programmes;
- to ensure their optimum exploitation, i.e. to ensure, with the assistance of the various operators concerned, that the results obtained at Community level are transformed into innovations, possibly in synergy with other results, and to promote the transfer of technologies, particularly to SMEs;
- to support the various initiatives launched at national or regional level so as to give them a trans-European dimension.

15.1.3. This is a horizontal action since the measures proposed under the programme are intended to accompany, carry forward and complement efforts to dissemi-

nate and exploit results stemming from different research activities carried out under the first area of activity; the proposed action is also intended to avoid duplication. In this connection the fourth framework programme earmarks about 1% of the total amount allocated for the implementation of the first area of activity to the dissemination and exploitation of results in the various sectors.

15.1.4. Based on a new approach which addresses both the supply of and demand for technology, this action covers pre-research activities (preliminary information, search for partners, etc.), post-research activities (transfer of technology, licensing, etc.) and activities involving the environment for the dissemination of technologies (such as social acceptance, funding, coordination of public instruments). The Commission intends to pay special attention to SMEs.

15.1.5. The proposed action thus brings together in one programme the activities carried out hitherto under two separate programmes, Value II⁽¹⁾ and Sprint⁽²⁾ adopted by the Council on 29 April 1992 and 17 April 1989 respectively, and adapts them to the new approach.

15.1.6. Total appropriations for the Value II programme (1992-1994) were ECU 66 million [Committee Opinion of 25 September 1991⁽³⁾] and ECU 109 million for the Sprint programme [Committee Opinion of 23 November 1988⁽⁴⁾].

15.1.7. The Commission proposes that ECU 293 million be allocated from the Community budget to the implementation of this new programme, a sum to be divided as follows between the following three areas (as a %):

- *Dissemination and exploitation of research results* 48-55
 - the Community network of relay centres;
 - the information and dissemination service;

⁽¹⁾ Council Decision on the dissemination and exploitation of knowledge resulting from the specific programmes of research and technological development of the Community — OJ No L 141, 23. 5. 1992, p. 1.

⁽²⁾ Council Decision on the implementation at Community level of the main phase of the strategic programme for innovation and technology transfer (1989-1993) (Sprint programme) — OJ No L 112, 25. 4. 1989, p. 12, as amended by the Council Decision of 20. 12. 1993 — OJ No L 6, 8. 1. 1994, p. 25.

⁽³⁾ OJ No C 339, 31. 12. 1991, p. 90.

⁽⁴⁾ OJ No C 23, 30. 1. 1989, p. 6.

- protection of know-how;
- assistance with the exploitation of research results;
- the exploitation of research and its social impact.

— *Dissemination of technology to enterprises* 40-45

- transnational networks providing support for the transfer and dissemination of technology;
- an environment favouring the absorption of technologies by industry;
- exchanges of information and experience with regard to policies for the dissemination of technologies.

— *The financial environment for the dissemination of technology* 5-7

- indirect support measures;
- a pilot scheme to promote the transfer and exploitation of technologies by SMEs;
- the granting of technical and management assistance.

15.1.8. Scientific and technical services for Community policies are also planned, depending on the needs and requests expressed by the Commission Directorates-General responsible for the policies in question.

15.2. *General comments*

15.2.1. The Committee recognizes, like the Commission, the importance of an integrated Community programme that guarantees the widest possible dissemination and exploitation of Community RTD results.

15.2.1.1. Of crucial importance to any RTD policy is its effectiveness in rapidly transforming results into innovations that can compete on the world market. As the Commission has underlined in its Explanatory Memorandum to the proposal, 'to achieve these objectives, a new approach is necessary taking account of the range of operators involved and the cumulative, interactive and complex nature of the innovation process'. The Committee is pleased that the Commission has begun to investigate more thoroughly the implications of the innovation process so as to ensure that the Commission's actions are as effective as possible. The Committee considers that similar initiatives should be taken at national and local level.

15.2.2. Delors' White Paper on Growth, Competitiveness, Employment likewise recognizes that 'the greatest weakness of Europe's research base is its comparatively limited capacity to convert scientific breakthroughs

and technological achievements into industrial and commercial successes' and that 'in this context, sufficient importance should be attached to small businesses'. 'Small businesses working in high-technology sectors... or applying advanced technologies in manufacturing industry, represent a significant potential source of growth. In the USA, a very large proportion of emerging technologies was first developed by small firms which are better equipped to anticipate the needs of the market and to react rapidly'.

15.2.2.1. If these are the objectives, then the Community's research policy (which according to the TEU should be aimed at increasing the competitiveness of European industry) must concentrate on the rapid, widescale conversion of research results into technological innovations that are competitive and can find their niche in the marketplace.

15.2.2.2. Various Community institutions⁽¹⁾ have shown that in the past the pre-competitive model of Community research, whereby competing firms work together on research projects but then exploit the results commercially on an individual basis, has been effective 'in only a limited number of cases'. Too few operators are still involved in the process and the number of patents registered by the Community is eleven times fewer than those registered by the EU Member States and seventeen times fewer than those registered by OECD countries. The Committee therefore considers that the Commission's annual report on the implementation of RTD programmes, as provided for under Article 130p of the TEU, should contain a section which describes the dissemination of RTD results and their conversion into competitive, commercially-viable innovations.

15.2.2.3. The European Council in Corfu has called upon the Council to 'pursue a more systematic coordination of Community and national research policies' and invited the Commission to 'take any useful initiatives to promote such coordination'. In the view of the Committee such coordination should not be concerned solely with 'upstream' planning policies but should be involved more particularly with the coordination of policies on the dissemination and utilization of research results, partly on the basis of the reports of the European Innovation Observatory set up under the Sprint programme.

15.2.3. The Committee shares the Commission's recognition that priority should be given in the fourth RTD framework programme to the dissemination and exploitation of research results.

15.2.3.1. For this reason the Committee considers that the Council's decision to devote approximately 2 % of the total funds available under the fourth framework programme to the dissemination and exploitation of research results is still insufficient. The Committee also agrees with the European Parliament's earlier stance in favour of a vast Community programme of innovation and transfer.

15.2.3.2. The Committee appreciates that, despite limited funding, the proposed programme is a qualitative step forward in the direction of achieving the above-mentioned objectives.

15.2.4. The Committee considers it essential for the future competitiveness of European Union industry to also promote RTD activities at national and local levels, and to ensure that such activities are more in tune with the technological innovation needs of large and small firms. The benchmark here should be the proposed model for the Community programme.

15.2.4.1. By way of example, a study carried out by the Science Centre in Berlin⁽²⁾ has shown that on average it takes 14 % longer to introduce innovations in German industry than in Japanese industry. This means that the cost of bringing new products on to the market in Japan is on average 11 % lower than in German firms.

15.2.5. The Committee calls for coordination and complementarity between the third area of activity and the specific programmes listed under the first area of activity, since a mere 1 % of the funds allocated to these specific programmes is intended for the dissemination and exploitation of research results.

15.2.5.1. The utilization of research results should be a *sine qua non* for every RTD project and not just something which receives a posteriori assistance from outside. On this question the Committee would refer to the comments made in its Opinion on the third framework programme mentioned earlier.

15.2.5.2. The Committee considers it essential to consolidate the process of European standardization so that the application of technological innovations in the European Union is more effective, more rapid and more attuned to market requirements.

15.2.6. The Commission proposals should highlight more clearly the close link between the process of standardization and the dissemination and exploitation

⁽¹⁾ Cf. EP hearing on 'The impact of Community financing on the competitiveness of European industry' of July 1993; the EP Report drawn up by Mr Fernandez on 4 November 1993; the Special Report of the Court of Auditors (OJ No C 133, 23. 5. 1991).

⁽²⁾ Dr. J. Wurst, The role of the transfer of technology, under the research and development programmes, for the industry of the European Community — TEC Conference, Grenoble, France, October.

of results. It should also emphasize the importance of organic links with, for example, Euromanagement on questions of quality and certification necessary if firms are to be able to participate in RTD programmes and assimilate new technologies.

15.2.7. The Committee would like to see more effective coordination between the various Community instruments and actions whose purpose is to support the application of research results; this can be done by ensuring that their aims and procedures are more consistent.

15.2.8. As has recently been underlined at the XX1st Eureka ministerial conference in Lillehammer, it is necessary to further improve the synergies between Community RTD activities and activities carried out under Eureka. The aim would be to set in motion strategic projects that combine the development of general technologies with market-related research.

15.2.9. To ensure that the productive sector becomes more familiar with the possible applications of research results, it is necessary to establish closer links with activities carried out under structural fund schemes.

15.2.10. The exchange of information and experiences between those involved in the Eureka programme/Community structural funds and those involved in the RTD programmes should be intensified. An in-depth investigation should also be carried out into whether the procedures of a) the structural funds, b) financial mechanisms such as the EIB (European Investment Bank) and the EIF (European Investment Fund), and c) the framework programme for research, need to be coordinated in the interests of securing tangible synergistic effects.

15.2.11. The success of the programme, which is designed in particular to help those SMEs which do not have the internal capacity to autonomously or jointly carry out research activities, depends on its capacity to secure the involvement of users and external operators who have not taken part in previous Community RTD programmes. Hence the need for simple language and clear procedures. Priority should therefore be given to actions designed to encourage the involvement of SMEs in research consortia.

15.2.12. The Committee considers that it is essential to improve coordination between individual Directorates-General of the Commission responsible, in their own sectors, for promoting measures to strengthen the competitiveness of SMEs. This would prevent a waste of resources and put an end to the mushrooming of centres that do nothing to make for clear, transparent action within the European Union.

15.2.13. Community information centres which, in various capacities, provide information and assistance on RTD throughout the Community's territory, should coordinate their operations more closely. Existing regio-

nal and local authorities should also be brought into play and new ones established where there are gaps. Greater coordination is needed, for example, between Value centres, Sprint centres, the Opet network and other instruments and information networks operated by DG XXIII, so that a 'single information centre' for SMEs can be set up.

15.2.14. The Committee appreciates the Commission's efforts to optimize the positive experiences of previous Sprint and Value programmes by bringing them together under a single uniform policy, even though this should have been done in a more organic, innovative manner. The Committee would also have been happier if the new programme had referred more readily to the results of previous experiences.

15.2.15. This overall approach would certainly satisfy the criteria of clarity and transparency necessary to secure the active involvement of SMEs.

15.2.16. At national and local levels new technologies should be promoted more actively, notably through the establishment of 'technological consultants'. Such consultants would be active contact partners of SMEs with a brief to make it easier for them to assimilate new technologies and know-how.

15.2.16.1. Users and firms which have taken up research only recently find that they have difficulties, unless they receive active support, in autonomously devising a strategy of involvement in the application of the results of Community research.

15.2.16.2. This is particularly the case in the less developed regions of the Community where public and private structures to support SMEs are often lacking. The primary object of any activities carried out in the field of the dissemination and exploitation of research results should be to ensure that SMEs make technological advances in the less developed regions of the Community.

15.2.16.3. The RTD Optimization Fund, proposed by the Committee in its Own-Initiative Opinion on the Fourth Framework Programme of Community activities in the field of research and technological development of 26 May 1993, could have financed this type of 'technological promotion' for the benefit of SMEs. The Committee regrets that its proposal has not been taken up by the Commission.

15.2.17. The Committee believes that the programme should have underlined the potential for developing new telematic networks, as analyzed in the Report on 'Europe and the global information society' of 26 May 1994, in order to foster rapid systems of communication among

SMEs in regions where there is a serious lack of back-up facilities. The Committee believes that such action would lead to greater economic and social cohesion.

15.2.17.1. The permanent instrument of coordination discussed by the European Summit in Corfu should include the above-mentioned aspects in its list of priority areas of action.

15.2.18. Although the new information system 'Cor-dis', which consists of eight data banks, is the result of considerable efforts by the Commission, it has only a small number of users (between six and seven thousand). According to the Committee, it would be useful to find out how many SMEs use or are likely to use the new system. The knowledge gained would help to improve and simplify access to the system, as well as making the system itself more useful. It would also be of use to the non-initiated and would make it possible to take advantage of the new trans-European telematic networks.

15.2.19. The Committee considers that the reference to the involvement of third countries in implementing the programme is unsatisfactory. However, if the European Union's cooperation policy is to be effective, it is essential to involve the countries concerned in the technological advances deriving from RTD activities, whilst adhering to the principle of mutual advantage.

15.2.20. The Committee would finally reiterate what was said in its 1 June 1994 Opinion on the Proposal for a Council Decision concerning the rules for the dissemination of the research results from the specific programmes of research, technological development and demonstration of the European Community, namely the need to define at Community level the principles applicable to the ownership of intellectual property rights resulting from RTD work so that research results can be protected, particularly at the stage when they are being disseminated.

15.3. *Specific comments*

15.3.1. Article 4(1):

15.3.1.1. Insert the word 'indipendenti' after 'esperti esterni' in the Italian version of Article 4(1) (does not affect the English version).

15.3.2. First indent of the second paragraph of point B1 of Annex 1 (page 532 of English Version)

15.3.2.1. To read:

'consolidation of the transnational cooperation networks of national or regional operators in the fields of technology transfer or dissemination, with particular reference to DG XXIII networks for SMEs'.

16. FOURTH AREA OF ACTIVITY:

STIMULATION OF THE TRAINING AND MOBILITY OF RESEARCHERS [94/0094(CNS)]

16.1. *Introduction*

16.1.1. This specific programme is designed to implement the last of the four areas of research activity provided for by the fourth framework programme.

16.1.2. The general objectives of this action are:

- to stimulate training through research and, by means of cooperation, to foster better utilization of high-level researchers in the Community;
- to improve the mobility of European researchers throughout the Community, encouraging mobility both between universities, research institutes and industry and between disciplines, thus better exploiting the research potential in the different disciplines;
- to promote, for instance through networks, transnational cooperation on research activities proposed essentially by the scientists themselves and not eligible for support under the first activity;
- to facilitate the access of all European researchers to existing large-scale facilities that are essential for high-quality research;
- to improve the scientific and technological cohesion of the Community and contribute to the attainment of a general level of scientific excellence by offering research opportunities to scientific institutions and researchers from all regions of the Community. As was the case under the 'human capital and mobility' programme (1992-94), the return to their region of origin of researchers originating from the less-favoured regions will be encouraged and financed.'

16.1.3. The proposed programme will cover the exact, natural, economic and management sciences and the social and human sciences which help to achieve the Community's research, technological development and demonstration objectives.

16.1.4. This programme is designed mainly to follow on from the Human Capital and Mobility programme adopted by the Council on 16 March 1992⁽¹⁾; the Committee issued an Opinion on the relevant proposal on 6 November 1990⁽²⁾. A sum of ECU 587 million was

⁽¹⁾ OJ No L 107, 24. 4. 1992, p. 1.

⁽²⁾ OJ No C 332, 31. 12. 1990, p. 45.

allocated for carrying out this programme which was to cover the period from 1990-1994.

16.1.5. For implementing this new programme, the Commission proposes to allocate ECU 744 million from the Community budget shared out between four areas of activity as follows (as a %):

- *Creating and developing research networks for scientific and technical cooperation* 40-50
- *Researchers' access to large-scale scientific and technical facilities* 13-17
- *Establishment of a Community system for training through research* 30-40
- *Accompanying measures* 4-6

16.1.6. The accompanying measures must contribute to the efficiency of the training and mobility activities and to the proper dissemination and exploitation of the results of the programme and of scientific research in the Community. They will include in particular: the organization of Euroconferences and summer courses and the award of prizes to young scientists.

16.2. General comments

16.2.1. The Human Capital and Mobility programme is one of the last specific programmes to have been adopted in March 1992 as part of the implementation of the third framework programme. Furthermore, almost one year will pass before the programme can be implemented effectively, given the time necessary for issuing calls for proposals, for assessment and for selecting requests for funding.

16.2.2. In this context it is clear that the experience acquired in implementing the programme was insufficient for making any necessary adjustments in the new programme.

16.2.3. In fact, the Commission has adopted a realistic approach, of which the Committee approves, by retaining the main lines of the previous programme both in terms of objectives and content, while trying to rectify some shortcomings or failings which have cropped up in implementing the current programme.

16.2.4. In this connection the Committee welcomes the fact that the Council, when deciding on the Human Capital and Mobility programme, took considerable account of the comments and recommendations which

the Committee had made in its Opinion. These related in particular to:

- the number of researchers likely to participate in the programme;
- the conditions for granting financial support to scientific facilities selected for hosting scientists;
- carrying out training actions as part of other specific research programmes;
- the role of scientific and technical cooperation networks as part of moves to strengthen economic and social cohesion and more generally the programme's contribution to achieving this objective;
- evaluation of the economic and social impact of the programme.

16.2.5. Nevertheless, only when it has been possible to assess the programme's final results can it be judged whether the programme has really achieved the objectives assigned to it and whether it has contributed to the establishment of the genuine scientific and technical community in a European area 'without walls'.

16.2.6. For this reason, until the assessment has been carried out, the Committee feels that the concerns it expressed in the abovementioned Opinion are still valid; it does not in the main intend to repeat these views in the present Opinion.

16.2.7. The Committee welcomes the fact that the Human Capital and Mobility programme has proved to be popular, witness the vast number of requests for funding generated by the programme. This proves that the programme did respond to the needs and expectations of the European scientific community. It should nevertheless be noted that the Commission, to a large extent victim of the success of its programme, has found itself inadequately prepared to deal with all the files submitted to it and this has led to considerable delays in administering requests for funding.

16.2.8. This may be because the programme is relatively new of course, but the Commission should learn from its experience and avoid a recurrence when launching the new programme; this could imply, given in particular the additional resources proposed by the Commission: a) increasing the number of staff in the teams responsible for processing, selecting and assessing funding requests, and b) more flexible and speedy assessment and selection procedures. The use of computer technology and telematic networks could contribute substantially to this goal.

16.2.9. Available figures indicate that since the programme was launched, 2,487 research fellowships have been granted (including 1,755 individual fellowships),

701 research networks have been set up, 74 large-scale facilities financed and 243 Euroconferences organized.

16.2.10. In addition to these figures, several failings have appeared, amongst which the following are worth mentioning:

- procedures for allocating so-called 'institutional' research fellowships as compared to individual fellowship have become quite weighty; this is linked to the fact that there is a dual mechanism for selecting fellows: first by the host research body and then by the Commission;
- the host establishments are obliged to enter into contracts in accordance with local laws with the research fellows; this has been the source of numerous administrative difficulties and major financial burdens for a large number of host bodies which have had to spend a great deal of time on administering the fellowships to the detriment of following up the work of the research fellows;
- disparities in legal and financial arrangements (salaries, social benefits and taxes) applying to Community fellowships have meant that the various recipients have been dealt with differently from one Member State to another and from other researchers of the same level within the host Member State;
- the large number of research networks set up has led to a situation where funding is being spread out too thinly and this is jeopardizing their smooth operation and even their survival.

16.2.11. Many of these factors have led the Commission to make a number of adjustments in the present programme which the Committee endorses; this should help reduce, if not completely eliminate, a large number of these failings.

16.2.12. Amongst the Commission's adjustments relating to the scientific and technical content of the programme, the following stand out:

- the abolition of institutional fellowships to the benefit of individual fellowships only, and
- the refocusing of the programme on the establishment of research networks whose number, moreover, will be limited to 250 covering a total of 1,800 laboratories. Training activities will be carried out within the framework of these networks, which will be a new element compared with the existing programme.

16.3. *Specific comments*

16.3.1. The Committee reiterates its support for the objectives of the proposed programme and in the main approves its scientific and technical content.

16.3.2. Research networks

16.3.2.1. The Committee fully endorses the emphasis placed on setting up research networks; it attaches special importance to this area as it could boost the programme's contribution to the objective of greater economic and social cohesion. In this connection it would refer to the comments contained in its previous Opinion and in its Opinion on the fourth framework programme, as mentioned above.

16.3.2.2. While it acknowledges that it is not always easy to reconcile completely the dual objectives of scientific and technical quality and increased economic and social cohesion, the Committee nevertheless thinks that the success of the programme may in large measure be judged against this yardstick.

16.3.2.3. For this reason the Committee considers that, when the networks are chosen, the Commission should give priority financial support to networks involving research teams located in the less-favoured Community regions.

16.3.2.4. The level of development of research infrastructures plays a crucial role in the ability of a region to retain indigenous research staff, as the Committee has already pointed out. For this reason it totally approves the Commission proposal that part of the Community contribution granted to a network may be used to cover expenditure on 'infrastructure-equipment' when this is needed to help establish a new research team in an Objective 1 region by a researcher trained abroad on a post-doctoral fellowship.

16.3.2.5. The Committee would point out, however, that such measures should be underpinned by increased synergy between Community research policy and structural policies.

16.3.2.6. Furthermore, such funding should not replace any financial grant which a Member State might make for the same purposes.

16.3.3. Access to large-scale facilities

16.3.3.1. No new specific comments are called for on this area. The Committee refers to the comments in its Opinion on the previous programme, in particular on the need for the Commission to ensure that the financial

aid granted to the installations in question is used effectively.

16.3.3.2. The Committee further considers that each contract should specify what share of the financial support must be allocated to the actual researcher and what part can go on improving the host facilities.

16.3.4. Training through research

16.3.4.1. The Committee welcomes the Commission's intention to give particular attention to training activities devoted to the management of change within firms, SMEs in particular, associated with new technology. In its Opinion on the fourth framework programme the Committee itself stressed the importance of cooperation between universities and firms with regard to training and mobility.

16.3.4.2. In this connection it would ask the Commission to look into possible synergies with programmes such as Comett and Eurotechnet.

16.3.4.3. The Committee urges the Commission to submit proposals on the status (salaries, social benefits and taxes) of researchers receiving a Community research grant so as to rectify the afore-mentioned disparities. The aim of these proposals should also be to relieve the host bodies of the bulk of the administrative and financial redtape involved in the payment of a Community grant so that they can devote themselves fully to monitoring the research work carried out by the research fellows.

16.3.4.4. The Committee points out that it also called for a study of the status of researchers in Europe and, if necessary, the adoption of appropriate measures to rectify existing differences in remunerations and working conditions; at present these differences act as both a brake on mobility and a root cause of the brain drain, and ultimately impede the creation of the true scientific community which is one of the aims of the programme in question.

16.3.5. Accompanying measures

16.3.5.1. The Committee notes that in this programme, unlike its predecessor, the organization of Euroconferences is no longer an entirely separate area of activities but comes under the accompanying measures.

16.3.5.2. The Committee attaches great importance to this type of activity which, by encouraging the exchange of experience and ideas, helps to break

down the divisions between the scientific community in Europe. These Euroconferences also enable young researchers to establish and maintain contacts with more experienced researchers.

16.3.5.3. The Committee is not unaware that the scientific community itself attaches great importance to these events; it feels, however, that greater rigour needs to be demonstrated in assessing their scientific benefits and that conferences on similar — not to say — identical themes at relatively close intervals should be avoided.

16.3.5.4. Consequently the Committee would like to see the Euroconferences regarded as an entirely separate area of activities under the new programme with appropriate funding.

16.3.5.5. The accompanying measures include 'study of the possibility of organizing training through distance-learning for the less-favoured regions of the Community'. In this connection the Committee would stress the synergies which would have to be established with the Telematics programme.

16.4. Additional comments

16.4.1. The Committee notes that since the presentation of the programme under consideration, a group of independent experts has made an analysis of the 'Human capital and mobility' programme at the half-way stage.

16.4.2. Although the Committee has not had access to this analysis in time to be able to fully take it into account when drawing up this present Opinion, it nevertheless notes that the recommendations contained therein are similar to its own preoccupations.

16.4.3. The Committee is pleased that the Commission intends to fully take into account these recommendations when implementing the new programme.

17. PROGRAMME OF ACTIVITIES OF THE JOINT RESEARCH CENTRE (JRC) AND COMPETITIVE ACTIVITIES IN SCIENTIFIC AND TECHNICAL SUPPORT OF COMMUNITY POLICIES [94/0095 (CNS) and 94/0074 (CNS)]

17.1. Introduction

17.1.1. From 1988 onwards the Joint Research Centre began to undergo a reform process intended to bring it into line with developments in the Community, notably

after the entry into force of the Single Act, and to give it a new impetus so that its place in Europe's system of research and development would be unchallenged.

17.1.2. The reforms, which were to be spread over an 8-10 year period, covered the role of the JRC, its future activities and the financing of those activities, its operation and management, and last but not least staff policy.

17.1.3. One of the fundamental aspects of this reform was a diversification of JRC activities and their funding, notably through a gradual reduction of activities devoted to the implementation of specific programmes alongside the development of three new types of action, viz:

- scientific and technical work in support of other Community policies;
- research and services under contract for third parties;
- exploratory research to open up new avenues for the JRC and to enable it to maintain a high level of scientific excellence.

17.1.4. In a Resolution adopted on 29 June 1988⁽¹⁾ the Council endorsed this strategy of gradual reform. The Committee had also given its general backing of the new approach on 27 January 1988⁽²⁾.

17.1.5. The programme of activities of the JRC for the 1988-1991 period was the first occasion on which these reform guidelines were given concrete expression. They were followed up by the Council Resolution of 29 April 1992⁽³⁾, and the programme of activities of the JRC for 1992-1994, which was drawn up at the same time⁽⁴⁾.

17.1.6. This last programme also formed part of a longer term concept (up to the year 2000) of the role and functions of the JRC drawn up by the Commission and designed not only to emphasize the impartial and independent position of the JRC in carrying out scientific and technical activities in support of Community policies, but also to highlight the significant expansion of its work for third parties. The latter should eventually account for 15-20% of the volume of activities of the JRC.

17.1.7. When the fourth framework programme was adopted, the Council, at its meeting on 26 April 1994, adopted conclusions on the role of the Joint Research Centre (JRC)⁽⁵⁾. These reflect a desire to see a major expansion of JRC activities where the JRC will be in competition with other national research laboratories and centres.

17.1.8. In its conclusions the Council thus drew up a number of guidelines which would be used to define the JRC's activities, 'particularly in the context of the framework research programmes (1994-1998)'.

17.1.9. These guidelines lay down three types of activity for the JRC, i.e.:

— Institutional activities (direct actions)

These activities are to be funded entirely from the framework programme.

- a) Institutional research activities in which the JRC has expertise and special, if not unique, facilities in the Community and which contribute to the implementation of the EU's research policy;
- b) Scientific and technical institutional support activities necessary for the formulation and implementation of Community policies and of the tasks allotted to the Commission pursuant to the Treaties, which necessitate the independence and neutrality of the JRC.

— Competitive activities under the framework programmes

- a) Participation of the JRC in shared-cost actions (indirect actions)
- b) Scientific and technical support activities which are suited to a competitive approach in the context of a customer/contractor relationship. In this context, the JRC may respond, like other research centres, to requests emanating from Commission Directorates-General. The financial resource allocated to these activities will be entered in the research budget and the customer Directorates-General will be responsible for administering such resources and allocating them in a competitive framework.

— Competitive activities outside the framework programmes

- a) Activities on behalf of third parties

These activities comprise the conduct of research and the supply of services under contract to third parties, including contracts secured in the context of Member States' RTD programmes.

⁽¹⁾ OJ No C 197, 27. 6. 1988, p. 4.

⁽²⁾ OJ No C 80, 28. 3. 1988, p. 23.

⁽³⁾ OJ No C 118, 9. 5. 1992, p. 8.

⁽⁴⁾ OJ No L 141, 23. 5. 1992, p. 11.

⁽⁵⁾ OJ No C 126, 7. 5. 1994, p. 1.

b) Other Community activities

The JRC will be able to participate in the various actions initiated by the Community, e.g. Phare and Tacis programmes, subject to finding, in the context of a competitive approach, Community funding associated with such actions.

17.1.10. On the basis of these Council conclusions, the Commission has drawn up the proposals under consideration.

17.1.11. Institutional activities

17.1.11.1. Under the two Council Decisions adopting the fourth framework programme, a total sum of ECU 900 million is to be allocated to activities carried out by the JRC as its contribution to implementation of 9 of the 15 specific research programmes falling under the first area of activity. These research programmes will be adopted under the aforementioned framework programme. This sum, which is included in the appropriations earmarked for implementation of the fourth framework programme, breaks down as follows (in million ECU):

— Information technologies	11
— Industrial/and materials technologies	84
— Measurements and testing	111
— Environment and climate	294
— Agriculture and fisheries	47
— Non-nuclear energy	20
— Nuclear safety and safeguards	254
— Controlled thermonuclear fusion	46
— Targeted socio-economic research	33

17.1.11.2. This total amount of ECU 900 million accounts for just over 7% of the ECU 12,300 million allocated to implementation of the fourth framework programme.

17.1.11.3. The JRC research work described above basically falls into the category of institutional research activities. Institutional scientific and technical support activities are nevertheless also catered for under the five headings of information technologies, environment and climate, agriculture and fisheries, targeted socio-economic research and nuclear safety.

17.1.11.4. Such activities will by and large be carried out in the form of direct actions. The JRC may, however, also participate in the indirect actions (shared-cost actions) designed to implement the nine specific programme mentioned above, with a budget of ECU 32 million. These ECU 32 million, which are included

in the overall sum of ECU 900 million, are divided equally between a) the seven specific programmes in the non-nuclear field and b) the specific programme in the field of nuclear safety and safeguards.

17.1.11.5. The ECU 900 million also include an amount equivalent to 6% (ECU 54 million) which may be allotted to exploratory research.

17.1.12. Competitive activities

17.1.12.1. In accordance with the Council's conclusions of 26 April 1994, the Commission proposals make it possible for the JRC to offer scientific and technical support for Community policies within a competitive framework.

17.1.12.2. A sum of ECU 128 million, entered into in the budget of the fourth framework programme but not under the heading of the programme of activities of the JRC, is set aside for this purpose. The amount is divided as follows among the six areas concerned (in ECU million):

— Information technologies	10
— Measurements and testing	10
— Environment and climate	26
— Agriculture and fisheries	30
— Non-nuclear energy	15
— Scientific services for all Community policies	37
[this field of activities falls under the third area of activity of the framework programme (Dissemination and Exploitation of Results)].	

17.1.12.3. Annex IV of the Commission proposal states that this breakdown is for guidance only and could change according to the requirements of Community policies.

17.1.12.4. The actual distribution of these ECU 128 million will be carried out by means of a structure to be organized by the Commission Secretariat General and within which the 'client' Directorate-Generals will be represented. The latter will be responsible for the actual administration of these appropriations.

17.1.12.5. No competitive support activity for the implementation of Community policies is provided for in the nuclear field.

17.2. Overall assessment

17.2.1. The Committee solemnly reiterates its earlier stance, namely that it is important to preserve the institutional role of the JRC in offering scientific and technical support for the implementation of Community research policy and other Community policies.

17.2.2. The Committee, whilst favourable in principle to the proposed changes in the institutional role of the JRC, has nevertheless already expressed doubts, in its Opinion on the programme of activities of the JRC (1992-1994) ⁽¹⁾, regarding the need to significantly develop the JRC's competitive activities, whilst at the same time recognizing that work for third parties 'could help to consolidate and upgrade the JRC's scientific and technical expertise and enhance its international prestige'. Third-party work must nevertheless 'not be given the same priority status as the other tasks of the JRC and must not jeopardize its other work'. The Committee felt at the time that such activities were not the primary vocation of a common research centre.

17.2.2.1. The Committee wonders how the share of competitive JRC activities carried out within the context of framework programmes can increase to an average of 22% for the 1995-1998 period, as stated in the Council's conclusions, without this being detrimental to traditional institutional activities.

17.2.3. The Committee underlines the need to ensure that the JRC can develop to its full potential and carry out its tasks in a stable environment without its role, functions and funding methods being regularly called into question.

17.2.4. Any reorientation in these areas must come about solely after an objective, independent assessment of a) the results of its activities and b) the need for Community action. It should also be based on a medium-term action programme which has clearly defined and accepted objectives.

17.2.5. The Committee is pleased that no information has been brought to its attention which would call into question the judgement expressed in its abovementioned Opinion of 18 December 1991 to the effect that the reforms undertaken since 1988 have had a 'beneficial effect' on the JRC and 'have done much to provide the JRC with a new dynamism, increase its efficiency and motivate staff', thereby enabling it to re-establish an 'unchallenged' role in the EC framework.

17.3. *General comments*

Institutional research and scientific and technical support activities

17.3.1. The Committee by and large approves the Commission's proposals since they are generally con-

sistent with the decisions of 26 April 1994 on the fourth framework programme. The Committee would nevertheless like to make a number of comments whilst voicing reservations about some aspects of the proposals.

17.3.2. The Committee is pleased that, unlike the previous framework programme, the fourth framework programme provides for a JRC contribution to the implementation of the specific programme in the field of non-nuclear energy, within the context of the development of technologies for cleaner, more efficient energy utilization.

17.3.2.1. Even if the contribution remains modest, the Commission proposals reflect the concerns expressed by the Committee on an earlier occasion.

17.3.2.2. The Committee would point out that on this earlier occasion it had called for consideration to be given to the possibility of increasing the JRC's activities in support of the Community's energy policy, particularly 'in connection with the THERMIE programme, with a view to implementing pilot and demonstration projects to develop techniques, processes and innovating products'.

17.3.2.3. The Committee notes that whilst the decisions on the fourth framework programme provide for 'complementarity between shared-cost actions and the direct action of the JRC', neither the decisions themselves nor the proposals under consideration spell out the exact nature of the JRC's contribution to demonstration activities in the field of non-nuclear energy.

17.3.3. The Committee notes that, as in the past, a major proportion of the funds allotted to the JRC will be allocated to research activities in the field of nuclear safety and safeguards.

17.3.3.1. The research and training activities will cover reactor safety (ECU 37 million), fuel cycle safety (ECU 76 million) and safeguards and fissile material management (ECU 37 million). In addition, an amount of ECU 87 million is to provide a scientific and technical support for the implementation of safeguards, in accordance with Chapter VII of the EURATOM Treaty and similar support for the IAEA.

