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II

(Preparatory Acts)

ECONOMIC AND SOCIAL COMMITTEE

Opinion of the Economic and Social Committee on the 'Proposal for a European Parliament and Council Decision creating a network for the epidemiological surveillance and control of communicable diseases in the European Community' ⁽¹⁾

(97/C 30/01)

On 11 April 1996, the Council decided to consult the Economic and Social Committee, under Article 129 of the Treaty establishing the European Community, on the above-mentioned 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 16 July 1996. The Rapporteur was Mr Fuchs.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion, by 82 votes to four with three abstentions.

1. Introduction

Background to the Commission proposal

1.1. As the Communication and Explanatory Memorandum which precede it indicate, this proposal follows on from the Commission Communication on the framework for action in the field of public health ⁽²⁾ and, more particularly, from that on the prevention of AIDS and certain other communicable diseases ⁽³⁾, which called for the creation and development of communicable disease surveillance networks.

1.2. In different Opinions on public health, including the most recent on health monitoring ⁽⁴⁾, the ESC has stressed the need to develop a preventative approach coordinated at Community level, to improve the

exchange of information and to harmonize data-processing methods.

1.3. More particularly, in the Opinion on the prevention of AIDS and other communicable diseases, it recommended that European monitoring networks should not duplicate the work of existing coordination networks; the evaluation and formal organization of these networks should make it possible to identify centres of excellence or reference centres that are well suited to carrying out pilot studies (Point 3.7).

1.4. The ESC also called for particular attention to be paid to 'new types of infection' and the organization of ad hoc epidemiological surveys (Point 3.8), and identified a need to set up a European rapid intervention unit to respond to health emergencies (Point 3.9).

2. General comments

2.1. Whilst the action programme on the prevention of AIDS and certain other communicable diseases makes it possible to initiate and test specific coordinated

⁽¹⁾ OJ No C 123, 26. 4. 1996, p. 10.

⁽²⁾ OJ No C 338, 31. 12. 1994.

⁽³⁾ OJ No C 133, 31. 5. 1995.

⁽⁴⁾ OJ No C 174, 17. 6. 1996.

measures for a limited period, the Commission proposal seeks to lay the foundations for a permanent EU surveillance and control network covering a wide range of communicable diseases.

2.2. The ESC would point out that such a network can only be made up of compatible national networks and that the institutions and experts responsible for the surveillance and control of communicable diseases at national level should therefore play a central role in the development and creation of the EU network.

2.3. The ESC would stress that communicable diseases know no frontiers. As a result, other non-EU surveillance and control initiatives have been launched. For example, the WHO is active on an international scale. Cooperation with the USA aimed at the establishment of an early-warning and response system has been initiated under the joint EU/US action plan. International data exchange on communicable diseases is a central element in the G7 Global Healthcare Applications Project in which Canada and Japan are participating. These activities exhibit points of contact, and some even overlap, with the network outlined in the Commission proposal. The USA is anxious to avoid any duplication of activities and structures and to make the measures in question broadly complementary. This will require a comprehensive and up-to-date evaluation of all bi- and multi-lateral action aimed at the surveillance and control of communicable diseases.

2.4. The ESC observes that the Commission Communication on communicable disease surveillance networks in the European Community provides a fundamental basis for the draft decision. The Communication gives a broader definition of 'surveillance', stressing the epidemiological, as opposed to the regulatory, nature of the concept. The definition of 'control of communicable diseases' in the draft decision emphasizes this epidemiological aspect of the measures in addition to '... the range of measures taken by the competent public health authorities to stop the spread of communicable diseases ...'. The ESC welcomes this emphasis, since more far-reaching protective measures can only be adequately formulated if due account is taken of particular national conditions and circumstances. It therefore thinks that the Member States should continue to be responsible for formulating specific protective measures. The Commission should primarily act as a coordinator with regard to control measures in the narrower sense,

especially since, on the basis of Article 129(4) of the Maastricht, Treaty, measures adopted pursuant to the decision can be regarded as binding on the Member States.

2.5. In the light of these general comments and its earlier remarks on the content of the draft decision, the ESC feels able to endorse the Commission proposal in principle, since many of its aims coincide with the ESC's own suggestions. At the same time, the ESC reserves the right to comment further on the content of the proposal.

3. Gist of the proposal

3.1. The proposal comes under the principle of shared competence between the Community and the Member States and seeks to create a network for the epidemiological surveillance and control of communicable diseases. Full participation by the Member States in the organization and implementation of the network should help to ensure coordination and mutual cooperation in the collection, processing and exchange of necessary information.

3.2. This action is therefore geared towards disease prevention in the broad sense and will follow the principles of subsidiarity and proportionality.

3.3. The communicable disease data will be collected in aggregated form or completely anonymously and will in no case enable individuals to be identified. So, there would be no conflict with Community instruments concerning the protection of personal data.

3.4. The setting-up of this network is based on the situation already existing in this field at European level and aims to avoid unnecessary duplication of work by ensuring that all Member States have the same conception of surveillance, as a result of defining with them the type of information required and the arrangements appropriate for each group of communicable diseases.

3.5. Finally, other parties will be associated with the network, under arrangements yet to be worked out. These will include the competent international organizations, non-EU countries such as the USA, with whom cooperation is already planned, and the surveillance networks to which Member States already belong.

3.6. The Annex contains an indicative list of diseases and their categories. The Commission will regularly update this list and review the classification which is at

present based on corresponding control measures. The Annex currently divides the communicable diseases covered by the surveillance network into the two following groups:

- 1) — diseases preventable by vaccination (tuberculosis, tetanus, poliomyelitis, diphtheria, meningitis, measles, mumps, rubella, influenza syndromes, etc.);
 - sexually-transmitted diseases (hepatitis B, AIDS/HIV, chlamydia, etc.);
 - viral hepatitis (including hepatitis C and other as yet unclassified categories of hepatitis);
 - food-borne diseases (listeriosis, salmonellosis, etc.);
 - water-borne diseases and diseases of environmental origin (legionellosis, etc.);
 - nosocomial infections;
 - other diseases transmissible by non-conventional agents (including Creutzfeldt-Jakob disease, etc.).
- 2) — diseases covered by the International Health Regulations (yellow fever, cholera, plague);
 - other diseases (rabies, typhus fever, African haemorrhagic fevers, malaria and any other as yet unclassified serious epidemic disease, etc.).

4. Specific comments

The establishment of a transnational EU epidemiological network for communicable diseases is essentially to be welcomed as a means of effective prevention and control which also offers synergistic benefits.

At the same time, the ESC feels impelled to raise certain questions and to ask for clarification and suggestions with regard to the following points:

4.1. Article 1

4.1.1. Article 1 clearly defines the proposed Community network as a horizontal structure, since it will be created by establishing permanent communication between the relevant national structures. In addition, the financial statement — which merely outlines the costs of this 'permanent communication' — states that implementation of the individual measures and provision of the necessary resources are the exclusive responsibility of the Member States.

In view of the prevailing situation in the different Member States, however, it seems necessary to examine whether EU (co-)financing going beyond the currently planned funding of 'permanent communication' might be required during the start-up phase of the general surveillance network.

4.1.2. The ESC would point out that existing national structures vary greatly in their surveillance and control objectives and possibilities. The Commission proposal must not be interpreted to mean that Community-level measures and requirements represent a fundamental criticism of individual national structures, without simultaneously providing EU resources to set up the necessary national structures.

4.1.3. A general EU-wide network will promote greater harmonization in the surveillance and control of communicable diseases throughout the EU. This development is essentially to be welcomed. From the standpoint of possible scenarios, however, it would seem advisable, particularly in the case of harbours, airports and frontiers with non-EU countries, not to lay down uniform protective measures but always to take account of the special geopolitical, spatial, socio-cultural and other features of individual Member States. The ESC therefore concludes that such EU measures should generally take the form of recommendations.

4.1.4. In its recent Opinion on BSE ⁽¹⁾, the Committee expressed concern at the delays affecting research and health protection policy with regard to possible links between BSE and the new strain of Creutzfeldt-Jakob disease, and welcomed the fact that the programme in question would also cover CJD monitoring. At the same time, the urgent need for action in this area and the need to mobilize all appropriate financial resources raise the question of whether the present programme, which lacks sufficient own resources, is adequate to the situation. The Committee therefore thinks that the programme's appropriation should be reconsidered in the light of these new developments.

4.2. Article 2

The definition of 'control of communicable diseases' must stress the preventative aspect, i.e. control should be interpreted as the 'formulation of common guidelines and the coordination or harmonization of counter-measures'. This interpretation should be embodied in the text, so as to ensure that all sectors are covered by these preventative objectives.

4.3. Article 3

4.3.1. By analogy with Article 2, the preventative dimension of 'control' must be stressed. The ESC would emphasize that Community-level control must

⁽¹⁾ OJ No C 295, 7. 10. 1996, p. 53.

be planned and put into effect with due regard for the EU subsidiarity principle and must be coordinated with national control measures.

4.3.2. Addressed to every Member State, Article 3 limits the scope of the draft decision to serious and/or rare communicable diseases classified according to their 'appearance or resurgence on its territory' or 'importation' on to its territory. It should also state that different surveillance and control measures are required for less serious communicable diseases or infections whose occurrence in the disease patterns of a society is somewhat more predictable. There is, therefore, a need to examine whether the range of diseases listed in the Annex to the draft decision is sufficient and whether their classification with reference to corresponding categories of measures is appropriate. The diseases listed and the classification criteria adopted offer a possible basis for planning counter-measures. Other diseases can be included in the list as an indication, just as other classification criteria involving corresponding control categories are conceivable. Thus, a classification based on 'transmission by blood' would correlate with specific transfusion measures and blood-processing techniques. Adoption of an 'emerging diseases' category would lead to emphasis on preventative measures or phased crisis planning. At all events, such important diseases as hepatitis A, psittacosis, Queensland fever, bacillary dysentery or leprosy should be listed, even if the Annex is expanded as proposed. National experts should participate fully in any such expansion.

4.3.3. Lastly, we ought to look at whether action criteria other than the proposed disease categories need to be identified. This would include preparatory measures in the context of laboratory diagnosis and the provision of transport and nursing facilities, including the necessary qualified staff.

4.4. Article 4

4.4.1. This Article describes the specific decision-making structures and procedures required for the drafting and implementation of measures. The ESC would stress that it expects the Community committee procedure to be strictly observed in this connection.

4.4.2. Reference has already been made to the potentially binding nature of the measures and its implications for resources in individual Member States (see points 4.1.1 and 4.1.2). This makes it imperative for the

Member States to be represented on this preparatory committee, especially by national 'surveillance experts'. This being the case, the proposed level of representation, namely two members per Member State, must be seen as an absolute minimum.

4.4.3. The ESC wonders whether proposals for action should not, essentially, be drawn up by a group of representatives of the national surveillance and control bodies. Such a body should make use of the horizontal communications and operational structures already established between the Member States.

4.5. Article 5

4.5.1. The first three indents of Article 5 list epidemiological and sero-epidemiological types of measure. The ESC unreservedly welcomes a greater degree of comparability in the activities of the Member States and a Community overview of the information thus acquired.

4.5.2. In addition to the development of EU epidemiological rules of procedure, it is necessary to ensure comparable compliance therewith. The ESC therefore thinks that the Member States must guarantee comparable quality assurance.

4.5.3. Reference has already been made to the problems associated with the protective measures referred to in the fourth indent (see point 4.1.3). The Committee thinks that the Commission's role should be expressly restricted to the coordination of protective measures in this context.

4.5.4. Article 5 essentially covers primary preventative measures. The particular socio-cultural context of each Member State is extremely important in this connection. Individual measures of this type may be more effective if they are chiefly devised and implemented at national level.

4.6. Article 6

4.6.1. Article 6 specifies in highly abstract fashion the information to be communicated to the Commission by the Member States. Whether this information relates to individuals, patients or procedural rules depends on the type of measure taken. Nor is it stated whether personal data are to be communicated solely in aggregate form, along the lines of the HIV/AIDS monitoring data collected in Paris, or on an individualized basis. A solution acceptable to all Member States must be found in this connection.

4.6.2. In the case of epidemiological or anamnestic data, there is a need to clarify who, and pursuant to what rules, can be granted access to this information for the purpose of further scientific analysis. In principle, all national data-suppliers should be entitled to participate in further analyses as originators.

4.7. Modern information and communications technology combined with a modern approach to cooperation will ensure, or at least make it likely, that the decentralized or horizontal network structure highlighted in this Opinion is adequately realized. A structure should be created which will allow all the participating national bodies direct access to the total information

pool. Commission filtering of this information would be superfluous.

4.8. The ESC would also stress that cooperation and the division of activities which have already proved successful must be revived and turned to advantage. Thus, units attached to national epidemiological centres and engaged in the collection, documentation and information-/action-orientated processing of data for the whole of Europe have made a valuable contribution to the monitoring of HIV/AIDS (Paris), salmonella (London) and legionella (London). Similar centres could be established for other disease categories in other Member States.

Brussels, 25 September 1996.

The President
of the Economic and Social Committee
Carlos FERRER

Opinion of the Economic and Social Committee on the 'Communication from the Commission to the Council and the European Parliament on European Community Water Policy'

(97/C 30/02)

On 5 March 1996, 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 European Community Water Policy'.

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 16 July 1996. The rapporteur was Mrs Sánchez Miguel.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion with 97 votes in favour and two abstentions.

1. Introduction

1.1. The Communication is pursuant to the Commission's 5th environmental action programme, and responds to the call for a thorough review of Community water policy. It focuses on the basic issue of water-resource protection, and does not deal in depth with other broader issues.

1.2. This review of Community policy seeks to arrive at a sustainable water policy which meets the following objectives, although it considers that they will not always be compatible:

- provide a secure supply of drinking water;
- ensure water resources of sufficient quality and quantity to meet economic requirements;

- guarantee the good ecological state and functioning of aquatic, wetland and terrestrial ecosystems;
- prevent floods and droughts.

The Communication concludes that a framework Directive is needed to round off and update existing legislation.

1.3. The Committee has already requested a more coherent Community water policy, for instance in its Opinion⁽¹⁾ on the revision of the drinking water Directive⁽²⁾.

The Committee thus warmly welcomes the proposal to draw up a framework Directive on protection of the quantity and quality of EU water resources.

2. Quantity of water resources

2.1. One aspect which the Communication does not consider sufficiently is the definition of water as a renewable and limited natural resource which may become scarce as a result of the particular weather conditions in some regions of the EU. This problem is at present especially evident in the Mediterranean countries. Further study is urgently needed of the likely impact on the water cycle of current climate changes throughout the EU.

2.2. The close link between water quantity and quality (dilution of pollution, ecological value, determination of minimum emission levels) means that a sustainable water policy should also consider the quantity of water resources.

2.3. The way to ensure adequate water resources (i.e. a sufficient quantity to meet human needs and those of natural ecosystems) does not lie in supply policies which constantly seek out new sources which are often very costly and have an enormous social, economic and environmental impact. It lies in demand policies designed to adapt the different water uses to the existing finite resources.

2.4. The Community needs to develop a new approach to water use, re-use and saving which, while taking due account of particular regional conditions, encompasses protection of the quality and quantity of existing resources by means of better conservation policies, sensible water charges and better education of customers. This new approach is crucial for using water in a sustainable manner which ensures that the water

policy objectives listed in point 1.2 will always be compatible.

2.5. The Committee considers that it would be helpful to establish priorities among the objectives set out in the Communication. Greater priority should be given to environmental requirements, as these are vital for safeguarding drinking-water supplies and preventing droughts and floods, and for sustainable economic development of industry, agriculture and services.

The order of priorities here would be:

- supplies for human consumption;
- guarantee of ecological requirements;
- agricultural and industrial use;
- leisure and other non-essential uses.

3. Factors affecting achievement of water policy objectives

3.1. The Committee endorses the list and classification of factors affecting the achievement of sustainable water policy objectives.

3.2. However, the Communication's (necessarily brief) analysis of what it terms 'other adverse anthropogenic influences' needs to be fleshed out. More consideration is needed of the sustainable management and protection of water resources, with reference to the types of infrastructure that may be used, their possible impact on the environment, and other policies with a bearing on water management (prevention of erosion, reforestation, etc.).

4. Basic principles of water policy in the EU

4.1. The general framework of Community policy is provided by Article 130r of the Treaty, which sets out the basic principles of environment policy. Of these, the Committee lays particular stress on the 'Polluter pays' principle.

4.2. The Committee considers that the authorities should carry out rigorous studies, using the available scientific and technical data in accordance with the precautionary principle, in order to provide reliable forecasts of such socio-economic variables as future water consumption in economic activities and foreseeable authorized industrial and agricultural use of hazardous substances. This is necessary because such activities may lead to intervention with a high cost in infrastruc-

⁽¹⁾ OJ No C 82, 19. 3. 1996.

⁽²⁾ COM(94) 612 final.

ture, plant and treatment which may not correspond with actual needs and may adversely affect their effectiveness and profitability.

4.3. The Treaty stipulates that when deciding the specific objectives of environmental policy, account must be taken of the costs and benefits of action or lack of action, with a view to securing the best solution as regards the different strategic options.

However, it is obvious — and should therefore be considered both in the Communication and in any subsequent Directive — that although appraising the monetary value of natural resources is one of the objectives of sustainable development, these resources cannot be treated exclusively as items of merchandise, for various reasons:

- a) the vital importance of a resource such as water for the survival of human life and of ecosystems — the value of this precious asset cannot be quantified in economic terms;
- b) the difficulty of assessing the economic impact of other factors related to water resources: the costs of erosion or desertification, of preserving the landscape value of water and the genetic diversity of polluted or over-exploited ecosystems;
- c) water production, distribution and consumption prices have in part been set without taking account of the related environmental effects, so these prices do not reflect the real cost to society.

To ensure that cost-benefit analysis of water-related legislation is effective, priorities must be established and cost-effective and affordable programmes must be developed in order to prevent the cumulative effects of different EU policies being passed on to the customers' bills.

4.4. In the light of the above considerations, the Committee considers that:

- water resources cannot be treated as just another tradeable good, as they have special characteristics: they are vital for human life, for the survival of all ecosystems, and for essential production activities. Hence society at large, and the social partners in particular, should be widely involved in their protection and management;
- water policy must never be used as a political tool for discriminating against other communities;
- the Community should ensure that both EU legislation and environmental/economic policy instru-

ments are not used to distort competition, given the unequal natural distribution of water resources.

5. Proposal for a framework Directive on water resources

5.1. The Commission considers that present Community legislation is outdated, and that it can be made more consistent and effective through the adoption of a framework Directive on water resources that covers:

- water quantity and quality;
- management of surface water and groundwater;
- water use and environmental protection;
- control of pollution through emission and discharge controls and the setting of quality objectives;
- integration of water policy with other policies.

5.2. The Committee supports the framework Directive and thinks that it would be more effective if it gave more consideration to two points:

5.2.1. Firstly, more consideration is needed of water policy in agriculture, as this is an extremely important aspect. Research should be promoted into more efficient irrigation techniques, new fertilizers and pesticides that do not harm the environment, and systems for reusing waste water. Farming techniques that use fewer agrochemicals to achieve the same result should also be encouraged.

5.2.2. Secondly, consideration is needed of the aspects of groundwater and coastal waters management which are of relevance to the new policy.

5.3. The framework Directive would be implemented by means of integrated water management planning on a river-basin basis.

The Committee thinks that the proposed planning offers a suitable means of managing water resources in a sustainable manner, and of developing and protecting terrestrial and aquatic ecosystems.

5.4. However, the Committee considers that:

- when considering river-basin management issues that involve third countries, account must be taken of the international agreements concluded with these countries. Where such agreements do not exist, the Commission should adopt appropriate measures;

— a classification is needed of the different types of river basins within the Community, so that the integrated water management plans for them can be geared to their special characteristics (climate, the ecosystems which they support, morphology, relation with production activities, soil composition and so on).

To ensure that the plans are effective, the Committee thinks that the Directive should also include mechanisms for:

- a) involving all the socio-economic players in their preparation;
- b) establishing monitoring and control bodies, on which the socio-economic players should also be represented;
- c) establishing special total or partial funding channels for the measures contained in the plans.

5.5. The Committee thinks that a 'natural ecological state' is the optimum objective. However, as was indicated in the ESC Opinion on the Ecological Quality of Water Directive⁽¹⁾, a better wording for the moment would be 'good ecological state', although still with a view to achieving the natural ecological state.

5.6. The Committee welcomes the system of licensing as proposed by the European Commission, as water quantity and quality are integrated. The system might not be required in cases where abstraction only affects one country, as this would help to reduce red tape.

6. Specific issues in water management

6.1. The Communication analyses a number of specific issues in the EU's current water management policy.

6.2. As regards control of point source pollution of water resources and monitoring of water quality, the Committee calls for adoption of the recommendations made at the Conference on Community water policy held by the Commission on 28-29 May 1996. Particular stress should be placed on:

— the use of a combined approach that reconciles the strategy of setting emission limit values with the establishment of water quality objectives;

— establishment of a common framework of definitions for both approaches;

— incorporation of biological parameters when determining water quality;

— fixing of EU limit values for emissions of all substances singled out in present legislation, as already advocated by the Committee in its Opinion⁽²⁾ on the Proposal for a Directive on integrated pollution prevention and control⁽³⁾, in a manner consistent with the principles set out in that proposal;

— establishment of a system making it possible to lay down water quality objectives at EU level where necessary;

— support for scientific and technical research to determine the best available techniques (BAT)⁽⁴⁾ on which to base emission limit values;

— establishment of a proper information and control system to ensure comparability of the data and techniques used by the Member States;

— establishment of EU regulatory measures to reduce the risk of accidental pollution caused by sectors such as industry, agriculture or transport and affecting water-supply catchment areas. This regulatory framework would require the water management authorities in each country to take mandatory actions for implementation, in accordance with the subsidiarity principle.

6.3. The Communication mentions the possibility of designating zones according to the level of protection needed to sustain them. The Committee thinks that the zoning system should respect the overall protection of the basins concerned, and would have to be drawn up according to existing technical and scientific knowledge. Efforts would be needed to standardize and revise the relevant criteria and concepts, which must be used by all Member States and must be consistent with the various international conventions on protection of the aquatic environment (Helsinki, OSPAR, etc.) to which the EU is party. Assessing water quality is a complex matter, and depends to a large extent on the criteria considered.

⁽²⁾ OJ No C 195, 18. 7. 1994.

⁽³⁾ COM(93) 423 final.

⁽⁴⁾ As defined in Article 2(11) of the Council's common position on the proposal concerning integrated pollution prevention and control (OJ No C 87, 25. 3. 1996).

⁽¹⁾ OJ No C 397, 31. 12. 1994.

6.4. Public information is a prerequisite for involvement and monitoring by the public and the socio-economic players. The framework Directive should make specific provision for such information not only by obliging the public authorities to issue information on the state of water resources, but also by ensuring public access, according to equivalent conditions throughout the EU, to information concerning private bodies' and enterprises' compliance with their obligations under national and EU legislation on the use, production and discharge of pollutants and hazardous substances.

6.5. In the interests of effective public information, the subsidiarity principle should be invoked to enable each Member State to retain or introduce appropriate instruments. The framework Directive should, however, stipulate the minimum information which must be provided, together with its periodic updating and a guarantee of permanent access to it for all interested parties.

There are a number of reasons for this, additional to those mentioned by the Commission:

- the vital importance of water resources for sustaining life and for most productive activities;
- the frequently transfrontier nature of water resources;
- to optimize information and the scientific and technical research needed for conservation and maintenance on the basis of comparable data.

7. Conclusions

7.1. The framework Directive would replace four existing Directives and one draft Directive, and would incorporate definitions and monitoring requirements from another seven Directives and a further draft Directive.

The following Directives would be repealed and replaced by the Framework Directive:

- surface water Directive⁽¹⁾ [and the related 79/869/EEC Directive⁽²⁾];
- fish water Directive⁽³⁾;
- shellfish water Directive⁽⁴⁾;
- groundwater Directive⁽⁵⁾;
- ecological quality of water proposed Directive⁽⁶⁾.