17.3.3.2. As indicated above, an amount of ECU 16 million is also provided for JRC participation in shared cost actions under the indirect action programme.

17.3.3.3. The Committee regrets that this detailed breakdown was not included in the Commission pro-

⁽¹⁾ OJ No C 49, 24. 2. 1992.

posals. It would have made clear that more than two-thirds of the amount which is provided for safeguards activities is not concerned with research proper, but relates to Treaty obligations under the EURATOM Treaty.

17.3.3.4. Taking this into account, the Committee notes that the proportion of funds allocated to the direct action programme will be the same as the funds available for shared cost actions to be undertaken under the indirect action programme in question, i.e. ECU 151 million and ECU 160 million respectively.

17.3.3.5. The Committee is aware that nuclear safety and safeguards are a traditional field of activity for the JRC which has special responsibilities and powers in this area.

17.3.3.6. The Committee does not in any way intend to call into question these responsibilities and powers. It believes nevertheless that prior to drawing up the next framework programme, the Commission should review the balance between direct actions, and indirect actions with a view to increasing the proportion of the latter.

17.3.3.7. The Committee is not satisfied that the research activities carried out by the JRC were properly coordinated with those conducted under the programme of indirect actions. In this connection it would refer to its comments earlier on the specific programme in the field of nuclear safety and security.

17.3.4. The Committee very much regrets that the Commission proposals, unlike the programme of activities for the 1992-1994 period, do not provide for a contribution of the JRC to the specific programme on the stimulation of the training and mobility of researchers, although it is aware that this situation arises out of the decisions adopting the fourth framework programme. Nearly ECU 25 million was allocated to the JRC for its participation in this specific programme under the third framework programme.

17.3.4.1. The Committee would reaffirm here the comments made in its previous Opinion on the importance of the role of the JRC in promoting integration, and on the possibilities it has of making a direct and effective contribution to the goal of strengthening economic and social cohesion.

17.3.4.2. The Committee would underline once more that these are among the most important tasks the JRC is asked to perform; as has already been stressed, its participation in the programme from this point of view is of particular importance. The Committee therefore earnestly calls upon the Commission and the Council to ensure that the JRC participates in this area in the next framework programme.

17.3.4.3. The Committee also notes that no funds have been earmarked for the training activities falling specifically under the programme of activities of the JRC and to be carried out under the heading of accompanying measures.

17.3.4.4. The Committee requests that an appropriate percentage of the funds allocated to implementation of the programme of activities of the JRC be expressly set aside for such training activities.

17.3.5. The Committee likewise notes that the proposals also fail to include a budget for the dissemination and exploitation of the results of research carried out in the JRC. This, too, is at odds with the situation prevailing under the previous programme.

17.3.5.1. The Committee has already stressed that the JRC has a particularly active role to play in the 'dissemination and exploitation of the results of its own research, notably by promoting such results among SMEs and helping to assess their potential use'.

17.3.5.2. The Committee requests that a percentage to be devoted to such activities be explicitly provided for in the programme of activities of the JRC.

Participation of the JRC in shared-cost actions

17.3.6. The Committee approves the opportunity given to the JRC to be able to take part in shared-cost actions within the framework of the specific programmes; this gives it extra resources to perform its task of integrating European scientific and technical research.

17.3.7. The Committee is convinced that the participation of the JRC in such actions, just like the work it is carrying out for third parties, will enable it to exploit its expertise in areas where it is called upon to compete with public or private national research centres.

17.3.8. Such participation will also help to boost cooperation between the JRC and firms, universities and research centres. In its previous Opinion the Committee itself highlighted the need to develop active cooperation between the JRC and industry.

17.3.9. The Committee also notes that in the same Opinion it invited 'the Commission to consider whether the JRC could take part in research projects with firms — and especially SMEs — which do not have research facilities of their own'.

17.3.10. The Committee would underline that in this connection the JRC should take particular account of the specific needs of the peripheral regions of the Community and of those regions which are less developed in terms of scientific and technical personnel and research infrastructure.

Competitive support activities

17.3.11. The Committee notes that the fourth framework programme allocates ECU 900 million to the implementation of specific programmes to be carried out under the programme of activities of the JRC, an amount which the Commission proposes to allocate in full to institutional research support activities and institutional scientific and technical support activities, with a modest sum going to the participation of the JRC in shared-cost actions.

17.3.12. This sum of ECU 900 million consequently excludes the ECU 128 million which the Commission proposes to allocate to activities within the framework of a competitive approach and intended for scientific and technical support. This sum is entered separately in the budget for the fourth framework programme and is not intended to finance the JRC programme of activities, as pointed out in 17.1.12 above.

17.3.13. If it is also borne in mind that special arrangements are laid down for the management of this sum (see point 17.1.12.4 above), the Committee considers it totally inappropriate to include the JRC programme of research activities and competitive support activities in the same proposal.

17.3.13.1. It would have been much more sensible for these competitive activities to be covered by a separate

proposal for a Decision, at the same time making it possible for the JRC to participate in them under the relevant tendering procedure.

17.3.14. After having examined the scientific and technical content, the Committee is also concerned about the criteria used for allocating the scientific and technical support activities between the two types of activity, institutional and competitive.

17.3.14.1. The Committee notes that the bulk of the activities included among the competitive support activities call for neutral, independent action by the JRC within the framework of support for activities regulated by the Commission. They therefore do not lend themselves to a competitive approach on the part of the JRC.

17.3.14.2. This is particularly true of activities in the fields of measurements and testing, environment and the climate, agriculture and fisheries, and non-nuclear energy.

17.3.15. The Committee finally wonders how these competitive activities will fit in with the JRC's institutional activities and what rules of competition will be brought into play, bearing in mind that the JRC is an integral part of the Commission.

Done at Brussels, 14 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

Opinion on the Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee on energy and economic and social cohesion

(94/C 393/24)

On 16 February 1994 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee on energy and economic and social cohesion.

The Section for Energy, Nuclear Questions and Research, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 14 July 1994. The Rapporteur was Mr Barbagli.

At its 318th Plenary Session (meeting of 15 September 1994) the Economic and Social Committee adopted the following Opinion by a majority vote with one abstention.

1. Introduction

1.1. The Commission Communication is a discussion and information document intended to fuel debate and to prepare for the decisions which the Community and the Member States will eventually have to take on policies and programmes relating to energy and regional development, and on the use of the Structural Funds.

1.2. The Communication endeavours to bring together all the references made in Commission documents, over the last two years, to the intermeshing of energy with the goal of economic and social cohesion. The list of contents and footnotes give copious evidence of this.

1.3. The basic aim is to highlight the importance given to the objective of economic and social cohesion in the Thermie, Save, Altener, Joule, Valoren, Poseima and Regen programmes, and in regional and urban energy planning. (No mention is made of the APAS programme as this was approved by the European Parliament after the Communication had been drafted.)

1.4. The Committee's Opinions on existing programmes have always been at pains to stress how important it is that each programme should help reinforce economic and social cohesion.

1.5. The present Communication is a step in this direction.

2. Gist of the Commission Communication

2.1. In the Communication, the Commission announces its intention to:

— ensure that the Community's energy policy measures

take greater account of the objective of boosting economic and social cohesion;

— encourage other Community policies to consider the potential contribution of energy to cohesion;

— include energy-related elements in the new Community initiatives financed from the Structural Funds and set out in the relevant Green Paper [COM(93) 282 final].

The Commission also calls on the Member States to include energy considerations in their regional development plans and programmes.

2.2. Such considerations should embrace: cross-border energy; energy and the countryside, islands and outermost regions; and energy and the urban environment.

2.3. The Communication puts forward a number of measures designed to complement the specific initiatives already being taken within the framework of structural policies, energy policy and research and development policy (Thermie, Save, Valoren, Altener, Joule, Poseima, Regen and regional and urban energy planning).

2.4. The Commission notes that insufficient progress has hitherto been made towards cohesion, as indicated by the economic and general indicators for the various regions of the EU.

The Communication calls for additional measures more closely geared to the specific needs of the less developed regions.

2.5. With due respect for the subsidiarity principle, the Communication lists the respective responsibilities of the Community and the Member States, noting that both parties must recognize the priority nature of the problem.

2.6. The Communication puts forward a number of supporting measures (Box No 2) in the fields of energy infrastructure, energy efficiency and the exploitation of regional energy potential.

2.7. These supporting measures are designed to integrate the objective of cohesion into national and EU energy policies, as energy is recognized as an important consideration.

2.8. The Communication ends with a series of tables of energy indicators and information sheets on regional and R & D energy programmes. These cover:

- the impact of the objectives of energy policy and the proposed supporting measures on the less-developed regions (Box No 1);
- per capita energy consumption, dependence on imported energy, and energy intensity of the Member States (Table 1, Annex 1);
- employment in the energy industries, 1980 to 1991 (Table 1a, Annex 1);
- proportions of primary energy consumption accounted for by oil, coal and natural gas, and estimated proportion accounted for by renewable energy resources, in the Member States (Table 2, Annex 1);
- per capita CO₂ emissions, and emissions of CO₂ as a function of Member States' GDP (Table 3, Annex 1);
- relative distribution of energy infrastructure in the Member States (Table 4, Annex 1);
- information sheets on existing integrated programmes embracing energy, R & D and regional policies (Annex 2).

2.9. The Communication is being submitted to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions.

2.10. The Commission will take account of the conclusions of the debates triggered by the Communication on the Green Paper when it comes to decide the content of the relevant Community initiatives.

3. General comments

3.1. The Committee approves the Commission's intention, as stated in the Communication, to integrate the goal of economic and social cohesion into Community and national energy policies.

3.2. It agrees that the main objectives of Community energy policy are to improve the competitiveness of the Community economy and enhance the quality of life of

its citizens. To this end, the aim shall be to supply energy on the best possible economic terms, with satisfactory security of supply and environmental protection conditions, within the framework of free market principles but without forgetting the need for economic and social cohesion. However, improving economic and social cohesion requires, in addition: linkage between energy and development, energy and environment, and energy and national, regional and social policies.

3.3. These objectives may be achieved by agreeing at Community, national or regional level on an energy policy designed to reduce the disparities between the less developed and the more favoured regions. Hence it will be particularly important to pinpoint disparate regional and local situations (in towns and cities, rural areas, and the outermost areas).

3.4. Energy is a vital element of cohesion, but to enable it to play its full role, attention should be focused, irrespective of all the wider issues which the Committee is currently addressing elsewhere in own-initiative work, on:

- establishing the internal energy market;
- linking energy to appropriate economic and fiscal instruments;
- stepping up research and dissemination work;
- consideration of an appropriate relationship between energy and the environment;
- consideration of the right balance between the international dimension of Community energy policy and the subsidiarity principle.

3.5. The definition of common energy objectives that take account of the specific potential of different parts of Europe would in itself contribute to economic and social cohesion. However, assuming there is access to oil and petrol by land and/or sea, there should be no doubt that the single most effective means by which energy can contribute to economic and social cohesion is via the extension of the appropriate national or regional electricity grids into areas which are at present unconnected. This is because on all general comparisons between the cost of electricity from a transregional or regional grid and the cost of electricity from diesel generators, wind power, solar power or other diverse sources (other than hydro-power) the cost from the grid is cheaper. It is also more reliably available, certainly in relation to electricity derived from the harnessing of the natural elements.

3.5.1. There will be particular circumstances in which the above generalization will not hold, so that it would be more economic for a particular area or local community to draw its power from sources other than the nearest available grid, or perhaps in addition to it. In such circumstances (and this applies to nearly all islands) it is necessary and appropriate that other means of providing electricity are utilized, depending on the particular circumstances.

3.5.2. Against that background the Committee would draw attention to other considerations which may have a bearing on the promotion of economic and social cohesion in particular areas and/or localities, for example:

- energy diversification, particularly in regions which are heavily dependent on oil;
- support for industrialization in less developed regions, linking this where possible to the use of local energy sources;
- support for the organization of regional energy interest groups.

3.6. While recognizing the priorities listed in point 3.5, the Committee notes that the EU's less favoured regions often find access to conventional energy more difficult and are less efficient in their energy use. On the one hand, efforts are needed to alleviate this handicap by connecting such regions to the energy networks and making their energy use more efficient; on the other hand, in many cases these regions have potential endogenous energy sources which could be tapped, thereby furthering the region's development and creating new jobs.

Exploitation of renewable energy sources — where feasible and economically sustainable — is desirable because:

3.6.1. small and medium sized local firms could provide the technology needed for the use of certain renewable sources;

3.6.2. in view of the endogenous potential offered by new uses for farmland under the CAP, the use as a raw material for biofuels and electricity of agri-forestry energy crops which are compatible with sustainable development may contribute significantly to employment, inter alia in the field of environment protection (reduction of the damage caused to the water system by harmful emissions, upkeep of the agriculture landscape, etc.).

3.7. With reference to the Community programmes, the Committee thinks that:

3.7.1. the aim should be to reduce their number by amalgamating those which share common features, so that each programme is more clearly distinguished;

3.7.2. the access procedures for the different programmes should be made easier, for example by simplifying and standardizing the participation forms so as to encourage more small firms to participate;

3.7.3. priority should be given to programmes for boosting energy efficiency and developing endogenous energy sources in the less developed regions, and encouraging cooperation between them;

3.7.4. the programmes should be allocated adequate financial resources.

3.8. Hence, while recognizing the Commission's endeavours to link energy and economic and social cohesion, the Committee considers that:

3.8.1. there are some inconsistencies in the Commission's view of the role of Community energy policy in cohesion;

3.8.2. the general approach within the document fails to take sufficient account of conflicts which can sometimes arise between the objectives of social cohesion and energy policy. Efficiency, environmental or even technical considerations can, at times, conflict with cohesion requirements. It is proposed by the Committee that, where proposals for energy policy or legislation give rise to potential conflicts with cohesion objectives, the Commission should be required to assess the likely detrimental effects on cohesion and to recommend appropriate action, e.g. through Community initiatives, under the Structural Funds or by means of other policies;

3.8.3. present funding and accompanying measures are insufficient. The Committee recognizes that the ideas put forward in the Communication are both useful and innovative, but suffer in this first consultative document from the lack of any guidance as to the relative costs, even in the most general terms, of the different energy sources discussed. The Committee shares the Commission's concern that although the finances set aside for cohesion work in the Structural Funds and the Cohesion Fund are considerable, they will not be sufficient for satisfying energy needs. They will only achieve the desired results if they are backed, wherever possible, by a concerted 'pro-cohesion' drive in the Community's other general programmes and measures;

3.8.4. the analyses and data are therefore insufficient for pinpointing appropriate programmes and projects. In particular, it would be helpful if the Commission could provide:

3.8.4.1. approximate indications of the size of the deprived areas in countries immediately concerned with problems of social cohesion, the nature of these areas, their chief geographical characteristics, their population sizes, whether they are primarily urban or rural, whether they have adequate transport communications and, in particular, whether they receive electricity from their national grid systems;

3.8.4.2. indications of reasonably typical relative costs for each area (capital and running costs) of receiving electricity from their national grid system as against producing it independently, for example by diesel, wind or solar power;

3.8.4.3. indications of the costs of petrol and oil in the different locations, and whether there are ways these might be reduced, for example by using different sources or by investing in different or more efficient transport arrangements.

3.9. In order to tailor Community R & D programmes more closely to economic and social cohesion, the Committee recommends that the programmes put greater emphasis on projects with the following aims:

3.9.1. market-oriented R & D projects for developing more appropriate technologies;

3.9.2. integrated demonstration projects and dissemination projects;

3.9.3. projects in the disadvantaged areas for making optimum use of local energy resources for local consumption;

3.9.4. projects for the definition of common standards as regards consumption, technologies and prices;

3.9.5. projects for the alignment of Member States' legislative and fiscal instruments, with special reference to incentives to produce clean energy in urban areas, rural areas, islands and the outermost regions.

4. Specific comments

4.1. The Committee feels that the Thermie programme should be extended to demonstration and/or dissemination projects using 'proven' technologies which, although not strictly innovative, may be innovative in certain contexts (underdeveloped rural areas, outlying areas, integrated projects, control systems, etc.).

4.2. The Committee welcomes the emphasis which the Altener programme is to place on the institutional and financial aspects affecting the less favoured regions. The Committee would recommend that:

4.2.1. apart from the 'legal obstacles' being removed, Member States' legislation should be harmonized, especially with regard to the use of biofuels and energy;

4.2.2. investors in renewable energies in the lagging regions should be offered financial and fiscal incentives, and not just 'conditions (...) as favourable as those available to the major energy producers';

4.2.3. as well as 'taking proper account of externalities (in particular environmental effects)' of renewable forms of energy, studies be made of the diseconomies, in pollution terms, of conventional energy sources in the lagging regions.

4.3. In the section on Energy and the Countryside, Islands and the Outermost Regions, the Commission suggests that 'priority should be given to capital grants, (although) other supplementary measures could be supported'. The Committee thinks that these supplementary measures should include aid for process selection and the transfer of knowhow.

Done at Brussels, 15 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

Opinion on Tourism

(94/C 393/25)

On 22 February 1994 the Economic and Social Committee, acting under the third paragraph of Article 23 of its Rules of Procedure, decided to draw up an Opinion on Tourism.

The Section for Regional Development and Town and Country Planning, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 26 July 1994. The Rapporteur was Mr Lustenhouwer.

At its 318th Plenary Session (meeting of 15 September 1994), the Economic and Social Committee adopted the following Opinion with 2 votes against and 1 abstention.

1. Introduction

1.1. On 13 July 1992 the Council adopted a three-year action programme to support tourism⁽¹⁾. This programme runs until the end of 1995 and so is now at its halfway point.

1.2. Shortly before the Commission submitted its proposals for the action programme the ESC had issued an Opinion on its own initiative in which it advocated such a programme.

1.3. In its ensuing reaction the ESC said it was very pleased with the Commission's proposals but the programme was only a first step in the right direction⁽²⁾.

However, the action programme which was finally adopted by the Council was clearly more limited in scope than that proposed by the Commission and supported by the ESC. So, there is some sense of disappointment.

1.4. With this own-initiative Opinion the ESC wishes to contribute right now to the discussion about the place of tourism policy in the legal framework of the Maastricht Treaty. The ESC also expects that what follows will be reflected in the Green Paper on Community tourism policy which was recently announced by Commissioner Vanni d'Archirafi and which is due to appear sometime this year. The ESC would refer once again to the Opinions which it has issued in the past on this subject, which contain many wishes that have still not been acted upon.

The Intergovernmental Conference announced for 1996 will be able to cover this subject in its deliberations. In issuing this more political message the ESC hopes to give some impetus to positioning the tourism sector in a new Treaty and to the continuation of tourism policy after the end of the current action programme in 1995.

The need to integrate the interests of the European tourism industry better into the various areas of EU policy is all the more pressing since the industry is now facing particularly stiff challenges from increasing competition and external threats such as environmental issues and the recession.

2. Background

2.1. At the end of 1993 the European Parliament adopted a report entitled 'Tourism on the Road towards 2000'⁽³⁾. In this report a number of bottlenecks which the EU tourist industry has to combat were placed on the agenda and proposals made concerning areas where the European Parliament feels that too little account is taken of the interests of both the tourist industry and the European consumer.

2.2. The fact that the European Parliament has come out with a number of recommendations so soon after the adoption of the Commission's multi-year programme shows that some questions can already be asked about the way in which the measures announced in the multiyear programme are to be implemented.

2.3. As preparation for an informal meeting under the Greek Presidency of ministers responsible for policy regarding tourism, the Commission sent the Council, the European Parliament and the ESC a report on Community measures affecting tourism⁽⁴⁾. This outstanding assessment report offers the ESC a good opportunity to speak out about European tourism policy at a time when thinking on the subject is in a state of flux. However, as has already been explained in point 1.4 above, the ESC's main aim in the present Opinion is not to present an all-embracing vision of the content and direction of a European tourism policy.

⁽¹⁾ OJ No L 231/26.

⁽²⁾ OJ No C 49, 24. 2. 1994.

⁽³⁾ PE 206.166/fin., Rapporteur Mr P.A.M. Cornelissen.

⁽⁴⁾ COM(94) 74 final, Brussels, 6. 4. 1994.

3. The task and role of the European Commission and its departments in formulating and implementing a European tourism policy

3.1. When expressing a view on Community policy for the tourist industry one must always bear in mind that the primary responsibility — including that for taking any initiatives in this important economic sector — lies at national or local level, depending on the set-up in the Member States. It is for this reason too that the Community has only limited powers in this area and that the Commission has been burdened with a highly limited mandate by the Council in the action programme. As a result, only a very limited budget is available directly for tourism policy and so the Tourism Department within DG XXIII is very limited in scope.

3.2. Any plea for an extension of current activities will have to be seen in this light and will inevitably require an expansion of available budgets and manpower. However, the ESC thinks that this is absolutely essential if serious work is to be done to maintain and improve the framework conditions for one of the best performing sectors in the European economy.

3.3. The Commission's Tourism Department should see that more is done to incorporate the interests of the sector into Community policy in a host of other areas such as regional policy (e.g. as regards infrastructure financing), transport policy, the environment, consumer protection, indirect taxation, education and training. Only in this way can extra bureaucracy be avoided, the subsidiarity principle properly respected and a framework created in which local and regional initiatives by both market operators and governments can come to fulfilment.

3.4. The economic importance of the industry requires that tourism policy really be given greater emphasis. For tourism provides around 6% of all the jobs in the EU, which means that an estimated 9 million people are employed in the sector. In the hotel, restaurant and catering sector alone some 1.2 million, mostly small firms are active. Moreover, tourism is one of the leading sources of income in Europe (providing an estimated 5.5% at least of GNP).

3.5. Clearly too, such a massive sector also faces the problems resulting from its size. The impact of tourism on the environment and on the cultural identity of people who live in tourist areas can even be threatening. Solutions will have to be found for these and other questions, and the Community can play an essential role here.

4. The different points in the multi-year programme for tourism 1993-1995

4.1. *Improved knowledge about the tourist industry*

4.1.1. The ESC noted in its Opinion of 19 December 1991⁽¹⁾ that not enough was known about the importance of the tourist industry because of the lack of proper information. The ESC then called upon the Commission to undertake a thorough study of the European tourist industry assessing its impact on jobs, output and investments.

4.1.2. From the final report of the Commission on the two-year programme (1991-1992) for developing Community tourism statistics⁽²⁾ it emerged that the Commission played a major role in developing an interconnecting complex of information. Priorities were established on the basis of surveys among the leading users groups. The Commission works in this field in close collaboration with the Member States, the WTO and the OECD.

4.1.3. The ESC thinks that the Commission's efforts at collaboration with the parties involved to improve the quality of tourism statistics should be supported. It calls upon the Council to give these activities priority, not just verbally but also by providing the necessary financial resources in the Eurostat budget.

4.1.4. The ESC also notes with approval that the Commission itself attaches importance to improving knowledge about tourism as a product, as is clear from its call for tenders and proposals for study in 1994⁽³⁾. The ESC once more stresses the importance of the findings of such studies being widely disseminated and discussed with the industry at congresses or in the advisory committee on tourism. This committee, which in the past met only rarely, should be activated so that it can better perform its task as a sounding board for the Commission.

4.2. *Staggering holidays*

4.2.1. The ESC supported the Commission in its efforts to bring about more staggered holidays so as to help reduce seasonal peaks from the point of view of time and geographical concentration. The ESC especially pointed out that it was also important to extend tourism to new destinations. The development of new tourist resorts and attractions in Europe should reduce the

(1) See footnote 2.

(2) COM(93) 345 final, Brussels, 1. 9. 1993.

(3) OJ No C 122 + S 86, 4. 5. 1994.

pressure on existing resorts and thus make a positive contribution to both the environment (see too point 4.6.1) and the cultural heritage, which often suffers heavily from mass tourism. The cultural identity and the way of life of the local population also suffer greatly from the negative effects of too much tourist traffic.

4.2.2. Since the conference under the Dutch Presidency, little or nothing has been achieved as regards more staggered holidays.

The EP asks the Commission to establish an international platform without delay for a geographical spreading of tourism in tune with the seasons. A number of suggestions ought to be studied such as better co-ordination of holiday dates, especially in neighbouring Member States, and the introduction of optional school holidays. The EP welcomes the Commission's study on spending patterns and consumer behaviour in the tourism sector in order to gain a better insight into the issues involved.

4.2.3. In view of the complexity of this issue and the fact that even the Member States do not always have the powers to enforce staggered holidays, the ESC realises that the EU has only limited room for manoeuvre here. But the Commission too must encourage discussions about staggered holidays and take the lead. Governments and private organisations (companies, schools) will be able to get to know each other in each other's own countries. The ESC also supports the EP's call for an international platform on staggered holidays and hopes that the planned conference on this matter under the German presidency can provide some impetus here.

4.2.4. But the ESC would point out here that staggered holidays alone cannot solve the problem of concentration in time and geographical space. The tourist product itself must also come into the argument. Supply can be diversified by more product differentiation to appeal to different population groups (older people!) and by developing other products (health holidays, spas, cultural trips). Such a move towards new product/market combinations will make Europe more competitive and promote a better use of natural sources and human resources.

4.3. *Transnational measures including support for co-operation in border regions*

4.3.1. The ESC has stressed in a number of Opinions the importance of cooperation between governments

and companies in border regions. This also applies to activities in the tourism sector.

In a number of border regions initiatives have been taken in recent years to raise the profile of the region as such as a tourist destination, and consequently across national borders. Support has been given to this from, among other things, the Community's initiative programme INTERREG.

The EP too draws attention to the importance of cooperation between Member States and calls upon the Community to encourage such cooperation.

4.3.2. The ESC thinks that the initiatives taken can only be called very limited. Administrations in the Member States must become much more aware than hitherto of the disappearance of internal frontiers in the EU and adapt their policies accordingly. The advent of Euro-regions is of great importance here. Euro-regions can help private organisations, companies and semi-state bodies to set up cross-border structures for cooperation in the tourism sector.

4.3.3. Finally, there is a need for more co-operation with regions outside the EU such as those places in countries around the Mediterranean or in Eastern and Central Europe which have historical links with European culture. One matter which deserves closer attention here is that of how to allow European investors from the tourist industry the possibility of being active in non-European countries. Such questions should be looked at more closely in the GATS referred to in point 7.2 below.

4.4. *The tourist as consumer*

4.4.1. Protection of the tourist as consumer has always been just as important to the ESC as the healthy economic development of the tourism sector.

In a number of areas the Community has clearly made progress in improving the legal position of the consumer but this matter should continue to receive attention. As a result of the more intensive consumer policy the legal position of the consumer in general, but also as a tourist, has improved tremendously. Examples of this are the fairness of terms in contracts, the banning of dubious practices in the field of time-sharing and the improvement of consumer information.

The EP devotes considerable attention to protecting the consumer-tourist. It stresses the importance of good information, the difficulty of covering sickness and

hospital expenses, the question of crime and, more generally, the quality of the tourist industry's product.

4.4.2. The ESC thinks that tourism is the classic example of a sector where service to the consumer is of the highest priority. Only if the consumer is satisfied with the whole product will he express this satisfaction or even return. Bearing in mind what has already been achieved by means of Community regulation, and in view of the unique consumer-oriented nature of the industry, the ESC feels that some reticence should be shown as regards new rules in this area. It therefore considers the recent Opinion of the European Parliament on the matter of 'long-distance purchasing' particularly unsettling. Payments in advance when booking are accepted general practice in the tourist industry and differ completely from the dubious practices in distance selling. The example shows that general points of departure for consumer protection in the tourist industry have entirely different effects and can therefore lead to undesirable results. Instead, attention should be paid to experiences in the Member States with independent complaints commissions and ombudsmen, which have already proved their worth in resolving conflicts.

The tender referred to in point 4.1.4 lists as one of the items the preparation of a practical guide for tourists. The ESC considers the development of a user-friendly handbook of this type a good and concrete step towards improving information for the tourist-consumer.

4.5. *Cultural tourism, tourism for the socially-disadvantaged, tourism for young people*

4.5.1. In the interests of diversification, the ESC has called for the development of new tourist products so as to get a higher proportion of the European population involved in one form or another of tourist activity.

In response to this the Commission has supported a number of projects which provided something new and were able to help achieve the goal of closer integration of tourist activities for less financially well-off groups.

The EP too points to the importance of developing activities for young people, older people and the disabled, as well as the value of the European cultural heritage.

4.5.2. The ESC cannot avoid the impression that there has not really been a structured policy in these areas. The projects supported, although agreeable, have been mostly on a small scale and often lacking in educational content. It is here especially that the limited nature of Community resources becomes evident, as activities even in the near future will remain restricted

in scope. The question is arising more and more of whether enough thought has been given to the way in which money from the Structural Funds is to be used for tourism in accordance with declared objectives. The ESC fears that the aims set out in the action programme for tourism will, in practice, have little or no influence over decisions on Structural Fund projects. Here too, it seems, there is little talk of coordination.

4.6. *Tourism and the environment*

4.6.1. The idea that tourism and the environment do not have to be incompatible is, for the ESC, an important starting point.

In tune with the ESC's vision the Commission has developed a policy which seeks to reconcile these two interests. While tourism can be a great threat to the environment (e.g. take the question of seasonal peaks referred to in point 4.2.1 and the resulting problem of the mass tourism of the alpine winter season and of the summer season on the Mediterranean coast), the environment can also derive great benefit from the tourist's interest in it since environmental infrastructure can be financed out of the revenue from tourism.

The EP wants environmental damage to be put right and tourists to be made more aware and respectful of the environment.

4.6.2. The ESC thinks it is of the greatest importance to bring environmental policy and tourism policy together. Failure to meet environmental standards is one reason why the number of visitors is falling in a number of tourist areas in Europe. Clean water only comes from meeting standards, not from lowering them! The ESC is also pleased that tourism has been given priority in the 5th EC environmental action programme⁽¹⁾. But this priority will have to be prompted by the idea of helping to create an environment in which tourism develops and not that of imposing unnecessarily restrictive conditions on firms in the tourist industry.

On this understanding the ESC therefore fully supports the Commission in its attempts to improve the environmental features of European tourism from the point of view of quality.

4.7. *Tourism in the countryside*

4.7.1. The ESC thinks it is important to promote tourism in the countryside for a number of reasons. As farm incomes have fallen as the result of CAP reforms, switching set-aside farmland to tourism could boost the rural economy in the area concerned. It could also relieve the pressure on well-known resorts by giving a

⁽¹⁾ COM(92) 23, 27. 3. 1992.

greater geographical spread to tourism. Certain isolated regions with an agrarian tradition could become more attractive and accessible through the development of tourism, which should boost their economic performance (especially in the public and retail sectors) and enable them to link up with more developed areas (as regards improved infrastructure networks, business co-operation, access to sources of financing, etc.)⁽¹⁾.

A number of rural tourism investments have received support from the EAGGF in combination with the ERDF and the ESF. This has helped considerably in diversifying rural activities by providing support for the farms themselves and, more generally, for infrastructure or the building of nature parks, for example.

Funds for rural tourism projects have also come from the LEADER programme.

The EP has stressed the importance of spreading tourism over more areas, including the countryside, thereby providing a more varied product.

4.7.2. The ESC is pleased with the growth of tourism in the countryside in recent years. Bearing in mind the need to ensure fair competition (especially tax-wise) and comply with basic health and safety requirements for tourist attractions and hotels, tourism in the countryside can provide an attractive alternative for the 'urban' tourist alongside more traditional forms of tourism.

4.7.3. The ESC particularly welcomes such initiatives because they help provide tourist activities for those people who to date have not had such opportunities. Moreover, in Wales, for example, this geographical 'spreading-out' also helps to stagger holidays as people take a short second or even a third holiday. The ESC

believes that if tourism in the countryside is to develop in a healthy manner there must be fair competition so that short-term subsidies are no longer necessary.

4.8. *Training*

Quality of service will be the watchword for the future. This requires everyone working in and for the tourist industry to have a high level of up-to-date skills, above all a knowledge of foreign languages. The Community has realised this and supported a number of projects to improve the skills of industry workers including such people as travel agents and tour operators. Tourists are becoming less stereotyped and so their expectations have grown and are changing from group to group. Training and certainly continuous training, must be given absolute priority because of new technologies and management methods. Above all, if the non-EU tourist is to be attracted, the quality of services must be noticeably improved. The ESC therefore heartily welcomes the setting-up of training networks in different Member States and the exchange of best practices between governments, training institutes and the business world. The tourist industry's image as an employer can be improved considerably. Those working in the sector should draw attention to its working conditions, as this will improve the jobs situation and make a career in tourism more attractive.

4.9. *Promotional activities in non-EU countries*

Over the last 10 years Europe's share of the world market has certainly fallen by 10%. Competition from tourist destinations in non-EU countries is particularly fierce and Europe is consequently losing ground. Even the actual number of visitors from Japan and the USA has fallen. The ESC thinks that the Commission should carry out an analysis of this trend immediately so that all the parties involved (market and government) can take the appropriate steps to curb it. Europe is even encouraging this trend by spending large sums of money on building tourist infrastructure in non-EU countries. But with proper promotion (e.g. exploiting the market for 'congress-tourism') non-EU tourists can be attracted to Europe. The ESC has learnt with disbelief that the budget authorities have scrapped the relevant item from the 1994 budget. This seems to show once again that the economic role of the tourist industry is not taken seriously in a number of cases! Any promotion of the European Union as such in non-EU countries must adopt a professional approach and be of a structural nature if it is to have any impact.

⁽¹⁾ An interesting view on this can be found in par. 24 et seq. of Commissioner Millan's report entitled 'Europe's Territory After Maastricht' to the informal Council of Ministers responsible for land-use planning held in Corfu on 2 June 1994.