7.2. The Committee supports this move, but stresses the need to safeguard the elements of these Directives which have been used in subsequent legislation. The entry into force of the framework Directive must be synchronized with the repeal of the earlier ones so as to prevent any hiatus during which environmental protection would be weakened.

The framework Directive should also allow for the subsequent development of any further Directives necessary for securing its objectives, not only those not being repealed and the proposals mentioned in chapter 10 of the Communication (Procedural implications).

7.3. The Committee reserves the right to issue a separate Opinion on the future framework Directive in due course.

7.4. The Committee also suggests that the Commission promote specific education programmes in EU schools to help consolidate the new environmental thinking.

7.5. The drafting of a European water-resource map, showing the condition of each river basin (as regards both water quantity and quality) would also be very useful.

⁽¹⁾ OJ No L 194, 25. 7. 1975.

⁽²⁾ OJ No L 271, 29. 10. 1979.

⁽³⁾ OJ No L 222, 14. 8. 1978.

⁽⁴⁾ OJ No L 281, 10. 11. 1979.

⁽⁵⁾ OJ No L 20, 26. 1. 1980.

⁽⁶⁾ COM(93) 680 final.

Brussels, 25 September 1996.

The President
of the Economic and Social Committee
Carlos FERRER

Opinion of the Economic and Social Committee on the 'Commission Green Paper on Legal Protection for Encrypted Services in the Internal Market'

(97/C 30/03)

On 12 March 1996 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the 'Commission Green Paper on Legal Protection for Encrypted Services in 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 17 July 1996. The Rapporteur was Mr Pardon.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion by 91 votes to two, with three abstentions.

1. Overview of the issues considered by the Green Paper

1.1. The Commission is carrying out a consultation on the need for Community action to ensure legal protection for encrypted services in the internal market.

2.

2.1. The Green Paper defines 'encrypted services' as services whose signal is encrypted in order to ensure payment of a fee. This category includes traditional encrypted broadcasts (via cable, hertzian waves or by satellite), the new broadcasting services (digital television, pay-per-view, video on demand) and Information Society services, namely electronic distance services provided at the individual request of a service user (in particular, video on demand, games supplied on request, teleshopping and multimedia information services).

2.2. 'Decoding device' is defined as any device, apparatus or equipment designed or specially adapted, totally or partially, to enable access in the clear to an encrypted service, that is to say without the modification or alteration of its characteristics.

3. The growth of new broadcasting services which encrypt their signals to limit reception to subscribers who have paid their fee is jeopardized by piracy. A flourishing unofficial decoder manufacturing industry is emerging in parallel to that of authorized manufacturers. Devices enabling access to a service without payment of the subscription or fee are produced and marketed without the permission of service operators. This results in considerable losses for the service provider and, indirectly, harms the potential market of programme suppliers and manufacturers.

4.

4.1. The illegal marketing of decoders — without the authorization of the service provider — has a negative impact on the commercial activity of the operators of encrypted services. In addition to losses both in potential market and in profits, operators need to meet other costs resulting from the need to put particularly expensive decoder distribution systems in place in order to control the use of such devices.

4.2. The marketing of illegal decoders results in reduced profits for the suppliers of programmes that are broadcast, insofar as those individuals who receive programmes with an illegal decoder will not have been taken into consideration when negotiations take place regarding payment for rights. The number of service subscribers may be a factor in these negotiations.

4.3. As far as the suppliers of this technology are concerned, the marketing of illegal decoders undermines market confidence in their system and results in lost profits where such decoders take over their potential market.

4.4. The marketing of illegal decoders also represents a risk for consumers, as they could be misled about the origin of the decoding device they are purchasing and thus believe that they are buying an authorized decoder when in fact it is pirated equipment.

5.

5.1. To counter this trade in pirated decoders, regulation has proven to be necessary. The result has been a wave of regulatory change among the Member States.

5.2. There is currently no single, systematic approach to the problems caused by the illicit reception of encrypted services.

5.3. Specific regulations do exist in a number of countries, in others existing legislation — for example copyright law — is used and in the remaining countries there is no method of legally guaranteeing protection.

6. Committee Opinion

6.1. The Committee has considered the scope of the proposed Community instrument.

6.2. Generally speaking, the encryption of communications is essential to ensure their confidentiality, integrity and authenticity and to prevent access and alteration by unauthorized persons.

6.3. This problem was looked at by the International Chamber of Commerce Commission responsible for automatic data processing, telecommunications and information, which recently adopted guidelines for international cryptography. The published paper highlighted the problems at hand and stressed how essential it was to work together at an international level to secure a clearly defined and coherent policy in this field.

6.4. The issue is under scrutiny by the OECD and was the subject of a Council of Europe recommendation to its Member States.

6.5. The Committee recognizes that the Green Paper is concerned solely with the protection of copyright and related rights in encrypted services and, for now, tackles only the problem of decoding-device piracy.

6.6. The ESC endorses this approach, since it provides a broad-based overview of the various difficulties which have come to light in the field of encryption, but would ask the Commission to follow it up with a closer look at the general problems and to draw up appropriate proposals.

6.7. Accordingly, the Committee accepts the definition of the scope of the Green Paper, but would propose that encrypted services be defined as encrypting services which can be accessed on the payment of a subscription; further details may be found in the answer to question 5.

6.8. Given that the problem of illicit reception is a global one, work should begin internationally — using, for instance, bilateral agreements and action by the WTO — to establish effective worldwide rules. Action to provide the internal market with a regulatory framework would, indeed, be incomplete without accompanying third-country measures aimed at resolving this problem

internationally and guaranteeing protection against third country imports.

6.9. The Committee recognizes that, initially, Community level is the most appropriate, but urges that this be followed quickly by action on the international stage.

6.10. The ESC now believes that the protection given by the Community act should not be limited to encrypted services providing signals which originate in a Member State, but should recognize that significant interests of rightsholders are affected by all signal piracy occurring in the European Union, whatever the source of the signal.

7.

7.1. With the reservations mentioned above, the Committee takes the view that the current legislative diversity may result in obstacles to the free movement of goods and services and undermine the proper working of the internal market.

7.2. Differences in national legislation — and the absence of such legislation in certain Member States — may lead to distortions in competition in the internal market.

7.3. This disparity between the competitive environments of the Member States could have adverse consequences for the development of encrypted services in the internal market, since operators would not be subject to the same market conditions within the EU.

7.4. A Community act is also essential to protect copyright and related rights. In this respect, the beneficiaries of the measure should not be the providers of encrypted services alone but should also include rightsholders of programming transmitted and/or intercepted through unauthorized means.

7.5. A harmonization instrument designed to encourage the development of an encrypted services industry should be one which, modelling itself on copyright rules, provides civil remedies and criminal sanctions for both the illicit reception and further distribution of encrypted services as well as for specific preparatory activities which facilitate signal piracy.

7.6. Among the prohibited preparatory activities should be the manufacture, distribution, sale, importation, exportation (and manufacturing for export), marketing, use and possession of unauthorized decoding devices or systems.

7.7. In addition, it may be advisable to prohibit the separate activity, increasingly common in electronic

environments, of publishing information to assist in decryption.

8. Finally, an obstacle to be avoided would be incompatibility between encrypted networks, creating oligopoly-type positions each time. To counter this, the Commission is urged to create the conditions under which decoder technology can be standardized, so as to prevent consumers having to buy a decoder for each channel they wish to receive.

ANSWERS TO QUESTIONS

9. (Question 3 of the Green Paper)

9.1. Action to establish an equivalent level of protection amongst all the Member States is proving necessary so as to eliminate the obstacles identified and to complete the regulatory framework for the audiovisual sector established by the 'television without frontiers' (89/552/EEC) ⁽¹⁾ and 'cable and satellite' (93/83/EEC) ⁽²⁾ Directives.

9.2. Insofar as the objective is the removal of obstacles to the efficient operation of the internal market caused by disparities between national regulations for the legal protection of encrypted services, harmonization at Community level is the only effective way of achieving this objective.

9.3. A clear regulatory framework which would secure legal protection throughout the EU against the illicit reception of broadcasting services and ensure the free movement of goods and services is a necessary precondition for the development of the new services.

10. (Question 4 of the Green Paper)

10.1. The Committee feels that the Commission should propose a Council regulation. This option offers the advantage of securing more effective harmonization,

⁽¹⁾ OJ No C 301, 13. 11. 1995.

⁽²⁾ OJ No C 98, 21. 4. 1992.

since it would be directly applicable in the Member States without having to go through the inevitably lengthy process of transposition into national law.

11. (Question 5 of the Green Paper)

11.1.

11.1.1. The Committee takes the view that it would be preferable not to limit the scope of the harmonization instrument to broadcasting services, but to extend it to all services in which encryption is used.

11.1.2. The criterion chosen by the Commission, namely encrypted services which can be accessed on the payment of a subscription, seems appropriate.

11.2. The possession by private individuals of unauthorized decoders should be included in the scope of the harmonization instrument.

11.3. It should be possible to file claims for damages and interest.

11.4.

11.4.1. As far as the penalty aspect is concerned the Commission Communication on criminal sanctions should be taken as a model. (See also the last recital and Article 2 of the Council Directive of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering (91/308/EEC) ⁽³⁾).

11.4.2. The Committee feels that this final recommendation in no way conflicts with the view that Regulations, as opposed to Directives, should be used in this area, even although, as far as penalties are concerned, provisions would not apply directly in the Member States, but would require each to adopt appropriate legislation.

⁽³⁾ OJ No C 166, 28. 6. 1991.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a European Parliament and Council Directive amending Article 12 of Directive 77/780/EEC on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions, Articles 2, 6, 7, 8 and Annexes II and III of Directive 89/647/EEC on a solvency ratio for credit institutions and Article 2 and Annex II of Directive 93/6/EEC on the capital adequacy of investment firms and credit institutions'⁽¹⁾

(97/C 30/04)

On 28 May 1996 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 17 July 1996. The Rapporteur was Mr Pelletier.

At its 338th Plenary Session held on 25 and 26 September 1996 (meeting of 25 September) the Economic and Social Committee adopted the following Opinion by 88 votes to 2 with 6 abstentions.

1. Introduction

1.1. The proposal for a Directive submitted to the ESC contains a series of technical amendments of variable scope to the basic Directives governing banking activity:

- Directive 77/780/EEC on the co-ordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions;
- Directive 89/647/EEC on a solvency ratio for credit institutions;
- Directive 93/6/EEC on the capital adequacy of investment firms and credit institutions.

1.2. There is no unifying theme behind the various proposed amendments.

1.3. The aim is to adapt some of the articles of the basic banking Directives in the light of experience in order to fill gaps, and more fundamentally to take account of the work of the Group of Ten in Basle on the prudential treatment of risks related to derivative instruments.

1.4. It seems appropriate therefore to analyze the proposals article by article.

2. Specific comments

2.1. *Amendment of Directive 77/780/EEC on the taking up and pursuit of the business of credit institutions*

2.1.1. Article 1: amendment to Article 12(3)

2.1.1.1. Article 12 of Directive 77/780/EEC, as amended by the second Directive of 15 December 1989, provides for exchanges of information between the competent banking authorities of the EEC subject to guarantees of professional secrecy.

These guarantees are also required from the competent banking authorities of third countries.

2.1.1.2. Article 12 does not allow Member States to conclude cooperation agreements providing for exchanges of information with the non-banking supervisory authorities of third countries.

2.1.1.3. In view of the close links between banking and other financial activities such as insurance, the Commission has good reason to extend cooperation with the various non-banking supervisory authorities of third countries, whilst requiring the same guarantees of professional secrecy.

2.1.1.4. The Committee approves the Commission's proposed amendment.

2.2. *Amendment of Directive 89/647/EEC on a solvency ratio for credit institutions*

2.2.1. Article 2: amendment to Article 2(2)

2.2.1.1. This measure is intended to relax the requirement for own funds used in calculating the solvency

⁽¹⁾ OJ No C 208, 19. 7. 1996, p. 8.

ratios of a specific type of borrower, i.e. churches and religious communities which have the right to raise taxes.

2.2.1.2. The Commission is right to argue that this type of credit risk is no greater than that of regional or local authorities having the same powers.

2.2.1.3. This provision concerns three EU Member States only: Germany, Sweden and Finland.

2.2.1.4. The Economic and Social Committee has no objection to this proposal.

2.2.2. Article 3: amendment to Article 6(1)(a)(8) and (c)(2)

2.2.2.1. The purpose of this article is to reduce to zero the weighting required by the solvency ratio Directive to be applied to asset items of a purely accounting nature.

2.2.2.2. These assets carry no risk and do not have a counterparty, and are simply the expression in accounting terms of a liability.

2.2.2.3. There are no objections to this measure.

2.2.3. Article 4: amendment to Article 6(2)

2.2.3.1. The purpose of this article is not to penalize in terms of risk weighting capital subscribed to the European Investment Fund but not yet paid up.

2.2.3.2. The newly established European Investment Fund is intended to contribute to the consolidation of the internal market and the promotion of economic recovery.

It would therefore be desirable not to penalize financial institutions, whose reserved share of the EIF's subscribed capital is 30 %, of which only 20 % will be paid up at the outset.

2.2.3.3. Participant financial institutions' unpaid commitments appear sufficiently sound to justify the Commission's proposal that a 20 % weighting be applied.

2.2.4. Article 5

2.2.4.1. The purpose of the proposed amendments (Articles 8 to 10) to the Directive on capital adequacy is

to insert into Annex II the technical measures needed to establish stricter and more precise prudential treatment of off-balance-sheet derivative instruments, while broadening the scope of the instruments covered.

An analysis should however be made of the effects on SMEs of the weightings proposed for contracts relating to raw materials.

2.2.4.2. The methods described in Annex II apply to over-the-counter (OTC) off-balance-sheet derivative instruments. They do not apply to contracts concluded on an organized market, which are subject to daily margin requirements, nor to exchange-rate contracts (with the exception of gold contracts) with an original maturity of 14 calendar days or less.

2.2.4.3. In order to assess the credit risk of OTC derivative instruments, institutions are required to carry out the following calculation:

- the current replacement cost (obtained by marking to market) of all contracts with positive values;
- a figure for future potential credit exposure, calculated as a percentage of the notional principal amounts or values underlying an institution's aggregate books as a function of residual maturity and the nature of the contract (table I).

2.2.4.4. For banks using this current risk method, the credit risk arising from futures contracts which are included in a bilateral netting agreement shall be calculated as the sum of the following:

The net replacement cost at market prices, where value is positive, plus an additional amount calculated on the basis of the underlying nominal amount. The increase applicable to netting contracts (PCE red) shall be equal to the weighted average of the gross increase (PCE gross) and the gross increase corrected by the ratio of net current replacement cost: gross current replacement cost (NGR). The calculation can be summarized as follows:

$$\text{PCE red} = 0,4 \times \text{PCE gross} + 0,6 \times \text{NGR} \times \text{PCE gross}.$$

2.2.4.5. The measure of risk stipulated by the Directive is in line with the Basle committee's recommendations. There is therefore no objection.

2.2.5. Article 6

2.2.5.1. Member States may apply a 50 % weighting to off-balance-sheet transactions which are sureties or guarantees having the character of credit substitutes which are fully guaranteed by mortgages.

2.2.5.2. The ESC has no objection to this Article.

2.2.5.3. It should be clarified in Article 6(1)b that a 20% weighting is now applied to loans secured by collateral in the form of regional or local authority securities, subject to the provisions of Article 7 (in the

event that the proposal concerning Article 8 remains unchanged).

3. Conclusion

The Committee endorses the Commission's proposals and hopes that they will be adopted as soon as possible, in order to prevent European Union credit institutions being affected by distorted competition on the part of their counterparts from elsewhere in the world.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on Cohesion policy and the environment'

(97/C 30/05)

On 9 February 1996, the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on Cohesion policy and the environment.

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 17 September 1996. The Rapporteur was Mr Mercé Juste.

At its 338th Plenary Session held on 25 and 26 September 1996 (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion with 96 votes in favour and three abstentions.

1. Introduction

The Communication seeks to create the conditions for greater synergy between cohesion and environmental policies in the implementation of Structural Fund and Cohesion Fund programmes.

The Committee takes the view that the Structural Funds and the Cohesion Fund are the main instruments for achieving economic and social cohesion⁽¹⁾. These two instruments should, therefore, be the focus of increased synergy between cohesion and environmental policies.

Moreover, the importance of the environment was formally recognized through the addition of an environmental dimension to the rules governing the Structural Funds, when these were reviewed in 1993. This process was further consolidated with the creation of the Cohesion Fund. The ESC has issued Opinions on these subjects⁽²⁾, and also on the Community programme 'Towards Sustainability'⁽³⁾. The implementation of this programme serves as a model for the Communication now under consideration.

⁽¹⁾ OJ No C 153, 28. 5. 1996.

⁽²⁾ OJ No C 201, 26. 7. 1993; OJ No C 82, 19. 3. 1996.

⁽³⁾ OJ No C 138, 17. 5. 1993.

The quality of the environment is a potential indicator of social prosperity and it is recognized that social indicators reflect the attractiveness of a location and that this has a direct impact on economic development. The Committee thus believes it necessary to make a new political commitment to the implementation of environmental measures.

The ESC has always advocated greater coordination between policies, whether national or Community. It therefore firmly supports proposals aiming to give policies an environmental dimension, in this instance the Structural Funds.

The ESC welcomes the Communication, but wishes to make certain comments and restate a number of principles.

2. Comments

2.1. The Committee is aware of the limitations of the current legal framework for the purposes of attaining the objective of greater synergy between the cohesion and environmental policies. This kind of exercise is useful, however, since the work involved will generate new ideas which may have an impact on the general revision of the rules governing the Funds planned for 1999.

2.2. The Committee acknowledges the progress made in incorporating environmental considerations into cohesion policy, both through revision of the rules governing the Structural Funds in 1993 — by including the environmental dimension in every stage of the drafting and implementation of programmes — and the creation of the Cohesion Fund. It would, however, point to the importance of the challenge facing the European Union in the years to come: to ensure that the design and implementation of cohesion policy are compatible with sustainable development and environmental rules and with the progress which is being made on these fronts.

2.3. In the Committee's view it is important to use the horizontal dynamic implicit in the integration of the environmental factor into Structural Funds policy in order to further rationalize the programmes in relation to their impact (improve the balance between costs and social and environmental benefits) and to ensure a more effective synergy between the Funds. For instance, the Funds assessment reports often refer to ERDF or EAGGF investments in the environment (sewage treatment plants, waste treatment plants) without any provision being made in the ESF for the training of operators.

2.4. By the same token, consideration should be given to improving the synergy between environmental policy and R&TD actions, especially the specific programmes

and the integration of environmental concerns into these programmes.

2.5. One of the factors which, the Committee feels, will determine whether further integration of the totality of environmental measures into cohesion policy is successful is the degree of cooperation established with the Member States and, where appropriate, the regions, subject to the principle of subsidiarity.

2.6. As regards the Cohesion Fund's function as a link between cohesion and environmental policies, the Committee supports the Commission's aim of striking a 'suitable balance' (a 50/50 distribution of funds) between transport infrastructure and environmental projects, and the application of a flexible strategy to achieve this. In this respect the Committee would point out that this balance should be attained over the whole period for which the Fund runs (1993-1999) and not for each year separately. On the other hand, as investment in the environment is generally less expensive than transport investment, a larger number of environmental projects will need to be financed if balance is to be achieved. The Committee would refer to its Opinion on the Annual Report — Cohesion Financial Instrument 1993/1994 and the 1994 Annual Report — Cohesion Fund, in which it pointed to the advisability of attaining such a balance.

Moreover, it should be borne in mind that many transport projects (e.g. promotion of public transport) may make a positive contribution to improving the environment. The Committee thus wishes to draw the Commission's attention to the advisability of taking full account of the environment in the selection of transport projects.

2.7. Structural Fund aid for direct investment, in environmental projects has grown in recent years. Whereas during the period 1989-1993 ECU 2,8 billion was spent in Objective 1, 2 and 5b areas, over ECU 9,4 billion has been earmarked for the period 1994-1999 to support such environmental action. The Committee welcomes these developments and supports the introduction of additional measures to ensure that environmental issues are better catered for.

The Committee would likewise underline the importance of paying particular attention in Community initiatives to innovative measures making for better environmental protection.

2.8. The Communication particularly stresses the increase in aid to finance productive investment, which not only has an indirect positive impact on the environ-

ment, but also helps to achieve sustainable development and improve employment prospects.

The Committee supports the Commission's efforts to identify, both in the review of programming documents and in specific Community initiatives, the kind of preventive projects which should be given priority in future. In this connection, the ESC advocates priority for local and regional development projects which promote products and services, especially those of SMEs, and at the same time contribute to the creation of new, environment-related jobs. The Committee feels that the environment is a suitable area for local development initiatives, and these deserve particular attention⁽¹⁾, especially with regard to the evaluation of new experience, and the dissemination and promotion of best practice in the development and creation of employment using transnational information and cooperation networks.

The Committee also highlights the importance of an environment-orientated human resources policy using measures to improve the quality of education and training, raising public awareness of these questions and improving workforce skills, thus enabling workers more effectively to meet the demands of the labour market.

2.9. Respect for the environment should be a criterion in selecting projects; i.e. the environmental impact of projects would be systematically assessed. The ESC also considers that it should be the task of the monitoring committees to assess the environmental dimension as part of the follow-up activities, and when programmes are assessed generally.

The Committee points out the importance of using reliable indicators in order to assess the environmental impact of the measures adopted more accurately. To this end it urges that steps be taken to obtain more environmental data, properly broken down, to help towards a more objective assessment. The Committee also feels that greater use should be made of technical assistance in order to improve the techniques used for the economic assessment of projects.

2.10. The Committee regrets that in the past the Commission has not played a more active role in preventing infringements of environmental rules in connection with the activities of the Structural Funds and Cohesion Fund. To remedy this situation, the Committee calls on the Commission to draw up appropriate measures as soon as possible. It also supports any sanction proceedings initiated by the Commission in respect of infringements of the rules, including the repayment of Community funds. The Committee considers that a list should be drawn up of genuine environmental measures — prevention, rehabilitation,

sustainable development — in the form of a didactic or indicative catalogue; this could serve as a guide to options for those framing programmes (national and regional authorities) and to avoid possible infringements later.

2.11. The Committee reiterates the importance of the involvement of the economic and social partners at every stage of the drawing-up, implementation and follow-up of action carried out under the Structural Funds, in compliance with Article 4 of the Framework Regulation⁽²⁾. Furthermore, local environmental organizations, which play a particular part in this connection, should be consulted.

2.12. In order to achieve more transparency and — especially — fuller information on the results of the initiatives listed in the Communication, the Committee recommends that the Commission produce an annual report assessing how far the environmental dimension has been integrated into the application of the Structural Funds and the Cohesion Fund; a study of environmental projects financed under Article 10 of the Structural Funds Framework Regulation would be useful.

2.13. An important feature of the environment is that it does not stop at frontiers. The EU's environmental role should serve as a model for its neighbours, especially those which have applied for EU membership or have announced their intention of doing so. Their future accession will entail the entry into force of Community environmental legislation. Environmental questions should therefore be given their proper place in pre-accession agreements.

Similarly, the possibility should be studied, within the framework of development aid policy, of encouraging these countries to adopt industrial policies which take account of the environment, and in particular the development and use of clean technologies.

Cooperation with other neighbouring countries (in the Mediterranean region and with the Baltic States) should be stepped up, with encouragement for the use of instruments enabling environmental considerations to be taken into account. In this connection, use would have to be made of Community initiatives (of the Interreg II C type), or other instruments which provide for increased transnational cooperation on environmental protection.

2.14. With a view to applying the principles enunciated in this Communication as effectively as possible, the Committee considers that it would be extremely useful to be able to call on the potential support and know-how of the European Environment Agency; consequently it regards improved cooperation with the latter as essential, and also takes the view that the Agency's role should be strengthened.

⁽¹⁾ OJ No C 18, 22. 1. 1996.

⁽²⁾ OJ No C 127, 7. 5.1994.

2.15. The Committee wonders how the Commission intends to follow up the Communication. It calls on the

Commission to translate the principles contained in the Communication into concrete measures.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*
Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a Council Decision regarding the definition and implementation of Community policy in the field of telecommunications and postal services' ⁽¹⁾

(97/C 30/06)

On 20 May 1996 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 24 July 1996. The Rapporteur was Mr Kritz.

At its 338th Plenary Session (meeting of 25 September 1996) the Economic and Social Committee adopted the following Opinion by 94 votes for, one vote against and four abstentions.

1. Introduction

1.1. The Commission has decided to seek a legal basis for a number of budgetary lines, as declared in a Communication from the Commission in 1994 (SEC(94) 1106 final). One of these budget lines deals with the definition and implementation of Community policy in the field of Telecommunications and Postal Services (B5-401).

1.2. Treaty provisions and Council and Parliament Resolutions and Directives require the Commission to act in various ways, in order to study and lay down objectives and actions which further define and implement the Community Telecommunications and Postal Policy. This includes initiating analysis, eliciting comment from industry and the public, drawing up proposals for legislation and monitoring the application of legislation.

1.3. These actions require a range of support activities, such as the commissioning of studies and the organization of seminars and consultations, in order to analyze markets, technologies, objectives and policies. The submission of mandates to standardization and

frequency bodies is also included. These activities are funded from the budget line B5-401.

2. Content of the Commission document

2.1. The Commission document contains the following:

- Explanatory Memorandum;
- Proposal for a Council Decision;
- List of legislative provisions adopted to date in the field of Telecommunications and Posts. (This Annex does not contain Directives, Decisions, Resolutions, etc., adopted in 1995 and 1996);
- Financial Statement.

2.2. The purpose of the Council Decision is stated in Article 1.

2.3. Article 2 declares that the Commission shall be responsible for carrying out the tasks defined in Article 1. When doing this, the Commission shall have regard to the objectives of the Community Policy in the field of Telecommunications and Postal Services; the main objectives are enumerated in Article 2.

⁽¹⁾ OJ No C 192, 3. 7. 1996, p. 4.

2.4. Article 3 states that, for the fulfillment of the tasks defined in Article 2, the Commission may undertake any suitable action, and mentions in particular:

- awarding contracts for drawing up analysis reports and specific studies;
- organizing, participating in and supporting expert meetings, conferences and seminars;
- contributing to the development of cooperation between the Community and third countries;
- submitting mandates to standardization and frequency bodies;
- purchasing and operating necessary equipment.

2.5. Article 4 underlines, inter alia, that anti-fraud provisions shall be included in all agreements and contracts made between the Commission and the recipient of any payments.

2.6. An evaluation report shall be presented to the European Parliament and the Council every three years (Article 5).

2.7. According to the Financial Statement, the 1995 budget for B5-401 amounted to MECU 8,5. The 1996 PDB (Preliminary Draft Budget) contains the same total amount. The breakdown by elements of action shows that the Commission intends to focus on strategic

aspects, owing to the very rapid development of technology, on development of markets, especially in the telecommunications sector, and on the regulatory area.

3. General comments

3.1. The Economic and Social Committee agrees with the Commission on the need to have a legal basis for the budget for the definition and implementation of Community policy in the field of Telecommunications and Postal Services (budget line B5-401).

3.2. The support activities funded from B5-401 have been carried out for some years without a formal legal basis. It is the view of the Committee, however, that the proposing of a Council Decision should be seen not only as an administrative exercise to fill in a legal vacuum, but also as a means to stimulate good financial and management practice within the Commission.

3.3. The Committee deems it highly important for the Commission to have financial resources for the support actions mentioned in Article 3. It is of great value to the Commission to get independent views through contract studies analyzing inter alia markets and technologies.

3.4. The Committee is of the opinion that, among the support activities, monitoring the application of Community legislation must get high priority.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for an eighth European Parliament and Council Directive on Summer-time arrangements'

(97/C 30/07)

On 28 May 1996 the Council decided to consult the Economic and Social Committee, under Article 100 A of the Treaty, on the above-mentioned proposal.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 24 July 1996. The Rapporteur was Mr Whitworth.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion by 96 votes for, one vote against and five abstentions.

1. Introduction

1.1. In November 1993 the Economic and Social Committee gave its Opinion on the proposal for a seventh Council Directive on summer-time arrangements.

1.2. This Directive covered the years 1995 to 1998 inclusive. It maintained a common starting date for summer time on the last Sunday in March in all four years, but prescribed for the first time, a common ending date for all Member States for 1997 and 1998 on the last Sunday in October.

1.3. The Committee endorsed the proposals contained in the draft Directive and it was adopted unchanged on 30 May 1994.

1.4. The Directive now proposed seeks to continue these arrangements (a common starting date on the last Sunday in March and a common ending date on the last Sunday in October) for a further four years i.e. 1998 to 2001 inclusive.

1.5. The proposed Directive is accompanied by a Report summarizing the findings of a study undertaken in 1995 by consultants engaged by the Commission into the effects of summer time on such matters as energy consumption, public health, working conditions and lifestyles, agriculture, environmental protection, road safety and the tourism and leisure industries. The Study is a comprehensive one running to 263 pages and drawing on the results of 38 previous researches in this field. Opinions were canvassed from 215 organizations in the various Member States.

1.6. The Report states that the Study found an overwhelming preference for maintaining a summer-time regime in the European Union and general agreement on the need for full harmonization of dates for the beginning and end of summer time throughout the Union.

2. Comments on the proposed Directive

2.1. Although the Seventh Directive has a further year and a half to run and the common ending date of the last Sunday in October has not yet come into effect the Committee believes that it is timely to bring forward a Directive covering the next four-year period so that the industries and sectors concerned can plan ahead.

2.2. In the light of the view it took in its Opinion on the Seventh Directive, coupled with the generally favourable reception to its provisions as evidenced by the Commission and in the Report of the Study, the Committee endorses the proposals contained in the draft Eighth Directive.

3. Comments on the Report

3.1. The Study addressed three options in relation to summer time:

— maintain the status quo for all Member States;

— UK and Ireland to adopt Central European Time;

— the abandonment of summer time in all Member States with UK and Ireland adopting Central European Time.

3.2. The Commission notes in the Report, and the Committee affirms as it did in its 1993 Opinion, that the decision on which time zone to apply is a matter for each Member State to determine for itself.

3.3. The Report states that the Study's findings indicated an overwhelming preference for maintaining a summer-time regime in all Member States and that its abandonment would bring economic and social drawbacks in a number of areas. It believes that this rules out the third option.

3.4. It also concludes that the Study showed that there would be benefits to Ireland and the UK in harmonizing their clocks with those of the other Member States which form the Central European time zone and that this standardization would benefit those countries also.

3.5.1. The Committee believes that the Study provides useful and pertinent data in the various areas it covers but inevitably it contains a number of shortcomings; in particular the attempts to quantify the perceived advantages and disadvantages in financial terms are somewhat questionable. Understandably in the context of Option 2 its data was predominantly from the UK and Ireland. The Study was carried out before Portugal's recent move to CET minus one hour (same as Ireland and UK).

3.5.2. In the important area of road safety full information was only forthcoming from four Member States with partial information from five. The effects on children going to school in the dark were not specifically addressed nor the extent to which these might be affected by the adoption of CET in Ireland, the UK (and Portugal). However the data shows that in all nine countries the incidence of road casualties is at its peak around 1600 hours and that in Great Britain a change to Option 2 would lead to a reduction in such deaths and injuries.

3.5.3. The analysis concentrates more on the benefits of lighter evenings and less on the disadvantages of darker mornings but concludes that the former are particularly pronounced as regards energy consumption, leisure activities and tourism while the latter could cause

some difficulties in agriculture and the construction industries.

3.6. The Report on the Study ignores the discrepancy between the Eastern European Time Zone (applicable in Finland, Greece and the countries in Eastern Europe applying for membership) where the clocks are one hour ahead of the Central Zone. The Committee believes that it is unrealistic to suppose that it will ever be practicable for all Member States to adopt the same time zone.

3.7. The question of summer time is a highly subjective one and generates strong individual feelings when any change is contemplated. Notwithstanding its shortcomings, by producing a considerable volume of objective evidence the Study makes a valuable contribution to discussion in this area. In particular it does demonstrate that as far as Ireland and the UK are concerned the benefits of a change to Central European Time would outweigh the disadvantages across the whole social and economic spectrum.

4. Conclusions

4.1. The Committee endorses the proposals in the Draft Directive.

4.2. Despite their perceived shortcomings the Committee commends the Report and the Study to interested parties in those Member States where any change is contemplated as providing some objective data on which to base their assessment of the position.

4.3. The Committee endorses the Commission's statement that its task is confined to the harmonization of dates for the starting and ending of summer time and that any decision to alter other time arrangements in the individual Member States rests with them alone.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Universal service for telecommunications in the perspective of a fully liberalized environment'

(97/C 30/08)

On 26 March 1996, the Commission decided to consult the Economic and Social Committee on the Universal service for telecommunications in the perspective of a fully liberalized environment.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 11 September 1996. The rapporteur was Mr von Schwerin.

At its 338th Plenary Session (meeting of 25 September 1996) the Committee adopted the following Opinion with 107 votes in favour and two abstentions.

1. Introduction

1.1. The Commission Communication is described as an essential element of the information society.

1.2. The fact that the liberalization of telecommunications must go hand-in-hand with parallel action to create a regulatory framework which secures the delivery of a universal service has been stressed in many documents. These include the Commission Communication on the consultation on the review of the situation in the telecommunications services sector (COM(93) 159 final), the Council Resolution 94/C 48 of 8 February 1994 on universal service principles in the telecommunications sector, the Council Resolution 95/C 258 of 18 September 1995 on the implementation of the future regulatory framework for telecommunications, the European Parliament Resolution of 19 May 1995 on the Green Paper on the liberalization of telecommunications infrastructure and cable television networks, the Opinion of the Economic and Social Committee of 13 September 1995 on the liberalization of telecommunications infrastructure and the Opinion of the Committee of the Regions on the Commission Communication: Europe's way to the information society — an action plan.

2. Content of the Commission document

2.1. The Commission Communication contains the following five chapters:

- I. The basis for the Communication (introduction)
- II. The current concept of universal service in the European Community
- III. Issues for the evolution of universal service in the short term
- IV. The evolution of universal service for telecommunications and access to advanced services in the context of the information society and
- V. Conclusions.

2.2. The four annexes contain the timetable for action, a questionnaire on the universal service sent to Member States, a list of organizations which commented on the theme paper and a summary of the main issues raised in the public consultation on the universal service theme paper.

2.3. In the light of the political agreements of 1993 and 1994 resulting from the Commission's 1992 Telecommunications Review⁽¹⁾ in favour of the full liberalization of the sector, the Council, the European Parliament, the Economic and Social Committee⁽²⁾ and the Committee of the Regions have all recognized that liberalization goes hand-in-hand with parallel action to create a regulatory framework which secures the delivery of universal service.

2.4. The Commission has prepared this Communication on the basis of (i) the results of a survey of the level and quality of service found in the Member States and (ii) a public consultation on universal service issues during autumn 1995. Its aims are threefold:

- to describe the current concept of universal service in telecommunications, both in terms of the regulatory framework and in terms of the current level of universal service provision in the Member States;
- to address practical issues and propose solutions and action for the future development of universal services;
- to place universal service for telecommunications in the broader context of the information society.

2.5. Thus, according to the Commission, the basic concept of universal service (the elements of which are detailed in the aforementioned Directive 95/62/EC) must comprise the obligation to provide access to the public telephone network and to deliver an affordable telephone service to all users requesting it.

⁽¹⁾ OJ No L 321, 30. 12. 1995; OJ No C 236, 11. 9. 1995.

⁽²⁾ OJ No C 301, 13. 11. 1995.

2.6. Furthermore, the Commission considers that price increases for users in rural areas must not be used to compensate for losses in revenue resulting from price decreases elsewhere and that any differences in pricing between urban areas and rural areas must not result in unaffordable prices. The Commission also envisages special schemes for disadvantaged users such as elderly or disabled people and plans to promote initiatives to accelerate network digitalization in the less developed regions of the EU, and to ensure that the introduction of competition and new technologies reduces rather than widens the differences between regions.

2.7. The Commission envisages a certain flexibility in the financing of the universal service to take account of the differing situations in the Member States.

3. General comments on the Commission Communication

3.1. The Economic and Social Committee welcomes the highly detailed description of the current concept of universal service in telecommunications, which covers both the regulatory framework and the level of provision in the Member States.

3.2. The Committee agrees with the Commission on the need to place the universal service for telecommunications in the broader context of the establishment of the information society.

3.3. The Committee supports the practical issues addressed in the Communication and the solutions and action proposed for the future development of the universal service.

3.4. The Committee regrets that while the Communication deals with the scope and affordability of the universal service and describes general costing and financing guidelines, it does not contain a detailed concrete proposal for guaranteeing the universal service from the point of view of calculating the costs and the financing. The Committee thinks that a guideline for calculating the costs and the financing must be discussed at the same time as the Communication on the universal service in telecommunications.

3.5. The Committee agrees with the Commission that the information society raises issues which go far beyond the universal service for telecommunications. It also agrees on the need for an overall Community policy for the information society which includes education, health care and social policy aspects. However, this policy is not adequately described in the Communication.

3.6. Employment policy should also have been considered in the Communication in connection with the creation of the information society and the main elements of the universal service, but it has been totally disregarded. The Committee would refer in this connection to the study carried out on the Commission's behalf on the employment effects of liberalization/privatization⁽¹⁾ and the use of new technologies in telecommunications.

3.7. The general obligation to provide a high level of employment in the Community, as laid down in Article 2 of the EC Treaty, should be borne in mind in this context. A broad universal service offering many new individual services would underpin this obligation.

4. Specific comments

4.1. The Committee would point out that the safeguarding, development and financing of a universal service in the telecommunications sector is vital for the future development of the Community. The Committee thinks that first and foremost the universal service must help to bring society closer together, thereby strengthening economic and social cohesion. For this reason all users quite rightly expect a broad universal service which will be developed further according to their needs, which will take account of the development of European society and which will keep abreast of technical advances. It is therefore necessary to develop the universal service provision within the framework of a dialogue involving all groups in society as part of a gradual dynamic process which takes account of the reality of the market. The definition of universal service must be amplified accordingly.

4.2. As regards the scope of the universal service obligations defined in the Communication, the Committee would refer to its Opinion of 29 February 1996 on the Proposal for a European Parliament and Council Directive on interconnection in telecommunications with regard to ensuring universal service and interoperability through application of the principle of Open Network Provision (ONP) (COM(95) 379 final — 95/0207 COD)⁽²⁾.

It would also refer to its Opinion of 25 April 1996 on the proposal for a European Parliament and Council Directive amending Council Directives 90/387/EEC and 92/44/EEC for the purpose of adaptation to a competitive environment in telecommunications (COM(95) 543 final)⁽³⁾.

(1) COM(95) 512 final.

(2) OJ No C 313, 24. 11. 1995, p. 7; OJ No C 153, 28. 5. 1996, p. 21.

(3) OJ No C 62, 1. 3. 1996, p. 3; OJ No C 204, 15. 7. 1996, p. 14.

4.3. It is noted that the Commission intends to report in January 1998 and thereafter at regular intervals on the scope, level, quality and affordability of the universal service in the European Community and to check on the need to adapt the scope of the universal service throughout Europe in the light of circumstances. However, instead of describing what the report is to contain, the Commission should set clear criteria, that take account of the reality of the market, for introducing a broad universal service incorporating future technology (e.g. ISDN access), thereby enabling all interested parties to know where they stand when they make their plans. The universal service defined in the Commission Communication can therefore be regarded simply as an initial step. Such an approach would oblige all Member States to make an all-out effort to achieve the target and keep the Commission briefed on the measures introduced in order to safeguard Europe's future chances in a global competitive market.

4.4. The political decisions taken in the European Union with regard to the full liberalization of telecommunications by 1 January 1998 (Council Resolution of 22 July 1993 on the review of the situation in the telecommunications sector (93/C 213/01)) mean that all users and manufacturers already know where they stand when they make their plans. In particular, small and medium-sized enterprises in the Member States must know where they stand when planning investments and new services so that they can enter the market once it has become fully liberalized. At the same time, a European universal service at, for example, ISDN level would provide manufacturers and service providers with a favourable environment for the development of a number of value-added services, which could be built on in various sectors.

4.5. The Committee thinks that when the scope of a universal service is laid down, economic and social cohesion must be promoted in all Member States (in accordance with Article 2 of the EC Treaty and the conclusions of the G-7 summit on the information society).

4.6. The Committee thinks that all providers of telecommunications services must make a fair, appropriate contribution to all aspects of the services, including finance. In particular, appropriate allowance must be made for the costs incurred in connection with the establishment of the networks, the prior development work, their maintenance and the investment required for modernization. Therefore, priority must be given to the Commission presenting guidelines for the financing of the universal service without delay so that the costs associated with the provision of the universal service can be divided up among all market players. The Committee also notes that consumer demand and needs

have still not been investigated, even though it has repeatedly called for this to be done⁽¹⁾.

4.7. The term 'universal service' implies that the service is offered to all citizens, which in turn means that all citizens should be able to afford it. The aim must therefore be to prevent the emergence of a two-class society in the Community. Hence the price of the universal service should be determined on the basis of social and demand-oriented criteria. The guarantee that such a service will be provided is vital for the public in general and certain groups of the population in particular (disabled, elderly, etc.). Support is therefore given to the Commission's remark that the Member States must adopt measures (price capping mechanisms, etc.) to ensure that all users can afford the services. However, allowance must also be made for service providers covering their costs.

4.8. The Committee would ask the Commission to examine whether something similar to the 'greenpoints' found in the Netherlands could be installed by Member States in public places in towns and cities. Members of the public would then be able to make and receive calls on their own cordless telephones without paying a surcharge for the radio link. This would also do away with the need to pay for the maintenance and upkeep of telephone booths.

5. Conclusions

5.1. The Committee agrees with the Commission that the concept of universal service must form a firm anchor for the regulatory reforms underway at national level with a view to fully liberalizing the telecommunications sector in Europe. The Committee considers it important to put pressure on Member States to introduce the universal service as quickly as possible.

Coordination of this work would be furthered by the establishment of a European regulatory body, which the Committee supported in its Opinion on the ONP Directive (COM(95) 379 final) issued on 28-29 February 1996.

5.2. The Committee supports the Commission's view that consumers at both national and Community level should be involved more closely in decisions concerning the fixing of quality targets, standards and future scope of the universal service. The Committee also welcomes the setting-up of a European monitoring committee to represent consumer interests. However, the consumer organizations which were actively involved in the Commission consultations should be represented on this committee, which should also be provided with the resources it needs for its successful operation.

⁽¹⁾ OJ No C 110, 2. 5. 1995.

5.3. The Committee calls on the Commission to attach appropriate significance to the commitment to high employment (Article 2 of the EC Treaty) in its report on the scope, level, quality and affordability of the universal service.

5.4. As progress towards the information society continues, the Commission and the Member States are urged to adopt every possible measure in support of disadvantaged regions so that the digitalization of networks is speeded up in those regions and regional imbalances in the Community are thereby reduced. The aim of providing all citizens with a broad high-quality universal service will thus be furthered.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) amending Council Regulation (EEC) No 3922/91 on the harmonization of technical requirements and administrative procedures in the field of civil aviation' ⁽¹⁾

(97/C 30/09)

On 13 June 1996 the Council decided to consult the Economic and Social Committee, under Article 84 of the Treaty, on the above-mentioned proposal.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 24 July 1996. The Rapporteur was Mr Moreland.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion by 95 votes for, 4 votes against and 5 abstentions.

1. Commission Proposal

This amendment to Council Regulation 3922/91 on the harmonization of technical requirements and administrative procedures in the field of civil aviation is an extension of that regulation [following agreement of the Joint Aviation Authority (JAA)] to cover small

commercial aircraft and rotorcraft which were not covered in the annex to 3922/91.

2. Committee Opinion

This proposal has widespread support from the aviation industry and technical experts and is a contribution to higher safety standards in the aviation industry. The Committee supports the proposal.

⁽²⁾ OJ No C 179, 22. 6. 1996, p. 9.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) laying down certain technical measures for the conservation of fishery resources'

(97/C 30/10)

On 8 July 1996, the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 5 September 1996. The Rapporteur was Mr Little.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion by 97 votes to two, with nine abstentions.

1. Background

1.1. The current Regulation [(EEC) No 3094/86] laying down technical conservation measures for fisheries in the Atlantic has changed considerably since it was first adopted in October 1986. However, very few of the amendments concern matters of substance and only two of those amendments involve changes with a major impact on resource conservation.

1.2. In the more recent of those two (the eleventh amendment adopted in October 1991), the measures adopted fell well short of the Commission's proposals but the Council undertook that it would adopt further increases in mesh sizes in 1994 if fish stocks did not improve in the meantime. The adoption of such increases has so far been postponed.

1.3. In its Report to the Council in December 1995 (COM(95) 669), the Commission stated that the technical regulations currently in force have not been effective enough in reducing the catch of juvenile fish. The Commission, in conjunction with its experts, concluded that the basic structure of the proposals rejected or postponed by the Council in 1990/91 should be maintained.

1.4. The Commission is now proposing that a new regulation should be adopted which would replace Council Regulation (EEC) No 3094/86.

2. Gist of the Commission Proposal

2.1. The prime objective of the proposal is to further reduce the catch of juvenile fish by modifying existing technical measures so as to improve their effectiveness. The most significant of those modifications, which refer principally to the towed gear sector, are as follows:

- the elimination of the concepts of authorized mesh sizes and protected species and the introduction of minimum percentages of target species retained on board, related to specified mesh size categories;
- a general increase in mesh size for towed gear;

- the use of square mesh panels to be mandatory for larger mesh sizes;
- severe limitations on the number of different sized nets carried on board;
- harmonization of mesh sizes throughout the Atlantic (except Skagerrak and Kattegat);
- fish minimum landing sizes to be harmonized and adjusted to correspond to mesh size selectivity;
- a limited extension of areas closed to fishing during certain periods of the year.

2.2. A second objective of the proposal is to simplify the rules to make them more understandable and enforceable. The new provisions are also intended to provide more flexibility to fishermen and to promote a reduction in discards.

3. General comments

3.1. Conservation

3.1.1. In an Opinion ⁽¹⁾ on the conservation of fishery resources and fishing rights drawn up on its own initiative and adopted in September 1995, the Committee concluded that the measures taken to conserve the fish population are inadequate and the results obtained have not been satisfactory, suggesting that the objectives are too modest, that the measures are inadequate or that they have not been properly applied.

3.1.2. It is thus already established that the Committee fully shares the Commission's concerns about the state of many fish stocks and, in principle, it supports efforts to improve technical conservation measures as one way to help conserve and improve stocks.

⁽¹⁾ OJ No C 39, 12. 2. 1996, p. 32.

3.1.3. In addition to technical measures, the Committee has already expressed its support for other conservation measures such as aid for de-commissioning with the aim of reducing fishing capacity and the level of fishing activity.

3.2. *Economic and social effects*

3.2.1. It seems clear that some of the proposed rules would require significant changes to fishing practice with real economic implications and would be likely to have a severe adverse impact on the fishing industry in the short and medium term, although there could be valuable benefits in the longer term. The Commission has made no attempt so far to assess the short term economic and social costs engendered by the proposal and, in fact, makes no reference to the downside aspects. The Committee considers that the lack of such information makes it impossible to determine whether the proposals constitute a reasonable balance between safeguarding the short and medium term interests of the fishing industry and improved conservation of fish resources.

3.2.2. It is likely that, whatever revised technical measures are adopted in due course, there will be negative short-term effects (e.g. loss of earnings and additional outlays on equipment) on the fishing industries of the European Union and within the local communities affected. Whilst acknowledging that socio-economic measures would not be dealt with under the proposed regulation, the Committee wishes to draw attention again, as it did in the above-mentioned Own-initiative Opinion, to the possible need for such compensatory measures to help to offset the short-term effects and to assist with necessary structural changes.