Such a promotion scheme will have to be closely co-ordinated with the activities of the various national and regional tourist offices and should be given an adequate budget to highlight the diversity which is so much a feature of Europe.

5. Integration of tourism policy into the other activities of the European Union

5.1. In May 1992 the Commission published a communication on Community policy and measures of interest to tourism⁽¹⁾. It summarised to what extent, if at all, firms in the tourist industry would have to cope with EU measures in a host of areas, such as the single market and its impact, communications policy, social policy and environmental policy.

In fact this communication is an initial response to the ESC's call for the integration of tourism policy into the whole complex of EU policies. Its 'horizontal' approach means that the interests of the industry and those of the consumer are to become an integral part of the decision-making process in all relevant policy areas. The economic, social and cultural importance of tourism makes such integration both desirable and right in every way.

5.2. The above-mentioned Commission report of April 1994 on Community measures affecting tourism continues this line. It reports on activities in policy areas outside the direct scope of the action programme where Community measures or financial resources geared to tourism are applied. But the ESC thinks that the common thread is too often missing. It sees one prime cause for this: the lack of an adequate legal basis in the Treaty for a full-blown Community tourism policy.

6. From a horizontal and specific tourism policy to an express basis for a treaty

6.1. In its Opinion of 19 December 1991 the ESC said that tourism should be given a proper place of its own in a future revision of the Treaty of Rome. The Treaty of Maastricht has been a disappointment in this respect as tourism has been given only a very limited place — in Article 3(t) — as one of the EU's fields of activity. A place which is totally out of keeping with the sector's actual and potential importance to economic develop-

ment. As well as this prosperity aspect, one must not overlook the welfare aspect which is so characteristic of the tourist industry.

6.2. The European Parliament has also spoken out on this matter. It calls upon the Commission to draw up a White Paper on how tourism policy can best be incorporated into the European Union Treaty when that Treaty is next amended.

It is well-known that such amendments may be made as early as 1996 at an Intergovernmental Conference. It may be thought extremely useful to give right now the political signal that is needed if a place is to be found for a tourism policy in a future treaty. The industry has a right to a priority place in policy and the opportunity which now presents itself once again must be seized now.

7. Conclusion

7.1. The tourist industry in Europe is in a better position than other sectors of the economy. It is constantly creating new directions, it earns a major part of Europe's GNP and it offers a product/market combination which, because of its broad variety and its accessibility to a major proportion of the European population, makes a special contribution to the prosperity of the EU's citizens.

7.2. As has been already noted, as well as the trump cards which Europe can offer on the world market there are also a number of dangers waiting in the starting blocks to unleash heightened competition. Thus, further liberalisation of the services sector, including the tourist industry, can be expected as a result of the General Agreement on Trade in Services (GATS) concluded as part of the Marrakesh agreement of 15 April 1994. This means more access to the European market for suppliers from non-EU countries and an increase in non-European investments in the sector; but it also offers opportunities for European investors to acquire more tourist interests outside Europe and so cut down on their activities in Europe. Worldwide competition with all its opportunities and dangers will therefore increase.

Against this background a specific European tourism policy must be formulated alongside the completion of framework conditions (such as the importance of completing the EU internal market and moving towards an economic and monetary union with all the advantages of a single currency).

At this stage it would be presumptuous to try and decide on the contents of such a policy, but apart from projecting a European brand image and European cultural values abroad it could cover the preserving, in

⁽¹⁾ SEC(92) 701 final, 27. 5. 1992.

the European interest, of certain sites as well as what remains of the shoreline (as part of a European land-use planning policy, for example) and include measures to encourage people and businesses to comply with high standards as regards building or environmental protection.

7.3. The ESC has already expressed its disappointment at what the Community has done for the tourist industry over the years. All the good intentions and commitment of those concerned have produced nothing more than a patchwork of measures and an input of money and projects which have been very limited in scope, disappointing in their impact and completely ill-conceived in their structure.

The Tourism Department in DG XXIII is very limited in size and resources. Tourism is affected by the activities of a host of other DGs. But despite the difficulties there

is scarcely any talk of coordination. As an example one may mention the policy on VAT, where the possibility of Member States being able to tax overnight stays in hotels and, preferably, spending in restaurants at the low rate plays a more important role than any subsidy!

Many of the ESC's past wishes are still unfulfilled and even the European Parliament in its recommendations does nothing more than refer to what should have been done years ago. The European tourist industry is rapidly losing its share of the world market and such band-aid measures as strewing out subsidies are no longer of any help.

7.4. The ESC therefore cannot escape the conclusion that tourism should be given a legal basis in a new Treaty. Consequently the ESC calls upon the Member States to press for its inclusion in a new Treaty both on this basis and on that of the industrial policy as set out in Article 130!

Done at Brussels, 15 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the proposal for a Council Regulation (EC) amending for the sixteenth time Regulation (EEC) No 3094/86 laying down certain technical measures for the conservation of fishery resources⁽¹⁾

(94/C 393/26)

On 12 April 1994 the Council decided to consult the Economic and Social Committee, under Articles 48 and 198 of the Treaty establishing the European 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 1 September 1994. The Rapporteur was Mr Muñiz Guardado.

At its 318th Plenary Session (meeting of 15 September 1994), the Economic and Social Committee adopted the following Opinion by a large majority with 7 votes against and 12 abstentions.

SUMMARY

The present Opinion deals with a problematic form of fishing which, according to technical experts and biologists, is harmful; for this reason the United Nations and other major bodies recommend that it be outlawed.

The problem mainly concerns the North-East Atlantic, from the 30°W meridian to the Bay of Biscay. The situation is rather different in the Baltic and requires separate study.

The use of large drift-nets has been a subject of discussion in Europe for more than five years now because of (i) the impact of this technique on fishing grounds and confrontation between those fleets which use it and those which do not, and (ii) the ecological consequences of by-catches, most obviously marine mammals, as well as navigation problems affecting all types of vessel.

At a time when the imbalance between fishery resources and effort is leading the EU to reduce its fishing effort, the Committee considers that a destructive method such as drift-netting, which only employs a limited number of fishermen, should be outlawed; at most, it should only be permitted with nets less than 2.5 km long, within the 12 mile limit of each Member State, as the European Parliament stated in December 1993.

1. General comments

The Committee broadly approves the proposal, subject to the following comments.

1.1. The uncontrolled expansion of drift-netting is very dangerous as it can lead to an excessive increase in fishing effort of the target species and can constitute a serious hazard to navigation. It does not accord with Regulation (EEC) No 3094/86 laying down certain technical measures for the conservation of fishery

resources, for which strict and thorough surveillance is needed.

1.1.1. Fishing effort grew by some 250% between 1988 and 1992, with catches rising from 750 tonnes in 1988 to 7,300 tonnes (provisional data) in 1993, according to the Commission Communication COM(94) 50 final, point 4.2.3 and tables 1 and 2, page 22.

1.2. Drift-netting for salmon and salmonids in the Baltic must be regulated by the International Baltic Sea Fishery Commission as the situation there is completely different from that of the Atlantic.

1.3. Vessels which have hitherto used drift-nets of up to 5 km should be authorized to fish with drift-nets of up to 2.5 km, or, where appropriate, should immediately apply for Community aid for the reconversion of the fleet. This reconversion should be carried out as rapidly as possible for all vessels, taking into account the social repercussions.

1.4. Drift-netting could continue if it could be properly monitored and controlled, in accordance with the European Parliament resolution of December 1993 which proposes that the Commission, upon receipt of a

⁽¹⁾ OJ No C 118, 29. 4. 1994, p. 2.

reasoned application from a Member State, may authorize the use of drift-nets within the 12 mile limit, in accordance with rules to be drawn up for each specific case.

1.5. In order to ensure that drift-nets do not pose a hazard to shipping, drift-netters should be obliged to keep the net attached to the vessel and the headline submerged. Incidents have already occurred, notably at night, between fishing vessels and patrol boats, whose propellers have been caught up in drift-nets which have not been properly extended or indicated.

1.5.1. The presence of the headline on the surface generally poses a hazard to shipping; the headline, must, therefore, be submerged. Observations at sea, particularly by Commission inspectors, confirm that the risk is significantly reduced if the headline is submerged, even if not far below the surface.

1.6. Vessels using nets of under 2.5 km length must be subject to additional regulations relating to their possible biological effects.

1.7. Drift-netting entails a large number of by-catches of other species. The UN General Assembly has issued Resolutions⁽¹⁾ calling for an immediate moratorium on the growth of large-scale deep-sea drift-netting in the high-sea zones of the North Pacific and in all high-sea zones outside the Pacific.

1.8. The most widely accepted definition of large drift-nets is that given in the Wellington Convention, which sets this at 2.5 km. There are more restrictive definitions; the use of 5 km drift nets should therefore be out of the question.

1.9. According to the Scientific and Technical Committee on Fisheries (STCF), 1 km of net per crew member is needed for this type of fishing to be profitable. The STCF recognizes that this leads to the use of a fraudulent length of net, with a high number of by-catches.

1.10. The Committee proposes that an urgent study be carried out on drift-netting with a view to its possible

prohibition or abolition on the grounds of its effects:

- in disrupting the eco-system;
- on problems for shipping;
- in increasing the fishing effort;
- in cutting jobs on vessels;
- in the field of compatibility with the Community's international obligations.

Meanwhile, the Committee urges that existing regulations be applied strictly.

2. Specific comments

Article 9a

Article 9a(2): Given that the derogation for the use of drift-nets of more than 2.5 km expired on 31 December 1993, it is hard to see why new exceptions should be granted to vessels which have been entered on the Community Register since 1992. It is illogical to have concurrent authorization and derogation.

Article 9a(3): A separate Regulation should be drawn up for this area. It should include (i) the requirement that the relevant vessels are to figure on a list to be drawn up by the Commission on the basis of reasoned requests, and (ii) the stipulation of a maximum total net length of 21 km per vessel. This separate Regulation should be drawn up by the International Baltic Sea Fishery Commission.

Article 9a(4) should be deleted.

Article 9aa

Article 9aa(3): The Committee maintains that the proportional reductions for 1995, 1996 and 1997 should relate specifically to catches and fishing effort (vessels), since the aim of the Draft Regulation is the disappearance and reconversion of the drift-netting fleet, with reference to the number of vessels existing in 1993.

Article 9aa(4): The fishing effort shall be calculated according to catch and number of vessels on the basis of one kilometre of drift-net used for one day.

The fishing effort and the reference catches for each target species shall be the sum of the fishing efforts and catches of the vessels having used the drift-nets not exceeding 2.5 km in 1993.

Article 9aa(5): Reference is again made to 5 km; the Committee believes that the Draft Regulation should be based on a maximum of 2.5 km as is, in practice, already occurring in 1994.

⁽¹⁾ 44/225, 85th Plenary Session, 22. 12. 1988.
45/197, 71st Plenary Session, 21. 12. 1990.
46/215, 79th Plenary Session, 20. 12. 1991.

Article 9c

Article 9c(1): The expression ‘more than’ should be deleted throughout the Article. For the reasons given above, there should be no discussion of anything more than 2.5 km.

Article 9c(2): In this paragraph, reference to Article 9a(2) and (3) should be deleted. The paragraph should be worded as follows:

‘All vessels using this type of gear shall keep on board a radio beacon so that the competent authorities of the flag Member State may locate them at all times in whatever waters they are operating or in whatever port they are moored’.

Article 9c(3): The information obtained from logbooks and landing certificates, the position data collected under the terms of paragraph 2 and the information acquired from the inspections referred to in paragraph 1 shall be subject to an immediate systematic cross-check supported by aerial surveys if necessary.

Article 9c(4): The paragraph, as in (2) above, should be worded as follows:

‘Observers appointed by the flag Member State shall be put on board fishing vessels using this type of gear, for at least ten consecutive days per vessel during each fishing voyage. This arrangement must guarantee the presence of observers for at least half

the total number of fishing days each month. The observers shall note and record the fishing activities of the vessels on which they are present in a report which they shall transmit at the end of the observation period to the competent authorities of the flag Member State, which will forward it to the Commission.’

Article 9c(5): The total weight of albacore landed by the (90) vessels authorized to fish with drift-nets of less than 2.5 km may not exceed 4,200 tonnes in 1994.

Justification:

If the vessels which have hitherto been allowed to use drift-nets of up to 5 km represent a third of the total, then restricting their catch to 2,800 tonnes in 1994 would mean:

— 30 vessels/5 km	= 2,800 tonnes
— 60 vessels/2.5 km	= 2,800 tonnes
Total catch	5,600 tonnes

Outlawing 5 km nets would mean that all 90 vessels have to use 2.5 km nets. The maximum possible catch would then be:

— 30 vessels/2.5 km	= 1,400 tonnes
— 60 vessels/2.5 km	= 2,800 tonnes
Total catch	4,200 tonnes.

Done at Brussels, 15 September 1994.

*The President
of the Economic and Social Committee*
Susanne TIEMANN

Opinion on the use of bovine somatotropin in the European Union

(94/C 393/27)

On 24 February 1994, the Economic and Social Committee, acting under the third paragraph of Article 23 of its Rules of Procedure, decided to draw up an Opinion on the use of bovine somatotropin in the European Union.

The Section for Agriculture and Fisheries which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 2 September 1994. The Rapporteur was Mr Silva.

At its 318th Plenary Session (meeting of 15 September 1994), the Economic and Social Committee adopted the following Opinion by a majority vote in favour and three votes against, with ten abstentions.

1. Bovine somatotropin

1.1. Bovine somatotropin (BST) is a hormone produced by genetic engineering; it is similar to the natural hormone produced by the pituitary gland (hypophysis) located at the base of the cow's brain.

1.2. The principle function of this hormone is to direct the main part of the energy input from feeding to the mammary gland, to the detriment of fat storage.

1.3. It is currently produced using bacteria from animals injected with the BST gene.

1.4. For the purpose in hand, this hormone is only effective in injected form. The digestive enzymes render the hormone inactive when it is ingested with feeding-stuffs. The quantity of BST injected corresponds to 4 to 8 times the level of the hormone normally produced by a cow.

2. History

2.1. BST is a veterinary medicinal product and as such falls within the scope of Directive 81/851/EEC on the approximation of the laws of the Member States relating to veterinary medicinal products; the directive imposes a system of prior authorization to be granted by Member States on the basis of safety, quality and efficiency criteria. However, since this is a biotechnological product, the opinion has to be channelled through the Committee for Veterinary Medicinal Products, as stipulated in Directive 87/22/EEC.

2.2. On the other hand, since this product is not used for therapeutic purposes but is designed to increase 'animal milk yields', any divergence between national authorities could cause difficulties in trade within the Community and distortions in competition.

3. Request for authorization

3.1. Authorization has been sought for placing on the Community market two medicinal products whose principle active agent is somatotropin produced using recombinant DNA.

3.2. According to the initial request submitted by the two American companies who applied for authorization to put BST on the market, BST should be administered by subcutaneous, subscapular injection. In the light of comments made by the Committee for Veterinary Medicinal Products (CVMP) about the local reactions observed in the area of injection (long-lasting, painful swellings), the two bodies subsequently proposed that the injection be administered in the sub-caudal area which, applicants felt could partly reduce the discomfort suffered by the animal. Nevertheless, as pointed out by some members of the CVMP, serious disadvantages persist in terms of hygiene and the possibility of secondary infections, particularly if BST is to be used in farming and not in an optimal, experimental environment.

3.2.1. After analysis of the data provided by the applicant bodies in connection with the authorization requests, both these products were deemed satisfactory by most members of the CVMP which felt that they satisfied the criteria set out in Directives 81/851/EEC and 81/852/EEC.

3.2.2. The CVMP accepted the fact that both applicants had thus proved that the residues from these products did not in principle comprise any health risk for consumers of meat or milk obtained from animals treated with BST. However, doubts remain in the minds of some CVMP members as to a) whether use of BST would not cause animals to suffer disproportionately to the supposed benefit of its use, b) the potentiation for mastitis⁽¹⁾ and c) the increase

⁽¹⁾ Opinions of the CVMP on Somatech and Optiflex 640.

in somatic cells⁽¹⁾, which could contain some risks for consumers' health.

3.2.3. The CVMP felt that the products were effective, taking account of the purpose in mind and of the fact that, in terms of quality, both products satisfied the criteria laid down by the Community Directives.

3.2.4. The Veterinary Scientific Committee also stressed that it was concerned with the fact that in discussions on the use of biotechnological products such as recombinant BST, little attention was being paid to the product's impact on the well-being of the animals treated with this hormone. Widespread use of a new product of this type should not be authorized before sufficient data from scientific studies have been collected and analyzed.

3.2.4.1. Particular attention should be paid to the possible implications for consumers' health of using BST, particularly relating to the increase in somatic cells in milk and the possibility of higher levels of antibiotic residues because of the potential increase in incidence of clinical and sub-clinical mastitis in cows treated with BST. This concern is moreover shared not only by the CVMP but also the group of Commission advisers on ethical aspects of bio-technology.

3.2.4.2. In an Opinion running along similar lines to that of the CVMP, these advisers drew attention to the need for milk from cows treated with BST — in cases where these cows had been treated for mastitis or other inflammations with antibiotics — not to be used for human consumption, and for the level of somatic cells per millilitre of milk not to be higher than the level found in milk produced normally.

3.2.5. In addition to the above, various animal welfare bodies have expressed reservations regarding the use of a medicinal product which is not used for therapeutic purposes and which causes repeated, chronic suffering for animals.

3.2.6. The CVMP's conclusions are in no way fully shared by specialists in this area in Europe or in the USA, Canada and other countries. More recently, research carried out by eminent virologists from the INRA (Institut National de la Recherche Agronomique — French National Institute for Agricultural Research) seems to indicate that, use of BST could contain the risk of triggering a virus existing in a latent state in a healthy carrier animal. These suspicions have arisen as a result of an experiment carried out by the INRA Department of Animal Pathology in Lyons; this has led the official responsible for the French organization which oversees the placing of veterinary medicinal products on the market, to call for additional experiments to be carried out.

3.2.7. The authorization which the FDA granted in the USA on 15 November 1993 to place this product on

the market, followed by a 90-day moratorium imposed by Congress, aggravated the ethical, technical and socio-economic polemic which had always surrounded this growth promoter.

3.2.7.1. Although it is not possible to extrapolate the reactions of the American market and consumers to Europe, it should be pointed out here that the brief time which has elapsed since BST was placed on the American market does not lend credibility to any deductions about the real impact on consumers, the manufacturing industry and agriculture itself in the USA.

3.2.8. As mentioned above, the use of BST is, unlike other veterinary medicinal products, exclusively geared to improving milk productivity. The protection of human and animal health, vegetation and the environment all demand the rigorous application of product evaluation criteria by the Community, prior to placing a medicinal product on the market. However, in the case of BST, this cannot be limited to the usual questions relating to scientific evaluation and to the three key criteria (safety, quality and efficacy) which underlie decisions on the evaluation and authorization of a biotechnological product.

3.2.9. For the Community, protection of public health requires that 'decisions on the authorization of such medicinal products should be based on the objective scientific criteria of the quality, the safety and the efficacy of the medicinal product concerned to the exclusion of economic or other considerations; ... however, Member States should exceptionally be able to prohibit the use on their territory of medicinal products for human use which infringe objectively defined concepts of public order or public morality; moreover a veterinary medicinal product may not be authorized by the Community if its use would contravene the rules and objectives laid down by the Community within the framework of the Common Agricultural Policy' (2).

3.2.10. The Community, it is stressed, without introducing additional criteria to the three mentioned above, would be fully justified in taking into account other objectives or giving heed to specific aspects of Community policies which could be affected (3).

3.2.11. In a number of resolutions on bio-technology and growth promoters such as BST, the EP also stressed the need for biotechnological goods to be geared less to increasing production and yield and more to improving quality and health.

(1) COM(90) 283 final.

(2) COM(90) 283 final.

(3) SEC(91) 629 final.

3.2.12. Since the effects of this product were not fully known initially and, given the potential repercussions on the CAP, the Council banned the administration of BST to dairy cows on Community territory for successive periods. In December 1993 the Council prolonged this ban until 31 December 1994.

4. The impact of legalizing BST

4.1. In addition to continuing ethical and technical questions, the use of BST does, in fact, raise serious questions about the socio-economic repercussions.

4.2. Broadly speaking BST does not fall within the new guidelines of the Common Agricultural Policy, since current CAP prospects do not include encouraging intensified production.

4.2.1. The CAP intends to reestablish agriculture's position as an environmental protector, significantly reducing the use of pollutant inputs, highlighting its role in maintaining rural areas and rewarding agriculture's contribution in line with these objectives.

4.3. If BST were to be placed on the market, then a number of questions would immediately arise:

- In view of i) the risk that the public image of milk, which the consumer views as a natural product, would deteriorate and ii) the consequences of a sharp fall in consumption, would it be worthwhile to use a product which, moreover, would not lead to high profitability levels?
- Could the increase in yield not be obtained by improvements in farming and genetic selection?
- Will the agri-food sector have to shoulder the cost of changes inherent in the inevitable coexistence of one product which is treated and another which is not?

For a better evaluation of the impact of authorizing this product, it would be most useful if the Commission, in addition to the enquiries and sectoral studies it has already carried out, could refer to a study of the overall impact of the use of BST in the sectors concerned.

4.4. Milk Production and Market

4.4.1. Bovine somatotropin aspires to provide a new management instrument for milk producers. Its supporters' ambition is that it stand alongside other technical elements which have to date marked the progress of

milk production, such as artificial insemination, new methods of breeding and feeding, techniques to combat animal disease, genetic selection, etc.

4.4.1.1. The interest in purely economic terms of using this technological innovation is not clearly established for agriculture or a market such as in the EEA, where the dairy farming is of a type which already has extensive technological resources available for increasing productivity.

4.4.2. Using current profitability studies⁽¹⁾, including those commissioned in a number of countries by the producers of BST, it is difficult to gauge the real advantages for milk producers of using BST. None of the studies indicate costs in relation to doses of BST per cow.

4.4.3. What is known is that use of BST will make other fixed and variable costs rise, such as those necessitated by the increase in cattle fodder caused by the fact that hormone-treated cows consume more feed.

4.4.3.1. Moreover, use of BST calls for a level of caution and veterinary scrutiny of each animal, similar to what is needed for medical treatment of animals under veterinary care. Such a requirement, imposed for non-therapeutic purposes and not just to a handful of animals but to a whole herd, could not fail to place a burden on the dairy farming economy.

4.4.3.2. In order for the recommendations of a whole series of Community bodies and the requirements of the CVMP to be complied with, a weighty, cumbersome scheme would have to be set up in each Member State to monitor those farms using BST.

4.4.4. In the Opinion of the companies producing the hormone, its use requires a complex management strategy which takes account of a variety of determining factors such as, for example, i) the need for superior quality production with increased veterinary supervision, ii) the fact that not all the cows react in the same way to the stress, or iii) the need to take account of peaks in the lactation periods. These elements are outside the scope of many, if not most of the Community's producers. On the whole, according to some studies, including one report collating the results of 68 studies carried out throughout Europe, the increase in average yields for milk production would only be between 0.3 and 1.2 % per annum⁽²⁾.

4.4.5. Small and medium-sized producers do not at the outset appear to obtain either major productivity increases or, consequently, yield increases.

4.4.5.1. Purely in agricultural economy terms, no significant results will flow from use of this growth promoter. The effects of use of the hormone can be to a large extent replaced by the inevitable adjustments to

⁽¹⁾ Commissioned by a number of countries producing BST.

⁽²⁾ The socio-economic effects of BST, Wye College, University of London.

production structures caused by quota reductions and increases of per capita yield resulting from new production methods and other techniques.

4.4.5.2. In addition to these aspects, there is concern as to the future in the EU of breeds with greater production potential. Specialists fear that use of BST may in the long term lead to a loss of existing genetic potential a) because of increased difficulty in distinguishing those animals with greater potential or b) if animals with higher genetic potential were passed over in favour of animals with lower capacity which were treated with the hormone.

4.4.6. The structural surplus is currently running at 4.5 million tonnes. The sector is still experiencing difficulties. Decisions on farm prices have led to a reduction in quotas (2% in 1991/1992 and 1% in the current proposal), aimed at rebalancing the market.

4.4.7. Any reduction in consumption will tend to worsen an already inherently unbalanced situation. Enquiries ordered by the Commission and carried out by independent bodies have indicated that there would be a substantial drop in consumption of up to 20% if BST were to be used. (The IFO⁽¹⁾ enquiry refers to a drop in consumption of the order of 17-18 million tonnes).

4.4.8. In that case, quotas would have to fall by the same percentage. On the other hand, the Commission stresses that BST does not in any way help maintain milk deliveries within quota limits. Any instrument which increases the quantity of milk in the system creates pressures for increasing quotas, provides more incentives to fraud, ... and destabilizes the markets.

4.4.9. In addition to the problems inherent to the milk sector, there are problems in the bovine meat sector. Replacing surplus dairy cows with animals earmarked for beef production, as would be the case if BST were used extensively, would jeopardize the market equilibrium.

4.4.10. In environmental terms, the benefits of reducing the quantity of manure and methane as a result of the hormone's action could be positive if, in the meantime, they were not cancelled out by an increase in the number of cattle being bred.

4.4.11. The Commission also points out that other imbalances in the milk and beef-producing sectors would have serious consequences for the budget.

4.4.12. The prospect of authorization of the use of this hormone gives rise to legitimate concerns as to the consequences for those regions where milk production constitutes a key element for balanced economic and social development.

⁽¹⁾ Institut für Wirtschaftsforschung — Institute for Economic Research — Munich.

4.4.13. It could increase even further the threats already hanging over rural communities, aggravating the continuous decline in agricultural employment and the constant population drift away from rural areas, which are seriously damaging the socio-economic fabric of these communities throughout the EU.

4.4.14. In conclusion, introduction of this element is quite out of keeping with the productive structure and type of market existing in the EU's agricultural economy. It contributes nothing to the prospect of controlling production strictly as necessary for balancing the markets so as to avoid accumulation of stock and excessive growth of agricultural expenditure.

5. Reactions from consumers and producers

5.1. Under the auspices of the Commission, surveys were carried out among consumers (in four Member States)⁽²⁾ among producers in six Member States⁽³⁾.

5.2. The surveys revealed that the reaction to the use of BST would trigger a fall in consumption — estimated at around 20% in the countries polled.

5.2.1. Of the various studies carried out to assess consumer reaction to the use of this hormone in production, two stand out as being genuinely representative.

5.2.2. The IFO enquiry was carried out in four Member States (Germany, France, Italy and the United Kingdom) over a cross-section representing 71.5% of the total population of the Community. The other enquiry, CEAS (II), only covered Germany and the United Kingdom.

5.2.3. We can infer the following conclusions about consumer reaction from these two surveys:

— Use of BST in milk production is felt to prejudice the quality of milk and to adulterate its image as a natural product.

— If the product were to be authorized, consumers would find it particularly important for there to be transparency and suitable labelling.

5.2.4. Both surveys revealed a strong and clearly negative reaction among consumers to the use of BST, although each raises different aspects because of the

⁽²⁾ Germany, France, Italy, UK — 70% of the Community population.

⁽³⁾ UK, Germany, France, Netherlands, Denmark, Ireland — 52% of producers, 80% of milk production.

different way in which the surveys were structured; a negative reaction of this type, would trigger a sharp fall in the consumption of milk and milk by-products, if the growth hormone were to be authorized in the Community.

5.2.5. All EU consumer organizations oppose authorization of BST and there would therefore be a negative impact on the public image of the product with repercussions for producers, trade and downstream industries in the whole sector, if it were to be authorized.

5.3. Producers have displayed strong opposition to BST, based on the effects it could trigger on the milk market and in terms of a fall in the consumption of milk and its by-products.

5.4. This real opposition cannot be ignored by Member States, Community bodies or even the agri-foodstuffs sector.

5.5. This sector is aware that it cannot underestimate consumer concerns about food quality and safety. Public opinion is also increasingly sensitive to matters relating to the quality of production conditions and particularly animal welfare.

5.5.1. This has been confirmed by studies carried out in the EU which demonstrate that if the hormone were to be authorized, producers not using BST would have competitive advantages over the others.

5.5.2. This tendency has also been observed in world trade in milk and dairy products. In a highly competitive world market, our main competitors on the world market would not fail to take advantage of any EU authorization of BST — something none of them have done.

5.6. As the FAST II report stressed, quality is the key to winning consumer confidence and a decisive factor in guaranteeing the future of farm production and of the agri-foodstuffs sector.

5.7. Agriculture and industry, including the biotechnology sector itself, are both dependent on this. It is the price to pay to ensure that competitiveness is maintained in the future.

5.8. In the light of what was known at the time, the CVMP considered that Bovine Somatotropin satisfied the criteria required by Community measures, and which were also accepted in the GATT agreements.

5.9. Since it appears that research is not yet complete because new data subsequently emerging contradict a number of previous conclusions, it is vital for this specific subject to be reviewed at international level.

5.10. The fact that a limited number of countries with production deficits have authorized use of the hormone should not mean that, at international level, health regulations be relaxed.

5.11. The EU should refuse any downward alignment in statutory health, plant health and hygiene regulations on international food production and marketing.

6. Technological innovation

6.1. Technological innovation is now also assuming a key role in agriculture where biotechnology and its applications look particularly promising.

6.2. European agriculture and current developments in the CAP provide fertile ground for developing an industrial sector linked to biotechnology.

6.3. In overall terms, this sector requires an environment which is conducive to its development, while remaining subject to existing rules and measures applying to industrial activities.

6.4. Farming and the agri-foodstuffs sector themselves have much to gain from biotechnological progress and applications of biotechnology, some of which are revolutionizing this sector.

6.5. In matters of foodstuffs, it seems in the interests of both farming and the agri-foodstuffs sector that they adopt the same approach for integrated development.

7. Conclusions and recommendations

7.1. Authorization of BST has given rise to a number of legitimate technical and ethical queries which are raised alongside questions about the need for having recourse to a hormone for increasing milk production when there is already a surplus of natural production, which is weighing heavily on the Community budget ⁽¹⁾.

7.2. In all truth, having assessed all the pros and cons, it can be said that if BST were to be used, it would not

(1) Milk and dairy product surpluses in 1993 cost ECU 5,297 thousand million.

constitute a positive input for either the primary or secondary sectors. Likewise it does not constitute a significant revolution in milk production methods since growth in milk production can be successfully obtained by other means, inter alia animal selection, without any major drawbacks for animal welfare or health.

7.3. Use of BST as a growth promoter and production improver has only been authorized by a limited number of countries⁽¹⁾.

7.4. Authorization of BST and its administration to dairy cattle in the Community could, if we heed the confirmed scepticism and concerns of Community consumers, bring about a significant change in European consumer habits, aggravating existing market and structural imbalances in the milk, dairy products and bovine meat sector.

7.5. BST authorization might even have a marked negative impact on the competitiveness of the European industry and serious repercussions on the export side, since no major milk or dairy consumer or producer/exporter on the world market, with the current exception of the USA, has authorized use of BST.

7.6. Authorization of BST does not fit in with the new philosophy and new direction of the Common Agricultural Policy which the ESC has also debated and on which it has issued a number of Opinions⁽²⁾.

⁽¹⁾ BST has been authorized for production and/or scientific purposes in Russia, Ukraine, Bulgaria, the Czech Republic, the Slovak Republic, Romania, South Africa, Zimbabwe, Jamaica, Mexico, Brazil, Pakistan and the USA; for scientific purposes it has been authorized by Algeria and the Honduras.

⁽²⁾ ESC Opinions: 'Reform of the Common Agricultural Policy' — OJ No C 40, 17. 2. 1992; 'Young farmers and the problem of succession in agriculture'.

7.7. As a result of its impact on production structures, BST authorization could aggravate the rural exodus⁽³⁾ and the trend towards urban concentration and, furthermore, could contribute to the deteriorating unemployment situation in the Community.

7.8. Under these circumstances, the ESC recommends that the European Union lend more support to research being carried out in various Member States into a) the effects of the hormone on human and animal health and b) identifying a method for detecting BST. The European Union has an irreplaceable role to play here.

7.9. This could open the way for a solution allowing Community consumers a genuine choice in matters of labelling which is, moreover, in accordance with European cultural tradition and with Community legislation on labelling. This could be a first step towards an international agreement on BST.

7.10. Thus, in view of the sector's current situation, measures adopted under the CAP, the EU's international commitments and the need to develop current research on this hormone, the Committee recommends maintaining the ban on the marketing of BST and its administration to dairy cows in the Community.

7.11. This ban should be extended at least until the period of application of the milk quota system has come to an end as proposed by the Commission.

7.12. Taking account of the agreements flowing from the GATT negotiations, measures should be taken as regards the labelling of products imported from countries which have adopted use of the hormone for milk production.

⁽³⁾ ESC Opinion: the Future of Rural Society — OJ No C 298, 27. 11. 1989.

Done at Brussels, 15 September 1994.

*The President
of the Economic and Social Committee*
Susanne TIEMANN

Opinion on the proposal for a Council Regulation (EC) fixing management objectives and strategies for certain fisheries or groups of fisheries for the period 1994 to 1997 ⁽¹⁾

(94/C 393/28)

On 10 March 1994 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European 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 12 July 1994. The Rapporteur was Mr Silva.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion by a unanimous vote.

1. General comments

1.1. The Committee shares the concern which underlies the present proposal, regarding the deterioration of certain stocks and the need to avoid a deterioration of others. However, it notes that other factors also affect fish mortality, such as weather conditions, the environment and, more especially, some forms of pollution.

1.2. The Committee reiterates the view, expressed time and again in earlier Opinions, that the maintenance and development of the fishing industry must be based on an appropriate, dynamic policy for the integrated conservation and management of resources. This depends inter alia on the Community having an advanced scientific data base providing more detailed information about the state of fish stocks than is presently the case. Such a policy also calls for full acceptance of the socio-economic implications of the proposed objectives. The latter requirement is explicitly enshrined in Regulation 3760/92.