3.3. *Consultation*

3.3.1. A number of the modified technical measures now proposed are on the broad lines of proposals made by the Commission in July 1990 and which were rejected by the Council after a period of deadlock in October 1991. However, the full details of the Commission's new proposal were made known only at the end of June 1996 and it has been indicated that consultations on the proposal should be completed in time for a decision to be taken by the Fisheries Council in October 1996. In the view of the Committee, such a short period for consultation is wholly inadequate in the light of the far-reaching consequences of the proposed measures and their controversial nature.

3.3.2. There has been no direct discussion between the Commission and the fishing industry of the specific modifications proposed. In most other sectors of industry, major proposals having operational, economic and social effects are the subject of preliminary discussion with operators in the sector before specific proposals are published. In some Member States, successful technical conservation measures have previously emerged from

such dialogue. It is acknowledged that individual Member States will be discussing the proposal with their respective fishing industries but, nevertheless, the Committee considers it to be most regrettable that preliminary consultations on the proposed measures have not taken place directly with fishermen.

3.3.3. The Committee feels that it would be very unwise of the Council and Commission to rush to a decision, without satisfactory consultation having taken place with fishermen and their representatives, on radical and complex ideas which have been presented at short notice after gestating for a number of years.

3.4. *Enforcement*

3.4.1. The Committee has previously expressed its concern⁽¹⁾ about the difficulties of ensuring enforcement of Community fisheries policies and of the general inadequacy of inspectorate services which are the responsibility of Member States. The Commission acknowledged those difficulties in a recent report 'Monitoring the Common Fisheries Policy'⁽²⁾. The Committee takes the view that there should be no less inspection at sea as a consequence of the new proposals. Indeed, the Committee calls upon Member States to provide adequate resources so as to achieve improved compliance with their monitoring obligations.

3.4.2. Despite the good intentions of the Commission to simplify and clarify the technical conservation measures, the new rules would continue to be extremely complex and, in some cases, unnecessarily rigid. In the Committee's assessment, the proposed new rules remain difficult to understand and hence difficult to enforce.

3.4.3. Enforcement of the regulations requires the tacit agreement and the cooperation of fishermen. This is much more likely to be forthcoming if fishermen have participated fully and satisfactorily in the debate of the new measures as is recommended in paragraph 3.3 above.

3.5. *Flexibility*

3.5.1. The Committee welcomes the effort to provide greater operational flexibility. However, the advantages of the proposal to promote a reduction in discards by permitting the retention on board of species in excess of authorized until the end of the fishing trip would be offset by the loss of flexibility under the related proposal to limit the number of different sized nets carried on board.

(1) OJ No C 108, 19. 4. 1993, p. 36.

(2) COM(96) 100 final.

4. Specific comments

4.1. *Minimum mesh sizes and minimum percentages of target species (Article 5)*

4.1.1. The Commission has not provided scientific evidence that the substantial general increases in minimum mesh sizes, the main thrust of its proposals, would achieve the desired reduction in the catch of juvenile fish. Clearly, for a constant level of effort, there would be a reduced catch in total and that would inevitably threaten the economies of certain fishing operations.

4.1.2. The Committee agrees that harmonization of mesh sizes is generally desirable but takes the view that there should be recognition of the different biological conditions found within different fisheries. Accordingly, the Commission's blanket approach to this aspect does not fit with the real contours of fishing.

4.1.3. It seems likely that to facilitate catching, the proposed elimination of authorized mesh sizes for particular species would encourage the widespread use of nets of smaller mesh than is appropriate and thus lead to wholesale discarding at the end of the voyage so as to meet the desired target species percentage. Furthermore, the opportunity proposed to be given to fish with meshes of less than 110 mm for species such as whiting, sole, plaice, hake and megrim, subject to a minimum target species content of 70 %, is not a practical option as most of these species are found in mixed fisheries. This would also encourage increased discarding. A vessel using 80 mm. mesh ostensibly to target, for example, whiting but exceeding the by-catch percentage of cod and haddock would be able to carry the excess cod and haddock up to the point of landing and then discard the excess.

4.1.4. In such cases, the alternative to substantial discarding is for excess by-catch to be landed illegally. A criterion of minimum target species percentages retained on board at the end of the voyage would have the effect of limiting inspection to the final stage of the fishing operation. It seems to the Committee that, given the insufficiency of inspection resources, enforcement would be more rather than less difficult to achieve. The Committee considers that it would be more effective to retain the main technical criterion of specifying mesh sizes for each fish species requiring the continuation of enforcement through inspection at sea.

4.1.5. The Committee supports the principle of a general increase in mesh sizes but calls on the Com-

mission to reconsider the arbitrary level of increases and decreases proposed and to retain the concept of authorized mesh sizes for each fish species as the principal means of control.

4.2. *Square mesh panels (Article 8)*

4.2.1. The mandatory adoption of square mesh panels in nets with diamond mesh of 70 mm or over is welcomed in principle. However, it is considered that the desired conservation benefits could be achieved without the imposition of a requirement that, in all cases, they be of equivalent size to the diamond mesh used. That would be much too severe in terms of the loss of marketable catch and accordingly the Committee suggests that the Commission should reconsider the minimum size of the proposed mandatory square mesh panel.

4.3. *Restrictions on the number of different sized nets carried on board (Article 9)*

4.3.1. The proposed 'minimizing' (as described by the Commission) of the number of nets of different mesh size would in effect establish a 'one-net rule' for fishing with large mesh nets and a 'two-net rule' for all the other fishing. This would completely remove the flexibility which is so necessary, practically and economically, for the conduct of different fisheries, e.g. nephrops and demersal, on the same voyage. The Committee acknowledges that the proposed rule is theoretically attractive as it would facilitate enforcement, particularly in the light of the proposed flexibility to discard fish at any time. However, the retention of authorized mesh sizes (as recommended in para. 4.1.4 above) combined with the revised fish minimum landing sizes corresponding to mesh size selectivity should help to prevent the use of prohibited mesh sizes without the unnecessary introduction of a 'one-net rule' which would have dramatic economic effects for much of the fishing industry.

4.3.2. The Committee opposes the introduction of a 'one-net rule' as it would deny fishermen too many legitimate fishing opportunities.

4.4. *Restrictions on netting twine (Article 10)*

4.4.1. The Committee recognizes that the specification of a maximum twine diameter of 8 mm and the prohibition of multiple twine would increase the selectivity of towed nets but considers that such rules would be impractical in some fishing operations. For

example, for beam trawlers double twine is essential for integral strength because of the higher degree of abrasion.

4.5. *Minimum size of fish landed (Articles 19-22)*

4.5.1. The Committee feels that the Commission has failed to take the opportunity to increase the minimum permitted size for shellfish. The proposed minimum landing sizes would permit the catching and landing of juvenile shellfish before the females have had a chance to spawn even once.

4.6. *Restrictions on fishing during certain periods of the year (Articles 23-34)*

4.6.1. The Committee agrees that stringent conditions should apply to areas where juveniles of threatened species tend to accumulate and gives general support to the proposed limited extension of areas closed to certain fishing for certain periods of the year.

4.7. *Specific provisions for the Skagerrak and Kattegat (Articles 40-46)*

4.7.1. Although there is no biological reason to justify provisions for Skagerrak and Kattegat being different from those in the North Sea, any modification of the measures applying in those waters needs to be agreed with Norway. The Committee urges that immediate steps be taken to bring those areas into line with the new measures ultimately adopted for the EU sector of the North Sea. Every effort should also be made to persuade Norway to adopt common measures in the Norwegian sector of the North Sea.

5. Conclusions

5.1. The Committee fully shares the Commission's concerns about the state of many fish stocks and supports efforts to improve technical measures as one way to help conserve and improve stocks. Better conservation of fish stocks is in the interests of producers and consumer alike.

5.2. A number of the proposed modifications would directly help to reduce the catch of juvenile fish and are welcomed by the Committee as are the changes which would provide greater operational flexibility and which could promote a reduction in the discarding of dead fish.

5.3. However, certain of the core proposals have been put forward without full regard to the practicabilities of fishing operations and without assessment of the economic and social effects. The Committee is not persuaded that the present proposals constitute a reasonable balance between safeguarding the short and medium term interests of the fishing industry and improved conservation of fish resources. Key specific points to which attention is drawn are as follows:

5.3.1. The Committee calls on the Commission to reconsider the changes in mesh sizes proposed and to retain the concept of authorized mesh sizes for each fish species as the principal technical criterion for controlling fishing activities.

5.3.2. The Committee suggests that the proposed minimum size of the square mesh panel, to be mandatory in nets with diamond mesh of 70 mm or over, should be reconsidered.

5.3.3. The Committee is opposed to the introduction of a 'one-net rule' as it would deny fishermen too many legitimate fishing opportunities.

5.4. The Committee calls on the Council and the Commission to ensure that adequate and not merely token discussion takes place with fishermen and their representatives before decisions are taken on the proposals put forward. Enforcement of the regulations requires the tacit agreement and cooperation of fishermen. This is much more likely to be forthcoming if fishermen have participated fully in the debate.

5.5. To endeavour to ensure enforcement of technical measures and other Community fisheries policies, there should be no less inspection at sea in the wake of adoption of any new measures and Member States should provide adequate resources so as to achieve improved compliance with their monitoring obligations.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on 'The problems of agriculture in the EU's most remote regions and islands'

(97/C 30/11)

On 25 October 1995 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 'The problems of agriculture in the EU's most remote regions and islands'.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 5 September 1996. The Rapporteur was Mr Quevedo Rojo.

At its 338th Plenary Session (meeting of 25 September 1996) the Economic and Social Committee adopted the following Own-initiative Opinion by 97 votes to two with three abstentions.

1. Introduction

1.1. The first tangible evidence of the Community's approach to the most remote regions was the approval and application of the Poseidom programme for the French overseas departments; on 22 December 1989 the Council adopted a decision establishing a Programme of Options Specific to the Remote and Insular Nature of the French Overseas Departments (Poseidom), followed in 1991 by Poseican (for the Canary Islands) and Poseima (for Madeira and the Azores).

1.2. This desire to lay down appropriate measures for the development of the most remote regions was formalized in the signing, on 7 February 1992, of the Treaty of European Union at Maastricht. The Treaty includes a DECLARATION (No 26) on the outermost regions of the Community (Azores, Madeira, Canary Islands and French overseas departments) in which the Conference acknowledges that these regions suffer from major structural backwardness compounded by several phenomena (remoteness from Europe, geographical and economic isolation, small scale of their productive sectors and markets, difficult topography and climate, economic dependence on a few products), the permanence and combination of which make it necessary to adopt specific provisions for these regions⁽¹⁾.

1.3. The Poseis are based on the twofold principle that these regions are part of the Union — which makes them different from the overseas territories of some Member States — and recognition of their permanent

handicaps and specific features which justify the adjustment of the 'acquis communautaire' to their particular cases. Thus the programmes constitute an array of multi-sectoral actions which include regulatory measures and financial agreements, especially in those fields (such as transport, taxation, R&D, fisheries, customs policy, protection of the environment) where the structural fragility of these regions is most clearly evident, given that structural fund assistance is not in itself sufficient to ensure their full economic and social development.

1.4. In the most remote regions agriculture is, over and above its relative importance in regional GDP (at all events above the Community average), a key sector for the economy (with considerable indirect impact on transport and other allied activities), social and labour relations stability, spatial planning, conservation of the natural and cultural heritage, and, for strategic reasons, security of supply. It is not surprising, therefore, that a high proportion of the measures adopted in the programmes concern farming.

1.5. On 30 October 1995 the Council adopted Regulation (EC) 2598/95 amending the Poseidom programme with regard to certain agricultural products. Amendments to the agricultural aspects of Poseima and Poseican are in the study and proposal stage at the Commission.

1.6. Furthermore, when the countries in question joined the Union, the Treaties allowed for the special conditions under which farming operates in its northernmost regions (extreme climate, small markets, low population density and considerable remoteness); it is vital for social stability and conservation of the natural environment in these regions to maintain a vigorous farming sector which can contribute to their development.

⁽¹⁾ The European Council in Turin on 29 March 1996, which initiated the work of the Intergovernmental Conference, agreed to examine — among other issues — the status of the outermost regions. The objective for the Member States concerned would be to improve and consolidate the present legal base, changing from Declaration No 26 to the inclusion of an 'ad hoc' article in the new Treaty.

1.7. This is the background to the decision of the ESC's plenary assembly to instruct the Section for Agriculture and Fisheries to draw up this own-initiative opinion which deals not only with the most remote regions, but also with the Arctic regions of the new EU Member States. It was preceded by a visit to Martinique, Guiana and northern Sweden by a delegation from the section study group, which would like to thank the authorities responsible for this visit; it enabled members to gather information and assess the situation on the spot, which was invaluable for their work.

2. General comments

2.1. Although one region differs from another in specific respects, agriculture in the most remote regions has two features in common: duality and dependence. Modern, 'export-oriented', farming co-exists with traditional, quasi-subsistence farming and there is a high degree of dependence on external markets, both for supplies of inputs for the local market and as an outlet for local produce. The trade balance clearly reveals exports of one or two 'specialist' products and imports of a wide range of farm products for internal consumption.

2.2. At all events, rural development is facing a series of permanent common problems stemming primarily from the geographical and economic isolation of these regions and their remoteness from the rest of the Community, exacerbated by the other natural handicaps already mentioned. These problems include:

2.2.1. the cost of transport, distribution and collection, for both the import of foodstuffs and inputs and the marketing and export of final products;

2.2.2. limited physical resources (e.g. water, land, energy, and other inputs) and human resources (technology and specialized staff);

2.2.3. lack of economies of scale, with small and frequently fragmented local markets (double insularity), which further aggravates the problems referred to in point 2.2.1 (formation of strategic stocks);

2.2.4. excessive dependence on a 'monoculture', leaving them highly vulnerable to technological or market changes, and the lack of a 'hinterland' which could help offset the ups-and-downs of the economy;

2.2.5. the extreme fragility of an environment highly sensitive to natural catastrophes and degradation (forest fires, waste disposal, coastal pollution, etc.);

2.2.6. farms — on which the role of women is crucial — are generally small and family-run, with considerable impact on part-time employment; extensive farming faces major obstacles (excessive fragmentation of land and mechanization problems);

2.2.7. lacking a substantial industrial base, economic development gravitates towards the tourist sector; this exacerbates the fragility of the natural environment and places agriculture in competition — where it is at a disadvantage — for the best land, water and labour. The relocation of the population towards the coastal zones creates problems of erosion and desertification inland;

2.2.8. natural constraints and difficulties in obtaining capital goods and adequate technology result in high production costs. Compared with their geographical neighbours, the application of EU-level wages, social protection* and environmental measures leads to additional costs which are difficult to surmount;

2.2.9. their products are more expensive than those from mainland Europe and also have great difficulty in competing with imports on local markets because these regions are scattered, fragmented and lack adequate structures for post-harvest treatment and marketing. The increasing number of hypermarkets and major distribution networks does not exactly help to improve this situation;

2.2.10. in various cases the proximity of ACP or developing countries with which the EU has preferential arrangements means fierce competition (social dumping) without any reciprocal benefits. This competition occurs on both the European and their own local markets;

2.2.11. the local processing industry also suffers from similar obstacles to development and does not have an adequate customer-base, which gives it only very limited scope to achieve added value;

2.2.12. the difficulties are similar for exports: scattered and fragmented supply-side structure, shortcomings in marketing systems and infrastructure, difficulties in gaining access to distribution centres at the place of destination and in reacting quickly enough to changes in the market, etc.

2.3. In the arctic regions, farming also faces permanent structural problems: production is highly specialized, with specific costs, and each product would require different treatment. In all cases, for social as well as cultural and environmental reasons, the

Committee supports the promotion of actions which open up opportunities for safeguarding and creating jobs in the agro-food sector in all these regions.

2.4. Consequently it is clear that these problems — which are leading to an exodus from the land — could be overcome with continued structural fund aid and recognition of the need for relevant EU acts to include specific measures to help these regions, strengthening and stepping up the measures already taken under the Posei programmes.

3. Specific comments

3.1. The objective should be to maintain agricultural activity and a rural population with living conditions comparable to those of farmers in the rest of the EU, by supporting traditional production and promoting diversification and the search for new openings.

3.2. The Committee would like to highlight the important part played by the agro-food sector in combating unemployment in these regions, where there is a high level of concealed unemployment. For some of their inhabitants, and perhaps more especially for women, work in the agri-food sector represents their sole independent source of income.

3.3. The fisheries sector is also very important for these regions and faces similar problems to those outlined above:

- non-industrial fishing, which suffers from the drawbacks of small and overexploited coastal shelves;
- high-seas fishing, which has many possibilities (migratory species especially) but for which appropriate vessels and techniques are lacking and whose expansion would clash with international agreements and policies aimed at reducing the fishing effort;
- at all events, an ageing working population with inadequate technical training, a lack of infrastructure on land and shortcomings in marketing.

3.3.1. Encouragement should be given to research into indigenous resources, especially the development of aquaculture, a policy of adjusting the fishing effort to the resources of each region, and to maintaining the marketing aid and extending it to other species (including those produced by marine fish farming). Fishing for sport could also play an important role in any strategy for developing tourism in these regions.

3.4. In short, the struggle against unemployment in these regions must be based on comprehensive development programmes which pursue the search for alternative employment and the preservation and modernization of traditional sectors.

3.5. Boosting production for the local market should help to raise the present low level of self-sufficiency. For this it is necessary to improve the image of regional products, starting with research and a transfer of technology which, when it exists, is geared almost exclusively to export products. Improving the quality of products and their market presentation also requires adequate infrastructure (slaughterhouses, dairies, standardization and packaging facilities, etc.) which in some cases either do not exist or are inadequate. Because of the special production conditions, in many cases this infrastructure cannot benefit from economies of scale; small units should be preferred to large plants which would be underused. Incentives for the creation of designations of origin, craft quality designations and biological products would be a very valuable measure.

3.6. The conflicts of interest between producers and importers-distributors should be suitably resolved by encouraging inter-trade agreements; producers should agree to supply products regularly in the required quantities and qualities and the other economic operators (which would include, in some cases, the agro-processors) to give preference to the marketing of local products. Economic support for this type of agreement would have a far-reaching impact.

3.7. The development of tourism — in the form of high-quality, environmentally friendly tourism — should not be an obstacle but an additional support, not only through the increase in internal demand (if the aforementioned conditions are met, i.e. presentation of quality products with an attractive regional flavour), but also through the boost it can give to craft industries and related activities. Support for rural tourism should be a priority line of action.

3.8. Export products require aid for transport to offset the additional costs occasioned by the distance from the market of destination. They also come up against the increasing liberalization of the Community market within the framework of both the WTO and the international agreements with developing countries. These agreements, which play down the principle of Community preference, lack adequate back-up measures to offset the disadvantages of the most remote regions which suffer the negative effects of such agreements without benefiting from their positive aspects.

3.9. In this connection one cannot overlook the continual attacks on the common organization of the market in bananas, an important product for most of the outlying regions. The EU should do its utmost to

prevent saturation of the Community market by an excessive increase in the 'dollar' banana quota and should maintain the link between the marketing of Community and ACP bananas and 'dollar' bananas by means of import certificates. The EU should also call for a requirement to the effect that production must comply with equivalent environmental and social conditions.

3.10. At all events, farmers in the most remote regions should endeavour to modernize their farms and improve their productivity. For this they will need better infrastructure and, among other things:

3.10.1. research and trials focused on their specific problems and on making the most of endogenous resources (it is not always useful or possible to 'import' solutions);

3.10.2. opportunities to obtain supplies of inputs at both a reasonable price (aid for transport) and of suitable quality (selected plant varieties and breeding animals well adapted to local conditions);

3.10.3. to improve the structure of the sector by strengthening producers' organizations and cooperatives; measures should range over the whole spectrum from the marketing of inputs and produce to their participation in research, trials, vocational training, aid management, etc.

3.11. Some of these measures are covered by the Poseis, others are the responsibility of the Member States or regional authorities. A good proportion of them, however, require derogations from, or ad hoc application of, the CAP and other Community policies, e.g. trade policy and taxation; it would also be necessary to ensure that these regions had access to horizontal Community programmes (especially those concerning the information society, the environment, vocational training, and support for R& TD) on terms appropriate to their specific characteristics.

3.12. For its part, the EU has only to promote the competitiveness of the most remote regions by applying the principle of equal opportunities and ensuring non-discriminatory living and working conditions for their farmers, in line with the Court of Justice ruling against discrimination 'by treating different situations in an identical way'.

4. Conclusions

4.1. The Community has responded positively, through the Posei programmes, to the problems of agriculture in the most remote regions, although there is still room for improvement.

4.2. The programmes include production assistance, which in the case of some products is not enough to make them competitive, and marketing assistance, which needs to be extended to the local market.

4.3. Some restrictions on increased production and subsidies for specific infrastructure have been waived; these waivers should be maintained for as long as inadequate levels of self-sufficiency persist.

4.4. A major part of the programmes comprises a specific system for supplying the local market's needs in certain essential products for direct consumption or for the agro-food industry, at international prices, by allowing them to be imported from third countries without paying duty or from the Community with a subsidy equivalent to that benefit. The gradual alignment of Community and world prices is tending to make this measure inoperative; it would be necessary to include a safeguard mechanism comprising a minimum level of subsidy for those cases where recourse to the international market was not sufficient compensation for the supply difficulties caused by geographical remoteness.

4.5. The special supply arrangements can give rise to conflicts between local products and subsidized imports. The Committee recommends that, when the quantities are assessed annually, account be taken of local production and every effort made to limit subsidies to products for direct consumption which cannot reasonably be produced locally and to products used as inputs in the farming and agro-industrial sector. Similarly, every effort should be made to obtain the maximum added value locally (bulk rather than wrapped products for instance). It should be ensured that the levels of subsidy granted to imported products for direct consumption, compared with those applied to the corresponding raw materials, do not discriminate against local production.

4.6. As the programmes have developed it has become clear that increased cooperation in the planning and implementation of some measures is needed between the administrations concerned (Community, national and regional), the economic and social bodies, and the beneficiaries; where this is lacking, the usefulness of the measures has been slight or zero. Inefficiency has also resulted from the slowness of the authorities in framing and applying some measures and this needs to be remedied.

4.7. The Committee notes that the Arctic regions of the new member states, in common with other remote regions and islands, are at a permanent disadvantage as regards production and marketing, with the result that their agriculture is less competitive. With this in mind, the Committee proposes that the CAP regulations and instruments — as well as R& D actions — be adapted to help the production of characteristic and special regional products (e.g. tropical essences and flowers,

reindeer meat, etc.). In the case of the Arctic territories, the Commission would have to study, with the Member States concerned, the possibilities under their accession protocols of establishing a specific integrated programme for agriculture and related activities.

4.8. Finally, the most remote regions have justifiably high hopes for the outcome of the IGC which is expected

to amend the EU Treaty. To enable these regions to face the challenges of the new world order and EU enlargement with confidence in the future, it is essential to strengthen their legal status by including an article which provides for derogations from or flexibility in Community law where this proves necessary and an appended protocol which spells out the scope of this article.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a Council Directive amending Council Directives 66/400/EEC, 66/401/EEC, 66/402/EEC, 66/403/EEC, 69/208/EEC and 70/458/EEC on the marketing of beet seed, fodder plant seed, cereal seed, seed potatoes, seed of oil and fibre plants and vegetable seed'

(97/C 30/12)

On 26 September 1996 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 18 July 1996. The Rapporteur was Mr Stokkers.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion with 94 votes in favour and five abstentions.

1. Introduction

The Directives which the proposal seeks to amend are currently in the process of being officially consolidated. The Commission has submitted proposals on this subject to the Council and these proposals have already been approved by the Committee (Opinion CES 257/96 of 28 February 1996).

The Directives which are to be amended use the abbreviation 'EEC' in their packaging and labelling provisions.