1.3. The establishment by the Council, acting upon a proposal from the Commission, of multiannual management objectives and strategies for restoring the balance of fishery resources can go some way towards making conservation measures more effective.

1.4. The Committee stresses that restoring resource balance is a long term objective which will depend on the interplay of a number of factors and policies. This objective is still within the capabilities of the CFP's present management instruments, as represented by the TACs and quotas system and the control of fishing capacity (Multiannual Guidance Programmes).

1.5. The proposal is over-ambitious, and seems to indicate that more is known about some stocks of species than others. Despite this, it establishes forecasts which

cover several years (1994-1997), even though ICES and STECF scientists take the view that forecasts cannot extend beyond one year.

1.5.1. In the case of some species, the proposal is at odds with the recommendations of scientists at ICES, the body on which STECF opinions are based. The proposal also seems unduly restrictive, especially when one considers that the Commission itself acknowledges that some stocks are in a good condition.

1.6. As the Committee has said in earlier Opinions, special attention should be given to the idea of a multiannual TAC. As Regulation 3760/92 notes, this can undoubtedly prove an effective management tool, on condition that its potential undesirable effects can be averted, particularly those relating to excessive overrunning of quotas from one year to the next.

1.7. Since the protection of spawning stock is a central concern of the proposal, particular attention should be paid to spawning periods. The idea of temporary stoppages during such periods should be contemplated in Annex II, as this is an important factor in the rational management of marine resources.

1.8. The Committee stresses the need to pay more attention to how industrial fishing has contributed, both directly and indirectly, to the present imbalance. It seems a little illogical to be proclaiming the need to protect juvenile fish when industrial fishing gear is known to be particularly indiscriminating.

1.9. The proposed reductions and restrictions appear particularly difficult to achieve in the case of demersal stocks.

1.10. In order to avoid additional upheavals in the sector — an aim which is also espoused by the Commission — the proposed restrictions should be phased in gradually, particularly as the multiannual guidance

⁽¹⁾ OJ No C 17, 20. 1. 1994, p. 11.

programmes already entail major reductions in fishing capacity⁽¹⁾.

1.11. Furthermore, earlier Committee Opinions⁽²⁾ have stressed that the financial provisions for the FIFG are signally inadequate for tackling the anticipated effects of the adjustments to the CFP.

1.12. To make matters worse, no accompanying social measures have been scheduled to assist fishermen who cease activity.

1.13. This being so, the Committee calls on the Commission to revise the proposal.

2. Specific comments

2.1. *Annex I*

2.1.1. It would appear from the proposal that the scientific data used to fix the management objectives for depleted stocks were sufficient to quantify the biomass of spawning stock to be rebuilt. This suggests an in-depth knowledge of the stocks concerned. However, figures seem to be lacking for the stocks which the Commission deems to be less at risk, since the declared aim is simply to 'prevent increases in fishing effort'.

2.1.2. Point 1.1.b)

ICES makes no recommendation for saithe.

2.1.3. Point 1.2.b)

ICES merely recommends a 15,000 tonne preventive TAC for the Skagerrak.

2.1.4. Point 1.3.b)

The objectives are over-ambitious, being two to two times higher than the existing spawning stock.

2.1.5. Point 1.5.

ICES merely recommends a preventive TAC.

2.1.6. Point 1.6.

ICES recommends a 300,000 tonne spawning stock biomass for plaice.

2.1.7. Points 1.7. and 1.8. should indicate the species to which the quantified objectives apply.

2.1.8. Point 3.1.b)

This objective is over-ambitious. It is not feasible and could lead to the complete closure of the fisheries.

2.2. *Annex II*

2.2.1. Point 1.3.

Under Regulation 3760/92, quotas are allocated to Member States and not to vessels.

2.2.2. Point 1.4.

The Commission should indicate its selectivity criteria.

2.2.3. Point V.2

What is a quota of 'less than 10%', as allocated to industrial vessels for protected species?

2.2.4. The 10% should be calculated not by weight but by number of fish.

2.2.5. Point V

What are the industrial fishing rules for juveniles?

⁽¹⁾ Estimated at around 20% for the 1993-1997 MGP.

⁽²⁾ OJ No C 34, 2. 2. 1994.

Done at Brussels, 14 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

Opinion on the proposal for a Council Directive laying down detailed arrangements for the exercise of the right to vote and to stand as a candidate to municipal elections by citizens of the Union residing in a Member State of which they are not nationals⁽¹⁾

(94/C 393/29)

Procedure

On 22 February 1994, the Economic and Social Committee decided, under Article 23, paragraph 3, of its Rules of Procedure, to draw up an Opinion on the abovementioned proposal:

Proposal for a Council Directive laying down detailed arrangements for the exercise of the right to vote and to stand as a candidate to municipal elections by citizens of the Union residing in a Member State of which they are not nationals (COM(94) 38 final).

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 9 September 1994. The Rapporteur was Mr Silva.

At its 318th Plenary Session (meeting of 14 September 1994), the Economic and Social Committee adopted the following Opinion by a majority vote with one abstention.

1. Introduction

1.1. This Directive substitutes a 1989 directive on the same subject discussed until recently in the Council, which was in the end not adopted, and on which the Committee had issued an Opinion⁽²⁾.

1.2. Since this subject is of particular interest to citizens, the Committee deplores the fact that this new version was not referred to it for an opinion: it has therefore decided to issue an Opinion on its own initiative.

1.3. The Committee endorses the proposed directive subject to the following comments being taken into account.

2. General comments

2.1. This Directive proposed by the Commission is designed to put into practice the mechanism set out in the Treaty of Maastricht under which 'every citizen of the Union residing in a Member State of which he is not a national shall have the right to vote and to stand as a candidate at municipal elections in the Member State in which he resides, under the same conditions as nationals of that State' [Art. 8b (1)].

2.2. The Committee welcomes this step forward introduced by the Maastricht Treaty, which aims to reinforce the feeling of involvement among the people of the European Union and strengthen the idea of European citizenship.

2.3. Moreover, the Committee feels that European Union citizens' participation in local elections in all the Member States might in fact help to familiarize them with other countries' systems, to encourage integration of nationals from other Member States in the life of

their local communities and to make the public authorities and even political groups more aware of the overall picture.

2.4. The Committee welcomes the flexibility introduced by this proposal and the fact that it does not aim to align the right to vote and to stand for elections, electoral systems or disqualification rules in Member States, thus respecting the diversity of cultures, political practices and traditions.

2.5. The Committee nevertheless considers that this is only a preliminary step towards the aim of extending universal suffrage relating to local powers, a practice already applied in some Member States, even for non-Community nationals.

2.6. Given the specific context in which local authorities operate, and their closeness to citizens, the Committee hopes that the practical exercise of the rights derived from the Directive will enable those aspects of the proposal, which give rise to reservations — such as European Union citizens, under certain circumstances, not being accorded equal treatment — to be resolved.

2.7. It is not acceptable that any restrictions based on nationality should be placed on the full exercise of the political rights of any citizens of the European Union legally registered on an electoral list and as such seeking the confidence of the electorate and entitled to stand as a candidate by virtue of universal suffrage. Candidates should strive to take account of the traditions, practices and cultures of the communities they have chosen to live in.

2.8. Without underestimating the nature and specific features of the problems in any one Member State which underlie certain adjustments and derogations provided

⁽¹⁾ OJ No C 105, 13. 4. 1994, p. 8.

⁽²⁾ OJ No C 71, 21. 3. 1989.

for in this proposal, the ESC feels that it is especially important to safeguard the principle of non-discrimination on the grounds of nationality between Community citizens, as enshrined in the Treaty and confirmed by current jurisprudence⁽¹⁾.

2.9. To this end, the ESC feels that the derogations provided for in this Directive should be temporary and not continue beyond the year 2000. This question could be re-examined by the Council if the situation justifying a derogation should persist.

2.10. Once adopted, Member States should transpose the Directive into national law quickly so that it can be applied in the first local elections after its entry into force.

2.11. In this new phase of the European venture and in the face of a certain scepticism, it is necessary to continue the work begun and press ahead determinedly towards the objective set out in the Treaties.

2.12. Nowadays more than ever, the European Union must ensure its mission is completed, namely by paving the way for improvements in the standard and quality of living of its inhabitants, providing its citizens with a means of political expression, so that they can genuinely and democratically participate in the European venture.

⁽¹⁾ Judgments of the Court of Justice C-92/92 and C-362/92.

3. Specific comments

3.1. *Whereas No 10*

To read as follows:

'Whereas, since the duties of the head and members of the executive of basic local government units involve taking part in the exercise of official authority and in the safeguarding of the general interest, Member States may, by way of derogation from this directive, reserve these offices for their nationals.'

3.2. *Article 2(1) and (2)*

Delete the word 'direct'.

3.3. *Article 5(3)*

The derogations provided in Chapter III should be incorporated into this paragraph.

3.4. *Article 12*

The period of derogations and transitional provisions should be fixed. During this period, Member States may ask for these to be applied if they provide suitable reasons to do so.

3.5. *Article 12(1b)*

For the right to stand for election, the minimum period of residence should be reduced to the length of one term of office.

3.6. *Article 12(3)*

The wording of this paragraph should be modified in line with the above changes.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the Regional Structure of World Trade

(94/C 393/30)

On 27 January 1994 the Economic and Social Committee, acting under Rule 23, paragraph 3 of its Rules of Procedure, decided to draw up an Opinion on the Regional Structure of World Trade.

The Section for External Relations, Trade and Development Policy, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 1 September 1994. The Rapporteur was Mrs Cassina.

At its 318th Plenary Session (meeting of 15 September 1994), the Economic and Social Committee adopted the following Opinion by a majority with three abstentions.

1. Introduction

- 1.1. With the dismantling of colonialism, the need to preserve or seek out new markets has prompted the major producer countries to consider the future framework to govern world trade.
- 1.2. The defeat of the Nazi and Fascist regimes and the Allied victory at the end of the Second World War saw the collapse of the principles of autarky and bilaterally based relations which had constituted the main obstacles to trade, and the affirmation of the principle that world trade should be regulated in a pluralistic fashion and as broadly as possible. The first plan, within the UN, was to create a World Trade Organization (WTO). However, this plan has remained in suspension up to the end of the Uruguay Round; the setting-up of GATT (1947) and its development were a pragmatic substitute for the WTO until such time as the requisite conditions for its creation were in place.
- 1.3. It must be remembered that the background has been one in which the politicalideological blocs which grew up in the post-war period corresponded to economic and trading approaches anchored in conflicting ideologies (free market and free trade versus centrally planned economies and state-trading).
- 1.4. The process of securing markets under a free trade approach has suffered from at least two constraints: the first constraint is the exclusion of agriculture and services from the GATT package and the problem of the 'grey areas', namely a large number of voluntary export restraints (VERs); the second constraint results from the policies pursued by certain states which, unable to contend with competition from the major producers, consider that inward-looking protectionism offers them their best prospect for economic development. GATT originally had only 23 members, whereas now it has 121. This shows that, with the passage of time, most countries have become supporters of free trade — particularly in manufactured goods and commodities.
- 1.5. The process of liberalizing world trade has, however, been slow, contradictory and 'characterized by improvisation' as Mr P.D. Sutherland, the Director-General of GATT, put it⁽¹⁾. It is possible to show that the emergence of certain regional groupings, in this context, has been brought about more by the need to generate and unblock trade flows, at any rate in a specific area, than by regional protectionism.
- 1.5.1. Needless to say, a number of policies pursued by regional groupings have been protectionist to a greater or lesser degree. But any analysis should be carried out in terms of individual sector policy, and it would be mistaken to argue that regionalist projects as such, particularly those in the EU, have an overall protectionist aim.
- 1.5.2. Furthermore, GATT provides for the legitimacy of regional integration structures in certain circumstances (Art. XXIV), and establishes a framework for ensuring compatibility between the multilateral and regional aspects of trade.
- 1.6. It is important to emphasize that the economic and trade aims of countries which opt for regionalization often overlap with other political and social objectives.
- 1.6.1. The present Opinion should therefore avoid focusing exclusively on trade aims and dynamics when analysing the factors which have influenced the growing trend towards regional integration.
- 1.7. A distinction can be drawn between two types of regional integration process.
- 1.7.1. In the first category, countries with basically similar (or comparable) levels of development, production and technology group together, thereby boosting competition within the area and fostering competitiveness and growth. In this case there is little likelihood of major trade flow diversion in the global market context.

⁽¹⁾ Speech to the World Economic Forum meeting, Davos, 28. 1. 1994.

1.7.2. The second category, primarily based on complementarity and differing levels of development, can build on differences in output, income and technology but is far less dynamic (the incentive for internal competitiveness is missing), more inward-looking and potentially a source of greater trade flow diversion.

1.7.3. The second type of integration does not necessarily have a negative effect on local prosperity. In the early stages at least it can open up markets for products from the countries concerned, thus boosting output and specialization. It can, however, be a drawback if it does not subsequently lead to greater competition between the various sectors of individual national economies.

1.7.3.1. Here, the area of specialization of the national economies is all-important. Within individual countries, different productive sectors have different long-term growth potential. If a country tends to specialize in low-growth sectors, then its growth rate will inevitably be less dynamic than that of its partners.

1.7.4. In order to assess the effects on general prosperity, we must first determine whether a trading area constitutes a 'block'.

1.7.4.1. A block tends to be inward-looking, and it exploits internal complementarities in order to keep out external competition. According to traditional integration theory, this leads to a net diversion of trade flows and has negative effects on internal and global welfare.

1.7.4.2. More recent theories focus on imperfect markets and economies of scale, and look upon integration as praiseworthy per se, since it boosts the scale of production. The trouble is that the individual countries will specialize in specific economic sectors; each sector has its own dynamics which raises the problem of redistributing the overall benefits produced by the establishment of the trading area.

1.7.5. The aim of this brief survey of current theory is merely to provide a framework for analysing the track record and potential of the main integration systems in existence today.

1.8. In addition, world trade — more or less structured along the lines of regional groupings of very different kinds — cannot be considered merely as the product of free, or less free, flows of goods, capital,

services and factors of production in general (including labour, which is often forgotten). As such it benefits global economic and social progress to a greater or lesser degree.

1.8.1. In other words, trade is affected by various factors, and hence cannot be treated as an independent process which, if unhindered by barriers and restrictions, automatically leads to a gradual improvement in living standards. The most important factor today is the range of possible policies (or non-policies) for running the world economy: the exceptional expansion of financial markets and the resulting capital flows — which exercise a strong influence over national economic and monetary policies, the real economy and hence the nature and patterns of trade flows — are greatly encouraged by the lack of effective policies for their management. The absence of such management policies has a powerful and unpredictable impact on the dynamics of the real economy.

1.8.2. Hence the vital need for global and economic framework strategies, so that current world developments are constrained by parameters ensuring proper balance and putting the emphasis on a concept of 'welfare' in which social and environmental aims loom large.

1.9. In this Opinion, our examination of the 'regional structures of world trade' will, less ambitiously, attempt to ascertain whether, quite apart from promoting the diversification and expansion of trade, the main regional groupings have been able to improve living standards within and outside their respective areas. And how they have helped or can help to narrow disparities in world development and foster socially and environmentally sustainable growth.

2. Some key principles

2.1. Present-day economic growth in the industrialized world has gone hand in hand with the emergence of the producer triad of Europe, the United States and Japan. Relations between these three trading units have — at any rate at certain junctures — been fraught with keen competition, protectionist tactics and a definite lack of cooperation. Tensions have consequently built up, though it has to be stated that protectionist attitudes are primarily the symptom of a common disease: the incapacity of the large economic and trade powers to optimize the results of their expanding real economies and concurrently achieve orderly and equitable world

economic growth. In the final phase of the Uruguay Round negotiations, these tensions led to disputes between the three trading units (especially between the EC and the US).

2.2. During the period of sharp confrontation between the main economic and trading partners (especially the 70's and 80's) production conditions in the industrialized world underwent far-reaching changes which simultaneously affected economic and trade relations.

2.3. Undoubtedly the most relevant factor has been the emergence and dissemination of information technologies which have revolutionized production processes and communications. According to a Commission study, the annual average growth of 'data communication' products has been 40 % in the past decade, while prices have come down steadily. This trend is linked with the great expansion in services, particularly financial services.

2.4. Foreign direct investment (FDI) has also expanded considerably. The role of FDI, more as an adjunct than a substitute for trade, is widely recognized. Over the past ten years FDI has risen at a rate of 30 % per annum (three times faster than world trade and four times faster than world production) ⁽¹⁾.

2.5. The role of multinationals in world trade has gathered strength and has reached the point where it is as great, or even greater, than that of individual countries, or even the triad. The multinationals are involved in regional integration. There is no doubt, for example, that American and Canadian multinationals backed the NAFTA project because they saw it as a further opportunity to strengthen their foothold in Central and South America.

2.5.1. The importance of multinationals is largely responsible for the complexity of international economic relations. It has been calculated that between 40 % and 60 % of the world trade takes place between multinationals. In 1989, sales by their foreign subsidiaries amounted to \$4.4 billion, whilst the total for trade in goods and services was \$3.5 billion during the same period.

2.6. The problem which seemed to represent the greatest protectionist threat, namely product standards, has become less acute as a result of the increasing relocation of production and the scale of trade in

semi-processed goods which now, according to the Commission study mentioned above, account for between 50 % and 70 % of French, German, UK and US imports.

2.6.1. It must always be remembered that the trade process is influenced by factors that are only ostensibly of secondary importance (e.g. familiarity with a partner's traditions and the ability to adjust to local requirement. Significant changes in recent years include the increase in 'trading companies' which now play a key role in boosting and improving trade. These companies start by opening up new markets and then lead to an influx of investment which often improves the economy of the countries concerned, thereby creating an even more favourable climate for trade.

2.6.2. A separate study is also needed of relocation strategies whose far-reaching economic and social implications are currently the subject of keen interest and concern. Here it should be pointed out that relocation is not merely something which goes on outside the integrated areas, but often within them, too.

2.7. The economic development of certain countries and areas regarded as the 'satellites' of particular regional powers is of relevance in this revolution. For instance, certain sub-regional groupings (the South-East Asian NIEs, some Latin American countries) have succeeded in harnessing the current changes to their economic growth and are now searching for trade outlets on their own account.

2.8. In Europe, quite apart from the momentum generated by the Community-wide internal market in the second half of the 80s, the most significant change is the self-destruction of COMECON and the 'empire' of which it was an offshoot. The concept of political-ideological blocs is no longer tenable, and this has expanded Europe's reference area, triggering new opportunities and weaknesses for the process of Community integration.

2.9. The establishment of NAFTA has opened up new, though not entirely easy, prospects for both Central America and the West Indies, with their long-standing development problems, and Latin America, which has embarked on a series of regional integration projects.

2.10. A number of countries and areas which formerly came more or less within the triad's area of influence have suffered marginalization. Today they form a huge high-risk zone whose situation and difficulties call for more systematic attention (in particular, Africa and India, and, with different potential and effects, China

⁽¹⁾ 'International economic interdependence', working paper of the Foreign Policy Data Analysis Unit, May 1993.

too). As Mr Sutherland says: 'We cannot continue to exclude half the human race from the workings of the world economy'.

2.11. The conclusion of the Uruguay Round and the setting-up of the World Trade Organization (WTO) provide scope for a simultaneous and mutually advantageous twin process of trade internationalization and regional integration.

2.12. However, this mutual advantage will not be generated spontaneously by free interaction between the two processes but will ultimately depend on the basic decisions (see Additional Opinion on the Impact of the Uruguay Round Agreements) made at world and regional levels.

2.13. 'Mastering' the world-level relationship between trade, development and resource use and redistribution will make it easier to create a new world economic order. The heaviest responsibility for this project's success will be borne by the three key actors: EU, United States and Japan.

2.14. This outline of EU, US, Japanese and Asian experience, will enable us to put forward some recommendations for the role of the EU on the new world scene.

3. The Community experience and future prospects

3.1. The Treaty of Rome embodies the EEC's wide-ranging political and social blueprint for development of intra-Community trade (customs union and common market). This study of the EU experience, despite its brevity, cannot overlook the substantial political impact of the original Community blueprint, devised in the immediate aftermath of the Second World War as a pact to ensure peace and stability in Europe. However, the economic and trade aspects of Community integration will primarily command our attention.

3.2. Many academics have argued that the EEC has helped to boost trade between the industrialized countries and that its experience should be fully exploited in the overall framework of free trade.

3.2.1. Between 1958 and 1972 the volume of trade between the Community Member States rose by 16.2 % per annum as against 9.8 % for trade among non-EEC industrialized countries (P. Bairoch, 1978) ⁽¹⁾. During the planning and implementation of the internal market,

intra-Community imports as a share of the Member States' global imports rose significantly ⁽²⁾.

3.2.2. Interestingly, with each enlargement of the EU, internal imports from the existing group of Member States decline, while imports from the new Members show a sharp increase ⁽³⁾. On the other hand, the more sensitive sectors which were formerly protected in applicant countries are increasing their strength regionally. There is, however, always a risk that old, national protectionist habits will filter through to the newly-integrated regions (e.g. the Portuguese textile industry).

3.2.3. Overall, after several decades' experience, it can confidently be said that Community integration has helped to generate an increase in trade which has been substantial in absolute terms and has easily exceeded diversion.

3.3. The common customs tariff has also provided a degree of transparency which is useful not just within the area to which it relates but also for external partners, as was acknowledged during the GATT negotiations.

3.4. Obviously this surge in trade does not follow a linear pattern; non-trade and even non-economic factors often cause fluctuations. The very free trade emphasis of the Community integration process has not been linear and, most important, has often been viewed as inconsistent and biased towards certain sectors of production (agri-food, textiles, cars, HDTV, public tenders, etc.).

3.4.1. The CAP is repeatedly accused of creating major protectionist effects. Leaving aside internal social and structural objectives, the CAP has certainly caused substantial variation in Community trade with non-member exporters of agricultural produce, at least as far as produce coming under the levy system is concerned.

3.4.2. However, it should be noted that agricultural production, because of its specific nature and its sensitivity, has always been subject to strong protection in all the productive areas of the world. Furthermore, the agricultural sector was largely excluded from the GATT until the conclusion of the Uruguay Round. Finally it should not be forgotten that for the last twenty years the Community has followed an open trade policy in 'Mediterranean' products (fruit and vegetables, citrus fruit, olive oil, tobacco, flowers, etc.) to meet the needs of the Mediterranean countries (preferential trade and association agreements), ACP States (Lomé) and developing countries (GSP).

⁽¹⁾ P. Bairoch, *Enciclopedia Einaudi* (under 'Commercio'), 1978.

⁽²⁾ A. Sapir, 'Regional Integration in Europe', economic paper No 94, September 1992.

⁽³⁾ See footnote 4.

3.5. However, the Community itself has not been completely untouched by internal protectionism: Within the Community, *de facto* protectionist barriers have slowed down the integration process in some areas, especially in the period prior to the '1992 project' (Albert-Ball report, 1980, and Cecchini-Emerson, 1987).

3.5.1. Interestingly, the abolition of internal non-tariff-barriers has boosted trade with non-EC countries more than internal trade (Jacquemin and Sapir, 1988).

3.6. Some current uncertainties, especially as regards policies *vis-à-vis* the Central and Eastern European countries (CEEC) and the Mediterranean region, are exploited by EC opponents to show that the integration process is basically protectionist.

3.7. It is sometimes claimed that the EU is a 'fortress'. Such claims can safely be dismissed, given, for instance, the whole set of international commitments which it has shouldered. Today the EU is an attractive market for many producers, and a key economic and trade partner for the CEEC and Mediterranean countries.

3.7.1. Nonetheless, the EU partnership with the CEEC has its problems, partly because of differences in development and income but also because of the CEEC view that the association agreements concluded or being negotiated should amount to a first step towards complete membership of the EU, and their insistence on commitment in this direction.

3.7.2. The EU stance, at this juncture, is unclear: the problem is not just one of an institutional 'architecture' facilitating the construction, on the basis of what already exists, of a 'large European home' stretching from the Atlantic to the Urals. First and foremost, a comprehensive political blueprint is needed which capitalizes on the integration experience and, as regards the issues with which this Opinion is concerned, prevents the diversion of Europe towards a quest for complementarity which would keep the potential new Member States in a position of subordination, with the risk that their already difficult process of economic and social development would be held back (in other words, a 'star system' would be set up, with the EU at the centre, and the CEEC at the outer edges).

3.7.3. From the EU viewpoint, the CEEC area still has huge potential as a market and as an economic partner. The association agreements with these countries must therefore be used for purposes of a joint appraisal of the overall shape which a more wide-ranging European integration venture is to take.

3.7.4. The creation of the European Economic Area (EEA), on the basis of closer relations with the countries of the European Free Trade Area (EFTA), is a fruitful experience which has paved the way for the current procedures for the accession of Austria, Finland, Norway and Sweden. But it cannot automatically be transposed to other countries or areas. In the case of the CEEC in particular, and further to the objectives in 3.7.3, total commitment will have to be shown to promoting effective convergence between these countries' economies and those of the current Member States, and, at the same time, all synergies within the CEEC should be encouraged.

3.7.5. As regards the Mediterranean area, reference should be made to earlier ESC Opinions on the subject. However, the deterioration in terms of trade cannot be ignored nor can the urgent need to revitalize EU policy *vis-à-vis* this area.

3.8. The special feature of the Community is still first and foremost its ability to use the economic growth generated by integration to foster general prosperity (European social model). The EU is seen as a wealthy, egalitarian, advanced and pluralistic zone and hence as a model which can be copied, wholly or partly, by other parts of the world.

3.9. Conversely, when a recession hits the Community, the impact is greater because it is the largest world market. A weakening of this market creates a risk factor for our partners. The intertwining of our economic fates is steadily increasing with growing Community integration and makes the EU's responsibility in world relations particularly important. One example of the exercise of this responsibility is the decisive role the EU played, at some cost to itself, in bringing about the conclusion of the Uruguay Round.

4. The setting-up of NAFTA

4.1. Much has been said about the negotiation, and ultimately the achievement, despite fierce domestic opposition, by the largest economic and trade power of the 20th century of as hybrid a regional integration project as the North American Free Trade Area (NAFTA) with Canada and Mexico.

4.2. NAFTA is the second largest free trade area in the world after the EEA, encompassing three partners of very different size, levels of development and income and competitiveness. The USA has a population of 225 million (compared with 27 million in Canada and 84 million in Mexico) and a per capita GNP of

US\$ 23,000, compared with US\$ 3,500 (Mexico). Canada's overall GNP is one-fifth, and Mexico's one-twentieth, of the US figure. The bond between the three disparate countries is strengthened, somewhat paradoxically, by their enormously differing motives for setting up the association — in other words, by complementarity.

4.2.1. NAFTA's basic aim is to dismantle customs tariffs over a 10-year period (15 years solely for the more sensitive sectors). Following the definition of this objective, the three countries concluded and ratified two additional agreements: on labour and on the environment.

4.2.2. It must be remembered that Canada and the US had already concluded a Free Trade Agreement (FTA) in 1988, mainly in response to Canada's wish for safeguards against US protectionist pressures and to boost its exports to the US market, which have risen steadily since 1970.

4.3. Without claiming to explain in detail all the motivations that culminated in NAFTA, it seems clear that the three countries are pursuing very different goals.

4.3.1. In the case of Canada, which had already achieved a significant degree of integration into the US economy — and whose exports to the USA account for 70% of its total exports — the main consideration is the need to secure a broad market; to remain a potential beneficiary of FDI, and to hinder any further development of a 'hub and spoke' system, with the USA at the centre, and Canada relegated to the outer edges.

4.3.2. Mexico had every interest in pressing its claims as a priority FDI beneficiary because of its low-cost labour and dynamic growth, which has not been without social costs. To this end it needed clear-cut alliances: to some extent Mexico was the catalyst of the NAFTA venture.

4.3.2.1. Before the NAFTA agreement was concluded, Mexico had already embarked upon a policy of trade liberalization, as part of the process of modernization and restructuring of its economy (inflation, which had been endemically high for decades, was down to 12% in 1992).

4.3.2.2. Under the agreement, Mexico should be able to compensate for its difficulties in raising capital, due to its persistently high levels of foreign debt and lack of success in mobilizing domestic capital. Fixed access to US markets is also of prime importance for Mexican goods. (The USA accounts for two-thirds of all Mexican exports).

4.3.2.3. The interests of both the USA and the entire American continent can be furthered by keeping Mexico within a free trade area, thus aiding the modernization process and improving domestic stability.

4.3.3. For the USA, besides the aim of maintaining stable democracy in the area, and the consequent determination to support Mexico's efforts to modernize, the most convincing reason seems to have been the need to rationalize the status quo and facilitate efficient, secure relocation of US concerns throughout Mexico and not just in the border free zone (theoretically putting an end to the 'maquiladoras' phenomenon), thereby stemming the wave of Mexican labour and curbing clandestine migration which can no longer be contained by repressive measures alone, tough as they may be. (This point is covered by the additional cooperation agreement dealing with labour and human resources).

4.3.3.1. In addition, the USA is certainly not blind to the potential market of Mexico, whose population is expected to rise to 100 million by 2000.

4.4. Estimates of the consequences of the agreement for the three countries concerned differ fairly sharply, according to the econometrics employed: some estimates suggest a 7.7% net increase in Mexican exports to the USA, whilst others give a figure of only 1.3%. On the employment front, estimates range from the creation of 1,464,000 jobs, to the loss of 158,000. Faced with discrepancies of these proportions, we can only wait and see what the outcome will be in a few years' time.

4.4.1. Hence the rationale behind NAFTA is complementarity and rationalization.

4.5. As for potential developments in the Continent as a whole, other horizons would open up if, as many speculate, NAFTA serves as a bridge for further integration with other Central and Latin American countries. Chile, for instance, which already has a free trade agreement with Mexico, makes no secret of its interest in NAFTA.

4.5.1. NAFTA has been given a mixed reception in several Central and Latin American countries, with reactions ranging from attraction to concern. With reference to the recent Opinion on Community relations with Latin America, it should be emphasized that the Latin American integration process — albeit a distinct experience for each country in terms of consistency,

stability and prospects — should be supported, and the potential identified. It is to be hoped that these integrated areas will agree to cooperate with NAFTA in specific fields, so that the countries concerned are not confined to a strictly bilateral relationship with the USA ('hub and spoke' system).

5. Japan, South-East Asia and China

5.1. South-East Asia and Japan are seen as the Pacific area with greatest potential for economic cohesion and integration. The New Industrialized Economies (NIEs) — Hong Kong, Singapore, South Korea and Taiwan — and the 'new NIEs' — Indonesia, Malaysia, Philippines and Thailand — will also be considered part of this area.

5.1.1. In 1967 Indonesia, Malaysia, Philippines, Thailand and Singapore set up the ASEAN (Association of South-East Asian Nations) free trade area.

5.1.2. China and the two Koreas, with their rapid rate of expansion, will also be considered in this context.

5.1.3. The sheer size and complexity of China, together with its potential both as a producer and a market-place, mean that it should be considered separately. Whilst not intending to play down the extent of the problem posed by China, it should be remembered that, despite its size and potential (a population of 1.2 billion, 12.8% growth in 1992, rising to 13% in 1993, and a 15% annual increase in exports), its GNP is still only half that of Italy.

5.2. From the political angle, the whole area has been strongly influenced by the 'Pax Americana' since the Second World War. Only recently, with the increasing US military disengagement, prompted by the ending of the cold war and budget cuts, the North American influence has declined sharply, giving way to Japanese economic strategy, characteristic of post-war Japanese foreign policy.

5.3. Despite high levels of growth in the NIEs, the new NIEs and China in recent years, their trade gap with Japan is still very wide and Japan asserts itself as the undisputed economic leader in the area. Its leadership ranges from technology to finance, rooted in its unflinching balance of payments surplus.

5.3.1. Japan is still a very closed economy, with foreign trade (calculated in ecu) accounting for 16.3% of GDP in 1991. (The Figure for EU external trade in

the same year was 18%). Japanese trade policy is neo-mercantilist in emphasis, and is widely criticized for closing its markets to imports.

5.3.2. Japan has remained consistent, at any rate up to a few years ago, and even vis-à-vis the South East Asian countries, in refusing to grant preferential treatment.

5.4. Japan's relations with South East Asia bear the heavy imprint of history. Its imperialist past is still very much alive in the memories of the older generation in those countries. There are fears that the military policy domination of one era will be transmuted into economic domination. Japan was deliberately excluded when ASEAN was founded though gradually it has come to play a key role in bodies closely related to ASEAN.

5.5. Japan's economic leadership seems a *sine qua non* in any blueprint for integration of the area. However, as pointed out in a paper of the Economic Planning Agency (EPA) in 1988, the focal place which it is intended to assign to the Japanese economy surpasses that of Germany in the EU or the USA in NAFTA. The idea is a form of close economic association between NIEs, new NIEs and Japan 'like parts of a human body' but with the 'head' securely anchored in Tokyo. However, many observers consider this scenario premature on both economic and political grounds.

5.6. Nonetheless, Japan appears to have assumed such a role. In 1987 the New Asian Industries Development Plan (NAIDP) announced a strategic fund to redirect Japanese FDI to South-East Asia because of the increasingly closed US market. In 1988 the ASEAN-Japan Development Fund was set up to promote the rechanneling of the Japanese surplus towards the area.

5.7. Of all Japan's bilateral relations, its relations with the ASEAN countries are most promising. Regardless of the sharp financial and technological imbalance, the two partners' production structures complement each other perfectly: Japanese exports with a high technology content can be profitably exchanged with the natural resources of which the South East Asian countries have a plentiful supply. In this area Japanese FDI draws advantage from labour costs which are lower than in the NIEs.