Since the Maastricht Treaty substituted 'European Community' for 'European Economic Community', the same change should now be made to these Directives.

In order to ensure that labels bearing the 'EC' rather than the 'EEC' abbreviation are used, this purely formal

amendment must be transposed into national legislation by the Member States. Once these changes have been made to these Directives, they will be incorporated in the consolidating proposal.

2. Content of the Commission proposal

The Commission proposes that the 'EEC' abbreviation be replaced by 'EC' in the relevant provisions of the Directives and that the Member States be required to comply with this Directive by 1 July 1996.

In order to limit the financial impact of having to introduce new labels straightaway, it is proposed that labels with the 'EEC' abbreviation may continue to be used until 31 December 1996.

3. Comments

3.1. Since a consolidating Directive does not have to be transposed into national legislation, the Directives in question must be brought completely into line with current terminology before they are consolidated.

For the same reason, the proposed amendment cannot be incorporated as a purely formal amendment in the consolidating proposal.

3.2. The Committee agrees with the aim and scope of the Commission proposal but would make the following comments on its actual content.

3.3. The 1 July 1996 deadline for the transposition into national legislation has been overtaken by events and is now impracticable.

The Committee would point out that the same formal amendment is made in a proposal for amending Directive 67/548/EEC on the packaging and labelling of dangerous substances.

The common position (EC) No 18/96 which the Council adopted on this matter on 4 March 1996 specifies 1 June 1998 as the deadline for transposition into national legislation.

For the sake of clarity and so as to ensure that the provisions can be effectively implemented by businesses, the Committee would urge that the same deadline for transposition into national legislation be specified in these Directives.

3.4. The Commission proposal specifies that, once the new provisions have entered into force, remaining stocks of labels bearing the 'EEC' abbreviation may continue to be used for only six months.

This transitional period is too short.

Given the financial implications for businesses, this period should cover at least one whole marketing year following the date on which the provisions are to be transposed into national legislation.

The Committee would also refer here to the aforementioned common position of the Council on the labelling of dangerous substances, under which the transitional period is to last from 1 June 1998 to 31 December 2000.

From the point of view of business transparency and efficiency, the same timeframe should be used for the transitional period in the Directives now being amended.

4. Conclusion

The Committee approves the Commission proposal subject to the objections listed in point 3 to (a) the date for transposition into national law and (b) the transitional period.

Brussels, 25 September 1996.

The President
of the Economic and Social Committee
Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) amending for the fourth time Regulation (EC) No 3699/93 laying down criteria and arrangements regarding Community structural assistance in the fisheries and aquaculture sector and for processing and marketing of its products'⁽¹⁾

(97/C 30/13)

On 5 June 1996 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture and Fisheries which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 18 July 1996. The Rapporteur was Mr Little.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion with 96 votes in favour and nine abstentions.

1. Introduction

1.1. Council Regulation (EC) No 3699/93 provides the general framework for structural assistance to the fisheries sector under the Financial Instrument of Fisheries Guidance (FIFG). The Commission's latest proposal seeks to make three separate modifications to the Regulation.

1.2. At present, under the Regulation, part-financing from the FIFG is specifically excluded for measures to promote and find new outlets for fishery and aquaculture products where such measures make reference to particular countries or regions. It is contended by the Commission that, while in most cases, the quality of fish species caught at sea does not depend on the zone in which they are caught, some species, particularly farmed species, do have specific qualities resulting from the place where they are raised and the processing techniques used. In such cases, mention of the geographical origin of the product or the location of processing gives the consumer objective information about qualities and, accordingly, the Commission now proposes that aid should be available provided that recognition of the origin of location has been obtained under Regulation (EEC) No 2081/92.

1.3. Under Regulation 3699/93 aid to producer organizations may be given for measures which fall within the meaning of Article 7 of Regulation No 3759/92. A new Article 7b) of the latter extends aid to the implementation of a plan to improve the quality and marketing of such organizations' products. The Commission proposes that, in the interests of consistency, reference should be made in Regulation 3699/93 to the new Article.

1.4. It is proposed by the Commission that, as the agri-monetary rate for the ecu is not being used for aid from FIFG, it should be stated formally within

Regulation No 3699/93, for reasons of clarity, that the budgetary rate for the ecu is the only one to be used with effect from 1 January 1994.

2. Comments

2.1. It is unreasonable to exclude part-financing from FIFG for measures to promote new market outlets where reference is made to specific countries or regions in cases where it can be established that the fish products concerned do have specific qualities resulting from the place where they are raised and from the processing techniques used. Thus, in principle, the Committee welcomes the Commission's proposal to widen the terms of eligibility to products recognized as having such specific qualities. However, it would not be satisfactory for recognition to be attainable only by registration under Articles 2 and 6(3) of Regulation 2081/92 as it stands at present.

2.2. The two other modifications proposed by the Commission are justified in the interests of consistency and clarity.

2.3. Subject to the point made in 3.2, the Committee supports the Commission's proposals.

3. Specific comments

3.1. In its Opinion⁽²⁾ on the introduction of Regulation 2081/92, the Committee welcomed the proposal on the protection of geographical indications and designations of origin for agricultural products and foodstuffs and supported its general approach and scope. Fish products are not excluded, in principle, from such protection but, it is understood, none have so far been registered under Article 6(3) of the Regulation. It is not

⁽¹⁾ OJ No C 178, 21. 6. 1996, p. 20.

⁽²⁾ OJ No C 269, 14. 10. 1991, p. 62.

now possible for any fish caught at sea to be so registered because such fish would not meet the basic geographical qualification set by Article 2(2) and the deadline for derogation under Articles 2(4) and 2(7) has been passed. The extension of eligibility would thus apply only to farmed species which qualified under Article 2(2).

3.2. In those cases where products from fish caught at sea do have specific qualities resulting from the processing techniques used and where the conditions for

derogation under Article 2(4) can be met, such fish products should be as entitled to support under FIFG as are farmed products. The Commission appears to acknowledge that in its explanatory memorandum. The Committee recommends that the Commission should propose to the Council an appropriate amendment to Article 2(7) of Regulation 2081/92 so that fish caught at sea which do have such specific qualities and which otherwise meet the conditions of Article 2(4) are not excluded from eligibility from registration.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on:

- the 'Proposal for a Council Regulation (EC) derogating, for the 1996/97 marketing year, from Regulation (EC) No 1035/77 laying down special measures to encourage the marketing of products processed from lemons', and
- the 'Proposal for a Council Regulation (EC) amending Regulation (EC) No 1543/95 as regards the period of application' ⁽¹⁾

(97/C 30/14)

On 10 July 1996 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposals.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 5 September 1996. The Rapporteur was Mr Pricolo.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion by 101 votes to one, with four abstentions.

1. Introduction

1.1. The Community aid system for the processing of citrus fruit provides for a premium to processors who have concluded a supply contract with growers guaranteeing them payment of the 'minimum Community price' on delivery.

1.2. This aid is treated as 'financial compensation' because it is designed to make up the raw-material cost

difference between Community fruit and fruit from third countries whose low wages give them a competitive edge.

1.3. As part of the 1995/96 farm-price package, the Council adopted Regulation 1543/95 which allowed Member States, for the 1995/96 marketing year only, to pay the processing premium directly to orange, mandarin and clementine growers. This concession was granted because considerable delays had arisen in the payment of the minimum prices to these growers.

⁽¹⁾ OJ No C 208, 19. 7. 1996, p. 16-17.

1.4. The present two proposals extend the direct payment mechanism to lemon growers for the 1996/97 marketing year, and continue the direct payment mechanism for orange, mandarin and clementine growers until the end of the 1996/97 marketing year.

2. General comments

2.1. The Committee endorses the extension to the whole citrus sector of the derogation allowing Member States to pay financial compensation directly to the grower.

2.2. Whilst supporting the proposal to extend the derogation to the 1996/97 marketing year, the Committee would however point out that annual extensions are not the best solution. The direct payment mechanism should obviously be made permanent.

2.3. The reasons for the delays in payment of the minimum price still apply and will continue to do so in the future.

It is an established fact that processors pay for the produce not at the time of delivery but when they receive the processing premium.

Brussels, 25 September 1996.

2.4. As the granting of the premium depends on fulfilment of certain administrative requirements and checks, it is difficult to eliminate delays. These delays create cash-flow problems for growers.

2.5. The Committee would take this opportunity to draw the Council's attention to the urgent need for a radical revision of the Community system for the processing of citrus fruit. Experience has shown that processors do not always respect the minimum price and that purchasing contracts, once concluded, are not met in full (the average is around 50 %).

2.6. The Commission proposals to reform the system are a step in the right direction. The Committee hopes that the Council will approve them as soon as possible, so that the new system can become fully operative in the 1997/98 marketing year.

2.7. The price at which citrus fruit is sold to processors should be decided by free negotiations between the parties concerned, eliminating the minimum price and providing only 'direct aid' to the grower. This aid would be granted according to the quantities delivered (a specified sum per kilo) and according to Community compensation for withdrawals.

3. Specific comments

3.1. The body of the proposals is fully consistent with their objectives, and needs no further comment.

The President
of the Economic and Social Committee
Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) amending Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs' (1)

(97/C 30/15)

On 2 August 1996 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 5 September 1996. The Rapporteur was Mr Staffan Nilsson.

At its 338th Plenary Session (meeting of 25 September 1996) the Economic and Social Committee adopted the following Opinion by 97 votes to two, with six abstentions.

1. The Commission Proposal

1.1. The Commission proposes (COM(96) 266 final, 12 June 1996) a change in the transitional period specified in Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin.

1.2. The current Regulation states that the transitional period shall last for five years from the date of publication of the Regulation. This means that the transitional period expires on 25 July 1997.

1.3. The proposal would consider the transitional period as starting on the day registration was approved by the Commission, i.e. 12 June 1996, when the Commission adopted the registration proposal under the simplified procedure (Article 17 of the Regulation).

2. Background

2.1. Regulation (EEC) No 2081/92 provides for the protection of geographical indications and designations of origin for agricultural products and foodstuffs. Products covered by the Regulation must be registered and the decision rests with the Commission.

2.2. The ESC adopted an Opinion on the Commission proposal in 1991 (2), in which it welcomed the proposal and endorsed the wording of the document whilst making a few accompanying remarks.

2.3. Registration provides protection for certain geographical indications and designations of origin, which can only be used by undertakings located within a defined area.

2.4. According to the Regulation, Member States may maintain national measures for a transitional period

of five years, provided that the products have been marketed legally for at least five years before the date of publication of the Regulation and that the label clearly indicates the true origin of the product.

2.5. The first registration proposal, however, was not presented until March 1996.

3. Comments

3.1. The proposed amendments to the Regulation on the protection of geographical indications and designations of origin go no further than amending the transitional period.

3.2. Whilst it is vital that registration procedures under the Regulation be carried out scrupulously and the names be subject to careful scrutiny, the operation seems to have taken an unreasonably long time, ultimately damaging the objective of the Regulation.

3.3. Consequently it has been impossible, in practice, for undertakings to comply with the Regulation, since there was no registration list of names or areas which had to be protected.

3.4. Undertakings can be faced with considerable expense in complying with the Regulation and changing the name of their product; this may involve both direct outlay on packaging and the like, and the expense incurred in launching a new name for the product.

3.5. Accordingly, in the interests of fairness, an adjustment of the transitional period is urgently required.

3.6. The Commission also proposes that the transitional period with the option to maintain national measures should apply to point (a) of Article 13(1) as well as to point (b). This is a welcome amendment.

(1) OJ No C 241, 20. 8. 1996, p. 7.

(2) OJ No C 269, 14. 10. 1991, p. 62.

4. Final remarks

4.1. The Committee endorses the proposal to consider the transitional period as starting on the day registration was published, and to apply this to both points (a) and (b) of Article 13(1).

4.2. The Committee would, however, emphasize its disappointment with the fact that registration — and consequently, implementation of the regulation — has been so badly delayed.

5. Conclusion

5.1. In every respect, issues relating to labelling, indications of origin and the wording of consumer information have become increasingly important in recent years, for suppliers and consumers alike.

5.2. It is important to the single market as a whole that this information should be framed, so that the rules can be respected by all market operators. It is also important that the Commission should be aware of consumer demands. This is vital for the credibility of suppliers, market demand, and consumer protection, and — consequently — for EU employment.

5.3. The ESC therefore calls on the Commission to provide prompt proposals for regulations for a more comprehensive indication of origin for agricultural products and foodstuffs, as defined in Article 38 of the Treaty, Annex II, with a view to bolstering the single market and consumer confidence in EU produce.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation laying down the conditions under which non-resident carriers may operate national road passenger transport services within a Member State'⁽¹⁾

(97/C 30/16)

On 7 February 1996 the Council decided to consult the Economic and Social Committee, under Article 75 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 24 July 1996. The rapporteur was Mr Ghigonis.

At its 338th Plenary Session of 25 and 26 September 1996 (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion by 77 votes to eight with six abstentions.

1. Thrust of the proposed Regulation

1.1. The proposal for a Council Regulation, on the one hand, incorporates the text of Regulation 2454/92⁽²⁾ which was annulled by the Court of Justice⁽³⁾, and on the other, introduces some changes, the most important of which are described below:

— Non-discriminatory treatment on the grounds of the carrier's nationality is reinforced by a supplementary clause.

— A distinction is made between 'regular services' and 'regular international services'. A definition of regular international services has been inserted from EEC Regulation 684/92⁽⁴⁾.

— A definition of 'occasional services' has been taken in part from Regulation 684/92. The shuttle services category has been deleted, since it does not exist in the national legislation of the Member States. Shuttle services are classified as 'regular services' or 'occasional services', according to the features of the service.

⁽¹⁾ OJ No C 60, 29. 2. 1996, p. 10.

⁽²⁾ OJ No L 251, 29. 8. 1992, p. 1.

⁽³⁾ Case C — 388/92.

⁽⁴⁾ OJ No L 74, 20. 3. 1992, p. 1.

— The scope has been widened to include regular services and all special regular services.

1.2. Under the new proposal, cabotage transport operations are allowed:

- for all occasional services: with effect from 1 January 1996, with the journey form as control document;
- for all special regular services: with effect from 1 January 1996, with the carrier/organizer contract and the journey form as control documents;
- in connection with a regular international service operated by a non-resident carrier: with effect from 1 January 1996, but subject to authorization from the host Member State;
- for all other regular services: from 1 January 1996, subject to the conditions in Article 5(2).

1.3. The basic principles for the application procedure and granting of authorization for cabotage in connection with a regular international service are taken from EEC Regulation 684/92. Nevertheless, the conditions for rejecting an application have been changed. The provision of Regulation EEC 684/92, according to which an application for authorization may be rejected if it can be shown that the service in question would seriously affect the viability of a comparable rail service on the direct sections concerned, has been omitted.

1.4. The performance of cabotage transport operations remains subject to the laws, regulations and administrative provisions in force in the host Member States.

1.4.1. Nevertheless, a specific provision has been included for regular services not performed as part of a regular international service (Art.5(2)). According to this provision, the performance of such services is subject, save as otherwise provided in Community legislation, to the existing laws, regulations and administrative provisions in force in the host Member State, regarding the routes to be operated and the regularity, continuity and frequency of services.

1.4.2. The Regulation retains the certificate for carriers wishing to perform cabotage transport operations (Article 6).

2. General comments

2.1. It was with great interest that the Committee took note of this new proposal on cabotage in road passenger transport, and it welcomes the fact that,

compared to the provisions of the current Regulation 2454/92, the principle of the freedom to provide services has been extended.

2.1.1. Given that regular services are not covered by the current Regulation, the Committee is surprised at the speed with which these services are to be liberalized.

2.1.2. The Committee feels that gradual liberalization of cabotage for regular services might perhaps have been more appropriate.

2.1.3. In view of the extent of the changes and the undoubted impact the proposed liberalization will have on intra-Community and national road passenger transport services in the Member States, the Committee regrets that the Commission failed to present the report on the cabotage situation mentioned in Article 12 of Regulation 2454/92, before going ahead with the new proposal, and that the sector was not consulted.

2.1.4. The proposed amendment to Regulation 684/92 which has just been published, provides much of the groundwork for several provisions of the new cabotage proposal. The Committee therefore feels that the two new proposals should have been dealt with in tandem, with a view to harmonizing the legislation governing road passenger transport.

2.1.5. The proposed amendment to Regulation 684/92 introduces some new provisions (e.g. removal of shuttle services) for the definition of 'services', the application procedure for authorization to perform regular services, and the introduction of a Community licence for road passenger transport; this replaces the national certificates delivered by the competent authorities of the Member State of establishment, confirming that the carrier may operate on the international road passenger transport market.

2.1.6. The new provisions in the proposed amendment will have an enormous effect on the wording of the new cabotage proposal; accordingly, it should be given due consideration.

2.2. Nevertheless, the Committee has some comments to make regarding the new cabotage proposal for road passenger transport services.

2.2.1. Concerning the definition of cabotage, the Committee notes that the principle of non-discriminatory treatment on the grounds of the carrier's nationality or place of establishment has been given a welcome boost. Nevertheless, the Committee would like to see a clearer explanation of the term 'registered office or other establishment', since a single carrier can have several registered offices in separate Member States.

2.2.2. The Committee also notes that a distinction has been drawn between cabotage operations for regular national services, and those for regular international services, and that cabotage operations for special regular services have been extended beyond the frontier zone.

2.2.3. The Committee notes that each Member State lays down its own specific conditions under which carriers may operate regular national services and special regular services.

2.2.4. The Committee feels that these two sectors should not be jeopardized; they are often in a difficult position in many Member States, and this leads to excessive competition. A more prudent approach should be adopted for these services.

2.2.5. The Committee suggests that cabotage operations for special regular services should be governed by the same conditions as those for regular national services, referred to as other regular services in the proposal.

2.2.6. In this context, it suggests deferring the extension of cabotage operations for other regular services, so that the sector will have time to gear itself up for competition.

2.2.6.1. So that the sector can gear itself up for competition, the conditions for ensuring a level playing field, such as those laid down in Articles 4 and 5 of the proposed Regulation, must be defined more precisely.

2.2.6.2. This also applies to the 'temporary' nature of the freedom to carry out cabotage operations, as defined in Article 1 of Regulation 2454/92.

2.2.7. Concerning cabotage operations for regular international services, the Committee feels that the proposal should give a clearer indication of the conditions under which these services may be provided, in order to avoid an unwarranted surge in competition for

regular services including regular urban services which are operated nationally only.

2.2.8. The Committee notes that two distinct approaches have been created for the application procedure and granting of authorization for cabotage: one for cabotage on international services and one for regular national services.

2.2.8.1. For the latter, application and authorization procedures are more stringent. Nevertheless, a certain lack of clarity remains. Potential applicants will have to deal with a number of grey areas, and this could make it difficult to police the cabotage system.

2.2.8.2. The procedure will also lead to the creation of 15 different cabotage systems, and most certainly cause distortions of competition between carriers of different nationalities. Early harmonization of national regulations is therefore desirable: in this connection, consideration must be given to the competition conditions of domestic carriers.

2.2.9. Finally, on the subject of control documents, the Committee notes that despite the introduction of a Community licence for road passenger transport, the new cabotage proposal retains the certificate for carriers who wish to perform cabotage operations.

2.2.10. The Committee believes that the number of control documents should be kept to the bare minimum, in order to smooth out procedures for carriers.

2.2.11. Moreover, in January the Commission presented a Green Paper on the Citizens' Network, in order to launch a debate on public transport and its legislative framework. Since the new proposal also deals with public transport, the Committee regrets that the Commission was unable to await the outcome of these discussions before presenting new regulations for the sector and calls on the Commission to give due consideration to the Committee Opinion on the Green Paper.

3. Proposed amendments

Text of the Proposal
<i>Article 1, first indent</i>
Any carrier who operates road passenger transport services for hire or reward who:
— is established in a Member State, hereinafter referred to as the 'Member State of establishment', in accordance with its legislation, and (...)

Text proposed by ESC
<i>Article 1</i>
Any carrier who operates road passenger transport services for hire or reward who:
— is established in the Member State in which he carries out the bulk of his activity or has his registered office, hereinafter referred to as the 'Member State of Establishment', in accordance with its legislation, and (...)

Text of the Proposal	Text proposed by ESC
<p data-bbox="299 293 495 320"><i>Article 3 — Point 2)</i></p> <p data-bbox="100 351 696 456">The regular services defined in Article 2(1), provided they are performed by a carrier not resident in the host Member State in the course of a regular international service in accordance with the provisions of Council Regulation 684/92.</p>	<p data-bbox="958 293 1154 320"><i>Article 3 — Point 2)</i></p> <p data-bbox="758 351 1357 456">The regular services (...) in Council regulation 984/92 and provided only vehicles used for the entire journey on a regular international service are authorized to perform cabotage operations.</p>
<p data-bbox="299 501 495 528"><i>Article 3 — Point 3)</i></p> <p data-bbox="100 555 315 582">Other regular services</p>	<p data-bbox="958 501 1154 528"><i>Article 3 — Point 3)</i></p> <p data-bbox="758 555 1357 680">The Council will review the situation for regular services other than those designated in paragraph 2, in the light of the Commission Report provided for in Article 13 and with due regard for the national provisions applied by the Member States.</p>
<p data-bbox="291 725 503 752"><i>Article 5 — Point 1.C)</i></p> <p data-bbox="100 779 696 855">Requirements relating to the carriage of certain categories of passengers, viz. Schoolchildren, children and persons with reduced mobility.</p>	<p data-bbox="950 725 1161 752"><i>Article 5 — Point 1.C)</i></p> <p data-bbox="758 779 1357 855">Requirements relating to the carriage of certain categories of passengers, for instance schoolchildren, children and persons with reduced mobility, workers, soldiers and their families.</p>

Brussels, 25 September 1996.

The President

of the Economic and Social Committee

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Role of the EU in urban matters'

(97/C 30/17)

On 26 October 1995 the Economic and Social Committee, acting under Rule 23(3) of its Rules of Procedure, decided to draw up an Opinion on the 'Role of the EU in urban matters'.

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 25 June 1996. The Rapporteur was Mr Vinay.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion by 89 votes to one.

1. Political and cultural thinking on urban matters

1.1. Background

1.1.1. Since the end of the 1980s, the European institutions have shown a growing interest in urban matters. In 1989 the European Commission launched the first programme of innovative measures, and this led three years later to the Europe 2000 paper and the framing of the Urban Community initiative.

1.1.2. The 1990 Commission Green Paper on the Urban Environment⁽¹⁾ launched an in-depth consideration of the ways cities were developing, and stressed the need to make the quality of the urban environment and the well-being of city dwellers a key objective of socio-economic development. This point was clearly highlighted in the relevant ESC Opinion⁽²⁾.

1.1.3. The Europe 2000 paper, issued in 1992, provided an initial outline of the Community's urban system. It was followed two years later by Europe 2000+ which fleshed this out and focused on cooperation and development prospects⁽³⁾. The Committee issued Opinions on both these papers. The Opinions stressed the strategic importance of the European Spatial Development Perspective (ESDP), and the need for participation⁽⁴⁾.

1.1.4. In 1993 the OECD and the European Foundation for the Improvement of Living and Working

Conditions looked at the subject of partnership in cities. They analyzed the main features of urban policies in Europe, with special reference to the goals of economic efficiency, social equity, and control of externalities. The proceedings identified a conflict between policies of excellence and social cohesion policies, and a risk that the new world economic order would isolate and weaken urban communities⁽⁵⁾.

1.2. Current thinking

1.2.1. The 1994 Oslo conference and Leipzig informal council of Ministers responsible for regional policies and spatial planning stressed the value of a European spatial planning policy. Also in 1994, the European Commission made a first stocktaking of Community action in urban areas, listing over 40 schemes that were of direct or indirect concern to large and medium-sized cities. Almost all major cities and many medium-sized ones are involved in schemes promoted by the Commission. It is indeed true that 'cities have during the last few years increasingly benefited from Community actions, both in financial and policy terms'⁽⁶⁾. However, it should be pointed out that although most of these activities are carried out in cities, they were not specifically devised for them.

1.2.2. Most of the programmes under which measures have been carried out in cities relate to specific sectors (youth employment, technological innovation, etc.), and

⁽¹⁾ Commission Communication entitled Green Paper on the Urban Environment, 1990.

⁽²⁾ OJ No C 269, 14. 10 1991.

⁽³⁾ Commission of the European Communities, Europe 2000 — Outlook for the Development of the Community's Territory, 1992. Europe 2000+ — Cooperation for European Territorial Development, 1994.

⁽⁴⁾ OJ No C 301, 13. 11. 1995.

⁽⁵⁾ OJ No C 153, 28. 5. 1996.

⁽⁶⁾ European Commission DG XVI, Community activities in urban matters. The development of the urban system and the urban dimension in Community policies, 12. 9. 1994.

although they have significantly boosted competitiveness, employment and local quality of life, they have rarely constituted a real strategy for the urban system as a whole.

1.2.3. The ideas of the committee of senior officials of the European conference of regional and spatial planning Ministers (CEMAT) and of the preparatory committee for the UN Conference on human settlements (Habitat II) are of particular relevance to political and cultural thinking on urban matters. In 1995 CEMAT held a seminar on public participation in regional and urban planning. The seminar elucidated the principle that local communities and socio-economic representatives had a right to take part in the framing of spatial planning decisions which affect local quality of life and economic development prospects⁽¹⁾. The preparatory committee for the Habitat II conference advocates an intersectoral approach, in which housing and urban planning policies dovetail with those for sustainable development and competitiveness⁽²⁾.

1.3. *New prospects*

1.3.1. In July 1995 the Committee of the Regions adopted an Opinion on Urban development and the European Union⁽³⁾. The Opinion began by pointing out that 'urban areas are the location of some of the most innovative economic actions in the European Union' and that 'they are central to the economy of their regions and states and to the competitiveness of the whole of the European Union'. The COR went on to note that there was an 'urban deficit in the Treaty' and called for a new Treaty chapter 'which facilitates the coordination of current activities into a coherent urban policy'. More specifically, the COR proposed new provisions on urban development, transport, economic and social cohesion, environment policy, trans-European networks, public health, cultural policy, multicultural society and subsidiarity.

1.3.2. With reference to the subsidiarity principle, the COR explained that an EU urban policy would not seek

to diminish local or regional powers, but rather to coordinate existing EU powers. It would 'provide a legal duty for the Commission to coordinate the impact of its existing policies in urban areas, ensure that existing EU policies complement the work of local and regional authorities and help promote the needs of urban areas in the EU.'⁽⁴⁾

1.3.3. A few months later, at the Madrid informal Council of Ministers responsible for regional policies and spatial planning held at the end of 1995, the Commissioner for regional policies and cohesion noted that spatial planning at EU level could not simply be the sum of 15 national approaches; it had to distil them into a unified approach building on major points of convergence but also on the diversity and special features of that territory.

1.3.4. With reference to the significant spatial and urban impact of Community policies, the Commissioner emphasized the need to make these policies more mutually consistent and complementary, so as to ensure their effectiveness throughout the EU, based on a unified approach to the European dimension of its territory's long-term development.

1.3.5. A further indication of the new and more specific interest in urban issues is the fact that two recent ESC Opinions (one on spatial planning and inter-regional cooperation in the Mediterranean area, and the other on the future of cohesion and the long-term implications for the Structural Funds) highlighted the importance of the EU's urban system for development and economic and social cohesion. The Opinions stressed the need to step up EU action in the urban sector, with a view to promoting the establishment of a more balanced urban network in the Mediterranean and channelling Structural Fund assistance to urban areas in the less developed regions.⁽⁵⁾

2. **EU activities in the urban sector**

2.1. *Current activities*

2.1.1. The growing concern which EU bodies have shown for urban areas is buttressed by a framework of actions which bear witness to a strong EU commitment. Some 90 % of Structural Fund aid is allocated via the

⁽¹⁾ Council of Europe — CEMAT, The challenges facing European society with the approach of the year 2000: Public participation in regional/spatial planning in different European countries, Bath, UK, 26-27. 4. 1995.

⁽²⁾ UN General Assembly, Preparatory committee for the UN conference on human settlements (Habitat II), Preliminary version of the declaration of principles and commitments and of the Global Action Plan. Habitat Agenda, 26. 10. 1995.

⁽³⁾ Committee of the Regions, Opinion on Urban development and the European Union, Brussels, 19/20. 7. 1995, CdR235/95.

⁽⁴⁾ Ibid. Section IV.1) Subsidiarity.

⁽⁵⁾ OJ No C 133, 31. 5. 1995 and OJ No C 153, 28. 5. 1996.

CSFs, and a large part of this aid is channelled to cities. Moreover, the EU has launched 13 Community initiatives which take up 9% of European funds, including the Urban initiative designed specifically for cities.

2.1.2. However, not enough is known about the effective targeting and impact of Community urban development measures to accurately assess the 'yield' of these investments in terms of economic development, employment, social cohesion, better infrastructure and services, enhancement of the urban environment, participation of all the economic, social and cultural groups directly involved,⁽¹⁾ and consistency of EU and national, local and regional measures.

2.2. *Innovative regional development measures and urban pilot projects*

2.2.1. In tandem with the framing of a new Community approach to spatial planning and to the development of urban areas, the Commission adopted a programme of innovative measures for the period 1995-1999 (Article 10 of the ERDF), funded out of a reserve equivalent to 1% of Structural Fund resources. The programme includes action lines for spatial development planning and urban policies.

2.2.2. The first operates at national or transnational level, and uses a cross-sectoral approach to provide an overall view of the spatial impact of Community policies and anticipate possible obstacles to, or contradictions with, the overriding objective of economic and social cohesion⁽²⁾. Mention is also made of the multisectoral nature of these measures and the need for an overall view of them and — more importantly — of their effects⁽³⁾.

2.2.3. The second subject, urban pilot projects, refers specifically to cities, as they 'are the main focus and source of economic development, technological innovation and public services'. However this strand seems

to focus on specific areas and themes rather than on the urban tissue in general.

2.2.4. Comparison of the two strands reveals rather a leap in scale. The urban structure as a whole does not seem to be fully addressed either by the first strand (too broad, and concentrating mainly on economic aspects) or by the second (too narrow and sectoral). Even so, EU activity in urban areas seems extremely extensive: as well as the many programmes mentioned above, over 130 urban projects are expected to be started or completed during the period 1995-1999⁽⁴⁾.

3. **The case for a European urban policy**

3.1. *Basic policy references and the central role of local development*

3.1.1. The emergence of a new approach to spatial and urban development can be traced to two papers marking the break between the spatial and urban policies of the 1980s and the new policy outlook that began to emerge in the early 1990s. These are the White Paper on Growth, Competitiveness, Employment — The Challenges and Ways Forward into the 21st Century, and the European Community Programme of Policy and Action in relation to the Environment and Sustainable Development.

3.1.2. Under the new approach, a region is not merely a site for sectoral measures. Rather, it provides an overall implementing framework for policies designed to combine economic development, social and economic cohesion, employment, enhancement and protection of the environment, and so on. Local development is thus a key feature of the new sustainable development mode advocated in the White Paper.

3.1.3. The ESC Opinion on local development initiatives and regional policy takes a similar line, and points out that the distinguishing feature of local development is its ability to 'harness all the various local resources available' and 'boost the capacity of a specific area to find its own development path'⁽⁵⁾.

(1) Hereafter referred to as the 'socio-economic partners'.

(2) European Commission, Regional Policies and Cohesion, Guide to innovative actions for regional development (Article 10 of the ERDF) 1995-1999. ECSC-EC-EAEC, Brussels, 1995. See in particular Part I — Spatial planning measures, second paragraph.

(3) The themes mentioned as relevant to spatial planning include the urban system and public amenities, broad-scale infrastructure, economic activity, the historical and artistic heritage, and regulatory aspects.

(4) European Commission, Regional Policies and Cohesion, Guide to innovative actions for regional development (Article 10 of the ERDF) 1995-1999. ECSC-EC-EAEC, Brussels, 1995. Part 2, Urban pilot projects, Paragraph IV.

(5) OJ No C 18, 22. 1. 1996, Points 2.1.2 and 2.1.3.

3.2. *The specific features of urban development policies*

3.2.1. Within local development strategies, the special nature of urban development policies lies in their ability to dovetail local development objectives with the development and enhancement of urban areas, protecting their historical and cultural heritage and strengthening their residents' sense of local identity and involvement in decisions which affect their development and quality of life.

3.2.2. Hence, urban development policies use sectoral measures as building-blocks in a wider scheme to bring development and balance, this being the prerequisite for securing sustainable development and cohesion at local level. Urban planning thus provides a framework for consistent policy-making in different sectors and different tiers of authority (Community, national, regional and local level) and for checking that these policies are compatible with social, economic and environmental development⁽¹⁾.

3.3. *The European dimension of urban policies*

3.3.1. It is clear from the above that the more general aspects of urban development policies, namely those related to the capacity to combine economic development, social cohesion and quality of the urban environment, have a European dimension not because they involve supranational measures, but because such policies concern principles, factors and conditions which are of strategic importance for the development prospects of the whole EU and for the quality of life of the European public.

3.3.2. Hence the need to give urban policies a European dimension does not derive from the need to encourage action in a specific area of infrastructure or improve the quality of urban life or even to protect and enhance the cultural heritage of Europe's cities. These aspects, while extremely important, can be handled at local, regional or national level, according to the systems of each Member State.

3.3.3. The Committee considers that the European dimension of urban policies stems from the need to facilitate the framing and dissemination of integrated urban development strategies based on the key principles which the EU has adopted to tackle the challenges of the 21st century. In this context, policies for developing

Europe's urban areas are crucial for social development, for improving economic conditions and, in particular, for improving the quality of life of EU citizens. These policies can assist needy urban areas by responding to the requests and needs voiced by the Member States and local and regional authorities.

3.4. *From individual cities to an EU urban system*

3.4.1. There is a second set of reasons why urban policies need to have a European dimension. A recent Commission study shows that despite the Community's best efforts, many of Europe's lagging regions have been unable to close the gap with the more developed regions⁽²⁾. Similar conclusions are set out in the fifth periodic report on the social and economic situation and development of the regions of the Community⁽³⁾.

3.4.2. Spatial imbalances, especially those between cities, place extremely heavy burdens on the public purse in each country, in the form of assistance to local communities who are unable to close the development gap.

3.4.3. Over the long term, competition-driven development which is not tempered by complementarity or cooperation is unsatisfactory both economically and socially. The Commission paper on Community activities in urban areas singles out 'cooperation and complementarity rather than competition between cities' as one of the prerequisites for urban development and regeneration⁽⁴⁾.

3.4.4. Economic globalization and the growing number of transnational networks of cities which cooperate in economic development schemes make it vital that strategies and guidelines for cooperation and urban partnership be drawn up jointly at European and

⁽¹⁾ OJ No C 301, 13. 11. 1995.

⁽²⁾ European Commission, Regional Policies and Cohesion, Cohesion and the development challenge facing the lagging regions.

⁽³⁾ European Commission, Competitiveness and cohesion: trends in the regions. Fifth periodic report on the socio-economic situation and development of the regions of the Community, 1994.

⁽⁴⁾ European Commission DG XVI, Community activities in urban matters. The development of the urban system and the urban dimension in Community policies, 12. 9. 1994, p. 1.

national level, so as to prevent any further imbalances in the EU's urban ecosystem.

4. Problems, needs and opportunities for action

As part of the activities of the Italian Council Presidency, the Committee's Study Group was invited by the Ministry for Public Works' General Directorate for Coordination of Spatial Planning to hold a working meeting in Rome. The meeting was also attended by representatives of the socio-economic partners, the national, regional and local authorities responsible for urban policies, and other interest groups. Following this meeting, and in the light of the above comments, the Committee has pinpointed certain strategic urban development issues which it feels call for specific Community intervention⁽¹⁾.

4.1. *Competition and cooperation: city networks and cohesion between cities*

4.1.1. Economic globalization is increasingly exposing urban communities to national and international competition, and the effects of this competition are becoming more immediate and more intense. Also, in highly developed countries, economic growth is not directly or mechanically linked to employment growth improvements in quality of life, social progress or improvement of the environment in which we live.

4.1.2. Urban development strategies must thus address four different problems:

- I) the vulnerability of urban communities to the local effects of the global economy encourages them to innovate and become more competitive, but this calls for a suitable range of planning abilities, resources and skills, without which the prospects of success are poor;
- II) the scope for development using only factors that are available locally appears increasingly narrow. However, the new information technologies (telematics, teleworking) make it possible to combine and reinforce factors located in different regions and countries and build a single development strategy;
- III) the increasing pace of change and innovation can bring rapid improvements in competitiveness and quality of life, but adjusting to the speed of innovation is becoming more and more difficult;

⁽¹⁾ Study Group meeting held on 9-10. 5. 1996 at the headquarters of the National Economic and Labour Council (CNEL).

IV) a high level of efficiency is required of infrastructure, production facilities, administrative headquarters and R&D centres, as these are essential for urban competitiveness and economic development. This requires major investment and a clear selection of priorities.

4.1.3. The Committee therefore feels that urban cooperative networking should be encouraged. The aim should not be to neutralize the drive for competitiveness, but rather to enable the entire EU urban system to find a development path based on complementarity and the search for a competitiveness that does not create a gap which would end up by weighing heavily on the community's resources, bringing further damaging social and economic fragmentation⁽²⁾. In this context, cooperation between European cities focuses on improving quality of life and boosting the EU's ability to compete with other developed countries (such as the United States and Japan) and the industrializing countries.

4.1.4. Moreover, given the prospective EU accession of central and eastern European countries and the increasingly close ties between the regions and cities of the Mediterranean⁽³⁾, it would be worth devising specific measures to promote partnership with cities in these regions, both to advance and guide cooperation with future Member States and to provide more systematic cooperation between Mediterranean countries and regions.

Lastly, the Committee points out that some cities are subdivided into a (sometimes large) number of administrative districts. In such cases, cooperation between the various local authorities which run parts of the same city is vital, and should be encouraged by means of pilot projects and dissemination of information on the most successful schemes.

4.2. *The urban partnership*

4.2.1. Generalized pruning of public spending on infrastructure and services has encouraged — and in

⁽²⁾ Here it is worth noting the important contribution which city-twinning schemes have made to the integration of the EU's urban system.

⁽³⁾ For instance, the recent Rome and Barcelona conferences on cooperation between Mediterranean regions.

some cases made necessary — the spread of partnership schemes between public and private bodies, aimed at developing infrastructure and services and thus helping the whole local community.

4.2.2. More generally, urban partnership can encourage coordinated development planning which, if properly oriented, can guide urban development at a time of decreasing State involvement in sectors of key importance for development and economic and social cohesion and for improving the urban environment and quality of life.

4.2.3. The Committee thus highlights the case for encouraging forward-looking urban partnership schemes that can boost the involvement of national, regional and local authorities in key socio-economic development sectors (basic amenities, research and innovation facilities, transport and telecommunications infrastructure, improvement of the environment and of town planning, protection of cultural assets, etc.) by bringing in private professional, organizational and financial resources for schemes which meet the interests of the local community. Here the Committee stresses that the public/private partnership can be greatly facilitated if the relevant authorities act in a prompt, transparent and consistent manner.

4.3. *Subsidiarity*

4.3.1. The trend for cities to form transregional and transnational networks will lead local and regional authorities in different countries to cooperate more and more often in the framing and implementation of jointly agreed development projects. In such cases, the partnership problems of any network are compounded by the diversity of national legislation and of national interpretations of the subsidiarity principle.

4.3.2. Here the Committee feels that the EU could provide encouragement, drawing up guidelines and establishing a conduit for pooling experience of inter-institutional consultation and partnerships and assessing whether successful schemes can be replicated elsewhere. The Committee considers that when defining development strategies and activities, the EU should use appropriate consultation arrangements that will enable it to

benefit from the experience of local and regional authorities and the recommendations put forward by them and their associations.

4.4. *Participation*

4.4.1. As noted above, economic globalization makes urban communities more vulnerable to the local effects of national and transnational development programmes. The interplay of these measures and local socio-economic development prospects make it more difficult to ensure that the socio-economic players play a proper part in the framing of decisions which affect the social, economic, environmental and town-planning development of their areas. In such circumstances:

- the basic information needed to assess effects and implications tends to be rather complex, as it concerns not just one city but all the cities directly or indirectly affected by the relevant scheme;
- participation is hampered by the fact that decisions and options are prompted by large-scale guidelines and needs and affect more than one community.

4.4.2. In this connection, the Committee thinks it vital that the EU foster at local level:

- increased transparency and a greater public say in urban development decisions;
- involvement of the socio-economic partners, as stipulated in the framework Regulation of the Structural Funds.

4.4.3. It is also worth noting that Europe is a gateway for large numbers of third-country migrants whose cultures, expectations and systems of values are sometimes very different from those of the host community. Many regions of Europe are assuming a multicultural nature which could promote social and economic development. However, this requires the establishment of specific types of participation, tailored to the differing cultural models and designed to foster and support the integration process⁽¹⁾.

4.4.4. In this context, the quality of the information made available and the transparency of participation in

⁽¹⁾ A further, albeit indirect, boost to the integration process can be provided by the partnership with Mediterranean cities mentioned in Point 4.2 above.

decisions are vital not only for democracy but also for integration and multicultural cohesion.

4.5. *Strategies for combining objectives of economic excellence with objectives of social equity*

4.5.1. As infrastructure and service networks become more important for economic development, cities are increasingly seen as an engine for creating conditions conducive to economic competition. This may lead some authorities to give economic excellence greater priority than cohesion, solidarity and the socio-cultural development of the local community. The result may be a clash between economic development and social development, between objectives of efficiency and objectives of equity ⁽¹⁾.

4.5.2. Without a strategy to effectively exploit the impact of individual measures on the wider urban structure and marry competitiveness with economic and social cohesion, any resources committed to solidarity and improving the urban environment will — at least in the short term — mean a reduction in the resources available for improving economic efficiency and competitiveness.

4.5.3. Hence one of two situations will emerge: where the capacity to define and implement integrated urban development strategies is poor, economic excellence and social equity tend to be mutually exclusive. Where local authorities' planning and implementation capacity is good, the two objectives can be reconciled by taking in hand and exploiting the direct and indirect effects of the measures (management of externalities) ⁽²⁾.

4.5.4. In the absence of policies to assist less developed cities, or those with a limited capacity to plan and administer integrated urban development strategies, the abovementioned situation can aggravate the imbalances in the EU's urban system. In this context, the Committee, mindful that the prime aim of urban development is to improve quality of life, calls for the establishment of a twofold system of criteria and guidelines.

— Firstly, for boosting the capacity to combine competitiveness and economic and social cohesion in integrated urban development projects, by means of training schemes and by the promotion of pilot schemes and studies.

— Secondly, for setting up networks to monitor, compare and assess the techniques, methods and results of these policies in different cities, and to disseminate the most successful ones.

4.6. *Sustainable development and social cohesion at urban level*

4.6.1. This raises the question of the conditions most conducive to sustainable urban development. The Committee thinks that in the long term, non-integrated development policies focusing on economic excellence, social cohesion or enhancement of the urban environment would bring growing burdens which an increasing number of Member States would be unable to sustain.

4.6.2. Sustainable urban development concerns not only the environment, but also economic and social factors, and must be tackled as a whole. The Committee feels that the serious socio-economic imbalances and urban and environmental decay afflicting many cities call for urban development schemes that establish the practical, economic, administrative and technical prerequisites for an improvement in social cohesion and the environment. Support should therefore be given to pilot projects and experience-pooling which, while accommodating the special features of individual EU cities and the radical differences between them, foster the sustainable development of urban areas.

4.6.3. Also relevant here are spatial planning policies which foster a more balanced distribution of services and infrastructure and improve the built environment in order to reduce — and if possible eliminate — the

⁽¹⁾ Organization for Economic Cooperation and Development — European Foundation for the Improvement of Living and Working Conditions, Partnership for People in Cities. Proceedings of a Joint Conference, Dublin, 18-21. 10. 1993.

⁽²⁾ OJ No C 153, 28. 5. 1996.

environmental and social dereliction and decay which beset some inner cities, dormitory towns and suburbs⁽¹⁾.

4.7. *Urban development and employment*

4.7.1. It should also be remembered that most of the unemployed live in urban areas and that, while economic development does not automatically boost employment levels, social cohesion and quality of life, there is no doubt that over the longer term, employment and quality of life will not improve without economic development and thus without improving the productivity and competitiveness of urban areas.

4.7.2. It is therefore worth stressing that boosting employment requires the intermeshing of two different types of policy. On the one hand, an environment must be created that will attract new economic activities or extend existing ones, either indirectly (by improving infrastructure and services, accessibility and mobility, the urban environment, safety, etc.) or directly, by fleshing out the opportunities which cities can offer businesses.

4.7.3. On the other hand, economic development potential must be steered towards sectors and forms which provide new jobs that match supply to demand. In particular, the Committee stresses the 'virtuous circle' of employment directly created by urban regeneration and reorganization, the ensuing improvement in business competitiveness, and the new jobs which incoming businesses can provide.

4.8. *Urban regeneration and social cohesion*

4.8.1. The congestion, pollution, industrial decline and social alienation found in many cities are bound up with such factors as the growing competition between social groups and between local communities, public

finance difficulties, high unemployment, the widening gap between rich and poor countries and the related migration to Europe's cities from underdeveloped third countries.

4.8.2. In this context, as it becomes more difficult to find public money to provide decent services and infrastructure for the whole community, so there is a tendency to create 'privileged' enclaves — sometimes with private sector resources — which provide a quality of life and services not available elsewhere. In this way, cities risk becoming less cohesive units with their residents segregated in separate social groups; above all, they risk ceasing to be places for building and strengthening cultural identity and for social development, places imbued with a sense of history, and centres for the development of technical and managerial skills.

4.8.3. However, urban development creates and redistributes wealth. The development of infrastructure, services and technical and managerial skills can all trigger a gradual regeneration process. Infrastructure and regeneration schemes thus help to increase and redistribute urban amenities and assets by improving services, infrastructure, mobility and the quality of the city landscape and environment.

4.8.4. In many cases, the regeneration process benefits the different social groups in a uniform manner. In others, the redistribution is less effective, with the result that urban development and regeneration may marginalize and impoverish the weakest social groups.

4.8.5. Accordingly, the Committee thinks that a set of criteria and guidelines could usefully be devised for ensuring effective, fair participation in the costs of urban renewal and in the benefits which it brings. Here steps are needed to encourage the upgrading of urban architecture, to promote cultural exchanges and note-swapping on the most effective types of spatial and architectural regeneration schemes, and to ensure real public involvement in development decisions along the lines indicated above.

4.8.6. In particular, the Committee calls for Community measures to raise general awareness:

(1) Urban imbalances take very different forms in different countries and cities. The common thread seems to be the presence of radical disparities in terms of services, quantity and quality of infrastructure, accessibility, and quality of urban areas.

I) of urban quality requirements (job opportunities, quality of services and of the environment, accessibility and mobility conditions, and so on) which should be available for all;

- II) of the most effective urban planning, economic and administrative instruments for triggering systematic urban regeneration processes that meet the above-mentioned requirements;
- III) of the type of actions needed to encourage a balanced social redistribution of the economic results and benefits of urban regeneration.

social cohesion, employment, services and mobility, the urban environment and architecture, or (b) to link up sectoral programmes and activities and tie them to an integrated urban development model;

- V) procedures and instruments should be established for examining the spatial and urban impact of all schemes which directly or indirectly concern cities;

4.8.7. To this end, the Committee asks that criteria and guidelines be devised for easing the transition from support-based strategies for marginalized areas, to strategies designed to secure economically and socially balanced development.