5.8. The major risk for Japanese production is some kind of technological boomerang effect: these countries could soon be in a position to copy advanced technologies and therefore to oust Japanese goods on the international market. Wary of this risk, Japanese firms export only established technologies to these countries.

5.9. China-Japan bilateral relations are in good health. One distinguishing feature of Japan's post-war foreign policy has invariably been to keep on good terms with all Communist countries in the East. China sees Japan as the closest financial centre. Once the Chinese economy has opened up completely, this will be of decisive importance.

5.10. Japan's bilateral relations with the two Koreas are very similar to those with the two Chinas. Japan's equidistance from the two has played heavily to its advantage. Among the non-Communist countries, Japan is North Korea's main trade partner: Japan is poised to reap rich rewards from a North Korean 'perestrojka', (still unlikely, despite the death of Kim il Sung).

5.11. The enlarged South East Asian area is an excellent terrain for integration. Complementarity, especially between Japan and the new NIEs, presages substantial profits for such integration. The close complementarity (far greater than between the USA and Mexico and perhaps only to be compared to that between the EU and CEEC) could indeed prepare the ground for development of a trade bloc.

5.11.1. If Japan could succeed in laying to rest its infamous past, cultural considerations could also encourage such an integration process.

6. India and Africa

6.1. Albeit for different reasons, India and Africa have experienced a sharp deterioration in their world trade position over the past thirty years. Sluggish development, numerous structural problems, heavy foreign indebtedness (especially in the case of Africa), compounded by increasingly sharp competition on all markets, have resulted in Africa and India being relegated gradually, but with more and more drastic consequences, to the sidelines, thereby accentuating the already significant gap in income and prosperity affecting one-third of the world's population.

6.2. India has only recently started to regard exports as a development priority. Rooted in an economic development strategy focusing on self sufficiency and import substitution, India has seen its share of world trade drop from 2.4 % in 1951 to 0.42 % in 1991. During the two-year period 1991-92, exports accounted for only 1.8 % of India's GDP while it ranked only 35th on the list of importer countries (with a volume of imports equivalent to that of Ireland, despite its population being 242 times the size).

6.2.1. India's position vis-à-vis the other Asian LDCs has also deteriorated: India's share of the total manufacturing exports of the Asian LDCs fell over seven years (1980-87) from 4.2 % to 3.3 %.

6.2.2. Only very recently have manufacturing exports risen (rapidly), in tandem with a policy swing towards export support and free trade. In 1992 the value of Indian exports rose to \$18,400 million and forecasts for 1993 indicate a further rise to \$21,800 million, viz an annual increase of 18.5 %

6.3. At regional level India is a member of SAARC (South Asian Association for Regional Cooperation), which also includes Bangladesh, Bhutan, the Maldives, Nepal, Pakistan and Sri Lanka. This organization was set up in 1985 with the basic aim of speeding up economic and social development in the area through joint cooperation ventures in a number of sectors.

6.3.1. However, a long history of friction between the members of SAARC has so far complicated cooperation on both the economic and political fronts.

6.3.2. Though the economies of these countries are competitive, they are handicapped by their reliance on agriculture (or, to be more accurate, the dependence of the great majority of their populations on agriculture, even if goods and services have accounted for a significantly higher share of GNP in recent years). There is little trading within the region: internal exports constitute under 4 % of the total volume.

6.3.3. Nonetheless, at the last SAARC summit, held in Dacca, on 11 April 1992, the SAPTA (South Asian Preferential Trade Arrangements) was signed. This agreement could mark a significant shift in direction and stimulate SAARC to turn to programmes and methods of economic and trade cooperation that would set a clearer strategy for integration within the area.

6.4. The main reason for Africa's marginalization on the world trade scene is probably its concentration on exports of raw materials to the industrialized countries. In their turn, these exports are conditioned by fluctuations in world prices, which have moved steadily downwards (and at times even slumped) in recent decades, due in part to export refunds paid by the industrialized countries.

6.4.1. Trade in raw materials has varied between 85 % to 95 % of total African exports. Between 1964 and 1987 Africa's share of total world trade dropped from 4.2 % to 2.1 %. At present it is just above 1 %.

6.4.2. However, even in the case of raw materials, African exports continue to decline. From 9.1% of non-oil commodity exports in 1970, they had dropped to 4.1% in 1987. Various factors have influenced the deterioration of Africa's trade position. For instance, its produce has been ousted on world markets by the exports of other LDCs, benefiting from better climatic conditions (more frequent and regular rainfall), lower production costs, better infrastructure and tax policies more favourable to producers.

6.5. A number of trade agreements have been concluded between African countries but there has been only a limited growth in trade within the region. Between 1976 and 1987 trade between the member countries of ECOWAS (Economic Community of West African States, encompassing the English-speaking, French-speaking and Portuguese-speaking countries) rose from 3.1% to 5.5%. As for the CACEU (Central African Customs and Economic Union, comprising the French-speaking countries), internal trade rose from 2.1% in 1970 to 3.1% in 1976 and 4.1% in 1980 but then, largely because of internal disputes, dropped sharply to 0.9% in 1987.

6.5.1. The true scale of economic integration in Africa can only be properly assessed, however, if account is taken of the web of informal bonds, which are hard to quantify, uniting the various countries. In practice such integration is far greater. Much trade operates in the form of smuggling or simply unmonitored flows across almost invisible borders. Similarly, the mobility of factors of production, and in particular labour, is far greater than is reflected in the official statistics. ILO estimates that migrants make up 21% of the total population in the Ivory Coast and 6% in South Africa. The same phenomenon can be observed in Nigeria.

6.5.2. One problem encountered by all the various trade integration ventures in Africa is that countries often rely on single crop production and, in addition, their produce is very similar: basically raw materials (agri-foodstuffs and minerals for export to the industrialized countries). The potential for developing internal competitiveness is purely theoretical, however, since in practice commodity prices are fixed on the international markets, making the producer countries virtual slaves to such mechanisms.

6.5.2.1. The inability of the producer countries to influence prices is compounded by a decline in demand from the importer countries, partly because of the large reserve stocks built up by the user countries of almost all these commodities.

6.5.3. An UNCTAD study has attempted to identify sectors which could, if they received development aid, provide scope for diversifying production in the various regions of Africa. It concludes that promising sectors include the production of semi-processed and light industrial products such as beverages, meat, salt, cosmetics, pharmaceutical products, shoes, timber, textiles, cement, tinned fruit and vegetables and a variety of chemical products.

6.6. The impact of the structural adjustment policies and related operations promoted by the guidelines of the IMF and the World Bank (which pressed forcibly for the recent devaluation of the CFA franc) has been less than effective. The social costs have also been enormous especially because budget cuts have triggered a sharp decline in health and education with dire consequences in human terms.

6.6.1. The conditions of the vast majority of African countries, strangled by foreign debt, militate for much more tailor-made and targeted joint operations as part of a far-reaching review of action by the Bretton Woods organizations. No trade agreement, however perfect on paper, will have an impact on the situation in Africa unless backed by measures to foster effective, stable development on the continent.

6.6.2. Here the Lomé Convention, providing as it does for measures aiming both to promote trade and foster cooperation, remains a useful model. However, as the ESC has pointed out in its recent Opinion on the mid-term review, particular attention must be given to guarantee funding and to adjust cooperation methods and procedures along lines that ensure true efficiency and act as a catalyst for sustainable development.

7. Conclusions

7.1. The tendency towards regional organization of world trade became evident in the immediate postwar period. This trend is compatible with increasing multilateral trade liberalization. In theory, a combination of the two trends ought to enhance welfare and prosperity worldwide.

7.2. Needless to say, certain conditions will have to be fulfilled, by national policies and by policies adopted jointly by countries which have embarked upon some more or less advanced form of integration (during the Uruguay Round negotiations, the EU, for example, showed that it was able to defend both the interests of

the Member States and the interests of the Community as a whole)⁽¹⁾.

7.3. The inauguration and operation of the WTO will soon provide an important testing ground for the extent of effective commitment to meeting these conditions.

7.4. Even if the WTO gets off to the best possible start, it will not achieve on its own the welfare objectives which are needed to make world development socially and environmentally compatible.

7.4.1. If we accept that multinationals play an increasingly important role in world trade (cf. points 2.4 and 2.8), and we refuse to ignore the influence the financial markets have on the real economy (cf. points 1.8 to 1.8.2), then the creation of an international framework to ensure well-balanced and universally acceptable interaction between markets, development and democracy becomes imperative.

7.4.2. The prospect of a new 'Bretton Woods' agreement is an attractive one, but if it is to be more than just an empty promise, and/or produce nothing more than streamlined versions of existing international organizations, acting according to the dictates of the great economic powers, then it must provide an adequate, open forum in which international society can articulate its basic requests.

7.5. Within the confines of the present Opinion on the Regional Structure of World Trade, the following conclusions set out comments and suggestions intended to underpin the EU commitment to consistent implementation of the policies laid down by the Treaty (particularly Articles 3b and 3q).

7.6. The albeit brief analysis outlined above shows that regional integration achieves optimum results in terms of general welfare, when:

- development levels, technology and production of the partners are similar;
- integration takes place against a background of liberalization, both within and outside the area;
- the parties concerned are highly motivated economically and politically, or have an agreed, comprehensive plan and follow it through with consistency;
- there is substantial scope for economies of scale.

7.7. Integrated areas — either 'de facto' (regionalizations) or 'de jure' (regionalisms) — can be set up even where one (or more) of the above factors is weak or missing, but the successful outcome of the venture will be greatly affected, as will the creation/diversion of trade flows, and particularly development, both within and outside the area in question.

7.7.1. It is clear that only an ambitious venture, involving a certain amount of institutional machinery, will be able to produce arrangements for offsetting the weak or missing factors (e.g. EU cohesion policy, which aims to overcome the development gap between some Member States).

7.8. The factors listed in point 7.6 can be used to gauge the success or otherwise of the various regionalist ventures which have been launched in different areas of the world. They are, however, insufficient to explain certain situations in detail (e.g. the problems involved in African integration projects or, at opposite extremes, the enormous potential of de facto integration in Asia).

7.9. The Community experience of regional integration is undoubtedly the richest, most complex and long-lasting.

7.9.1. When the Community was founded, the four conditions outlined in point 7.6 were all present, the consequently the EC was unlikely to form a trading bloc. As it developed, and — more importantly — enlarged, the initial relationships changed, making it necessary to adjust policies or introduce new ones (e.g. at Community level, new budgetary measures, cohesion policy, etc.).

7.9.2. Although the Community offers an excellent example of integration, it would be unrealistic to use it as a blueprint elsewhere without any changes. Each integration project has to meet specific needs, and these will, in the final analysis, determine objectives, strategy and time-scale.

7.9.3. In its relations with the rest of the world however, the Community would be wrong not to hold up two aspects of integration which have stimulated particular interest among our partners for some time: 'social Europe', and our way of handling areas of diversity. These are the two examples most often cited by external partners when referring to the appeal of the Community.

7.10. The present Opinion should try to establish whether the Community experience has led to an increase in general prosperity for the Member States

⁽¹⁾ A. Sapir, *La négociation de l'Uruguay Round: leçons pour L'Union Européenne*, 1994.

and their external partners, and offer guidelines for future EU tasks and responsibilities.

7.10.1. There is no doubt that the Member States have consistently derived a wide range of benefits from Community membership, and that these benefits would never have materialized without their common commitment.

7.10.2. The impact of integration on non-EU countries is not so straightforward in greater detail. Clearly, the abolition of internal tariffs has gone hand-in-hand with a reduction in external tariffs. The EU has one of the lowest levels of tariff protection in the world, particularly for LDC imports (an average of 1.9%). Some researchers believe that, had they not joined the EC, the individual Member States (particularly those with the strongest economies) would have maintained much higher levels of protection (producing greater diversion of trade flows), and would have been much less flexible in multilateral negotiations than they actually proved to be as members of the Community. Moreover, the smaller countries actually increased their bargaining power by joining the Community.

7.10.3. As already noted, the CAP is often labelled protectionist. Not only is the CAP blamed for deflecting trade flows, but it is also held directly responsible for an increase in poverty in certain areas of the world, particularly in Africa, the Mediterranean area, and, more recently, the CEEC.

7.10.3.1. Many people consider that the CAP — as a protectionist policy — is typical of the Community as a whole. There is little point, however, engaging in a futile argument as to whether, and to what extent, the CAP has impoverished African LDCs and the Maghreb countries, and whether it is an obstacle to development in the CEEC.

7.10.3.2. We should, however, stress the need to:

- proceed along the path outlined by the McSharry reform;
- order a complete rethink of Mediterranean policy (along the lines suggested by the ESC in its various Opinions on the subject);
- strengthen relations with ACP countries, and ensure that the forthcoming review of the Lomé Convention guarantees resources for cooperation-policy integration and allows Europe's socio-economic organizations to play a more decisive role in the social and economic dialogue with ACP partners (e.g. arrangements for monitoring current policy);
- formulate a genuine development cooperation policy, which takes into account the needs and problems

facing each individual area, and considers them in the light of current and future Community policies;

- make the Generalized System of Preferences more logical and transparent (e.g. by reducing the range of preferences, and providing more clear-cut criteria for allocating them), thus hindering any further shift towards a 'star system'.

7.10.4. Similarly, protectionist policies in sensitive sectors (textiles, steel, automobiles, etc.), all too often give rise to sterile discussions, or, worse still, to intervention whose sole aim is to placate the country or organizations concerned. Community and Member State authorities should be urged to seek structural solutions to the problems of these sectors.

7.10.5. More complex strategy is needed to deal adequately with the concerns of the CEEC. As already mentioned in point 3.7.2 and 3.7.3 of the present Opinion, the EU — hopefully enlarged to take in the four countries of the EEA — together with the CEEC, makes up, at least in theory, a vast area of continental integration (the 'common European home').

7.10.5.1. If we are to get beyond vague hopes and expectations, or misleading arguments concerning the costs/benefits of such a venture, then priority must be given to devising a viable plan which takes in all the political, economic and institutional aspects involved. More specifically, a coherent trade policy could be formulated to accompany the plan.

7.10.5.2. In the meantime, it is essential that the CEEC association agreements be stripped of the more patently protectionist measures, by unilaterally opening up EU markets to key products from the countries concerned.

7.10.5.3. At the same time, aid and cooperation policy should be stepped up to ease CEEC transition to the market economy, and all necessary decisions taken, particularly those concerning resources.

7.11. The ESC believes that relations between the EU and Africa are a priority for attention: it therefore intends to make a deeper analysis at the earliest opportunity in an Own-initiative Opinion. In relations with other developing areas of the world, particular attention should also be paid to Latin America (cf. the recent ESC Opinion) and Asia.

7.12. Asia has been neglected for far too long. De facto integration and existing regionalisms have not

thus far received due attention from the Community. The EU should make up for lost time, and establish a clear, constructive dialogue with these areas (particularly with ASEAN), inviting them to cooperate in certain key sectors (e.g. upgrading of human resources, research, etc.). A similar dialogue should be initiated with Japan, as discussed at length elsewhere (cf. ESC Opinion for more specific details).

7.12.1. For some time now, many Member States have focused their interest and action on China. The enormous potential of this extremely complex country should be studied in detail. In their relationships with China, it is to be hoped that the EU and the Member States exercise maximum cooperation and develop a coherent foreign policy, mindful of the fact that the Treaty provides for a foreign policy which aims to 'safeguard the common values, fundamental interests and independence of the Union', and 'develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms'.

7.13. The EU should attempt to gain a deeper awareness of what the APEC actually involves. A stance similar to that adopted towards ASEAN might be useful here. However, many people question the stability, strength and potential of this vast, diverse association.

7.14. Relations with the United States have recently improved in many respects. The EU must ensure that the trend continues by stepping up discussion, and making the most of the political climate afforded by the Clinton presidency and the entry into force of NAFTA. The ESC could contribute by opening up a dialogue with interested socio-professional groupings.

7.15. On the multilateral front, the EU should endeavour to fulfil its commitments under the Uruguay Round as soon as possible, and start by terminating the

agreements on voluntary export restraints (VERs) with non-Member countries.

7.15.1. The EU's main responsibility, however, lies in promoting the social dimension (e.g. by backing the proposal for a WTO social clause), to maintain and encourage the widest possible discussion with other integrated areas, and to define international regulations for fair trade (e.g. by encouraging an anti-trust code — and, even more importantly — anti-trust policing arrangements: here, the recent agreement with the US could be used as a model).

7.16. On the internal front, it has already been argued that the EU should strive to forge links between its trade policy and its policy on cooperation. The ESC is ready to make its contribution, and to this end, would ask EU authorities:

- to make trade policy more transparent, by launching information campaigns and encouraging ample debate among the citizens of Europe in order to involve them fully in the necessary decisions; and in particular to do more to inform and involve the ESC as an advisory body for the Commission and the Council (with regard to this, the ESC intends to ask the 1996 Inter-Governmental Conference to introduce adequate legal provision for compulsory referrals in certain cases);
- to back the ESC's on-going commitment to a dialogue with social partners from integrated areas outside the Community, and to allow an appropriate extension of that dialogue to social partners from other areas;
- to allocate sufficient funds to external relations and development cooperation. This would amount to a reversal of the short-sighted logic which dictates that policy must be shaped within the confines of the available budget, in favour of a more enlightened approach in which the budget is designed to meet vital policy and strategy needs.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

APPENDIX

to the Opinion of the Economic and Social Committee

The following amendment, tabled under the Rules of Procedure, was defeated during the discussion:

Point 7.10.2. Add:

'although other barriers apply to agricultural imports competing with EU agricultural products.'

At the end of the third sentence:

'The EU has one of the lowest levels of tariff protection in the world, particularly for LDC imports (an average of 1.9 %).'

Reason

As 98 % of imports entering from ACP countries are duty-free, the rest are deterred, including by the levy system which applies to any ACP 'temperate' agricultural products over and above those allowed in by quota concessions.

Voting

For: 16, against: 25, abstentions: 14.

Opinion on The Effects of the Uruguay Round Agreements

(94/C 393/31)

On 26 February 1994 the Economic and Social Committee, acting under the second paragraph of Rule 23 of its Rules of Procedure, decided to draw up an Opinion on The Effects of the Uruguay Round Agreements.

The Section for External Relations, Trade and Development Policy, which was responsible for preparing the Committee's work on the subject, adopted its Additional Opinion on 11 July 1994. The Rapporteur was Mr Giesecke and the Co-Rapporteur Mr C. Pelletier.

At its 318th Plenary Session (meeting of 15 September 1994), the Economic and Social Committee unanimously adopted the following Additional Opinion.

PRELIMINARY COMMENTS

This report follows on from the ESC's earlier Opinions and Reports on the Uruguay Round of the GATT talks. As well as making a general assessment of the results of the negotiations — as of the summer of 1994 — it deals more fully with subjects already identified as being of critical importance, as well as the outstanding questions arising from the Geneva package. Given that the agenda of the Uruguay Round was set in the first half of the 1980s, the Committee will go on to study the new questions to emerge as a result of marked developments in the world economy.

1. Introduction

1.1. The completion of the Uruguay Round of GATT negotiations marked one of the most important steps in

the history of trade policy. Despite a difficult economic situation in most of the countries involved, the foundations were laid for the initiation of a hitherto unprecedented liberalization process and for a transparent, fair and comprehensive world trade system. The achievement of a broad consensus on the extensive negotiation package was in doubt right up to the last moment. Failure would have further strengthened the spreading protectionism of recent years in its various forms, occasioned further trade wars and accelerated the looming fragmentation of the world economy into antagonistic trade blocs. Even if the overall result inevitably includes some unsatisfactory solutions, on account of the diverging interests of the 117 negotiating partners, the conclusion and results of the negotiations must be regarded all in all as a success. The negotiating result achieved on 15 December 1993 will only have

passed the test, however, once the reciprocal measures to open markets have been taken by all trading partners and have led in practice to intensified trade.

1.2. The agreements, which were signed in Marrakesh on 15 April 1994, must be ratified by the GATT signatories as soon as possible, so that the period of uncertainty preceding their entry into force can be kept as short as possible. The Committee expects that after the EU, all EU Member States will, where necessary, have completed ratification by the end of 1994. The Committee hopes that the USA and Japan will also proceed in such a way that the agreements can enter into force at the beginning of 1995.

1.3. The present significance of the settlement lies in the stimulus it is likely to give to the still sluggish world economy. Investors and consumers worldwide will be encouraged. In addition to these very welcome short-term effects, it is the long-term aspects of the negotiation results which are particularly valuable: despite some uncertainties, prospects have been opened up for a future world economic order.

1.4. The effects of the settlement should be looked at in terms of:

- the creation of new economic opportunities;
- various potential influences on different sectors in the implementation phase of the agreed liberalization processes (probably 1995-2000);
- the competitive positions and trade strategies of the main world trading partners.

In particular:

1.5. With respect to cross-frontier trade, the settlement recognizes the superiority of competition over any protectionist/defensive policy. It is however important that the new multilateral trade agreement should not exclude the possibility of concluding plurilateral agreements in sectors of particular domestic importance such as government procurement, civil aircraft, dairy products and bovine meat.

1.6. While maintaining the tried and tested GATT principles of non-discrimination and multilateralism, a wider organizational framework has been created, taking account of new forms of international economic cooperation. At the same time, the set of agreements remains open to future, as yet unforeseeable sectors and forms of external trade activities.

1.7. There is less danger now of multilateralism being gradually eroded. If the Uruguay Round had failed, the tendency towards large regional associations might easily have led to the world economy splitting up into separate, isolated blocs. In reality, international trade within the existing regional zones is growing much faster

than world trade as a whole. It is estimated that in the year 2000 more than half of world trade will be carried on within regional preference zones. The new World Trade Organization must now further develop Article 24 of the GATT and establish rules for integrating regional associations harmoniously into the multilateral framework of the world economy.

It is important above all to avoid prejudicing the position of trading partners outside the preference zones. In practice this means that groupings must remain open to new members and that the external protection level must be reduced in parallel to internal liberalization. Under these conditions, the intensification of regional economic relations can serve as a catalyst for world-wide integration. The multilateral framework for this has been created through the conclusion of the Uruguay Round.

1.8. The greater reliability of the multilateral rules will pre-empt bilateral arrangements to direct external trade flows. Market distortions resulting from the increase in bilateral 'managed trade' (e.g. in the form of voluntary self-restraints — a grey area of the old 1947 GATT) have in the past operated mainly to the disadvantage of small trading partners. It is to be hoped that in future the World Trade Organization will have strong powers to impose fair conditions of competition so that small partners are protected from trade pressures exerted by large partners. The new arbitration procedure will play an important role.

1.9. Although tariffs are no longer the main barrier to market access for industrial goods — tariff reductions made up the standard programme of all eight GATT negotiating rounds — this part of the package was hotly debated in the final phase of negotiations. This shows that many trading partners continue to attach importance to the remaining tariffs.

Agreement was reached on tariff reductions world-wide of approximately 33%, which is significantly more than was foreseen in the Punta-del-Este Declaration at the beginning of the Round. Most of the tariff reductions are to be made in five equal annual steps, which gives the industrial branches affected time to adapt. The EU is reducing its tariffs towards all countries by more than a third, and towards the USA by about 50%. The USA is reducing its tariffs on imports from the EU also by about 50%, and towards all countries by almost 40%.

These figures must be treated with caution because of the lack of transparency in US customs nomenclature. However, the Committee regards this as a generally acceptable result although it is tempered by the high US tariffs remaining on certain textile and clothing articles.

1.10. The new world trade system, with improved access for goods, services, know-how and direct invest-

ment, is an important basis for job-creating entrepreneurial initiatives. However, it can only yield positive results if the agreed liberalization measures are consistently applied in the coming years. Integration of the world economy remains a difficult process requiring continuous effort. Because of recession and unemployment, it is to be expected that protectionist tendencies will resurface over the next few years. The transitional period before the new World Trade Organization (WTO) becomes operational will be especially critical in this respect. The signatories to the Uruguay Round Agreements will have to be constantly reminded that in Marrakesh they committed themselves not to act before the entry into force of the new WTO system by introducing any trade restrictions which could jeopardize the agreement package, or parts thereof, or have a negative influence on their implementation (standstill).

1.11. While participation in world trade has advantages for all states, the structural adjustment process brought about by the expansion of world trade nearly always involves economic, social and political burdens. This leads to political opposition from the groups and sectors hitherto protected by trade-control measures. If economic growth is weak and high unemployment persists, there is increasing political pressure on national governments and the Commission of the EU to slow down the necessary structural changes.

1.12. For these reasons alone it would seem necessary to have the results of the Uruguay Round also ratified by the national Parliaments of the EU, thus involving the Member States in responsibility for putting the results into practice.

1.13. Greater efforts are necessary at European Union level, along the lines, for instance, of the Commission's December 1993 White Paper on Growth, Competitiveness and Employment. Moreover, even at this stage — before the formal entry into force of the Geneva accords — the EU must demonstrate its political will to support the principles of the new WTO and contribute to their shaping.

1.14. In order to gain the necessary political support, there should in future be more public discussion at all levels of the advantages to be gained from free world trade. This is a difficult task as experience shows that the gains to consumers and taxpayers are sometimes widely diffused and only felt in the long term. In contrast, the ones to lose from the necessary restructuring process most feel their losses directly. In the years to come political leadership will be needed more than ever in trade policy so as to enable the seeds sown by the Uruguay Round to take root. Structural and backup policies must create an environment in which a) the Community's economy can take full advantage of the market liberalization measures agreed in the Uruguay Round and b) any adverse consequences are mitigated.

1.15. At the start of the Uruguay Round the growing interdependence of national economies made it necessary to include new subjects in the negotiations, and similarly the World Trade Organization is now faced once more with the need to address new subjects quickly. Apart from the trade aspects of environmental protection, competition and social standards, these subjects also include a comprehensive set of rules on direct investment.

There are other important questions which have not yet been tackled, since they were not yet identifiable in 1986 at Punta-del-Este. One of the main tasks of this kind is the integration of the former socialist countries into the world economy. In addition, regional integration processes have deepened to such an extent in all parts of the world that the rules of behaviour for the formation of preference zones need to be spelt out in much greater detail.

1.16. No solution has yet been found for the structural causes of the stubborn external trade imbalances of Japan and the USA. These macro-economic causes go far beyond the trade policy questions of GATT and the Uruguay Round.

Despite some progress in the Uruguay Round, it is also urgently necessary to carry out an in-depth analysis of the behaviour of sub-national political units not bound by the rules of GATT, such as the federal States of the USA, whose measures often have trade policy repercussions. Thus US protectionism in the banking sector is based both on federal laws and on laws of the individual States. It seems doubtful whether the agreements reached in the Uruguay Round are sufficient to prevent the results of the Round being undermined by measures and laws adopted at subnational levels.

2. Establishment of a World Trade Organization (WTO)

2.1. The General Agreement on Tariffs and Trade (GATT) of 1947, with its numerous sub-agreements, was hitherto provisional. It did not have legal personality, nor an organizational framework laid down in statutes. The many sub-agreements had been pragmatically concluded with various members and in various legal forms.

2.2. Inadequate procedures for assessing and condemning behaviour, the difficulty of enforcing the rules, particularly vis-à-vis the major trading nations, and problems with the safeguards clause meant that the credibility of the international trade order was not equal to the challenges of a rapidly integrating world.

2.3. The Committee expects that the establishment of the World Trade Organization (WTO) will strengthen the institutional machinery of the world trade system, in that administration and practical application of

agreements should become more transparent and efficient. Ongoing monitoring of the agreed rules, together with effective dispute settlement, should lead to more disciplined behaviour. The transition to an effective system of this kind will not be easy, particularly for the stronger world trading partners. However, they are the very ones who are being called upon to lend credibility to the new system. The Committee expects the European Union to behave accordingly even now during the critical transitional period.

2.4. The overall WTO system improves legal certainty and ensures a similar level of commitment for all WTO members. The Committee welcomes the requirement that all WTO members bring their legislation into line with their commitments under the Agreement. In cases of controversy, they must comply with the rules and procedures of the integrated arbitration procedure. Naturally this also applies to the USA.

2.5. The Committee notes that the WTO structure still to be established is likely to give this organization a stronger political role than the one which GATT could play. This is significant in relation to the IMF and the World Bank, but especially in relation to its Member States.

2.6. The WTO must be organized in such a way that in future it not only provides a dispute settlement service but also paves the way for some form of permanent negotiation and coordination process for trade issues. It must remain receptive to new subjects and tasks, so that the multilateral trade system, after its institutional strengthening through the Uruguay Round, can react flexibly to the dynamic trends of the world economy.

2.7. Thus there is a whole range of tasks awaiting the new World Trade Organization. Trade policymakers in Europe, the USA, Japan and the Third World will have to demonstrate innovative capacity and flexibility in day-to-day policy, but also firmness on questions of principle.

2.8. The Committee expects the EU to cooperate constructively with the new bodies:

- the Ministerial Conference, the WTO's supreme body;
- the General Council, responsible for monitoring the agreements, the dispute settlement procedure and the trade policy review;
- the specialized councils for trade in goods and services and the protection of intellectual property rights;
- the sub-committees set up by these bodies (e.g. the finance and services committee, the establishment of which has already been decided).

2.9. The greater transparency, and to some extent the stronger legal basis underpinning procedures and decisions in the many new areas, will pose considerable organizational and staffing challenges for the WTO secretariat to be established on the basis of the old

GATT secretariat. To this end, adequate financial resources must be provided. The Committee expects the new authorities to work with the same efficiency and independence as the old GATT secretariat.

2.10. With a view to possible additional tasks for the WTO affecting politically sensitive national powers, the Committee is pleased that both the EU and the EU's Member States are to be full members of the WTO, as is in any case required under the General Agreement on Trade in Services (GATS). The detailed division of powers will, it is hoped, soon be clarified by an unambiguous judgement of the European Court of Justice. To avoid a halt in the negotiations, a pragmatic approach, based on the accumulated experience of Uruguay Round cooperation, should be adopted, emphasizing external cohesion and internal solidarity.

3. Dispute settlement

3.1. Weaknesses of the GATT hitherto have been long drawn out dispute settlement procedures and the impracticability of sanction mechanisms. Strong trading partners could ultimately decide for themselves whether they wished to accept a settlement. In many cases, breaching the GATT rules had no serious consequences for them.

3.2. The larger trading partners — first and foremost the USA — therefore developed their own unilateral retaliation instruments. The credibility and reliability of GATT were thereby undermined, and the path was cleared for bilateralism.

3.3. The new dispute settlement procedure, which is to apply equally to all parts of the WTO agreements, is accelerated by laying down time-limits, and operates automatically. Decisions must be accepted in full. An appeal by one side against a decision is possible: the appropriate appellate body is yet to be set up within the WTO.

3.4. The new rules should considerably improve the effectiveness of the world trade system. In the Committee's view, this new dispute settlement procedure should provide greater security and predictability. Weaker trading partners can be better protected against unilateral action by politically and economically stronger countries.

3.5. In the Committee's view the success of the new procedure will depend on the effectiveness of the sanctions (retaliatory measures) imposed by the dispute settlement body.

3.6. Where possible, retaliation (as has been the case to date) is to be taken in the same sector as that in which the breach of the agreement was noted. What is new

is the possibility of cross-retaliation⁽¹⁾ in exceptional circumstances if the abovementioned measures prove ineffective. The new procedural rules are to be reviewed after four years.

3.7. Although the WTO will have greater capabilities than the old GATT, its deterrent effect against infringements will in the Committee's view remain uncertain if leading trading countries continue to be unwilling to submit to the dispute settlement body's decisions.

4. US trade policy

4.1. According to all the views expressed so far, there is no doubt that the US Congress will endorse the results of the Uruguay Round (by the fast track procedure).

4.2. The EU must seek to ensure that the Congress, in transposing the agreements into national law, does not interpret them too restrictively. In addition to the textile industry, which traditionally opposes any new liberalization of imports, it must be assumed that the US will resist the new rules on subsidies and dumping and challenge the form to be taken by the WTO.

4.3. The final package of the Uruguay Round includes the agreement to bring national laws into line with the new obligations. Close attention must therefore be paid to US trade policy instruments. It is particularly doubtful whether the market-opening procedure laid down by Section 301 can be reconciled with the new WTO dispute settlement procedure. The Americans obstinately assert that neither the *raison d'être* nor the application of Section 301 is affected by the results of the Uruguay Round, and even claim that the reintroduction of the so-called 'Super 301' is permitted. ('Super 301', which was introduced in 1988 and expired in 1990, provided for the automatic initiation of procedures to impose trade sanctions after official identification of obstacles to US exports.) On 3 March 1994 the US President revived this legal provision by an 'executive order', after leading Congress members had called for it to be used against Japan.

4.3.1. The Uruguay Round agreements also include the obligation on all partner countries to ensure respect for all rules of the 1994 GATT at regional and local level within their territory. The Committee expects the EU to demand compliance with this obligation, particularly on the part of the USA. If necessary, the new dispute settlement mechanism should be used.

4.3.2. While fully understanding the US demand for Japan to open its market, the Committee is disturbed by the USA's unilateral action, since the results of the multilateral Uruguay Round are thereby weakened. The USA must be expressly called upon to respect the agreed 'standstill' on all trade restrictions.

4.4. The European Union should promote the rapid implementation of the new multilateral dispute settlement procedure, which has many advantages over the old procedure and is more efficient. The use of unilateral sanctions by individual States would then inevitably be more circumspect and would eventually lose all justification. The Committee therefore warns against any escalation in the establishment of unilateral instruments, which would run entirely counter to the results of the Uruguay Round; otherwise the EU might feel obliged to respond in kind.

4.4.1. With regard to the dispute between the USA and Japan, the Committee believes that the EU and the USA are pursuing the same aim of opening up Japanese markets. However, this should not be done on a bilateral basis.