- VI) the urban development projects should be targeted on a specific set of socio-economic goals designed to ensure the maximum impact on employment and the integration of third-country immigrants, and to lessen the marginalization of the weakest groups in society and ease the degradation of the urban environment, as these may pose a serious threat to social cohesion;⁽¹⁾

5. Proposals

5.1. The above considerations presuppose a significant increase in the Community's commitment to urban areas in planning, organizational and financial terms. The Committee recommends the following:

- I) the EU's commitment to urban pilot projects (innovative measures under ERDF Article 10), should be increased, turning these into systematic pilot actions with a strong bias towards overall urban development projects and reinforcing economic and social cohesion both in and between the EU's cities;
- II) in relation to the results of the above pilot schemes, and given the significant impact which the state of cities has on general economic and social cohesion, a distinction should be drawn between Structural Fund objectives (and measures) of a mainly economic nature, designed to reduce regional disparities, and those which focus on urban development and involve the framing and implementation of integrated urban development projects designed to reduce social, cultural, environmental, urban-planning and economic disparities within each city;
- III) the above two action lines should be closely coordinated;
- IV) urban development projects might take one of two forms, being designed either (a) to trigger a general improvement in competitiveness, economic and

- VII) the new Structural Fund action for urban areas should include a specific strand to encourage partnership between EU cities and central/eastern European and Mediterranean cities, to promote cooperation and the establishment of networks between EU cities and those of neighbouring countries, and to help the cities of eastern Europe and the southern Mediterranean to join the European economic relations network;

- VIII) decisive steps should be taken to encourage 'horizontal' use of the various sectoral schemes which concern cities. To this end, a forum should be set up between EU, national, regional and local authorities, the socio-economic partners, and other interested parties, to prepare EU intervention strategies for urban areas;

- IX) the European Spatial Development Perspective (ESDP) should also become an instrument for consultations between the EU, Member States, local and regional authorities and socio-economic partners, to hammer out an overall EU strategy for urban areas;

- X) the EU's commitment to urban development and in particular to improvement of economic and

⁽¹⁾ OJ No C 153, 28. 5. 1996.

social cohesion within and between cities,⁽¹⁾ under the Structural Funds, should be significantly increased.

5.2. From the cohesion angle, special attention and funds should also be devoted to cities in less developed regions where socio-economic conditions are particularly poor, per capita GDP is significantly below the EU average and unemployment is extremely high. The imbalances and shortcomings which generally affect all Objective 1 regions are concentrated in these cities, and social disparities and risks of marginalization are particularly great. Community measures to boost economic and social cohesion should therefore be especially intensive in these cities, which should be the subject of detailed surveys by the EU in order to gain a clearer idea of the nature and causes of their social problems and devise possible measures for remedying them.

5.3. The Committee considers that three further conditions need to be met if these objectives are to be achieved:

- i) Since schemes conducted in the same city will only be successful and secure a high socio-economic return on the resources invested in them if they are mutually consistent, the local and regional authorities and socio-economic partners must be directly involved in the framing of development lines, and they must be given explicit, direct responsibility for ensuring that the urban development projects promoted by the EU are fully consistent with those run by the central and local authorities.
- ii) Since the type of urban development action mentioned above is extremely innovative, the Commission needs to give a stronger lead in determining not only objectives and eligibility criteria but also the structural features of urban development projects. In particular, it would be helpful for the Commission to draw up a set of guidelines for the EU urban system and for development strategies based on subsidiarity, cooperation and partnership, economic and social cohesion, and the balance of the EU urban system.
- iii) Lastly, as not enough information is available about the socio-economic, spatial, environmental and infrastructure position of cities to check on the results of the schemes, the EU should set up an experience-swapping network. This would keep the

urban authorities and the socio-economic partners informed about urban development initiatives and experience, and enable them to assess their limitations and potential, to carry out forms of active partnership, and to contribute actively to the framing of increasingly sophisticated and effective intervention strategies.

5.4. Moreover, since urban development projects form a specific part of Structural Fund activity, the Committee stresses the obligation, under Article 4 of the framework Regulation, for each Member State to provide the requisite conditions, instruments and procedures for encouraging the socio-economic partners to play an informed and effective role in the formulation and administration of such projects.

5.5. As regards the case for EU legal competence in this area, the Committee of the Regions has drawn up detailed proposals for revision of the Treaty. However, more systematic, effective action could already be launched under the existing regulatory framework. Also, remembering that the Structural Fund regulations are to be reviewed in 1999, the Committee thinks that any new urban policy action should be decided in close, systematic relation to the reform of the Structural Funds.

5.6. Finally, the Committee wonders whether the launch of a new and more systematic EU strategy for urban areas should be formally enshrined by inserting a specific reference in the Treaty, notably in Articles 130a and 130c.

6. Priority intervention areas

6.1. By way of examples, the Committee has identified two priority intervention areas for improving the condition of EU cities, namely the urban mobility system and the urban environment.

6.2. *The urban mobility system*

6.2.1. The Committee thinks that the Community's aim here should be to overcome the traditional subdivisions between spatial planning and transport planning, and to promote integrated schemes that:

- offer the public — especially the least advantaged groups — satisfactory access to services, leisure areas, jobs and training centres;

⁽¹⁾ OJ No C 153, 28. 5. 1996.

- redesign the traffic system so as to significantly improve safety levels⁽¹⁾;
- lessen the impact of traffic on the environment, which is currently marked by serious air and noise pollution and a severe deterioration in the quality of city life.

thereby worsening social and economic marginalization and drastically limiting the employment and other prospects of the poorest groups in society. Priority intervention areas for the urban environment should therefore start with the regeneration of seriously run-down urban areas. This means pinpointing the specific causes of their decline and framing systematic action for regenerating them.

6.2.2. Here the Committee feels that vigorous efforts must be made to reorganize urban structures and employment so that less travel is necessary and accessibility is not impaired. Action is also needed to stop the steady encroachment of roads and private car parks into areas available to the public. In this context it is necessary to make wider use of telecommunication and telematics systems in production and services, in order to reduce the amount of 'necessary traffic'⁽²⁾.

6.3.2. Refurbishment of buildings and urban renovation are clearly not enough (in some cases they simply move the marginal social groups to other areas where the cycle of decay and isolation begins again). The aim must be to alter the social, economic, employment and cultural causes of social and urban marginalization.

6.2.3. Particular encouragement should be given to urban development projects designed to: reduce air pollution and traffic congestion by discouraging the use of private cars and encouraging the use of rail transport; make areas more generally accessible, thereby enhancing quality of life and improving urban amenities; use the economic benefits of this to finance improvements in services and infrastructure; offer companies better possible links with research and innovation centres (e.g. via telematics) and thus indirectly improve competitiveness and employment; use types of urban partnership that bring in private financial, organizational, professional and planning resources.

6.3.3. Shifting attention from the effects (run-down buildings and neighbourhoods, unemployment, social marginalization) to the causes (lack of job opportunities, weak cultural models, low incomes, etc.) necessarily means reshaping urban development mechanisms and mechanisms for distributing the benefits of services, infrastructure, transport, and so on.

6.2.4. In this way, urban mobility schemes lose their sectoral nature and become part of a wider strategy in which the improvement of social cohesion, competitiveness of local businesses and quality of life become complementary parts of a single design.

6.3.4. In this context, integrated urban redevelopment projects should be designed essentially to repattern the investments and policies which affect cities; to organize extensive consultations between institutions (local, regional, national, EU) and socio-economic partners; to devise development models that further the objectives of sustainability, cohesion and social equity; to define an integrated set of measures that will pave the way towards more balanced forms of urban development; and to ensure the political, administrative, technical and financial viability of these measures.

6.3. *The urban environment*

6.3.1. Environmental decay and urban-planning problems tend to concentrate in specific urban areas,

6.3.5. Integrated development projects to regenerate the urban environment will thus reflect the new perception of cities as a key element in making development policy fully consistent with policies designed to achieve economic excellence and social equity.

⁽¹⁾ It is worth remembering that, every year, 42 000 EU citizens are killed and 1 550 000 are injured in road accidents in urban areas (Eurostat figures for EUR-12).

⁽²⁾ OJ No C 212, 22. 7. 1996.

6.3.6. Lastly, the Committee feels that the issues raised in this consideration of the EU's role in urban

matters are so important for EU development and quality of life that they exceed the confines of an Opinion. They require constant and careful attention, based inter alia on the results of the activity of the EU and the national, regional and local authorities. The

Committee stresses the case for systematic EU monitoring of the state of the EU's cities and of the integrated urban development programmes and their results. The information obtained should be made available to the socio-economic partners and other interested parties.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) on aid to shipbuilding' ⁽¹⁾

(97/C 30/18)

On 4 July 1996 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the 'Proposal for a Council Regulation (EC) on aid to shipbuilding'.

The Economic and Social Committee decided to appoint Mr Simpson as Rapporteur-General for its Opinion.

At its 338th Plenary Session (meeting of 25 September 1996) the Economic and Social Committee adopted, by 85 votes in favour, 3 votes against and 4 abstentions, the following Opinion.

1. Introduction

1.1. The Commission proposes to further extend the Seventh Council Directive on aid to Shipbuilding. This Directive ⁽²⁾ was due to lapse on 1 January 1996 when the new international Agreement, negotiated within the framework of OECD, would have become effective if it had been ratified by all the signatories.

1.2. Under the terms of the Council Regulation of 22 December 1995, giving effect to the State Aid provisions of the OECD Agreement ⁽³⁾, the Seventh Directive was amended to continue in force in the interim period to 1 October 1996. This acknowledged that the OECD Agreement would not be effective until a date after 1 January 1996. The Economic and Social Committee considered this proposal and, at its meeting in November 1995, approved an Opinion which supported the interim amendment ⁽⁴⁾.

1.3. Whilst the European Union, Korea, Norway and, more recently, Japan have ratified the OECD Agreement, the United States has not. Despite the setting of a revised date for implementation of 15 July 1996, the US Government has not yet passed the required legislation to permit ratification.

2. Commission proposal

2.1. The Commission has, therefore, been requested by the Council to make proposals for decisions to be effective before 1 October 1996 when the interim extension of the Seventh Directive is due to terminate.

2.2. The Directive currently limits production aid to the EC shipbuilding industry for all vessels, above a minimum size, to 9 percent of the build cost for higher value ships and 4,5 percent for smaller vessels. Similarly, operating aid not linked to individual contracts is constrained to meet agreed restructuring plans, closure costs or rescue aid ceilings.

⁽¹⁾ OJ No C 213, 23. 7. 1996, p. 14.

⁽²⁾ OJ No L 351, 31. 12. 1994.

⁽³⁾ OJ No L 332, 30. 12. 1995.

⁽⁴⁾ OJ No C 39, 12. 2. 1996.

2.3. Under the OECD Agreement, production aid would be ended in the main shipbuilding countries of the world. This would be a major step in normalizing the world shipbuilding market.

2.4. In the absence of agreement on the implementation of the OECD Agreement, the Commission proposes that the provisions of the Seventh Directive should continue to apply ad interim and until 31 December 1998 at the latest.

3. Comments of the Committee

3.1. The Committee is disappointed that there has been a further delay in the ratification of the OECD Agreement. This has adverse effects on the objective of normalizing, in fair competition and open bidding for contracts, the development of the shipbuilding industry in the European Union. In particular, the provisions allowing measures to tackle injurious pricing have been postponed.

3.2. The failure of the US administration to gain legislative authority to allow ratification is especially regrettable.

3.3. The proposal to extend the Seventh Directive for a further interim period is accepted as possibly the least damaging way to assist the shipbuilding industry in the immediate future.

3.4. Whilst the Committee notes that the rules of the Directive can be maintained, consistently with the 'standstill' provisions of the OECD Agreement, the Committee proposes that, in the interim period, there should be no further action to reduce the permitted production aid unless such action would be supported by evidence from the market that the size of the cost-price gap had decreased. If the cost-price gap remains at present levels, or widens, then the principle of further degressivity should also be suspended. The 'key' 9 percent aid ceiling would then remain in place to the end of 1996, with the possibility of an amended ceiling, only if justified by market conditions, effective from 1 January 1997.

3.5. If there is no progress towards full implementation of the OECD Agreement by the end of 1996, the Committee suggests that the Commission consider what action can be taken to construct an international agreement which, *faute de mieux*, excludes the USA. This would, it is appreciated, raise difficult questions of how to design and implement appropriate actions which would penalise shipbuilders who received unacceptable aid and which were outside the scope of an alternative agreement. As a minimum the EU and other national authorities should introduce legislation with agreed penalties and agreed methods of implementing penalties applicable to shipbuilding yards which are identified as benefiting from injurious pricing methods.

3.6. The impasse caused by the delay in the implementation of the OECD Agreement might be used to advantage if the Commission undertook a review of the modalities of the application of the injurious pricing instruments that form part of the agreement. It is acknowledged both in the shipbuilding and shipping industries that the current provisions may be difficult to operate effectively. A review, and reconsideration, without necessarily making fundamental changes to the principles of the OECD Agreement, might be beneficial, irrespective of the outcome of the current delay.

4. Conclusions

4.1. The Committee is concerned that the implementation of the OECD Agreement has again been delayed. This perpetuates a serious crisis for European shipbuilders.

4.2. The proposal to extend the Seventh Directive on aid to shipbuilding is a necessary and minimal interim response which is supported by the Committee. The proposed amendment to Regulation 3094/95 is, therefore, supported.

4.3. The Commission should now begin to consider alternative options, in cooperation with the other willing partners to the OECD Agreement, to influence the future development of the shipbuilding industry in the European Union for negotiation and implementation, if the OECD Agreement is not ratified within the next six months.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a Council Directive amending Directive 76/207/EEC on the implementation of equal treatment of men and women as regards access to employment, vocational training and promotion, and working conditions'

(97/C 30/19)

On 5 June 1996 the Council decided to consult the Economic and Social Committee, in accordance with Article 198 of the EC Treaty, on the above-mentioned 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 12 September 1996. The Rapporteur was Mrs Sigmund.

At its 338th Plenary Session (meeting of 25 September 1996) the Economic and Social Committee adopted the following Opinion by 97 votes to two, with eight abstentions.

1. Introduction

1.1. In October 1995 the European Court of Justice delivered its judgement in Case C-450/93 (Kalanke/Bremen). The different interpretations which followed gave rise to general uncertainty regarding the legality of some of the positive measures taken to increase the number of women in certain sectors and positions, and particularly the admissibility of quotas.

1.2. The topic in question is dealt with in Directive 76/207/EEC, which mainly covers the 'principle of equal treatment'.

1.3. In the Kalanke case the issue was whether the quota arrangements provided for under the equal opportunities law of the Land of Bremen were compatible with Directive 76/207/EEC. The Court of Justice of the European Communities decided that the legal provision of Bremen was in breach of the EEC Directive by stating that, where male and female applicants had the same qualifications, preference should automatically be given to the recruitment and promotion of women in public-service sectors where women were under-represented.

1.4. The judgement of the European Court of Justice was subsequently interpreted in different ways:

Opinions ranged from the view that the Court of Justice of the European Communities had merely decided that Bremen's system of 'rigid' quotas, as applied automatically to Mr Kalanke, was in breach of Community law, to the view that any kind of quota system contravened Community law. The present uncertainty shows that Member States are not wholly clear about whether or not quotas are admissible.

1.5. On 27 March 1996 the Commission submitted a proposal amending Directive 76/207/EEC. In its justification of the proposal the Commission makes it

clear that the amendment is only of a declaratory nature and does not alter the scope of the Directive. The amendment in question nevertheless replaces the words 'women's opportunities' by 'opportunities of the under-represented sex' whilst linking the application of rules on preference to the 'assessment of the particular circumstances of an individual case'.

1.5.1. The Committee notes the opinion of the Commission that in the Kalanka case the Court merely condemns the absolutely rigid quota system and that the exception, as stipulated in Article 2(4), regarding other forms of positive action in favour of women, can be used by Member States and employers, including flexible quota systems.

1.6. Comments made so far suggest that the Commission's present proposed amendment is a reaction to the Kalanke judgement of the Court of Justice. In the view of the Committee the aim of such legal clarification can only be to provide an answer to the question of whether positive measures (particularly quotas) are admissible.

2. General comments

Although the Opinion is in principle limited to discussing the present draft Directive, the Committee takes the view that the subject must also be discussed in broader terms than those of the original case.

2.1. In this connection the Committee would refer first to its Opinion on Equal opportunities for women — medium-term Community programme, 1986 to 1990⁽¹⁾. It points out in this Opinion that the question of equal opportunities for women is one which concerns society as a whole, and reaffirms that legal provisions

⁽¹⁾ OJ No C 189, 28. 7. 1986, p. 31.

alone are not sufficient to correct outmoded role stereotyping or to change deep-rooted attitudes.

The Committee also stated in its Opinion on the Balanced participation of women and men in decision-making⁽¹⁾ that the 'under-representation of women is a fundamental challenge for democracy'.

2.2. In the view of the Committee the principle of equal treatment and measures to implement it are one of the identifying features that define our society. The Committee therefore supports all political and legal measures taken to achieve this objective. In particular positive action is an important tool to tackle discrimination and to promote equality between women and men. The Commission, Member States and the social partners need to intensify their efforts to develop and promote more positive action programmes for women, in particular in the private sector.

2.3. It is the task of the European Union to help preserve this identity whilst taking into consideration differences between the Member States in terms of history, culture, economic background and social structures. This should be developed into a European blueprint for equal rights, committed to humanism, liberalism and pluralism, and constituting a benchmark for the Community and the rest of the world.

2.4. In this connection the Committee would refer to the UN Convention on the abolition of all forms of discrimination against women (1979): the Committee considers it desirable for this Convention, which is the expression of the will of the international community of nations, to be reflected more strongly in political and legal measures taken by the Community. This would also meet the current expectations of European citizens of both sexes.

2.5. Given the importance of this whole area, the Committee considers that it is not only appropriate but also highly desirable to seek to enshrine legal provisions in primary legislation. The Committee is therefore delighted that the Intergovernmental Conference is already discussing the question of incorporating the principle of equal treatment in primary Community law.

2.6. The Committee therefore calls upon those concerned to incorporate an appropriate Article in the EC Treaty. Such an Article would go beyond a simple ban on discrimination and would include a fundamental call for equality of treatment between men and women.

3. Specific comments

The Committee basically welcomes the Commission proposal, which is designed to clarify the question of equal treatment between men and women.

3.1. The Committee appreciates the difficulties involved in trying to achieve unequivocal clarification of this question. The Committee therefore believes that the Commission should take a clear stand on whether the principle of positive measures — particularly quotas — should in future be admissible and be incorporated in Community law. In the view of the Committee, however, the Commission's present proposal does not provide the definitive clarification the Commission itself claims to be offering.

3.2. The Committee is aware that the conditions for positive measures vary from Member State to Member State. If the Commission is therefore of the view that the right of the individual to equal treatment (as enshrined in the Directive) can be reconciled with the concept of group representation and hence quotas, it should say so clearly and back this up with cogent arguments.

3.3. The Committee would once more point out that, in accordance with the subsidiarity principle, Member States must be free to decide what positive measures they take to implement the principle of equal treatment.

3.4. In the view of the Committee a Directive is not the appropriate legal instrument for arriving at a clear and definitive clarification of this question of principle.

3.5. The Committee takes the view that the proposed amendment to the Directive anticipates future clarification under primary legislation and is therefore unsuitable at the present juncture. The Committee therefore recommends patience until the results of the Intergovernmental Conference are known.

3.6. Given this stand of principle, the Committee has decided not to engage in a detailed examination of the provisions contained in the draft proposal for an amendment.

3.7. As a defender of the interests of European citizens of both sexes, the Committee believes that a topic of such wide-reaching importance as equality of treatment should be tackled by the Intergovernmental Conference in such a way that the revised Treaties to emerge from the Conference should place Member States under an obligation, within the framework of primary legislation, to ensure that men and women are treated equally.

3.8. Finally, the Committee voices the hope that the question of equal treatment, and its furtherance through the adoption of positive measures at Community level, will be regulated in primary legislation in a comprehensible, satisfactory form for European citizens of both sexes. At all events, the common concern should be to

⁽¹⁾ OJ No C 204, 15. 7. 1996, p. 21.

achieve the goal set out in Article 1 of Directive 76/207/EEC — putting into effect in the Member States

the principle of equal treatment for men and women — on the basis of clear and unequivocal legal provisions.

Brussels, 25 September 1996.

The President
of the Economic and Social Committee
 Carlos FERRER

Opinion of the Economic and Social Committee on the 'White Paper on the preparation of the associated countries of Central and Eastern Europe for integration into the internal market of the Union'

(97/C 30/20)

On 14 July 1995 the European Commission decided to consult the Economic and Social Committee, under Article 198c of the Treaty establishing the European Community, on the 'White Paper on the preparation of the associated countries of Central and Eastern Europe for integration into the internal market of the Union'.

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 10 September 1996. The Rapporteur was Mr Masucci.

At its 338th Plenary Session (meeting of 25 September 1996) the Economic and Social Committee adopted the following Opinion by 101 votes to two, with two abstentions.

1. Introduction

1.1. Though the Copenhagen European Council gave the green light to those associated countries of Central and Eastern Europe (CEECs) that wished to join the European Union, it was the Essen Council which determined the strategy for preparation of accession, in the shape of a 'structured relationship' which is to set immediately in motion an effective integration process.

1.2. There has been a clear desire, from the outset, to steer the transition towards a market economy and democracy in the direction required by the integration process, drawing on what has been learned in the course of forging the European Union.

1.3. The historical significance of these decisions cannot be obscured by the difficulties, problems and imbalances which are bound to arise in the Member States as well as the CEECs.

1.3.1. The immense benefits for the new, rebuilt Europe will stem not just from its enlargement to form an area with high economic growth potential but also from our close cultural ties throughout the ages and the

expansion of the EU security area. The Committee hopes that the benefits will be reciprocal, and that the peoples of the countries which join the EU will also draw advantage from them.

1.4. The problems and imbalances, which are already discernible, are in part to be expected. They can be tackled in time, and hence avoided or minimized.

1.4.1. For the EU's part, the main stumbling block is the impact on the CAP, regional policy and the resources needed, and funding of policies. More generally, it also needs to be remembered that decision making and management will become increasingly difficult in a Union of 25 or more members.

1.5. Integration of the CEECs into the European Union is an ambitious and complex venture which will inevitably involve confronting two major problems:

— assimilation of the 'acquis communautaire' by countries with differing institutions, administrative

and market structures, social relations and citizens' rights;

- the economic and social downturn, following the radical political changes triggered in 1989, as reflected in economic recession, high inflation, falling purchasing power, lower pensions, a decline in social welfare cover and high unemployment⁽¹⁾.

1.6. In economic terms the integration of a large potential consumer market must be seen in relation to the difficulties of restructuring an inefficient and highly centralized production and trading system.

1.6.1. Despite an acute lack of domestic capital and the risk of heavily inflationary pressures, huge investments are needed in infrastructure and services.

Efforts to reform public administration have to contend with an entrenched bureaucracy.

1.7. Political instability, compounded by economic and legal uncertainty, has discouraged the inflow of foreign capital, which has focused largely on the Czech Republic, Hungary and Poland. In the other CEECs, very often investment has been concentrated on large cities, in particular the capitals; this has speeded up development and generated a large number of jobs, but has also increased regional socio-economic imbalances within the individual countries.

1.8. On the labour market, restructuring and unemployment have forced large numbers of workers to emigrate to the West — though over the past two years this exodus has slowed down considerably, partly as a result of more careful controls in the countries of destination. There are even signs of a flow in the other direction, either because conditions in the workers' country of origin have improved or because of failure to find a job and rejection by the host society.

1.9. All these factors have bred disillusion and resistance to change among broad sections of the population and, in some cases, increased backing for political forces led by moderate representatives of the previous regime who advocate a more gradual path towards a market economy so as to curb some, at any rate, of the high social costs currently being inflicted. Time will tell whether this strategy is viable.

1.10. Since 1993 the situation has improved in all CEECs, though to varying degrees. However, all the structural problems of a highly centralized economy persist. Radical changes are needed but a strong entrepreneurial class, modern management, effective technologies and substantial capital are conspicuous by their absence.

1.10.1. Over this period a key role has been played by the Community's Phare programme. The Committee has carried out a detailed study of this programme's viability and effectiveness (along with its problems)⁽²⁾.