5. Subsidies

5.1. Subsidies for internationally traded goods and services have often led to serious trade conflicts in the past. The Uruguay Round therefore agreed on clearer rules and improved discipline both for the granting of subsidies and for the taking of countermeasures in the form of compensatory duties. The Committee thinks that the division of subsidies into three categories — prohibited, actionable and non-actionable is helpful.

5.2. The following are forbidden: export subsidies, including subsidies with a similar effect to an export subsidy, and subsidies which compensate for local content provisions. The following are permitted: limited subsidies for industrial research and pre-competitive development, as well as for environmental protection measures. The Committee has also noted with satisfaction that State support payments for structurally weak regions are permitted. All subsidies must expire automatically after five years and be adopted anew if necessary.

5.3. For developing countries facilities were agreed both for the granting of subsidies and for compensatory measures on the part of industrialized countries. The Committee expects these facilities to be linked with an ongoing assessment of the stage of development of the countries availing themselves of these concessions.

⁽¹⁾ Cross-retaliation: breaches of the agreement leading to sanctions regarding other products or other sectors of the economy.

6. Agriculture

6.1. The agreement reached during the Uruguay Round for the agriculture sector establishes a framework for long-term reform of trade in agricultural products and of the domestic agricultural policies of the GATT Member States.

In particular it includes new rules regarding undertakings to be given by Member States concerning access to markets, internal aids for agricultural production and export subsidies.

Within these parameters, the compatibility of the reform of the common agricultural policy mechanisms with the international obligations of the European Union is confirmed.

6.1.1. As regards 'access to markets', non-tariff measures at borders ('levies') are to be replaced by customs duties (tariffs) which the EU is then required to reduce by 36% over a period of six years starting from July 1995.

A 20% reduction must be made over the same period in 'internal market support'. Measures which have a minimal effect on trade (aid to limit production, aid for environmental protection, direct income subsidies decided as part of the CAP reform, etc.) are exempt from this reduction.

Finally, the EU commitment to cutting 'export subsidies' by 36% over the six-year period, based on 1986-90 levels, has significant implications.

6.2. One of the aims of the Commission was to help bring agricultural trade in line with the needs of the market. The result of the negotiations undoubtedly makes it possible to achieve this aim. With particular reference to Mediterranean products, it should be noted that EU commitments for products (e.g. fruit and vegetables including citrus fruits, tobacco, wine, olive oil, etc.) for which Community preference has been extensively dismantled under a series of agreements with non-EU countries and for which there is little internal market support, penalize Community procedures seriously. As these penalties were not anticipated, the CAP reform makes no provision for compensation.

6.3. The various implications of the question whether the agreements reached in the Uruguay Round are compatible with the CAP prompt the Committee to express certain reservations and make certain comments.

6.3.1. The Commission should make sure that the opening up of European markets, together with a reduction in the subsidizing of exports, does not lead to

a new imbalance on European agricultural markets. However, the agricultural agreement negotiated in the Uruguay Round allows the European Union a certain scope for manoeuvre in relation to Community preference, the development of non-subsidized exports and the adjustment of internal support measures.

6.3.2. Community preference: the Community concept of tariffs and its interpretation of the special safeguard provisions (Article 5 of the Agreement on Agriculture) guarantees the maintenance of a certain Community preference until further notice. It is of decisive importance to transpose these special safeguard provisions into Community law, and lay down precise implementing rules which ensure these provisions' automatic application and effectiveness.

6.3.3. Export obligations: the reduction in the volume of subsidized exports (down by 21% on average for 1986-90) and the 36% cut in EAGGF Guarantee Section expenditure will doubtless have an impact on agricultural incomes. A study therefore needs to be carried out into how the CAP can adjust to this new situation.

6.3.4. Domestic support measures and 'due restraint' clause: under Article 6 and Annex 2 of the Agreement on agriculture, internal protection measures are classified in three 'boxes' (yellow, green and blue). Any new support measure or change to an existing measure must be notified to the WTO's committee on agriculture. The 'due restraint' clause is linked to the condition that the commitments entered into in respect of the measures in the yellow and blue boxes are adhered to. These provisions must not jeopardize the CAP's ability to adapt to changes in European and world economic conditions. This is particularly important in the case of the unreformed common market organizations, e.g. for wine and fresh fruit and vegetables.

6.4. The opening of the markets of the European Union and of third countries is likely to increase international trade in agricultural products. The extent of this growth in agricultural trade cannot of course be quantified. When the new common market organization is in place, care must be taken to ensure that no preferential treatment is given to countries which are in competition with the European Union.

7. Financial services

7.1. The Uruguay Round saw the first negotiations on the liberalization of financial services worldwide. Although the USA pressed for these negotiations at the beginning of the Round, its willingness to liberalize diminished sharply when mainly East Asian and Latin American countries showed little readiness to make concessions. However, at the end of the Round, thanks to the efforts of the Commission, the USA was persuaded to apply the MFN principle to access to financial markets

— albeit subject to certain conditions for the time being. As a result, most favoured nation status is to apply to all GATS signatory states in the first six months after GATS' entry into force. Each country can then decide whether it will grant definitive MFN status to its GATS partners and whether it will comply with the liberalization commitments made.

7.2. This preliminary trial period, which is associated with a 'due restraint' requirement, had led to pressure being put on the signatories to liberalize their markets further. The USA and the EU are attempting to get Japan, South Korea and other South-East Asian countries, whose offers have so far been unsatisfactory, to make improvements. The legislative processes required in some cases are already underway in some of these countries.

7.3. The possibilities of access to US and EU markets are unevenly balanced at the moment. While US financial institutions have broken into the European market on a large scale, European institutions have no comparable opportunities for exercising their activities in the USA. The EU should therefore insist upon equal market access opportunities, not only vis-à-vis the USA but also vis-à-vis other partner countries.

7.4. During the forthcoming period of uncertainty when MFN application is to be subject to certain conditions, the European Union must be careful to ensure that all GATS partners comply with their temporary commitments, if only to make sure that the negotiating climate for the unlimited introduction of free market access, including the application of MFN, does not worsen.

8. Audiovisual services

8.1. In April of this year the Commission issued the Green Paper on Strategic options for strengthening the programme industry in the framework of the European Union's audiovisual policy [COM(94) 96]. It recognized this sector's leading role among the economic sectors with high growth and employment potential.

The Committee will give its views on this Green Paper separately. The present Opinion deals only with the international context of the European programme industry.

8.2. The audiovisual sector — together with all other commercial services — was brought into the GATS. Failure to achieve agreement with the United States, however, means that at present the EU has not committed itself to any form of liberalization. It is only committed to transparency in connection with any new measures. However, no later than five years after the setting-up of the WTO, negotiations must be opened with the aim of achieving some liberalization, primarily in the treatment of domestic operators and in market access.

8.3. The most recent studies suggest that the demand for audiovisual products in Europe will double by the end of the century. Over the same period the turnover of this labour-intensive economic sector will rise from ECU 23 bn to ECU 45 bn. Since at present the major Hollywood studios account for about half the programmes of Europe's radio and television channels, and over 80% of cinema revenues, there remains considerable scope for conflict. While some EU Member States reject further opening up of the market, the US administration is already threatening measures to compel market opening.

8.4. The Committee shares the view expressed by the Commission in the Green Paper that the openings available for the time being for promoting the programme industries should be exploited immediately. The aim should be to strengthen these industries' international competitiveness — an aim which should be achieved in particular by making use of the 'digital revolution'.

8.5. While respecting the principle of subsidiarity, the energies of the European film and television industry should be focused on efficient cooperation, and the framework for achieving this should be created. This would include discussions on the convergence of national support systems.

8.6. The Committee also welcomes the Commission's view that the programme industries (currently undergoing restructuring) in the countries of central and eastern European should be included in its analysis from the very start. Such industries can tap the creative potential available in Europe and express the intrinsic values of Europe's peoples.

9. Cross-border movements of persons

9.1. The Uruguay Round negotiations and provisions on the liberalization of conditions of access for workers, which relate only to the services sector, have not yet been finalized. Under GATS the negotiations are supposed to be completed within six months of the establishment of the WTO. This is above all in the interests of the developing countries. The EU Member States follow differing policies on this matter, depending on their interests.

9.2. Third country employed and self-employed workers have become an integral part of working life in the EU. The emphasis, however, should not be purely on the work performed, but also on the acquisition of skills which can then be of use to the countries of origin.

9.3. Easier conditions of access can only be beneficial to all concerned if the latter are smoothly integrated into the labour market system; this is particularly true of the highly developed services sectors, which have the

greatest growth potential. As it is, the EU labour market is already under strain with the supply of skilled workers far outstripping demand.

9.4. GATS is concerned however not with a general opening up of the EU labour market to foreign workers, but rather with the liberalization of the movements of persons needed for the trade in services. The dividing line between the opening up of the market for services and the protection of the EU labour market is difficult to draw. For the reasons set out above, full liberalization should not be advocated. In any case care should be taken to ensure that providers of services from non-EU countries possess the minimum qualifications laid down by the EU.

9.5. On the other hand, the temporary use of foreign providers of services in some sectors would be beneficial. They could for example serve to bridge a temporary shortage of labour or to provide specific services. This would make sense particularly where these providers of services are closer to hand than EU labour. This would contribute to greater economic flexibility and rationalization.

9.6. Making it possible for skilled workers to provide services in the EU for a limited time would also benefit the economic development of non-EU countries. A reciprocal opening of markets should also be sought from non-EU countries where appropriate. However, further strains on the European labour market must be avoided.

10. Trade and competition

10.1. GATT has so far concentrated on the removal of trade barriers caused by state measures. With a few exceptions (e.g. GATT-Tokyo Round: Code on Restrictive Business Practices, OECD Guidelines for Multinational Enterprises) little action has been taken against the competition-distorting behaviour of private enterprises operating worldwide.

National powers to safeguard competition have not been able to keep pace with the globalization of markets. Thus, national differences in the competitive behaviour of firms and differing competition laws have led increasingly to trade barriers.

10.2. The Committee feels that the harmonization of national competition policies needs to be advanced and the objective of internationally valid rules of competition pursued. The removal of government barriers to trade, agreed in the Uruguay Round, needs to be supplemented by rules to prevent restrictions on competition by companies. Conditions of competition should as far as possible be equalized on the basis of internationally harmonized rules for companies engaging in external

trade. This also applies to national and international state monopolies and cartels (e.g. transport rates, telecommunications charges, OPEC). Companies will then have legal certainty for planning international activities, which will in turn help secure the jobs they create.

10.3. If competition rules are to be efficiently harmonized, legislation has to be enforceable internationally.

10.4. If it is not yet possible to achieve the broad consensus on the rules of the market economy and competition needed for this objective, the Committee feels that the raising of national minimum standards and their gradual harmonization would be a worthwhile start. Developing countries should be assisted in establishing and developing cartel legislation and authorities if they so wish.

10.5. The discussion of an International Antitrust Code is a major contribution to the harmonization, or at least convergence, of national competition law. The OECD has been doing important preparatory work in this area for some time. In this context the bilateral agreement between the EC and the US Government on application of the competition rules should also be mentioned.

10.6. A group of independent international lawyers last year submitted to the GATT a draft International Antitrust Code containing a practicable basis for identifying behaviour that restricts competition and for enforcing rules of competition. The Code lays down minimum standards for competitive behaviour where this has cross-border effects. It is based on two principles which the Committee considers need to be observed:

- a) Individual countries' sovereign control over competition law would remain largely unaffected, as the standards contained in the Code are to be transposed into national law and thus enforced by national authorities and courts.
- b) The Code would be implemented by an international antitrust authority which could require national authorities to intervene against violations of competition rules and, where necessary, bring actions in the national courts. In cases of dispute, a binding multilateral settlement procedure based on the new WTO procedure would apply.

10.7. A Code of this kind could be used against national restrictions on competition of a structural nature, such as export cartels, strategies for driving specially targeted firms out of business, voluntary restraint agreements etc, which are difficult to identify, and could replace unilateral trade policy instruments which always lead to conflict.

10.8. The Committee advises the Commission to look at these proposals carefully and possibly implement them in stages. The new WTO could be given the powers of an international antitrust authority from the outset. It will in any case be responsible for the necessary law enforcement initiatives.

11. Direct investment

11.1. Direct cross-border investment has grown considerably with the internationalization of business activity. Even small- and medium-sized firms are increasingly investing abroad.

This trend still faces obstacles in many countries: foreign investors are discriminated against in such areas as the right of establishment, capital transfers, company purchases and public invitations to tender.

11.2. In the Uruguay Round the effects of measures restricting investment on cross-border trade (trade-related investment measures (TRIMs)) have been settled. Thus, foreign investors are to be granted the same treatment as nationals in relation to conditions on local content, procurement or minimum export quantities. Quantitative restrictions are prohibited. Conditions still in force must be notified to GATT and removed within two years (or five to seven years in the case of developing countries). GATS and TRIPS also include rules on investment.

11.3. The problems raised by direct investment are however much more wide-ranging. For investors, the question is how the general conditions for foreign direct investment, in particular in the developing countries and the reformist former communist countries of central and eastern Europe and the CIS can be improved and comprehensive legal protection ensured.

Countries receiving investment want to know about the behaviour of the large multinationals in particular and to have checks on any restrictive business practices.

11.4. The Committee feels that the EU should aim to achieve a lasting improvement in the investment climate in these countries; the conclusion of investment treaties by the EU Member States is particularly important in this respect. Guaranteed protection of property, equal treatment of domestic and foreign investors, guaranteed freedom to transfer capital and profits subject to the fiscal laws of the host country and unimpeded access to international mediation, are preconditions for long-term commitment on the part of foreign investors. The latter in turn are expected to abide by international codes of best practice drawn up, for example, by the OECD and the International Chamber of Commerce.

11.5. The Committee condemns practices, designed to attract foreign investors, which disregard internationally recognized standards in any sector.

11.6. Reliable and transparent rules on direct investment should in the longer term be enshrined in a comprehensive multilateral system of rules. The EU should do all in its power to support moves in this direction at the World Bank, the OECD and in the current negotiations on a European Energy Charter. Ultimately there should be a GATT for investment.

12. Social standards

12.1. The development and observance of minimum social standards rank among the achievements of modern industrial society. The ILO's Conventions lay down minimum standards to be aimed for worldwide: respect for basic human rights, prohibition of child and forced labour, basic rules on safety at work and health protection, freedom of workers to organize themselves and conclude collective wage agreements. The minimum standards do not cover wage levels.

Other international, and especially national, provisions go much further.

12.2. Once again, the Committee urges that the working programme of the World Trade Organization should include a 'social clause'. This should be based on Conventions adopted by the ILO — to which virtually all the world's countries belong — and particularly those concerning:

- abolition of forced labour (Conventions 29 and 105);
- the right to organize and collective bargaining (Conventions 87 and 98);
- minimum age for work and abolition of child labour (Convention 138);
- ban on discrimination in the workplace and equal pay as between men and women for equal work (Conventions 100 and 111).

12.3. In its complex negotiations with the developing countries, the EU should advocate adoption of these minimum social standards. The credibility of this approach would be strengthened by appropriate support measures as part of the development policies of the EU and the Member States.

12.4. In principle, economic cooperation leads to more lasting successes than political pressure. At all events, enforcement mechanisms should be based on a

future set of multilateral rules and the new WTO could be a suitable forum for the drafting of these rules.

12.5. The Committee trusts that the Commission will vigorously promote the work that will have to be done to pave the way for discussion of the subject in the WTO, and will conduct the later discussion in a constructive spirit.

12.6. Work under the ILO Conventions should be continued, although important parts of them have not been ratified by either the USA or certain EU Member States. Discussions in the OECD, even before the negotiations in the WTO, could be helpful here.

12.7. Moves to take social standards into consideration at WTO level might in the long run help to stabilize international economic relations, by reducing protectionist pressures from the most developed countries. Multilateral settlement of disputes would stifle the temptation to impose bilateral sanctions, and reference to texts already accepted by most States (the relevant ILO Conventions) would reduce the risk of unilateral positions being adopted, as has frequently occurred in the past.

12.8. Voluntary European fair trade marks offer a supplementary route to raising ethical and social standards in developing countries. These marks offer consumers a guarantee that the developing country workers who produced the marked goods received fairer wages and better conditions. Companies who operate such ethical standards and apply for fair trade marks are rewarded by the ensuing publicity and sales to interested consumers. The EU should fund these initiatives and help them to expand.

13. Environmental protection and trade

13.1. Environmental protection is explicitly enshrined in the WTO preamble as an objective. A work programme was agreed on in Marrakesh for analysing the links between trade and the environment. The Committee hopes that forward-looking recommendations will be drawn up on this basis for adapting international rules.

13.2. In view of the globalization of environmental problems and the effort to liberalize world trade, the conflicts which frequently exist between trade and environmental objectives are coming more and more to the fore. The Committee regrets that the international harmonization of environmental standards is still in its infancy.

13.3. Environmental protection still has low priority in the Third World countries, which consequently have reservations about too strong a linkage between trade and environment policy; in particular, they fear that the more industrialized countries could pursue a protectionist trade policy on an environmental pretext.

13.4. In the EU, however, environmental protection has great importance. The Committee itself has repeatedly argued for it.

13.5. Since high environmental protection standards also lead to differing conditions of competition both within the EU and in comparison with third countries, it is desirable to raise environmental protection standards worldwide. Even if developing countries have other priorities at present, raising these standards is undoubtedly in their interests also. The Committee recommends that the EU should support the planned work in the appropriate fora with the aim of drawing up, worldwide, environment guidelines which are binding on national legislators and directed towards upward harmonization. Compensatory aid based on the model of the Montreal Protocol to enable developing countries to adopt appropriate measures will be essential.

13.6. The case for imposing environment standards on other states through trade-restricting measures is questionable. The Committee is opposed to individual states exercising unilateral trade policy pressures in order to impose their own environmental standards. However, multilateral action should be possible against individual states which do not comply with agreed levels.

14. Public procurement

14.1. To coincide with the end of the Uruguay Round a group of important partners in world trade, including the EU and the USA, concluded a new Plurilateral Agreement on Government Procurement. The new agreement, which replaced one dating from 1979, was further expanded during the Marrakesh Conference.

14.2. The Committee welcomes these agreements and expects from them a genuine reciprocal opening-up of important markets in government procurement. It calls upon the Commission to press on vigorously with the further negotiations planned. The Committee is fully aware that a serious impediment to more open markets lies in the state telecommunications monopolies in some EU countries, which even reject competition within the EU.

14.3. The Committee sees considerable potential in the transport and telecommunications sector for negotiating the opening-up of the huge US procurement markets for transport vehicles, airport equipment, waste processing and structural steel for motorways. These are all sectors in which the USA is unwilling to dismantle the Buy American laws.

15. Harmonization of standards

15.1. The increasing worldwide exchange of persons, goods, services, capital and rights makes it imperative to observe internationally agreed standards in such areas as environmental protection, social affairs (including worker migration) and the behaviour of companies in international competition.

15.2. Making the observance of internationally agreed minimum standards a prerequisite for free market access is an idea which suggests itself, especially as the new world trade authority, the WTO, is to be given greater powers to monitor and enforce compliance with the rules.

15.3. While the GATT had the aim above all of facilitating access to international markets, moves are now afoot to entrust the WTO with aims other than those relating to trading policy. But there is a danger here of overloading and overstrain. The prime aim of the WTO must remain that of seeing that foreign trade runs as smoothly as possible.

15.4. To the extent that minimum standards are guided by levels applicable in industrialized countries, the developing countries are concerned that at least some element of protectionist behaviour and measures is involved. They see their access to the markets of the industrialized countries as being made more difficult.

Conflicts therefore seem inevitable if the objectives to be pursued are not shared — or not shared to the same extent — by the countries involved in world trade. Special efforts to achieve a political consensus are therefore necessary.

15.5. The Committee would draw attention to the consequences which might arise from such a development and calls upon the Commission to keep this problem under close scrutiny.

Done at Brussels, 15 September 1994.

*The President
of the Economic and Social Committee*
Susanne TIEMANN

Opinion on Monetary Policy

(94/C 393/32)

On 24 February 1994, the Economic and Social Committee decided, in accordance with Article 23, 3rd paragraph of the Rules of Procedure, to issue an Opinion on Monetary Policy.

The Section for Economic, Financial and Monetary Questions, which had been instructed to carry out the preparatory work, adopted its Opinion on 6 September 1994. The Rapporteur was Mr Meyer-Horn.

The Committee unanimously adopted the following Opinion at its 318th Plenary Session (meeting of 15 September).

SUMMARY

1. If economic policies are not now harnessed to launch an energetic, urgent assault on unemployment, the result may be a situation which leaves Economic and Monetary Union looking utopian. If the economic policy required by the recession is properly coordinated, it need not automatically run counter to convergence policies required for the preparation of EMU (point 1.5.1).
2. The convergence programmes must be adjusted to reflect the recession and be developed into convergence-and-recovery programmes. With mass unemployment and recession, greater efforts must be made to coordinate economic and monetary policy in the Community, to observe the common guidelines and to strengthen multilateral surveillance (point 1.5.2).
3. Initial joint monetary policy measures through the EMI would require it to carry out the tasks allocated to it successfully, i.e. strengthening cooperation between the national central banks and coordinating their monetary policies with the aim of promoting price stability (point 2.1.4).
4. The ESC refers to its suggestion that when the time is ripe, the national media should be enlisted in order to provide a comprehensive explanation of EMU, and in particular the replacement of national currencies by a single currency, the ecu, and to boost confidence in the new system (point 2.1.7.1).
5. Reports should be published by the EMI and its relevant working party to keep the public informed on the progress of the discussions on the design of the new ecu banknotes. Unlike format and paper quality, design is not something which can be decided behind closed doors (point 2.1.7.2).
6. The ESC believes that ecu banknotes should be identical in all the Member States. Each denomination could feature front and back a different national, but universally familiar, figure from science or the arts, or a national monument; in this way each Member State would be represented on at least one of the eight banknotes (e.g. 1, 2, 5, 10, 20, 50, 100 and 200 ECU (point 2.1.7.3).
7. The EMI should use its, albeit non-binding, opinions and recommendations frequently and at an early stage to contribute to closer cooperation between the central banks and the coordination of their monetary policies. The EMI will secure the credibility and public confidence it needs in its activities as a precursor of the European Central Bank by issuing well founded opinions and recommendations based on thorough analysis (point 2.2.3).
8. In parallel with closer cooperation between the central banks and coordination of monetary policy, the Member States' economic policies must also be more closely coordinated. The success of monetary policy will depend on the successful coordination of economic policies (point 3.1.1).
9. The ESC feels that the Monetary Committee can play an important role in coordinating economic and monetary policy by thrashing out differences of opinion between the ECOFIN Council and the EMI.

10. It is particularly important that the economic and social groups represented on the ESC be consulted on the issues of monetary stability, employment, investment and production costs, which are dealt with in the Annual Economic Report and the broad economic policy guidelines (point 3.2.2).
11. Regardless of the prevailing average inflation rate, the ESC would like to see the Council of the EMI specifically recommend an ambitious monetary policy stability target before the third stage, offering the prospect of a stable common currency within a monetary union (point 4.2.4).
12. The ESC considers the 'normal fluctuation margins' referred to in Article 109j(1) as a legal concept which does not yet need to be quantified. Retention of the 'temporarily' widened fluctuation margins eases speculative pressure on the ERM grid and makes it possible for exchange rate adjustments necessitated by different levels of convergence to be carried out without drama (points 4.3.5, 4.3.5.1).
13. In the context of exchange rate policy, a coordinated EMI initiative should be considered to bring derivatives within the scope of banking supervision. Bringing derivatives into the ambit of the Member States' banking supervision — if possible in concert with the OECD countries — would reduce the scale of speculative monetary movements on the foreign exchanges, or at least curb their growth (point 4.3.7).
14. The degree of integration achieved with the completion of the internal market also requires a certain approximation of monetary policy instruments, in particular with regard to financial and capital movements and the growing cross-border activities of credit institutions and insurance companies (point 4.5.2).
15. In the field of open market policy, the choice of money market paper, treasury bills, treasury bonds and other securities issued and purchased by the central banks in order to influence the liquidity of the banking system and to some extent that of the entire economy, needs to be brought into line rapidly (point 4.5.3).
16. The EMI should make proposals for a common definition of money supply (M1 or M2) and for its uniform statistical calculation. As the next step, the EMI could consider ways of achieving agreement between the central banks on attaching comparable weight to money supply targets in the second stage, and finally on a certain approximation of money supply targets or margins (point 4.5.5).
17. Approximation of monetary policy instruments and procedures presupposes preparation for a common monetary policy. Drawing up a plan acceptable by consensus during the second stage is an important task for the EMI (point 4.5.6).

MANDATE

The Economic and Social Committee decided to draw up an Initiative Opinion on Monetary Policy, as the ESC wished to express its views on the realization of Economic and Monetary Union, even though consultation of the Committee is not mandatory. Monetary policy is of great importance for the recovery and convergence of the Member States' economies, and thus for the transition to Economic and Monetary Union (EMU) scheduled for 1999 at the latest. Experience of institutionalized cooperation between central banks in the European Monetary Institute since early 1994, and progress on the preparations for a common monetary policy will be taken into account at the intergovernmental conference scheduled for 1996 and in any revision of the Maastricht Treaty on European Union.

1. Monetary policy during the second stage of EMU against the background of the recession

1.1. Monetary policy, whether during the second stage of EMU or thereafter, cannot be seen in isolation. It is not an objective in itself, but rather a component of economic policy — designed where possible to promote steady growth of national output, to create and safeguard jobs, and at the same time to prevent inflation. In the EU, economic policy is also geared to economic convergence [Art. 103(3) Treaty on European Union], eventually leading to economic and monetary union, without which the advantages of the internal market cannot be fully exploited.

1.2. Under Article 109j(4) of the version of the EEC Treaty adopted at Maastricht, the third stage of EMU

is to begin on 1 January 1999, if no earlier deadline is set. At the starting date of the third stage, the Council will adopt the conversion rates at which the currencies will be fixed and at which rates they will shortly afterwards be replaced by the ECU [Article 109l(4)]. A mere four years before the 1999 deadline, however, public interest is focused on mass unemployment and the persistent recession, rather than on feverish preparations for monetary union. A Eurobarometer (40 — 12/93) opinion poll showed that for 67% of respondents, unemployment was the major problem; inflation and exchange rate instability were considered the main problems by only 9 and 10% respectively.

1.3. Even in 1991 during negotiations on the inter-governmental conference considerable doubt was expressed as to the feasibility of EMU. Would it be possible:

- on the one hand to transfer a future common monetary policy to an independent European central bank;
- and on the other, to leave economic and financial policy with the national governments, subject only to coordination in the ECOFIN Council in accordance with common guidelines and without a joint economic and financial policy adopted by some form of 'European government'?

1.4. The most severe recession of the second half of this century and (partly structural) mass unemployment have given rise to new doubts about the EMU decided at Maastricht:

1.4.1. Is there not a contradiction between a) the economic and financial policy needed to cope with 17 million unemployed and b) that dictated by convergence in preparation for EMU?

1.4.2. Does the reaction ⁽¹⁾ to the Commission's White Paper ⁽²⁾ on Growth, Competitiveness and Employment not show how differently these challenges are assessed, e.g. in relation to the investment of ca. ECU 400 bn. in trans-European transport, telecommunications and energy networks in the period to 1999?

1.4.3. Can twelve, and perhaps soon sixteen, Member States regularly reach consensus on the coordination of their economic policies? Can such a consensus be expected after the experience with the first broad economic policy guidelines recommendation of December 1993 ⁽³⁾, and in particular the Commission's

recommendation that the Community should aim to create 15 million jobs by 2000 and thus to halve the present rate of unemployment (1994: 12%)?

1.4.4. Does the prospect of a European Council Decision (under Articles 109g and h of the EEC Treaty) to establish EMU with only half the Member States not threaten to split the Community? Do the convergence requirements of the second stage not already expect too much of Member States with relatively low incomes? Are the resources to be made available from the Structural and Cohesion Funds a suitable way of bolstering efforts by these countries to make progress on real as well as nominal convergence?

1.4.5. In view of these doubts should the deadline for EMU not be postponed and the convergence criteria relaxed to reflect the deterioration in economic circumstances?

1.5. The doubts expressed in point 1.4. have prompted the ESC to supplement its October 1993 Opinion ⁽⁴⁾ on policies to be pursued in the Community during the transitional stage of EMU with this Opinion on monetary policy. The ESC asked how, against the background of the recession, monetary policy could be coordinated and an EMU with a single currency be prepared; it came to the following conclusion.

1.5.1. If economic policies are not now harnessed to launch an energetic and urgent assault on unemployment, the result may be a situation which leaves Economic and Monetary Union looking utopian. If the economic policy required by the recession is properly coordinated, it need not automatically run counter to convergence policies required for the preparation of EMU.

1.5.2. The convergence programmes must be adjusted to reflect the recession and be developed into convergence-and-recovery programmes. With mass unemployment and recession, greater efforts must be made to coordinate economic and monetary policy in the Community, to observe the common guidelines and to strengthen multilateral surveillance. A new recommendation on broad economic policy guidelines (see point 1.4.3) could place more emphasis on active support of economic growth, without however neglecting the medium-term objectives of convergence policy ⁽⁵⁾. With the Internal Market and freedom of capital movements largely in place, economic interdependence and inter-

⁽¹⁾ Cf. the ESC's Opinion on the economic, social and industrial aspects of the White Paper: OJ No C 295, 22. 10. 1994.

⁽²⁾ Cf. COM(93) 700 final, 5. 12. 1993.

⁽³⁾ See Commission Framework of 10. 11. 1993, Commission Recommendation of 24. 11. 1993, Council Recommendation of 22. 12. 1993, based on the Conclusions of the European Council of 10/11. 12. 1993, in European Economy 55/94.

⁽⁴⁾ ESC Opinion, OJ No C 352, 31. 12. 1993, pp. 3-8.

⁽⁵⁾ OJ No C 295, 22. 10. 1994.

penetration is so great that any Member State which goes it alone on economic and monetary policy hurts both itself and its neighbours.

1.5.3. For the ESC, merely softening the convergence criteria is no solution. An adjustment of this kind is not even necessary as the convergence criteria are to some extent relative, i.e. related to the Member States with the best relative performance [Article 109(1)] or open to interpretation [Article 104c(2)]. Moreover, GDP must also be calculated in a uniform and reliable manner; taking account of the black economy poses problems. It has been demonstrated that the recalculation of GDP, Portugal's for instance, would enable the government debt/GDP criterion to be met. Closer cooperation on statistics is therefore particularly important⁽¹⁾.

1.5.4. Adjustment of the convergence criteria would also have the twofold disadvantage that:

- confidence in the feasibility of EMU, already diminished, would be further undermined, and
- efforts to achieve convergence would be relaxed.

1.5.5. In some countries, the budget convergence criteria can in the present recession only be given medium-term priority. In a recession, the budgetary criteria should not trigger or even be used as a pretext for, economic measures which are likely to exacerbate the crisis even further. An excessively tight interpretation of the budget policy criteria could reduce the scope for cyclical fine tuning and would reinforce the cyclical downturn rather than counter it. On the other hand, the unavoidable new borrowing required to finance extraordinary expenditure should be limited because of the already considerable burden imposed by debt servicing on the budgets of some Member States. It should be borne in mind, however, that gradual reduction of budget deficits and government debt would place a heavy burden on these Member States in the run-up to EMU (see point 3.1.4).

1.5.6. The convergence criteria are important mainly because they have been, and are, interpreted as a quality standard for the future monetary union, a guarantee of monetary stability, which the Maastricht Treaty makes the main plank of the European Central Bank's monetary policy. Most Member States endorsed the Maastricht Treaty because of this confidence in the stability of a European currency (see point 4.2.4). The ESC shares the view⁽²⁾ that the Member States' policy and behaviour up to 1996 should be consistent with the objective of an

inflation rate of no more than 2 to 3%. Lack of such coherence would constitute a major macroeconomic obstacle to growth, overload monetary policy and make it necessary to pursue the stability objective by means of high interest rates.

2. The institutional framework of monetary policy

2.1. Role and responsibilities of the EMI

2.1.1. The EU Treaty does not give the EMI any monetary policy responsibilities of its own, correctly the ESC feels, as there would otherwise be conflicts of interest in view of the fact that, during the second stage, responsibility for monetary policy will continue to rest exclusively with the central banks. The possibility of the central banks coordinating their monetary policy to a limited extent via the EMI towards the end of the second stage should be considered however. Intervention on foreign exchange markets and common money supply targets would be possible areas for joint action.

2.1.2. Foreign exchange market intervention by the EMI would however require the national central banks to transfer some of their foreign exchange reserves to the EMI and the Central Banks to agree in the EMI Council on a common exchange rate policy. This would, however, be difficult because of the possible need for further parity adjustments in the event of different rates of progress on convergence and in view of the varying extent to which Member States have used the wider (ERM) fluctuation band of 15 % either side of the parity, introduced on 2 August 1993.

2.1.3. The establishment of common money supply targets by the EMI could be considered by the central banks as an additional, non-binding guideline. But the money supply is defined and calculated differently from one Member State to another. The central banks of the Member States do not all attach the same importance to the money supply as a component of monetary policy. The monetary policy of some central banks is aimed, rather, primarily at the exchange rate and/or interest rates. In some countries, money supply targets are even regarded as an obsolete criterion. In others control of government debt is considered to be of particular importance for monetary policy.

2.1.4. The initial joint monetary policy measures through the EMI would require it to carry out the tasks allocated to it⁽³⁾ successfully, i.e. strengthening cooperation between the national central banks and coordinating their monetary policies with the aim of promoting price stability and taking over the tasks of the European Monetary Cooperation Fund (EMCF) and monitoring the functioning of the EMS.

⁽¹⁾ See ESC Opinion of 27. 4. 1994, OJ No C 195, 18. 7. 1994, p. 1.

⁽²⁾ European Economy 55/93, foreword, paragraph 6.

⁽³⁾ See Protocol 4 annexed to the EU Treaty, Articles 4, 5 and 7.

2.1.5. The EMI also has statutory responsibility for preparing the third stage of EMU, in particular: promoting the efficiency of cross-border payments⁽¹⁾, drafting the rules for operations to be undertaken by the national central banks in the framework of the future European system of central banks (ESCB) and promoting cooperation on statistics⁽²⁾ in areas within its field of competence. The ESC feels that the EMI should also promote cooperation on banking supervision, which is partly the responsibility of the central banks themselves and partly that of independent supervisory authorities, to some extent separately from credit insurance and the securities markets. With regard to cooperation on banking supervision, common initiatives should in particular be looked at to bring derivatives transactions within the scope of supervision (see point 4.2.7).

2.1.6. The ESC sees the EMI's two most important tasks as the coordination of the monetary policies of the participating central banks (see point 2.2) and the preparation of the instruments and procedures needed for carrying out a single monetary policy (see point 4.5).

2.1.7. The ESC feels that the EMI should provide the public with timely, comprehensive and comprehensible information on two of its other statutory responsibilities:

- supervising the technical preparation (design, denominations) for the issue of approx. ECU 15 billion banknotes and 100 billion coins, and
- facilitating the use of the ECU.

2.1.7.1. The ESC refers to its suggestion⁽³⁾ that when the time is ripe, the national media should be enlisted in order to provide a comprehensive explanation of EMU, and in particular the replacement of national currencies by a single currency, the ecu, and to boost confidence in the new system. The introduction of the ecu as a currency will mean an unprecedented adjustment to a completely new structure of prices and incomes in all the participating Member States; expressed in national currencies one ecu will be equivalent to an amount ranging from four places before the decimal point to four places after the point; in no case will the conversion rate be a round figure.

2.1.7.2. Reports should be published by the EMI and its competent working party to keep the public informed on the progress of the discussions on the design of the new ecu banknotes. Unlike format and paper quality, design is not something which can be decided behind closed doors.

2.1.7.3. The ESC believes that ecu banknotes should be identical in all the Member States. Each denomination could feature front and back a different national, but universally familiar, figure from science or the arts, or a national monument; in this way each Member State would be represented on at least one of the eight banknotes (e.g. 1, 2, 5, 10, 20, 50, 100 and 200 ECU). This approach would reflect Europe's common cultural heritage. The appearance of the ecu banknotes must not remain a secret until 1999, however.

2.2. Coordination

2.2.1. The ESC expects monetary policy cooperation to be stepped up between the national central banks within the institutional framework of the EMI, i.e. over and beyond the cooperation which already took place in the EC Committee of Central Bank Governors. Without step-by-step closer cooperation in the second stage, it is difficult to imagine that a European Central Bank would be able to operate a single monetary policy from the beginning of the third stage.

2.2.2. The practical coordination of monetary policy is even more important than its legal framework. Coordination will of course be made more difficult by the fact that:

- the central banks will guard their monetary policy responsibility and independence jealously until the end of the second stage;
- it is impossible to imagine an overnight transition to a common monetary policy under the aegis ECB.

The central banks ought therefore to confer as frequently as possible, and certainly before all major decisions. The EMI is the appropriate forum for this. In addition to these, generally informal, coordination meetings, the central bank governors should meet regularly, perhaps every two weeks, for a session of the EMI Council. This is essential if the central bank governors are to be able to assume responsibility for a common European monetary policy at the beginning of the third stage, in their capacity as members of the ECB Council. Successful coordination of monetary policy, which in the second stage will still be nationally based, will depend on the willingness of the central banks to be guided increasingly by Community objectives, in particular with regard to price stability.

2.2.3. The EMI should use its, albeit non-binding, opinions and recommendations frequently and at an early stage to contribute to closer cooperation between the central banks and the coordination of their monetary policies. Opinions and recommendations are adopted by the EMI Council by a two-thirds majority. Unanimity is required for the publication of opinions and

⁽¹⁾ See ESC Opinion of 6. 7. 1994 (CES 854/94).

⁽²⁾ See ESC Opinion of 27. 4. 1994, OJ No C 195, 18. 7. 1994, p. 1.

⁽³⁾ See ESC Opinion, O.J. No C 34, 2. 2. 1994, pp. 25-35.

recommendations. The ESC feels that such opinions and recommendations, if not published, should at least be commented on by the EMI Chairman. The EMI will secure the credibility and public confidence it needs in its activities as a precursor of the European Central Bank by issuing well founded opinions and recommendations⁽¹⁾ based on thorough analysis.

2.2.4. The ESC welcomes the arrangement whereby the President of the ECOFIN Council and a member of the Commission may attend the meetings of the EMI Council, and under which the Chairman of the EMI will be invited to meetings of the ECOFIN Council when it discusses matters falling within the EMI's area of responsibility. This reciprocal participation, provided for in Article 11 of the EMI statute, would appear appropriate.

3. The relationship between monetary policy and economic policy coordination

3.1. *Recommended economic policy guidelines*

3.1.1. In parallel with closer cooperation between the central banks and coordination of monetary policy, the Member States's economic policies must also be more closely coordinated. The success of monetary policy will depend on the successful coordination of economic policies. The central banks' monetary policy will be overloaded and coordination of policy in the EMI hampered if monetary policy is expected to remedy the mistakes and shortcomings of economic policy in general and budgetary policy in particular. On the other hand, reducing budget deficits and government debt in line with the budgetary policy convergence criteria will facilitate monetary policy, as it will lay the foundations for a further reduction of the inflation rate and for lower interest rates, thus fulfilling two other convergence criteria.

3.1.2. On 22 December 1993 the ECOFIN Council adopted, in the form of a recommendation, the broad guidelines of economic policies as defined in Article 103(2) of the EU Treaty. These broad guidelines will serve to gear national economic policies towards Community objectives. One of these is achieving sufficient convergence between the economies for the transition to the third stage.

3.1.3. The ESC welcomes the fact that the guidelines are from now on to be reviewed and adjusted in mid-year, before the budget for the following year is adopted. The guidelines of 22 December 1993 include important measures from the White Paper (growth,

competitiveness and employment) submitted by the Commission to the European Council on 10 December 1993⁽²⁾.

3.1.4. The economic policy guidelines of 22 December 1993⁽³⁾, which were reaffirmed by the ECOFIN Council on 11 July 1994, include efforts held by the Member States to prevent any further deterioration in their budgetary situations in 1994 and to achieve budget consolidation. In 1995 they are required to pursue action to make their public finance positions sustainable again. The ESC welcomes these recommendations. It points out however that some Member States will need more time than others to consolidate their budgets. They may not be able to fulfil the 22 December 1993 conditions until after 1996.

3.2. *Multilateral surveillance and the convergence programmes*

3.2.1. The coordination of economic policy, compliance with the guidelines referred to in point 3.1.2 by the various Member States and the implementation of their convergence programmes are all to be the subject of multilateral surveillance⁽⁴⁾. Apart from the initial economic policy guidelines, the ESC feels that two innovations in the second stage will improve multilateral surveillance:

3.2.1.1. The ECOFIN Council, acting by qualified majority, may decide to make public its recommendations to individual Member States in connection with multilateral surveillance [Art. 103(4) EU Treaty].

3.2.1.2. On a proposal from the Commission, the ECOFIN Council may adapt the multilateral surveillance procedures to the requirements of economic policy coordination [Art. 103(5)].

3.2.2. The ESC has already commented on the new procedure provided for in Article 103 of the EEC Treaty in its Opinion on the 1994 Annual Economic Report⁽⁵⁾. The ESC regrets that the old consultation requirement has been dropped. It is particularly important that the economic and social groups represented in the ESC be consulted on the issues of monetary stability, employment, investment and production costs, which are dealt with in the Annual Economic Report, the country reports it produces and the broad economic policy guidelines.

⁽¹⁾ See Hearing of EMI Chairman Lamfalussy by the European Parliament on 10. 11. 1993.

⁽²⁾ The ESC has adopted Opinions on the subject — see footnote 1.

⁽³⁾ European Economy 55/1993, Part A, I, Point 2.2 and No 58/1994.

⁽⁴⁾ Decision 90/141 EEC, OJ No L 78, 24. 3. 1990.

⁽⁵⁾ ESC Opinion of 27. 4. 1994, OJ No C 195, 18. 7. 1994, pp. 44-52, point 6.

3.2.3. In accordance with the decision of the ECOFIN Council of 8 July 1991, most governments drew up convergence programmes at the beginning of the second stage. The convergence programmes list the measures whereby the Member States hope eventually to be able to meet the convergence criteria for transition to the third stage. The ESC considers that the convergence programme must be adjusted to reflect economic conditions and be developed into convergence and recovery programmes⁽¹⁾. The ECOFIN Council assesses the convergence programmes submitted to it in restricted session. Only a summary of the results of the discussions is made public. The ESC regrets this.

3.2.4. The ESC considers that national convergence and recovery programmes should not be drawn up in isolation, but rather on a coordinated basis. Cooperation between Germany and France on drawing up their respective programmes is an initiative to be welcomed. In this way the possible repercussions of national measures on other Member States can be better assessed and taken into account in the convergence programmes, whose timescales should as far as possible be coordinated.

3.2.5. All the convergence programmes⁽²⁾ require deficits to be reduced in the medium term and the reference value of 3 % of GDP to be achieved by 1996. Government debt, which rose from an EC average of 58 % in 1991 to 66.4 % in 1993, is first to be stabilized, and then reduced. The ESC welcomes these ambitious objectives, but wonders whether the political will exists everywhere actually to put the convergence programmes into effect; this would certainly be desirable.

3.2.6. The ESC feels that the procedure for pursuing convergence programmes after the beginning of the third stage should be decided now. In so doing, thought should be given a) to the continuation of the convergence programmes for those Member States not participating in the currency union from the beginning and b) their coordination with the countries forming the ecu zone. This would make it easier for the first group of Member States to join the ecu zone at an early stage.

3.2.7. Under Article 104c(6) the ECOFIN Council decides whether an excessive deficit exists and makes recommendations to the Member State concerned with a view to bringing that situation to an end within a given period. If no effective action is taken, the recommendations may be made public. The ESC expects that the excessive deficit procedure will be invoked only where an overshoot of the reference value is not purely a result of the recession and mass unemployment. On

the other hand, compliance with the prohibition on deficit financing by central banks and on privileged access for the public sector to financial institutions should be enforced.

3.2.8. Because of the scale of the recession most Member States will not be immediately able to meet both budgetary convergence criteria⁽³⁾. In 1993 eleven Member States exceeded the deficit criterion and seven the debt criterion; only Luxembourg fulfilled both criteria.

3.2.9. The budgetary problems of most Member States make it more difficult to pursue a monetary policy aimed at price stability. This in turn adversely affects the relationship between the central banks working together in the EMI, and in particular between the central banks which are already independent on the one hand, and the economics and finance ministers meeting in the ECOFIN Council on the other.

3.2.10. The ESC feels that the EU's Monetary Committee (established under Article 109c) could play an important role here, as its membership includes senior representatives of the central banks, the finance ministries and the Commission. Differences between the ECOFIN Council and the EMI on economic and monetary policy and their coordination could be thrashed out and eliminated at the Monetary Committee stage. The ESC feels that the Monetary Committee holds the key to the desired progress on coordination, both of economic policy and monetary policy. If no consensus is achieved in the Monetary Committee neither the ECOFIN Council nor the EMI Council will be able to work for coordination where obstacles exist.

3.2.11. In its Maastricht Declaration⁽⁴⁾ the Community affirms its intention of contributing to stable international monetary relations. To this end the Community is prepared to cooperate with countries with which it has close economic ties. Under the Agreement (Article 46) on the European Economic Area (EEA), the EU intends to discuss common problems of economic and monetary policy with its EEA partners. The ESC is pleased to note that the meetings initiated in April 1993 are in future to be held twice a year.

4. Major areas of monetary policy cooperation

4.1. *The EU, the G7 and the OECD*

4.1.1. The major areas of cooperation between the central banks in the EMI include securing price stability,

⁽¹⁾ See Opinion on policy during the transitional stage of EMU (OJ No C 352, 30. 12. 1994, pp. 3-8, points 1.1.2 and 2.2.2.1).

⁽²⁾ European Economy 55/1993, Part B, I, Point 2.2.2 and tables 3 and 7.

⁽³⁾ Under Article 104(c)(2)(a) budget deficits may not exceed 3 % of GDP. Under Article 104(c)(2)(b) government debt may not exceed 60 % of GDP.

⁽⁴⁾ Fifth Declaration appended to the Final Act of the EU Treaty.

EMS exchange rate policy, interest rate policy and the approximation of monetary policy instruments and procedures.

4.1.2. Monetary policy cooperation in the EMI must also take account of economic trends in the main industrialized countries, the Group of Seven and the OECD, with which most EU countries have close trading relations. In particular, the reaction to trends in the exchange rates of the US dollar and the yen must be as far as possible coordinated.

4.1.3. It would facilitate the EU's monetary policy if the USA were, in the framework of its otherwise highly successful economic policy, to make efforts to cut its budget deficit and if the Federal Reserve Bank were not to raise its discount rate any further. The Congressional Budget Office (CBO) has estimated that US government debt is rising faster than national income. Government debt is forecast to more than double as a proportion of GDP within a generation. This far-reaching projection is based on the fact that over half of government spending is currently required by law, i.e. social security, and in particular pensions and medical cover, and that demographic trends will cause this spending to continue to rise. The USA faces similar problems to some EU Member States; i.e. it must attempt to curb its budget deficit rather than simply raising interest rates. Because of the dollar's importance for payments in international trade, for the currency markets and for central banks' reserves, the US budget deficit and interest rate adjustments have a direct impact on the monetary policy environment for the EU and its Member States. A successful US budget policy would thus benefit the monetary policy of the EU and its Member States.

4.2. Price stability

4.2.1. The primary objective of monetary policy [under Art. 105(1)] is the maintenance of price stability. Monetary policy will also support general economic policies in the EU, without prejudice to the objective of price stability.

4.2.2. In 1993 the average inflation rate in the EU was 3.8 %. The four countries with the lowest inflation rates were Denmark with 1.4 %, the Netherlands with 2.1 %, and France and Ireland each with 2.3 %. Under the convergence criterion, the inflation rate in the other Member States should not have been more than 1.5 % higher. In fact, five Member States had an inflation rate above 3.8 % ⁽¹⁾, including Germany with 4.3 %, Italy with 4.4 % and Spain with 4.7 %.

⁽¹⁾ European Economy, No 55/1993: Broad economic policy guidelines and convergence report, Part B, table 1.

4.2.3. In its broad economic policy guidelines the Community sets itself the objective ⁽²⁾ of achieving an annual inflation rate not higher than 2-3 % in most of the Member States by 1996. All economic policy and behaviour should be consistent with this objective.

4.2.4. The Commission believes ⁽³⁾ that an inflation rate not higher than 2-3 % is in keeping with a monetary policy stability target which is not usually spelt out explicitly. This seems realistic as an initial objective. The ESC believes that an average Community inflation rate of 2-3 % can be achieved as early as 1995, although admittedly more as a result of the recession than of the central banks' monetary policies. This is not entirely satisfactory from the saver's point of view. The ESC would like to see the Council of the EMI, regardless of the then prevailing average inflation rate, specifically recommend an ambitious monetary policy stability target for the ECU before the third stage, offering the prospect of a stable common currency within a monetary union.

4.3. Exchange rate policy

4.3.1. The Council Recommendation of 22 December 1993 stated that the high degree of integration and the reaping of the benefits of the internal market demanded that the Community continue to aim for exchange rate stability built on common efforts to make progress on convergence ⁽⁴⁾.

4.3.2. The Commission has established ⁽⁵⁾ that the Member States have not made use of the greater potential to differentiate their monetary stance offered by the temporary widening since 2 August 1993 of the EMS exchange rate mechanism's fluctuation bands to 15 % either side of the parity. Instead, after some major rate adjustments in the wake of the foreign exchange market turbulence of July 1993, they have maintained their commitment to monetary policy cooperation based on stable exchange rates and have pursued a 'cautious' interest rate policy. As a result, since the beginning of 1994, exchange rate movements have in effect been limited ⁽⁶⁾ to a fluctuation margin of less than 4.5 %.

4.3.3. In its Opinion of 24 November 1993 ⁽⁷⁾, the ESC argued that the central banks should, through the EMI, continuously monitor the extent to which the wider fluctuation bands are actually being used. On this

⁽²⁾ European Economy, No 55/1993, part A, I and II, point 2.1 and No 58/94.

⁽³⁾ European Economy, No 55/1993, part A, III, point 2.1.

⁽⁴⁾ European Economy, part A, I, point 2.1.

⁽⁵⁾ European Economy No 55/1993, part A, III, point 2.1.

⁽⁶⁾ European Economy No 55/1993, part B, I, point 2.2.5 and table 53.

⁽⁷⁾ OJ No C 34, 2. 2. 1994, pp. 23-25, point 1.4.10.

basis the ESC felt that a timescale for gradual coordinated narrowing could be considered.

4.3.4. The ESC welcomes the Commission's assessment contained in its convergence report, submitted in accordance with Article 109(1)(2)b⁽¹⁾. The text reads as follows: 'Any effort to re-establish narrow bands without improved economic convergence among Member States would almost certainly not be accepted by the financial markets and would incite renewed speculative attacks on the ERM grid. The experience of the recent crises has demonstrated that a necessary condition for exchange-rate stability is achieved by the pursuit of credible and consistent economic policies designed to foster economic convergence in conditions of economic growth, while focusing on the fundamentals of price stability and sound public finances.'

4.3.5. Art. 109j(1) of the EU Treaty states as a third convergence criterion: 'the observance of the normal fluctuation margins provided for by the Exchange Rate Mechanism of the European Monetary System, for at least two years, without devaluing against the currency of any other Member State.' The EMI should perhaps decide what is to be considered as 'normal' with a view to the third stage of EMU following the 'temporary' widening of the fluctuation margins on 2 August 1993. In this connection, the view⁽²⁾ that the reintroduction of a general, narrow fluctuation band is no longer an absolute precondition for transition to the third stage of EMU, is particularly striking. The ESC considers the 'normal fluctuation margins' referred to in Article 109j(1) as a concept which need not yet be quantified.

4.3.5.1. Retention of the 'temporarily' widened fluctuation margins reduces speculative pressure on the ERM grid and makes it possible for exchange rate adjustments necessitated by divergent progress on convergence to be carried out without drama⁽³⁾. The general retention of the 'temporarily' widened margins does not prevent individual central banks agreeing among themselves on narrower fluctuation margins for their currencies, as has already been done in the case of the German mark and the Dutch guilder.

4.3.5.2. The retention of the wider margins would also make it easier for the Italian lira and pound sterling to rejoin the ERM, and for the Greek drachma finally to join, the ERM. The EMI can play a constructive role here through its recommendations and opinions, and through proposals for improved application of the EMS rules capable of commanding consensus support. In the

framework of the EMI a general lesson can be learnt from the EMS crises, namely that the EMS should again be regarded as a system of fixed, but adjustable exchange rates.

4.3.6. A once again fully operational EMS exchange rate mechanism would not only facilitate transition to the third stage of EMU, but would also prevent the damaging effects of parity changes on common farm prices.

4.3.7. In the context of exchange rate policy, a coordinated EMI initiative should be considered to bring derivatives within the scope of banking supervision. The banks' off-balance-sheet transactions in futures, options and swaps often exceed their balance sheet totals. And yet prudential controls such as solvency or liquidity ratios do not as yet extend to derivatives transactions. Bringing derivatives under the Member States' banking supervision — if possible in concert with the OECD countries — would reduce the volume of speculative monetary movements on the foreign exchanges, or at least curb their growth.

4.3.8. For the reasons set out above, the coordination of exchange-rate policy in the EMI is one of the main tasks for monetary policy. This task will be facilitated if:

- the signs of recovery of economic growth are confirmed,
- in particular, unemployment can be reduced; (here the Commission's White Paper has proposed important measures for the creation of fifteen million new jobs), and
- in general, further progress is made on price stability, as is already suggested by the fall in the average Community inflation rate from 5.3 % in 1991 to 3.8 % in 1993.

4.3.9. Under these conditions the EMI can afford to be less concerned about possible unilateral national monetary policy action and look forward with greater confidence to generally more stable exchange rate relationships.

4.4. *Interest rate policy*

4.4.1. The Commission⁽⁴⁾ rightly notes progress on convergence of long-term interest rates. Between 1990 and 1993 average long-term interest rates in the Community fell from 11.0 % to 8.1 % and the reference band from 11-13 % to 8.7-10.9 %. The fall in interest rates was accompanied by an improvement in convergence: in 1993 only two countries were above the reference band, as against four in 1990; seven countries were below the reference band, compared with five in 1990. The interest rate spread has thus narrowed.

⁽¹⁾ European Economy No 55/1993, part B, I, point 2.2.5, p. 7.

⁽²⁾ Financial Times, 27. 10. 1993.

⁽³⁾ See ESC Opinion of 24. 11. 1993, OJ No C 34, 2. 2. 1994, pp. 25-35, point 1.3.2.2.

⁽⁴⁾ European Economy No 55/1993, part B, I, point 2.2.4 and table 9.

4.4.2. Measuring convergence on interest rate policy is made more difficult by the fact that reported interest rates are determined differently. The Commission's draft Regulation on Community action in the field of statistics will improve matters. The ESC welcomes this in its Opinion ⁽¹⁾.

4.4.3. These cautious interest rate cuts demonstrate two things:

- that progress towards lower inflation has created a sounder basis for cuts in short- and long-term interest rates;
- that the scope for differentiated monetary policy created by the widening of the EMS fluctuation margins has not led to precipitous interest rate cuts.

One may therefore hope and expect that closer monetary policy cooperation in the EMI will lead to further interest rate convergence.

4.4.4. The respective importance of short and long-term interest rates varies from one economy to another. This is explained by the varying approaches to financing the banking system, the use of debt finance by the public sector and the open market policies of the central banks. One much quoted example is the different approach to financing home ownership/building in Great Britain and Germany. The predominance of short-term finance in Britain has a greater impact on short-term interest rates there than in Germany, where housing loans are made at long-term interest rates, financed mainly by the issue of special long-term debt instruments ('Pfandbriefe'). Closer cooperation between central banks on interest rate policy is hampered by differences of this kind (See point 4.5.3).

4.5. *Monetary policy instruments*

4.5.1. The EMI must as a matter of priority work for approximation of monetary policy instruments and procedures. The monetary policy of the central banks places differing emphasis on the classical instruments of discount, open market and minimum reserve policy. Moreover, these instruments and procedures differ from one country to another.

4.5.2. Step-by-step approximation is necessary not only in preparation for the single monetary policy to be adopted with the beginning of the third stage of EMU. The degree of integration achieved with the completion of the internal market also makes a certain approxi-

mation of monetary policy instruments necessary, in particular with regard to financial and capital movements and the growing cross-border activities of credit institutions and insurance companies.

4.5.3. In the field of open market policy, the range of money market paper, treasury bills, treasury bonds and other securities issued and purchased by the central banks in order to influence the liquidity of the banking system, and to some extent that of the whole economy, needs to be brought into line rapidly. A gradual approximation of the maturities of central bank open market liabilities and of securities taken on deposit and lent on by the central banks is of great importance. This would lessen the remaining differences in the impact of interest rate policy based on the discount rate from one country to another. This disparity is clearly illustrated by the different impact of discount rate adjustments in Great Britain and in Germany (see point 4.4.4):

- in Great Britain the short-term interest rate has an immediate impact on credit which is mostly financed short term;
- in Germany a higher proportion of loans are refinanced longer term by the issue of mortgage bonds (Pfandbriefe), municipal or bank bonds and other securities with maturities of ten years or more. The short-term interest rate, and discount rate adjustments by the Bundesbank, thus do not have the same impact as in Great Britain.

4.5.4. For the purposes of the interest-rate and open-market policy of a European central bank, intended to apply evenly throughout the Community, it would be a good thing to have convergence in the use of these monetary policy instruments during the second stage. This is also true of the central banks' minimum reserve policies. In its Opinion of 24 March 1993 ⁽²⁾ the ESC compared the different extent to which credit institutions are affected by the requirement to maintain (generally interest-free) minimum reserves with the central bank and by compulsory investment in securities. These differences, now less pronounced, lead to distortions of competition in the financial sector and to transfers of banking activity to countries with lower minimum reserve requirements, or none at all. The requirement still imposed by central banks on credit institutions in some Member States to buy government securities continues to affect competition in cross-border banking. Such a requirement is also in contravention of the ban on the financing of public-sector deficits via the central banks.

⁽¹⁾ See ESC Opinion of 27. 4. 1994 on COM(94) 78 final of 10. 3. 1994, OJ No C 195, 18. 7. 1994, p. 1.

⁽²⁾ See OJ No C 129, 10. 5. 1994, pp. 10-17.

4.5.5. In addition to the monetary policy instruments and procedures, the parameters also need to be approximated. The main benchmark in most Member States is money supply trends. But this is differently calculated and defined, e.g. with regard to the inclusion of savings accounts and term deposits. The EMI should therefore make proposals for a common definition of money supply (M1 or M2) and for its uniform statistical calculation⁽¹⁾. As the next step, the EMI could consider

⁽¹⁾ See ESC Opinion on COM(94) 78 final of 10. 3. 1994, OJ No C 195, 18. 7. 1994, p. 1.

ways of achieving agreement between the central banks on attaching comparable weight to money supply targets in the second stage, and finally on a certain approximation of money supply targets or margins (see point 2.1.3).

4.5.6. Approximation of monetary policy instruments and procedures presupposes preparation for a single monetary policy. Drawing up a plan acceptable by consensus during the second stage is an important task for the EMI.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*

Susanne TIEMANN

Opinion on the integrated programme in favour of SMEs and the Craft Sector

(94/C 393/33)

On 20 July 1994 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the integrated programme in favour of SMEs and the craft sector.

The Committee instructed its Section for Industry, Commerce, Crafts and Services to prepare its work on the subject. The Economic and Social Committee decided to appoint Mr Lustenhouwer to act as Rapporteur-General.

At its 318th Plenary Session (meeting of 15 September 1994) the Economic and Social Committee adopted unanimously the following Opinion.

1. Introduction

1.1. SMEs and the craft sector are high on the political agenda. Whilst in 1983 a 'European' Year had to be organized in order to focus political and public attention on the role played by small businesses in society in the EC, this role is now appreciated and recognized as a matter of course.

1.2. The European Union and its citizens are also becoming ever more 'enterprise-minded'. The Second Annual Report of the European Observatory⁽¹⁾ points

out, inter alia, that every year some 1.5 million Europeans decide to go into business. Over the last 5 years, the number of enterprises in the EU has thus increased at an annual average of 9% per year, as against a 2.5% increase in population over the same period. It should however be pointed out that the failure rate for SMEs is regrettably still at a disturbingly high level for a variety of reasons, such as the quality of management and underfinancing.

1.3. Against this background it is thus hardly surprising that the European Commission has opted for an integrated approach to its activities in the field of SMEs (which should be based on Article 130 of the Treaty) as

⁽¹⁾ The European Observatory for SMEs, Second Annual Report, 1994, European Network for SME Research, EIM, Zoetermeer-NL.

a follow-up to the White Paper on growth, competitiveness and employment.

2. The integrated programme

2.1. The Economic and Social Committee welcomes the fact that so soon after the publication of the White Paper, the Commission has endeavoured to adopt an integrated approach to tackling the problems facing SMEs in the EU and to coordinating the various measures already taken by the EU to assist SMEs.

This begs the question: has the Commission been really successful in its endeavours and can such an integrated approach also be achieved in practice?

2.2. Three points stand out after an initial examination of the integrated programme:

1. The programme differs from others in that no additional funds are provided for. The reason for this is that the current measures are as a rule funded from their own budgets which have already been approved and established, as is made clear in the table at the end of the introductory chapter of the Commission document.
2. The programme refers to a number of projects and actions already set out in the current multi-annual action programme for SMEs⁽¹⁾.
3. The programme contains only a small number of really new measures.

Against this background, it is difficult for the Committee to interpret the contribution which this cataloguing of projects and actions makes to the establishment of an integrated body of measures. This does not detract from the Committee's appreciation of sections of the programme but it does believe that in this case there is an element of exaggeration.

2.3. The Committee also considers that if a logical package of measures is indeed to be established in the form of regenerated SME policy, there has to be the political will within the Commission to achieve this integrated approach. With this aim in view, there has to be a readiness to examine the impact on SMEs of all proposed measures and to give political substance to these measures.

2.4. The Committee is pleased to note that the first steps in this direction have been taken recently. The measures taken by the Commission in the areas of, for example, the funding of SMEs and the recent Commission Communication⁽²⁾ and Recommen-

dation⁽³⁾ on the fiscal environment for SMEs, are excellent examples of what has been achieved and the Committee readily accords the Commission the praise which it deserves.

3. New measures

3.1. *Simplification of administrative procedures affecting enterprises*

The Committee supports the Commission's endeavours to make a contribution, at EU level too, towards easing the administrative burdens placed upon enterprises in recent years. In the Committee's view, the proposed working party of experts in this field must cooperate closely with organizations representing SMEs in order to permit a realistic appraisal of the most pressing problems. The Committee takes the view that it too should undoubtedly be involved in the drawing-up of the reports by this working party in order to enable it to express its standpoint. There must also be some coordination with the work of the deregulation committee set up on a proposal from the German Minister for Economic Affairs. This committee is to examine the scope for abolishing or simplifying existing European (secondary) regulations in order to abolish unnecessary red-tape for enterprises.

3.2. *Coordination of measures to support enterprises*

Given the limited scope for establishing a policy on SMEs at EU level, most initiatives are obviously taken by national and local authorities. Exchange of information with regard to best practice may also help to prevent a certain amount of inefficiency in policy-making. The Committee also warns against excessive expectations about the benefits to be gained from such an exchange of information and urges that the subjects be defined in a succinct and well-balanced way, so as to avoid interminable discussions. The importance of such a discussion would also be enhanced if participation were not confined to the Commission and the Member States but extended to the European Parliament, the Economic and Social Committee and the Committee of the Regions. Before meetings are arranged to exchange such information, thorough preparations must clearly be made, in the form of an analysis and assessment of national experience, if meaningful discussions are to take place in practice.

Furthermore, the organizations representing SMEs should also be consulted about this exchange of information, as entrepreneurs' views on what constitutes best practice may differ considerably in a number of areas from those of government spokesmen.

⁽¹⁾ COM(92) 470 final.

⁽²⁾ COM(94) 206 final, 25. 5. 1994.

⁽³⁾ C(94) 1305 final, 25. 5. 1994.

4. Improving the environment for enterprises

4.1. The subjects dealt with in this chapter are very varied but what they all have in common is their importance to the policy on SMEs. They are virtually all subjects for which practical solutions must be found by concerted actions at both EU and national level.

The Committee thus supports the intensification of the impact analyses of measures on enterprises and looks forward to the expansion of cost-benefit analyses in respect of proposed EU legislation.

4.2. As regards the transfer of enterprises, the Committee considers that the wide-ranging intensive debate on the Commission Communication⁽¹⁾, which the Commission itself describes as being desirable, may well not be achieved, as the Commission did not submit the Communication until the end of July 1994 and has set a deadline of 30 September 1994 for the submission of reactions. It is clearly impossible to provide in-depth reactions within such a short deadline to such a complicated issue where the legal, fiscal and financial situations in the Member States differ markedly. This is all the more striking since the Communication is accompanied by the conclusions of a congress held on this subject as long ago as January 1993. Apparently the Commission, which itself required a year and a half to examine these conclusions, expects the organizations which it is consulting to need only three months for the purpose!

The interest groups concerned should not be treated in such an unprofessional way on such an important issue.

4.3. The Committee also considers that problems relating to the transfer of enterprises and succession are above all the responsibility of the national authorities. These authorities should thus take all necessary measures without delay to prevent enterprises from losing their capital or closing in event of the failure to find a successor. In the next few years a large number of enterprises in the European Union will change hands since the 1960s generation of entrepreneurs will, in view of their age, start to transfer their enterprises or to retire.

The authorities and the intermediary advisory bodies need to adopt a careful approach and to provide guidance so that new entrepreneurs, working in a dynamic environment, will be able to ensure continuity as regards economic development.

5. Payments between enterprises

5.1. In view of the Opinion which it has issued on this subject⁽²⁾, the Committee is interested in the Commission Recommendations in this field. Assuming that a practical solution may be found, the legal cooperation referred to in the Integrated Programme for the purpose of obtaining injunctions for non-contested claims should make an important contribution to promoting cross-border transactions.

5.2. To conclude its observations on this chapter, the Committee points out with regret that the activities mentioned in point 1.5 of the Integrated Programme with regard to local services are absolutely meaningless and do not provide any basis for a judgement, not even in the light of the observations made on this matter in the Conclusions of the Presidency of the European Summit in Corfu (24 and 25 June 1994). The Committee reserves the option to take up this matter again, since the Commission has now indicated that it is to submit a detailed document on this subject to the European Council in Essen in early December 1994⁽³⁾.

6. Support measures

6.1. In the Committee's view, one of the strengths of the Integrated Programme is that at long last a clear picture is presented of the EU actions and projects to assist SMEs. This is particularly apparent in those sections dealing with support measures. In a number of areas, the projects in question concern areas on which the Committee has already expressed its views. References may thus be made to these earlier Opinions, such as the Opinions on Community initiatives under the Structural Funds, education and training, and research and development.

6.2. A thorough evaluation of these activities does, however, need to be carried out in future. (Did the interest rate subsidies really lead to the creation of additional jobs? Did the Community SME initiative really improve management quality, above all in Objective I regions?)

The Committee firmly believes that the results of these measures must be critically monitored, as lessons may be drawn for the future from this exercise. This assessment should form part of the annual reports on the progress in implementing the Integrated Programme.

⁽²⁾ OJ No C 249, 13. 9. 1993.

⁽³⁾ See the Committee's Opinion of 1 June 1994 on the White Paper on Growth, Competitiveness and Employment, point 7 (OJ No C 295, 22. 10. 1994).

⁽¹⁾ Commission Communication on the transfer of undertakings. Actions to assist SMEs. See OJ No C 204, 23. 7. 1994.

6.3. Finally, the Committee notes with approval the Commission's renewed attention in this programme to SME funding. The Committee strongly supports, in particular the improved operation of the financial markets at European level with a view to promoting participation in SMEs; this point was also made in an Opinion issued recently by the Committee on this matter⁽¹⁾.

7. Conclusions

7.1. In the past, the Committee has given its views on a number of subjects set out in the proposed programme and would therefore refer to its earlier Opinions on these matters. There is no need to reiterate here the views set out in those earlier Opinions, since both the Commission and the Committee are in agreement about the main aspects of the policy. The Committee thus has no difficulty in endorsing the programme. It is, however, unable to summon up any

(1) Opinion of the ESC on the Communication from the Commission on the financial problems experienced by small- and medium-sized companies [COM(93) 528 final] adopted on 6 July 1994.

real enthusiasm for the proposal. The main reason is that no guarantee is given that all the various elements of the programme will be effectively coordinated (could such a guarantee be given?). The Committee notes that responsibility for the activities involved is spread over a number of DGs and these activities fall within the remit of various Commission members. This does not intrinsically pose a problem. If however an integrated approach to SME policy is to be pursued and a clear stance is to be taken with regard to the importance of creating a favourable climate for enterprise, the integration of SMEs has, as pointed out above, to be a political task assumed by the Community as a whole.

7.2. If this aim is to be achieved, the remit of the Commissioner responsible for SMEs must have considerable political weight and there has to be a political commitment by the Council; the proposed programme provides both the wherewithal and the justification for such steps.

The Committee hopes that when the new Commission starts work early next year, explicit reference will be made to this standpoint in both the Commission's programme of work and the definition of the remit of the Commissioner concerned.

Done at Brussels, 15 September 1994.

The President
of the Economic and Social Committee
Susanne TIEMANN

Opinion on the Communication from the Commission to the Council and the European Parliament on the European Union Automobile Industry

(94/C 393/34)

On 30 March 1994 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the Communication from the Commission to the Council and the European Parliament on the European Union Automobile Industry.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 31 August 1994. The Rapporteur was Mr Bagliano.

At its 318th Plenary Session (meeting of 15 September 1994) the Economic and Social Committee adopted the following Opinion by a large majority, with two votes against.

Foreword

Numerous documents on the European Union's automobile industry have been drawn up by the Commission, European Parliament and Council.

No Economic and Social Committee Opinion on the latest Commission Communication of 23 February 1994 (the third, following the 1990 and 1992 ones) can afford to overlook the earlier documents, at least the most recent (1990 onwards). The Council's timely Resolution of 16 May, published only three months after the Commission's Communication, should also be borne in mind.

The need to refer to earlier documents remains valid despite the fact that the onset of recession in the sector and the wider economy has modified scenarios and strategies and has accelerated the structural and technological changes already planned and in part aspired to over recent years.

Fresh discussion of the problems of the European automobile industry, sparked by the Commission's latest document, must therefore be wide-reaching so as to rectify any outdated features and to harness existing knowledge to generate more new ideas and approaches and to bolster the drive for more practical and effective action.

1. Previous Commission documents on the automobile industry

signed: this occurred on 31 July of the following year, in Brussels.

1.1. Reference to previous documents is helpful not only to trace the development of Commission thinking in the automobile industry sector, but also in order to assess how convinced the Commission is on particular issues. Conviction is signalled by the repetition in successive documents — as in the latest one, as will be seen — of its views (on, for example, the sector's importance).

Credit is also due to the Commission for pointing, at that early stage, to the 'key element in the motor sector's competitiveness' represented by component manufacturers: 'in Japan three suppliers control 81 % of the market, while in Europe the top eleven share 76 % of the European market. In terms of average size the ratio is 1:4'.

The comment made at the time, that 'competition, far from being limited to sales, extends to supplying and managing plants', remains valid where vehicle manufacturers are concerned.

1.2. In 1990 the Commission Communication on A Single Community Motor-vehicle Market lent particular emphasis to 'the opportunity presented by the existence of a large internal market in order [for the Community automobile industry] to maintain a major role on the world market', while also voicing concern at 'the growing scale of Community production of Japanese makes'. The EC/Japan arrangement had not yet been

1.3. By 1992 the effects of concentration had led to an appropriately realistic approach by the Commission in all sectors: a paragraph in the May Communication on the motor vehicle industry focused on business cooperation, calling for greater 'cooperation between equipment manufacturers — which are often SMEs of

a size which prevents them from taking part in research and using efficient production methods', as well as between equipment and vehicle manufacturers.

Again in 1992 the Commission devoted considerable attention to research and development policy (highlighting technological priority — TP — projects) and to training and retraining. The Commission's analysis concluded as follows:

'for the necessary changes to materialize, considerable efforts will be required from all parties directly involved. The responsibility for these changes lies first and foremost with the industry itself, including better social partnership. National and Community authorities should support these efforts and thus create the environment in which these changes can be successful.'

2. European Parliament and Council documents

2.1. In November 1993, in its most recent document on the automobile sector, the European Parliament openly voiced its alarm, in marked contrast to the Commission's more sanguine view.

Parliament, for its part, laid particular stress on the need 'to involve the social partners in developing a medium-term policy for the restructuring of the industry', and went on to support 'the call by the social partners for support policies to be developed by an ongoing tripartite dialogue'.

Highlighting the 'serious economic and structural problems' facing the motor vehicle industry, which the 'industry itself must take responsibility for solving', the EP urged the Commission and the social partners to 'deepen their dialogue', in the hope that the Commission-Parliament Conference of March 1994 would propose 'an institutional framework capable of bringing social partners together at a professional working level, on an ongoing basis'.

Among other points, Parliament also asked the Commission 'to set up ... working parties, with participation on a professional basis', together with 'a co-ordinating committee between the various Commission Directorates-General to integrate policy affecting the motor vehicle industry'.

It is also interesting to note Parliament's call for the 'Commission to analyze and draw lessons from the recent trends in the US motor industry'.

2.2. In May 1992 the Council, in its turn, recognized, amongst other aspects, that:

- 'all parties concerned will have to make considerable efforts';
- 'the industry needs to make additional efforts in the area of research and development';
- 'the Community and the Member States must ... press ahead with: efforts to ensure that international trade functions smoothly; the systematic use of the relevant economic, technical and social data; optimization of research efforts; and promoting in-service vocational training and education in line with the present and future needs of the industry'

and called upon the Commission to 'report regularly, and at least once a year, on the progress achieved'.

2.3. On 16 May 1994⁽¹⁾, three months after publication of the present Commission document (February 1994), the Council adopted a Resolution in which all the earlier ideas were forcefully restated, and the Commission was invited to 'encourage ... the structural adjustment process of the industry which is vital to its improved competitiveness', and in particular:

- to enhance efforts relating to training at all levels in order to anticipate the effects of restructuring on employment, and make changes economically efficient and socially acceptable;
- to coordinate and organize its programmes in the field of R & TD (facilitating access to programmes, assistance for component supplier/vehicle manufacturer consortia, dissemination of research results, closer dialogue with industry);
- to encourage industrial cooperation by SMEs in the components sector;
- to reach a decision on how Regulation (EEC) 123/85 on selective distribution should be applied after validity has expired (June 1995);
- to continue to promote better environmental and safety performance of automobiles (standards applicable in a realistic time schedule, taking account of

⁽¹⁾ OJ No C 149, 31. 5. 1994.

- their impact on the industry's overall competitiveness);
- to propose coherent policies e.g. in the infrastructural sphere;
- to continue to apply the EU/Japan arrangement;
- to draw up a list of barriers impeding access to third countries, and to prepare a plan on this basis;
- to promote industrial cooperation and business contacts with third countries;
- finally, to report on the progress achieved by December 1995.

The highly specific and detailed Council Resolution, containing clear references to specific cases, is practically a condensed version of the Commission Communication, but supplemented by the explicitly-stated political aim of pressing the Commission itself to be more actively involved in coordinating, organizing, promoting, implementing and stimulating 'within the horizontal industrial policy framework adopted by the Union, the structural adjustment process of the industry which is vital to its improved competitiveness and thereby to its future'.

One reason why the Council sets out these clear markets for the Commission is its belief that 'the role of the public authorities is to provide the industry with a clear, stable and predictable framework for their activities and to ensure an environment favourable to competitiveness'.

The Economic and Social Committee fully shares the Council's belief; in this Opinion it sets out to expand upon it and provide further arguments.

3. Summary of the Commission Communication of 23 February 1994

3.1. The document begins with a summary introduction with a rather more political and strategic slant, one third of the length of the Communication proper, which also contains ten interesting statistical tables.

3.1.1. The Commission's analysis opens with an initial description of the current situation, the challenges ahead and strategy, moving on to observations regarding the sector's well-known problems, presented as follows:

a) Internal market

Pinpointing a number of critical issues:

- a competitive market;
- the distribution system;
- harmonization of taxes;
- improvement of vehicle safety;
- measures to promote environmental sustainability.

b) EC policy in the field of structural interventions and human resources

Identifying interventions intended to 'ensure the competitiveness' of the motor vehicle industry.

c) Research and technological development

Highlighting the important role of the public authorities in supporting 'the research and development efforts of the industry', and recognizing that 'the investment in research and development by the European automobile industry is immense'.

d) External trade policy environment

Subdivided into two areas:

— EU-market:

two sections on unfair practices and market disruption; to highlight the need to avoid such situations through the deployment of existing Community instruments;

— access to third markets:

reviewing the EU position concerning Japan, the USA and South Korea, together with third country markets with preferential access (EFTA, CEEC, Turkey).

3.1.2. The summary draws to a close with a conclusion, underlining the importance of structural policy instruments, joint research and development programmes, and the need for 'removing market access barriers' in a number of markets. The summary ends as follows: 'it goes without saying that the primary responsibility to effect the changes necessary to improve its competitiveness remains with the industry itself'.

3.2. The Communication from the Commission to the Council and to Parliament follows the pattern set out in the summary introduction in section D of the second part Improvement of the Business Environment — the Union's Response, while the first part concentrates on The Reaction of Industry to Past and Future Challenges, discussing company organizational and

internal restructuring problems, relations with suppliers and distributors, and the responsibilities of the social partners.

3.2.1. The final section E Conclusions begins by acknowledging that 'the EU automobile industry is presently going through its severest test since the war', and finishes 'the Commission believes that the combination of the internal and external measures outlined in this paper provide a supportive policy framework against which the industry should be able to restructure successfully. The industry should aggressively take advantage of the Community programmes designed to facilitate this process and which should contribute in an important way to ensuring that the industry emerges from the present crisis strengthened for the challenges ahead'.

4. General comments on the Communication of 23 February 1994

4.1. The state of the sector is described thoroughly, with abundant statistical and factual data.

Although it recognizes the sector's importance, and the existence of an as yet unresolved crisis, the Commission does not share the sense of urgency with which the Council and EP repeatedly express their concern at the drastic job cuts and the increasingly cyclical nature of the market — now an established fact — requiring ambitious structural changes.

4.1.1. The Commission Communication arises from a particular set of arguments and texts, flowing in the past from a number of quarters, including the EP and Council, as indicated earlier. This must be taken into account in assessing the Commission's current stance.

4.1.2. The analysis contained in the latest Commission document is not accompanied by specific proposals for action — which the Council moreover swiftly indicated (see paragraph 2.3 above). The recommendations addressed to the industry (to boost productivity, etc.) are obvious: in any case the industry has long been working along the lines indicated in the text, which have in fact been taken from earlier documents.

While perhaps the analysis could not have been conducted otherwise, more courage and imagination should have been displayed in mapping out the medium- and long-term guidelines proposed. The encouragement provided by the Council — which the Committee endorses — is a step in this direction.

4.1.3. In any case, it is the responsibility — perhaps the special responsibility — of the public authorities and, on a Community level, the Commission itself, to take a long-term view and develop a reference framework which goes beyond the everyday problems of running a business: companies must necessarily deal with emergencies on a day-to-day basis, and from a short-term point of view.

4.2. *The importance of the automobile sector*

4.2.1. The Commission declares that 'The European automobile industry is a key industry in the EU'.

In all, the automobile industry directly or indirectly employs an upstream and downstream total of more than 15 million EU citizens (upstream, direct — steel, tyres etc. — and indirect suppliers; downstream, direct — distribution, parts, accessories, repairs — and ancillary activities — fuels, road maintenance, insurance, passenger or goods transport).

This is the most significant factor confirming the urgent need to concentrate the utmost attention on everything affecting the automobile industry.

4.2.2. The scale — in both absolute and relative terms — of the figures generated by the sector as a whole (manufacturing, trade, share of GDP formation, etc.), which the Commission quotes accurately, should, however, banish any purely superficial view of Community economic problems (in fear, perhaps, of favouring one sector over another), and instead encourage greater sectoral efficiency among existing horizontal instruments, as well as stimulate the capacity for targeted, timely action.

4.2.3. Furthermore, vehicle and component manufacturers have reduced their workforces over recent years (job losses among manufacturers over the last 30 months alone can be calculated at more than 120,000).

It is generally accepted that this is due not only to the more sharply cyclical nature of the market, but also to new technologies, new production and organizational methods and the resulting greater company flexibility.

It is also a fact, however, that the automobile industry has expanded its capacity to generate employment outside the sector, a trend which is set to increase in the future.

4.2.4. The concept of an 'automobile world' is not an abstract one, since infrastructures, services, traffic, mobility, the environment, safety, comfort, the quality of life and culture combine to make up a composite, complex 'world'.

Consequently, how manufacturing companies fare is nowadays linked not only to the views of the customer (safety and comfort), but to those of society as a whole and its problems (traffic mobility and congestion, environment and quality of life).

Vehicles, and the automobile sector, are intrinsically of a multi-disciplinary and multi-sectoral nature.

4.2.5. For all the above reasons which, though general, are essential in order to understand the various problems involved, the Commission is right to conclude its Communication by arguing that 'a wider consultative process encompassing a multi-sectoral and multi-disciplinary approach ... could be initiated'.

Here, the Economic and Social Committee would recall the European Parliament's repeated calls for coordination and dialogue with all interested parties in order to establish and develop close long-term cooperation, and would urge the Commission to make more specific proposals to this end.

5. Specific comments

5.1. *A broader, more comprehensive view of the market*

5.1.1. Clearly the 'market' is the primary factor in competitiveness and development. But today it comprises a whole range of elements which all, to varying ways and to different extents, shape demand for vehicles.

Indeed, not only the geographical scale, number of inhabitants or potential buyers, or average per capita income are involved: there is the degree of efficiency of the economic and productive system as a whole, infrastructures and services, reasonable technical regulations and standards and an acceptable quality of life (traffic congestion and environmental pollution in particular), to mention only a few.

5.1.2. Many factors other than mobility and the requirement for mobility therefore influence market demand.

Transport, communication and trade requirements are increasingly creating a demand for more complex products (here, the motor vehicle, seen not only as a means of transport but also — in urban areas — as able to deal effectively with traffic and parking problems, ensuring user safety and the lowest possible level of pollution).

5.1.3. Beyond vehicle quality, safety and comfort, competitiveness therefore also hinges upon quality of use.

This of course depends on the manufacturer, who must offer the market less polluting and safer vehicles, but also on the public authorities, whose task it is to guarantee and improve the way in which the product is used, the necessary infrastructures and its social acceptability, by adopting a more specific and accurately-targeted comprehensive support policy.

Electronics and telematics applications are among the most obviously innovative aspects designed to improve the way vehicles are used and boost appropriate, stable demand.

5.1.4. The 'market' - which creates and shapes demand for vehicles — should therefore be seen in broader terms, so as better to understand the critical aspects — both specific (to the product and sector) and general (ecological system and society as a whole) — mainly attributed nowadays to the automobile sector but which in fact relate to the wider system/society.

5.1.5. The question of public transport, for example, cannot be ignored. Indeed, consideration of the relationship between private and public transport — in both quantitative and qualitative terms — is absolutely essential and cannot be dissociated from the automobile industry issue.

Tackling the problem of public transport in large cities by reducing, for example, the number of private cars in city centres does not necessarily entail reducing demand for private cars. Action is needed on the quality of car use, together with the quality of life in general: this could have a highly diversified effect on the level of demand for cars.

5.1.6. This represents a further aspect of the need for cooperation between manufacturers and public

authorities. The Commission, in particular, with its longer-term view, should assume the task of establishing benchmarks for use well beyond the year 2000.

A high-level working group (including scientists) should be set up to assume the ambitious task of envisaging possible ways of meeting the demand for mobility twenty years hence.

5.1.7. The compilation and interpretation of the annual statistics for new registrations and production, together with figures for the corresponding upward or downward trends and, above all, forecasts (where the Commission in fact appears over-optimistic) should therefore reflect the complex nature of the requirement for mobility — an indicator of any modern society's vitality and potential for growth and progress.

5.1.8. There is also a geographical and territorial aspect to the market, seen as an outlet.

The Commission is quite right to reflect at length on the 'internal market'. The sections on Strategy and the Challenges ahead extend the 'market' to the major, traditional economic and trade areas of Japan and the USA, to which Korea and Turkey are added.

There is, however, no mention of the extensive new markets, of immense potential, in the Russian area and China.

5.1.9. The Economic and Social Committee urges the Commission to devote particular attention to this vast potential automobile market, which might be a natural outlet for future Community automobile production. Work on identifying the necessary conditions, examining particular aspects, forecasting trends and fostering compatible trends should therefore get under way immediately.

5.1.10. The high-level study group advocated by the Economic and Social Committee should be responsible for this aspect of the great project, i.e. of looking some 15-20 years ahead, and beginning, as of now, to gradually and consistently adapt all action, standards and forms of support.

5.2. *The industry — vehicle manufacturers, suppliers, component manufacturers*

5.2.1. In the Commission's view, its February Communication indicated the main guidelines corresponding to the objectives set out in Article 130 of the Treaty, although explicit reference is never made to them.

Article 130 is in fact considerably more binding, specifying the conditions the EU must provide if Community industry is to be sufficiently competitive:

- speeding up the adjustment of industry to structural changes;
- encouraging an environment favourable to initiative and to the development of undertakings;
- encouraging an environment favourable to cooperation between undertakings;
- exploitation of the industrial potential of innovation, research and development.

The Commission cannot do everything, but it does have a specific mandate and role to fulfil within the framework of a strong industrial policy.

5.2.2. The Commission implicitly acknowledges that the automobile industry has not sufficiently penetrated the markets of its main competitors: persistent obstacles to trade — some tax-related — lie at the root of the European industry's exports difficulties.

The first consequence of this is that competition is intensifying dramatically on the Community market — where, according to the Commission, 80 different brands are competing — and which in 1993 contracted 16 %, the greatest fall since the war.

The Commission itself admits that the forecast of a modest 4 % growth — actually rather optimistic — will certainly not be enough to redress the balance.

5.2.3. The 'regional' nature of the Community automobile industry — essentially restricted, as it is, to 12 member countries — is principally a result of the notorious difficulty of penetrating non-Community markets.

Here, it is up to the Commission to launch a more determined trade policy and not just formulate declarations which events subsequently render meaningless. If there is to be a genuinely level playing field, the principle of 'substantial' reciprocity in trade and on the different markets must be implemented more rigorously.

5.2.4. Automobile manufacturers have, for their part, already implemented thorough-going changes. The efforts deployed and results obtained thus far should spur the Commission to press ahead with a more active, carefully targeted and consequently more effective industrial policy. While much has been done, substantial investment and adequate financial efforts are still needed.

The functionally-structured 'conventional factory' has moved on through 'high automation', which decentralized products and production, to reach today's 'integrated factory', which has formalized processes.

The main tool of the 'new company' in the car sector is flexibility.

5.2.4.1. All company areas are involved:

- suppliers are no longer upstream of manufacturers, but are now side-by-side with them in planning, producing and selling;
- 'just in time' is a new supply technique: it ensures not only lower costs, but fits in with the new production systems. The most recent car manufacturing plants reflect this new thinking;
- new methods are being used in design and planning (process and product co-design, simultaneous engineering etc.), producing an integrated way of working at the development and industrialization phase.

5.2.4.2. With regard to production structures and the organization of work — an aspect of which the Economic and Social Committee is particularly aware — the so-called 'elementary technological units' are, in the most advanced companies, the symbol of production flexibility, team management and the combining and dehierarchization of working activities.

5.2.4.3. Human resources, however, constitute the key factor in these changes. The primary requirement in achieving flexibility is that individuals be prepared and be capable of adjustment.

No effort should be spared by companies — or by schools and the public authorities — to promote education and training geared to understanding and managing change.

The automobile industry is exemplary from this point of view.

5.2.4.3.1. Basic education for young people is no longer meeting employers' needs.

The new climate engendered by the process of company transformation is marked by 'new requirements' which should lead to the gradual adjustment of educational content, cultural awareness of new roles, broader knowledge of languages and innovatory teaching methods, ensuring wider and decentralized dissemination.

5.2.4.3.2. The rapid process of structural adjustment will have a profound impact on both skill requirements

and manning levels: a real leap forward in quality will be needed.

Retraining must above all enable supernumerary workers to be found new posts. The task of Community and national institutions must be to facilitate the movement of workers to a new employment setting, at reasonable cost, and free of unwarranted State support.

5.2.4.3.3. The European Union should therefore develop a genuine training policy, to be implemented in conjunction with the Member States, but with common priority objectives and regionally and industrial sector-based horizontal measures (the importance of the automobile sector being unarguable). This should be backed by funding for research into European-level interdisciplinary training.

5.2.4.3.4. The Fourth Framework Programme earmarks ECU 138 million for socially and economically oriented research. This money should be used without delay and to good effect, without red tape or theoretical year-by-year allocation.

Similarly, the European Social Fund should focus as far as possible on industrial restructuring and reconversion, while taking account of the severity of the problems, including those which are of a cyclical nature (these persist within the automobile sector).

5.2.5. The Commission urges more and better cooperation between manufacturers themselves.

The establishment on 27 May 1994 of EUCAR (European Council for Automotive Research and Development) by the main car manufacturers is a practical move towards a more comprehensive and strategic approach to research and development.

The initiative will also draw in components suppliers, materials producers, research centres and universities.

5.2.5.1. As far back as 1980, manufacturers displayed their willingness to cooperate in practice, by setting up the JRC (Joint Research Committee), for joint research in pre-competition sectors.

In its Communication to the Council of 16 June 1981, outlining its stance on the structures and prospects of the European car industry, the Commission explicitly stated that this initiative merited support.

5.2.5.2. Another initiative, along the lines indicated by the Commission, was the commitment on 12 April 1994 to the principles of cooperation between European manufacturers (ACEA: Association of European Automobile Manufacturers) and components suppliers (CLEPA: Liaison Committee for the Automotive Equipment and Parts Industry).

The importance of this agreement derives from the fact that more than 50 % of automobile components are outsourced.

The aim is to achieve greater integration, covering co-planning, the adoption of modern, efficient production processes, enhanced quality and a more transparent correlation between component costs and prices. This closer cooperation is to be based on a new spirit of mutual trust.

5.2.5.3. Another initiative earlier this year (28 April) concerned an agreement between three manufacturers to withdraw and recycle used vehicles recuperated in part exchange or which would otherwise go to the scrapheap.

At the time, the Commission noted there was less need to legislate at Community level when industry took upon itself to reduce the ecological problems of car use.

In connection with this aspect, the Economic and Social Committee would, however, call for a harmonized Community-level policy to promote coherent recycling initiatives, compatible with current and future environmental and ecological policy.

5.2.6. The car industry must seek to interpret client attitudes and behaviour relating to its products, in the light of the growing legal restrictions on emissions and all the new Community technical standards.

Research is always geared towards higher quality and continuous innovation. The most successful companies are unarguably those able to read the trends and always capable of coming up with something new.

Product maturity and market saturation are facts which need to be interpreted in a dynamic way. 'Fragmentation of consumer taste' is currently opening up new product/market niches.

5.2.6.1. Under the pressure of present circumstances, a number of more or less radical changes to motor vehicle architecture, for instance, may be expected in the longer term.

Today's cars embody the optimum compromise providing for the widest possible use. This means they must combine all the requirements for long-distance travel (facilities, comfort, safety) and symbolic and status-related values, together with the handling, economy and acceleration performance needed for urban use.

The dramatic rise in car-use has multiplied the impact on traffic and the environment, not only in the big cities, but increasingly in medium-sized towns. Problems are unquestionably aggravated by the low specific suitability of many of the vehicles in use.

5.2.6.2. The various scenarios offer specific opportunities for highly specialized urban vehicles capable of minimizing environmental damage and achieving better efficiency.

It follows that many requirements for long-distance travel are of less importance than other qualities more suited to urban traffic conditions, such as easy handling, low consumption, low pollution levels, etc.

This might be a long-term possibility for the high-level group to examine: a reference model for the next twenty years could be devised.

5.2.7. The above brief comments lead to the conclusion that the Community automobile industry is continuing, as in the past, to spare no effort in favour of modernization and restructuring.

5.3. *Distribution*

5.3.1. The distribution of motor vehicles has always been regarded as a critical phase in the design-production-sales chain, since the extent to which the final product can compete in the market-place (with its competitors) and win approval (of customers) becomes clear at the distribution stage.

The role of dealers is of primary importance to clients, given their responsibility for after-sales service, intended to provide customer security and peace of mind.

The automobile distribution system has a long tradition in the European Community although practices vary from Member State to Member State. Despite this relative lack of homogeneity, Europe's distribution system, based as it is on exclusiveness and selectiveness, has been the subject of an ad hoc Regulation which is due to expire in the near future (June 1995) after having been in operation for a decade.

5.3.2. The Commission announces that it has begun reviewing the problem and then sets out its own thinking on the matter, confirming:

'the extent to which the Regulation contributes to improving distribution and increasing inter and intra-brand competition.'

5.3.3. Having reaffirmed the importance of a selective and exclusive distribution system, the Commission goes on to recognize 'the need to foster close partnership relations between all elements of the distribution chain' and calls on car manufacturers to 'establish, with their distributors, sound partnerships'.

5.3.4. The Economic and Social Committee shares this eagerness to study the problem in considerable depth and trusts that it will be consulted in good time.

6. Research and development

6.1. Only from the Third Framework Programme onwards has the automobile industry really been able to benefit from Community funds earmarked for research and development in industrial sectors.

6.2. The Commission acknowledges that 'the investment in research and development by the European automobile industry is immense'.

6.3. Under the Fourth Framework Programme, Community action will have to be 'more selective and more concentrated'. The Economic and Social Committee agrees with the Commission and re-emphasizes the multi-technological, multi-sectoral and multi-disciplinary nature of the projects which the automobile industry has presented, and will no doubt be presenting, for funding.

6.4. There is no question of giving automatic priority to automobile industry projects; it is merely a question of acting in keeping with the European Union's commitment to foster 'joint research and technological development between companies within the industry' as well as on a 'wider multi-sectoral basis'.

7. Structural Funds

7.1. The Economic and Social Committee fully agrees with the Council's statement in point 9 of its Resolution of 16 May 1994, viz:

'Community horizontal instruments can support the industry's own efforts, notably through Structural Funds..... in particular in the framework of industrial mutations, and through the use of appropriate Community initiative programmes.'

7.2. This is further confirmation of the essential role such instruments can play in the structural adjustments taking place in Europe's automobile industry.

Such instruments should therefore be implemented effectively as soon as possible, and should be tailored to the sector's specific needs.

8. State aid

8.1. The Economic and Social Committee agrees with the Commission that the success of the automobile industry hinges on its ability to restructure and improve its competitiveness, thereby reducing costs and improving the potential for, and quality of, innovation.

It also needs to be borne in mind, however, that such restructuring efforts are by their very nature sweeping and call for a major drive in terms of investment and a willingness to change — all this at a time when all players involved (manufacturers and the public authorities) are equally involved on other fronts, particularly traffic congestion and the growing level of pollution.

8.2. The system for public aid to the automobile sector goes back to 1988, since when it has remained unchanged even though the competitive and market environment has undergone a profound transformation and thrown up new problems and needs since the late 1980s.

In particular, it has now become apparent that there is an urgent and pressing need to restructure by installing new plant and equipment or radically modifying existing plant.

Given this requirement, the current system needs to be reviewed and completed;

8.3. A major investment drive in Europe is in fact still needed to restructure the industrial infrastructure so that it can cope with changed conditions of competitiveness.

In addition to non-physical investment, physical investment therefore also has a key role to play today in boosting the competitiveness of European industry.

What is involved here is a sophisticated and ever-changing production apparatus that will enable Europe to stand up to international competition — in which costs, quality and marketing are currently the main factors.

8.4. The Economic and Social Committee trusts that it will have the opportunity to engage in an in-depth debate and formalize its own ideas on this important problem which is part of the wider question of 'competition policy' on which the Committee delivers an Opinion each year.

9. International competition

9.1. The Community market has now achieved a 'high level' of openness, which is reflected in great sensitivity to changes in trade with other countries, particularly the USA, South Korea and Japan. Hence the increasingly urgent need for substantial reciprocity in relations with non-Community parts of the world. The continuing, and totally unacceptable, barriers to trade — sometimes in the form of tax discrimination — cannot be overlooked.

9.2. As far as Japan is concerned, the agreement of 31 July 1991 on the gradual opening up of Japanese exports to the five European Union markets (subject to restrictions) needs to be applied vigorously.

In particular, more careful monitoring is needed to ensure that quotas match actual market trends, in keeping with the spirit of the agreement.

9.3. As far as South Korea is concerned, it is unacceptable that this country should benefit from preferential treatment under the Generalized System of Preferences when its car exports to the EU have reached almost 100,000, while car imports from the EU total only a few hundred.

9.4. The Commission must continue to monitor the US-Japan accords closely, with special attention to probable repercussions on the Community market and possible distortion of competition.

9.5. In paragraph 5.1.8 above, the Committee underlined that given their importance, the Commission should pay special attention to the new eastern markets.

10. Conclusion

10.1. The Economic and Social Committee agrees with the Council and the European Parliament that the Commission must be asked to carefully monitor the situation in the automobile industry, which is an important sector of the economy. The Commission's views should nevertheless be set out in a shorter, more functional document, with fewer descriptions and more proposals, even if the document is obviously expected to set out the key points to emerge from the most up-to-date analyses possible.

10.2. That the automobile industry is a key sector of the economy is a conviction expressed by institutions and experts alike in all quarters and on all occasions. The Commission should reflect this conviction by adopting more carefully-targeted measures within the

framework of the Structural Funds or more specifically-tailored initiatives.

10.3. The Committee's aim in this Opinion has been to highlight aspects of the many problems of the European Union automobile industry from a long-term standpoint, specifically in order to relaunch a strong, more determined and effective industrial policy.

10.4. The Committee is nevertheless fully aware of all the difficulties affecting European Union manufacturing industry, especially the automobile sector. Each of these problems must be evaluated carefully, and the requisite action taken rapidly.

More specifically:

10.4.1. The employment problem demands constant vigilance, as a priority. No effort should be spared in safeguarding jobs wherever possible.

10.4.2. Greater financial resources should be channelled to training and retraining, in order to face up to the major challenge of restructuring.

10.4.3. The environment/automobile industry relationship needs to be enhanced constantly. All scientific resources should be brought to bear in order to make cars more acceptable and compatible with the environment and society as a whole.

10.4.4. On-going dialogue — 'based on mutual trust, at the appropriate level, and according to national practices' as the Council states — between the social partners and all interested parties must go hand in hand with a greater flexibility and willingness to change on the part of everyone.

10.4.5. Tax harmonization should be pursued with greater energy in order to overcome the persistent discrimination and disparities between Member States. More action must be taken — if only on a temporary basis — to boost Community exports to the rest of the world, including stricter application of the principle of reciprocity or equivalent measures.

10.4.6. Harmonization of technical standards should be continued 'in a stable and predictable regulatory policy environment', always taking account of 'their impact on the automobile industry's overall competitiveness'. Here, the Economic and Social Committee endorses the Council's recommendations to the Commission.

10.5. The Committee agrees with the Council on the need for the automobile industry to 'continue to adapt its products to meet societal demands for clean, safe, efficient, quality and value cars'.

10.6. The restructuring process currently taking place in industry, and the technological changes — now affecting all economic sectors — nevertheless need to be

seen as being part of a wider scenario of new and significant developments in (a) society in general, (b) national and regional socio-economic systems, (c) major trade and financial flows, (d) cultures and cultural exchanges.

10.7. All problems must therefore be seen in the context of this dynamic view of today's world — a view which foreshadows the world of tomorrow — so that ideas and decisions can keep abreast of the quickening pace of progress.

10.8. The setting up of a high-level group which would construct a new model compatible with progress and quality of life, and would be focussed on the 2020 horizon, might well offer a new, serious approach to

solving the many problems of today and the multitude of problems tomorrow.

10.9. The authorities — meaning primarily the European Union but also the Member States and the various institutions most appropriate to this type of study and challenge — must understand that the mere process of identifying a more acceptable and compatible model for living is a stimulus.

10.10. The Economic and Social Committee, which is increasingly sensitive to problems in these areas and will be keeping a particularly close eye on developments, is prepared to assume responsibilities in the fields of monitoring, stimulating and promoting to ensure that a key industrial sector such as the car industry develops under optimum conditions.

Done at Brussels, 14 September 1994.

*The President
of the Economic and Social Committee*
Susanne TIEMANN