1.10.2. Despite great difficulties, privatization and restructuring of the CEEC economies have been surprisingly speedy and production and trade patterns have changed radically (sometimes initially for the worse).

In most CEECs the private-sector share of GDP is at least 50 % (see Appendix II).

1.11. The Commission's White Paper has to be seen against this political, economic and social background.

2. Aims and thrust of the White Paper

2.1. The White Paper is a further strand in the pre-accession strategy, which has involved, in turn:

- the conclusion of association agreements;
- the start of a 'structured dialogue' between the EU and the associated countries in sectors with a trans-European dimension (energy, transport, environment, science and technology), on external and security policy issues and on legal and internal affairs;
- the implementation of policies and technical assistance based on close cooperation which is primarily anchored in the Phare programme.

2.2. The IGC, which opened on 29 March 1996 in Turin, will focus, among other things, on preparing EU institutions and policies for enlargement.

Negotiations on accession, which includes acceptance of the entire body of Community legislation, will have to wait until the IGC has ended. However, the Commission has had the foresight to propose, in the pre-accession phase, a 'sequence in which the associated

⁽¹⁾ European Commission, *Europe 2000+*, 1994, p. 232.

⁽²⁾ ESC Information Report on the Evaluation of the Phare programme (Rapporteur: Mr Gafo-Fernandez) CES 1281/94.

countries could take over the legislation for each major area' (1).

The aim of the pre-accession strategy is specifically to frame a blueprint for the gradual assimilation of the 'acquis communautaire' by the CEECs. On accession, the countries concerned will form part of the internal market; hence the Essen European Council decided that preparation for this move must be a key component of pre-accession strategy and asked the Commission to present a White Paper on the internal market with a view to drawing up a programme 'for meeting the obligations of the internal market which could be followed by each associated country and monitored by the Union.'

2.3. The White Paper is aimed at the six countries which have already concluded association agreements with the EU (Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania); it also extends to the Baltic Republics and Slovenia, which are in the process of seeking association. Consequently, it is important to apply the pre-accession strategy to these countries already at this stage.

It is generally applicable in the sense that it does not set out a course of action for any particular country but addresses all countries jointly.

2.4. The White Paper consists of two parts. The first, which is shorter and more political in emphasis, analyzes the purpose, context and nature of the internal market. The second (an Annex) is far more extensive and technical since it details Community legislation on all aspects of the internal market.

2.4.1. More specifically, the first part is structured as follows:

- chapter 1 describes the White Paper's approach;
- chapter 2 gives a picture of the internal market, identifies the barriers to free trade and how these have been overcome by Community legislation; the role of competition is therefore analyzed;
- chapter 3 sets out the criteria for the selection of Community legislation contained in the Annex, the sector by sector analyses and their purpose;
- chapter 4 describes the situation observed in the CEECs as regards the internal market and lists some particular difficulties they face in achieving alignment with Community rules;

- chapter 5 sets out the strategies and specific programmes for Community assistance to the CEECs;

- chapter 6 concludes with a description of the benefits which implementing the White Paper can bring and the action to be taken both by the Commission and by the CEECs and the Member States.

2.4.2. The Annex, in contrast, looks at the individual sectors, ranging from freedom of movement to social policy, veterinary matters to the environment, transport to audiovisual media. It sets out the Community's basic options, legislation and the structures required to ensure implementation.

2.5. The most important feature of the White Paper is that it 'identifies the key measures in each sector of the internal market and suggests a sequence in which the approximation of legislation should be tackled' (2).

As pointed out in the Conclusions of the Cannes European Council, the White Paper does not establish any hierarchy between sectors or lay down priorities or a timetable. The countries concerned are left to draw up their own programme on the basis of their national circumstances and priorities, within the general framework determined by the association agreements.

2.6. In the present Opinion the ESC expresses its views on how the White Paper lives up to the aims assigned by the Commission and on the aims themselves; it sets out a global approach to the requirements of political, economic and social development in the CEECs and the EU, identifies possible inadequacies and suggests appropriate additions and changes.

3. A key instrument

3.1. This Opinion is intended to have a broad political thrust. The following appraisals relate to the White Paper's overall approach since it would seem preferable to leave specific sectors (freedom of movement, social policy, transport, energy, telecommunications, competition, environment, consumer protection, etc.) for Opinions by the appropriate ESC Sections. They could then be appraised in greater depth and detail so as to provide the Commission with a fuller set of proposals for additions and changes.

(1) Commission White Paper — Preparation of the Associated Countries of Central and Eastern Europe for integration into the internal market of the Union (COM(95) 163 final, point 3.16).

(2) Commission White Paper, 1995, p. 2.

Nonetheless, some brief, general comments can usefully be made on certain of the main cross-sectoral issues (see Appendix I).

3.1.1. The Commission itself seems to be moving in this direction in this documents on specific matters affecting accession of the CEECs from the angle of both the impact on EU policy and the effects within these countries. An initial document concerning trade policy and aid to the CEECs (and the NIS ⁽¹⁾) provides statistics showing that the EU has become these countries' main trade partner. A further study, concerning agriculture ⁽²⁾, pinpoints the need for modernization and technical assistance as the top priorities and analyzes the implications of enlargement for the CAP.

3.2. First and foremost, the Commission document must be recognized as being of key importance in that it amounts to a genuine 'European compendium', which analyzes all the intricacies of the internal market, both from the more specifically legal angle and from the angle of the institutional and administrative structure built up in recent decades.

The representatives of CEEC civil society, both in their answers to the questionnaires and at the Warsaw hearing, also viewed the White Paper as a most worthwhile contribution.

3.2.1. A study of the general chapters, and of the detailed information in the Annex, gives an immediate impression of the long, often laborious, progress. The many major hurdles have been overcome thanks to the wisdom and willingness of the Member States and Governments to widen and deepen European integration.

3.2.2. Consequently the CEEC Governments, as well as the socio-economic interest groups of their countries, will clearly find the White Paper a crucial instrument for tackling the various problems connected with membership of the European Union.

3.2.3. In particular the description (in chapters 2 and 3) of the principles underpinning the internal market and competition policy, and of the legislation on dismantling trade barriers and guaranteeing free movement of goods, persons, services and capital, serves as guide to the CEEC Governments for a programme to push through the legislative and administrative reforms

needed to prepare their countries for Community harmonization and the completion of the internal market.

3.2.4. Bearing in mind the deep-seated differences which still characterize CEEC economic and administrative structures, despite the changes of recent years, the White Paper proposes, during the pre-accession phase, a 'sequence' for the assimilation of legislation involving more radical changes. A distinction is therefore made between 'key measures' (ranked in order of priority) and other applicable measures.

3.2.5. Another, equally important, feature is the stress laid on the prerequisites for implementation and application of legislation, viz.:

- reform of administrative machinery and society as a whole;
- the existence of bodies and machinery capable of implementing and enforcing legislation.

3.3. The real difficulty is not so much to achieve identical, aligned legal texts as to adjust administrative structures and create the social, political, economic and technical prerequisites for application of this legislation.

3.4. The Warsaw hearing showed that the White Paper can act as a powerful catalyst within the CEECs. This is an additional reason for paying careful attention to the social implications, and to the opinions of interest groups such as consumers.

4. General comments

4.1. The Committee backs the Commission's approach that negotiations should start after the end of the IGC. Accession presupposes acceptance of the Community 'acquis' and the timescale for the individual countries' accession will also depend on progress in adjustment to the entire body of Community legislation. The Committee hopes that the requisite conditions will be met in good time so that accession negotiations can begin simultaneously for all states which have association agreements or are moving towards association. This should encourage the countries which have the most ground to cover in complying with EU requirements to renew their efforts.

4.1.1. The transposition and implementation of the Community 'acquis', are clearly difficult undertakings for the CEECs, but they are a sine qua non for full integration into the EU.

⁽¹⁾ European Commission. Towards fuller economic integration, 1995.

⁽²⁾ European Commission. Study on alternative strategies for the development of agricultural relations between the EU and the CEECs looking ahead to future accession (document on agricultural strategy), IP/95/1314.

This 'acquis' determines the shape of the Union they will join and cannot be called into question.

4.1.2. The integration process under way in the CEECs is also a comprehensive one, encompassing as it does all sectors of legislation. Any differences which may persist for compelling economic, social or cultural reasons can be overcome through framework directives, a technical procedure whereby individual situations can be respected while preserving a uniform approach.

4.1.3. Meanwhile it would be helpful if the CEECs could step up cooperation with each other to at least the same degree as with the EU.

Cooperation between CEECs is sometimes hesitant because of their respective histories. EU programmes and activity should strive to encourage such cooperation.

4.2. The Committee sees the White Paper as a major blueprint for speeding up integration of the CEECs into the EU and facilitating their internal cooperation. In the long term integration will benefit both the Eastern and Western European countries and it remains the ultimate aim of EU-CEEC relations.

Special attention should be devoted to the construction of integrated transport energy and telecommunication networks between CEECs on the one hand and the EU on the other. The development of independent interest groups representing an active civil society is also important for both economic and democratic improvement.

To promote economic growth and convergence in the CEECs, efforts must be made to encourage the restructuring and modernization of their economies (especially in industry and the public administration) and to stimulate domestic and foreign investment.

These changes must improve living and working conditions as quickly as is feasible, this being the fundamental aim of European integration.

4.3. One prerequisite for a boost in investment and development is a secure legal framework, with stable rules and established practices.

However, the main problem is that alignment of legislation is not sufficient per se; the requisite structures, and hence resources, are also necessary. The technical and financial assistance that the EU can provide under Phare and other aid programmes will therefore be of key importance in facilitating standardized implementation of internal market legislation.

For maximum efficiency, this implementation drive should concentrate on economic, legislative and regulatory 'bottlenecks' which can be identified with the help of, among others, national and foreign economic operators active in the individual CEECs⁽¹⁾.

Careful monitoring, with the involvement of civil society, can help to ensure that Community funds are used effectively.

4.3.1. There is also the need for 'legal certainty', i.e. to 'guarantee access to justice for the individual citizen, in particular with regard to decisions of the public authorities'⁽²⁾. Such access must be reasonably speedy.

4.4. Another internal EU problem with major implications for all stages of the enlargement process is the completion of the single market, since the process is already under way and the CEECs will not join the market as it exists today but as it will be at the time of their accession.

As the Committee pointed out in its Opinion⁽³⁾ on progress towards completion of the internal market, 'the approaching deadlines for the EU, together with what is at stake in other areas — such as the pressures exerted by international competition, the forthcoming schedule for monetary union or the impending accession of new Member States — clearly call for the political impetus to be found to enable a genuine single market to be completed soon.'

4.4.1. Consequently the EU must adopt without delay the measures still to be taken to complete the single market of the Fifteen before expanding its membership. Along with legislation on the dismantling of remaining non-tariff barriers, such measures primarily relate to free movement of persons, a complete, finalized tax system for transactions within the Community and closer customs cooperation vis-à-vis non-EU countries. The case for this was also advanced in the latest ESC Opinion on the internal market⁽⁴⁾.

4.5. Full application by the CEECs of the Community 'acquis' will have to encompass measures which have

(1) The costs of CEEC nationals participating in operations receiving financial support are covered under budget heading B3 sub-heading 4.004 introduced by the EP.

(2) Commission White Paper, point 2.30.

(3) ESC Opinion on the Report from the Commission to the Council and the European Parliament: Internal Market in 1994 (Rapporteur: Mr Vever), OJ No C 39, 12. 2. 1996.

(4) ESC Opinion on the Report from the Commission to the Council and the European Parliament on the single market in Europe in 1995 (Rapporteur: Mr Vever), OJ No C 212, 22. 7. 1996.

still to take effect in the existing Member States. Moreover, accession will presumably come after EMU, and will thus take place in a radically different economic and political situation. Hence suitable adjustment and transition periods will be needed for clearly defined issues on which each country faces serious adjustment problems.

5. Impact of enlargement

5.1. For a clearer appraisal of the White Paper, the impact on Community policies of enlargement to the CEECs should be borne in mind. In December 1995 the Commission presented an Interim Report⁽¹⁾ on this matter, as requested by the Essen European Council.

5.2. This Report first confirmed that the enlargement timetable would essentially depend on the progress made by the applicant countries in conducting the political and economic reforms necessary to prepare for membership. It therefore seems premature to fix a calendar for accession, partly because each application must be considered on its merits and partly because delays in one country must not be allowed to hold up the applications of the others.

5.3. Since the process of CEEC integration, and hence of EU enlargement, is already under way, the Commission feels that the Union's decisions on the future shape of its policies must bear in mind the prospect of enlargement.

5.4. Here the Commission predicts that, should the IGC fail to produce 'reforms in the functioning and decision-making of the institutions, enlargement could lead to paralysis and even disintegration.'⁽²⁾

Reform is therefore considered to be a 'prerequisite not only for opening accession negotiations but for the successful realization of enlargement.'

5.5. On the impact of enlargement, the Commission takes a particularly favourable view of the potential political effects since the accession of the CEECs will make a major contribution to peace, security and stability in Europe and enhance the EU's international standing. In particular the Commission anticipates that

there will be greater scope for cooperation in the international drive to curb crime and drugs.

5.5.1. The Commission points out that protection of minorities remains a sensitive issue in some cases and advocates more effective checks and balances at constitutional level. The Committee endorses this.

5.6. As regards the economic impact, the Report highlights the huge potential of extending the single market to a further 100 million consumers though it stresses that the existing sharp differential between the CEEC and EU economies is a serious problem.

In particular, the Commission points out that, taking an average per capita GDP of about 30 % of the EU average (except in Slovenia, where it is equivalent to 50 %, and in the Czech Republic, where it is over 40 %) as a starting point, the most reliable regional and international growth forecasts indicate that the per capita GDP in most of these countries in the year 2005 will still not exceed 40 % of the then EU average.

5.6.1. However, in the Commission's view, 'the economic problems of adjustment for the Union should not be exaggerated.'⁽³⁾

5.7. On the specific measures to be adopted in various sectors, the Commission announced that potential problems in the spheres of free movement of workers and capital, financial services, energy, transport, the environment, social policy and consumer protection were currently being studied. A report on these studies' findings would be presented to the Council.

5.8. With particular reference to cohesion policy, the Commission states that 'it is difficult to predict the Union's future policy for cohesion or its financial implications, even for the existing Union; as regards the enlarged Union, theoretical estimates based on extrapolation of present arrangements cannot be a valid basis.'⁽⁴⁾ However, in the Commission's view, reform will need to be progressive and will therefore take time.

5.8.1. Assuming full application of cohesion policy to new Member States, the Commission envisages transitional arrangements after accession and points out that 'experience suggests that volumes of assistance which are high in relation to the recipients' GDP are difficult to use effectively and can even distort their economic structure.'⁽⁵⁾

(1) Interim Report from the Commission to the European Council on the effects on the policies of the EU of enlargement to the CEECs (CSE(95) 605).

(2) Idem, point 5.

(3) Idem, point 24.

(4) Idem, point 38.

(5) Idem, point 42.

5.9. Looking at agricultural policy, the Report mentions the reforms already introduced to make the policy more market-oriented and the study referred to above. It anyway confirms the Commission's conviction that, independently of enlargement, it would be undesirable to maintain the status quo.

5.9.1. The Commission feels that 'it would be preferable to develop further the approach already inherent in the 1992 reforms. That implies reduced reliance on price support, more emphasis on environmental and social considerations, and the development of an integrated rural policy' ⁽¹⁾.

This strategy would facilitate the integration of CEEC agriculture and allow greater emphasis to be placed on programmes for structural improvement and rural development essential for these countries' needs while avoiding the risk of price distortion.

The Committee is currently drawing up an Opinion on this subject.

6. Relation between the White Paper and the overall pre-accession strategy

6.1. While recognizing that the Commission has drawn up a blueprint of key importance for both the CEEC accession process and the framing of future Community policies, attention should be drawn to a number of shortcomings that could detract from the objective value of the White Paper.

6.2. First and foremost, the approach adopted to the linkage between a) alignment on internal market principles and assimilation of the 'acquis communautaire' as a whole and b) between 'key measures' and the entire body of Community legislation relating to the internal market does nothing to clarify the conditions required for accession. Indeed it will generate some confusion.

6.2.1. For instance, the White Paper claims ⁽²⁾ that '...accession to the Union (...) will involve acceptance of the *acquis communautaire* as a whole.' Later on (point 3.4.) it is stated that 'no part of the "*acquis communautaire*" can be separated in practice from the rest' and that 'Eventual accession negotiations with the CEEC will cover the entire body of Community legislation.'

6.2.2. It is necessary to look at the Conclusions of the Cannes European Council to understand that the associated countries, on accession, 'will — subject, if need be, to transitional periods — adopt the whole "*acquis*" covered by Community legislation and policies.'

6.3. This approach raises even greater concern over the handling of the 'social dimension'.

Specific mention is made of this dimension in Chapter 3, points 3.8 and 3.9 and again in Chapter 4, point 25.

6.4. Point 3.8 reads: 'The social dimension is an essential element of internal market policy' while point 3.9 confirms that 'High levels of social protection are a fundamental aim of the Union. They are served by, among other things, the economic benefits arising from the internal market'. As correctly pointed out, these two aspects are interlinked.

6.5. Yet this seems mere lip service since the White Paper's main concern seems to be to ensure that the internal market is as 'operational' as possible rather than securing better living standards for Community citizens. The key reasons that prompted the Member States to highlight the social dimension in the Treaty are taken for granted but a point is made of emphasizing that 'An uneven approach in national legislation concerning workers' rights or health and safety in the work place could result in unequal costs for economic operators and threaten to distort competition' (point 3.8).

6.5.1. Here a reference to another White Paper on social policy aiming at a coherent social model could have justifiably been expected.

6.6. Instead point 3.9 states that 'the White Paper's presentation of internal market related legislation includes those parts of social legislation which affect the functioning of the internal market or which are a necessary complement to other measures identified as key instruments, in particular in the area of company law'.

6.7. The White Paper presents those CEECs which wish to join with a sort of EU 'visiting card'. Though its main focus is the internal market, the latter is part of a complex socio-economic system. The Commission itself acknowledges that the White Paper does not cover all EU activities and will need to be supplemented. We should ask whether the image projected by the White Paper tallies with the image the EU wishes to give of itself, and especially of what it would like to become.

6.8. The White Paper's 'interpretation' that the social dimension is simply a component of competition and the single market does not seem acceptable, particularly as this 'interpretation' risks robbing the social dimension of its status in its own right.

⁽¹⁾ Idem, point 45.

⁽²⁾ White Paper, p. 1.

6.8.1. Though the internal market is the EU's 'added value', the ultimate aim of enlargement should be the promotion of security and stability as well as of the European socio-economic model.

The internal market must not be seen as an end in itself but as an instrument for improving the living and working conditions of its peoples and as a prerequisite for firms to operate freely.

6.8.2. The internal market's four guaranteed freedoms must be closely tailored to the social dimension. Hence social dialogue must be part of the process of creating a single market.

6.8.3. Social policy must be treated as a constituent part of all areas of integration — not merely as a sectoral issue. Accession strategy must focus on two main fronts: economic and social.

6.8.4. The inextricable ties between the internal market and the social dimension must be highlighted, among other things to ensure that enlargement does not focus solely on the creation of a CEEC-EU 'free trade area' but on the building of a Europe whose market economy has a social dimension. Social policy will therefore have to be at the heart of integration.

6.9. It clearly cannot be claimed that the White Paper confines itself to internal-market related measures, given the impact of social costs on terms of competition.

6.10. One very important facet of the problem is undeniably the risk of 'social dumping', which could encourage transfer of production, thereby jeopardizing entire EU sectors. The resulting public hostility in Member States to the integration process would clearly not be conducive to building an enlarged EU.

6.11. Obviously the limitations of the Commission White Paper's attitude to pre-accession strategy are due to the political slant of the document from which it derives its force, viz. Annex IV to the Conclusions of the Essen European Council, which is silent on the subject of social policy.

6.12. Here again the emphasis is on a philosophy which distances the public from the Community Institutions and caused such problems for the Maastricht Treaty ratification process.

6.13. Lastly, point 4.25 states baldly that 'in the area of social policy, the associated countries believe that much of their legislation is close to meeting EU stan-

dards'. The trade union representatives attending the Warsaw hearing disputed this claim. This should at least lead the Commission to review its portrayal of the matter.

6.14. With this White Paper the Commission thus steers clear of the real problems that are bound to arise in connection with the formal and effective alignment of CEEC conditions.

For instance, no account is taken of the changed income distribution patterns that have resulted from the dismantling (still to be completed in many cases) of the old regimes' centralized economic systems and entrenched bureaucracies and from the shift to a competitive free market, with the emergence of new social categories and heavy penalization of others which previously enjoyed protection, along with the resulting political and social repercussions.

7. Conclusions

7.1. The ESC calls for a strategy that encompasses both accession and the effective integration of the CEECs. This presupposes: firstly, that the EU states clearly the changes it will make to prepare for CEEC accession; secondly, that the CEEC accept the EU socio-economic model, which should focus on improving living and working conditions, and the prerequisites for the free economic activities of companies; and thirdly, a detailed scrutiny by the EU institutions of certain social achievements in the CEECs.

7.1.1. For purposes, among other things, of stimulating public awareness in the Member States and the CEECs the Committee would reiterate the need for the EU to propose, as its 'motto', a complete socio-economic model, in which social policy plays a crucial role.

7.2. The Committee asks the Commission to analyze the social impact of the measures envisaged in the White Paper and to propose flanking policies that extend beyond the technical assistance provided under Phare.

The recent Madrid European Council instructed the Commission to draw up a report for each country on progress made in introducing the legislation and administrative provisions required for entry into the EU. These reports should also cover social legislation and procedures for protecting and assisting workers, women, youth, etc.

7.3. This aspect is important if we are to avoid the creation of an EU-CEEC 'free trade area' lacking any

true Community cohesion, even if only for a transitional period of uncertain duration.

Such a 'free trade area' could be the end-product of the existing European agreements. The structured dialogue alone will not make it possible to move on from this stage of economic alliance. The determination to achieve true integration with the CEECs must therefore be reiterated.

7.3.1. The aim must not merely be enlargement of the consumer market, which is still dominated by Western producers, as borne out by the EU's trade surplus (in 1988 the import/export balance was virtually even) but first and foremost integration of ordinary individuals into a market-economy-oriented model of society in which the social partners play a fundamental role.

7.4. We must take care to avoid repeating the EU's error in recent decades of entrusting the task of shaping the Community, and subsequently the Union, solely to the elitist efforts of political, economic and legal experts without involving citizens, by informing or enlisting the active participation of the socio-economic organizations.

This involvement is even more important in countries which are in the throes of radical political and economic changes carrying high social costs and which could therefore be tempted to view integration into the EU solely in terms of possible additional social costs, without grasping the overall political, economic, social and cultural vision.

7.5. It should be noted that all CEEC social partners, as well as academic experts, point out that the integration process is not the exclusive preserve of governments; at the Warsaw hearing, they complained at not having been involved in talks between their governments and the EU authorities.

Such a restrictive approach will do nothing to ensure that the internal market operates effectively, or to further socio-economic association.

The Commission should insist officially that the socio-economic organizations must be involved and social dialogue fostered as a crucial component of the social model we are forging jointly. Civil society has a vital role to play in strengthening democracy.

7.5.1. The information procedures set in motion by the Commission in the CEECs will obviously not suffice to guarantee public awareness of the ongoing integration processes or their transparency. These procedures are no substitute for the work that must essentially be done

by the CEEC national institutions and of which there currently seems to be little trace — even if some countries have made greater progress.

7.5.2. The current general consensus in favour of integration, among both the general public and the socio-economic organizations, suggests that wide-ranging information and consultation would facilitate and consolidate the process, rather than holding it back because of the lobbying inevitably to be expected. In addition, the involvement of interest groups, including those which may initially be adversely affected, will prevent factions which could attempt to block accession, when the moment comes, exploiting ignorance for their own purposes.

7.6. For its part, the ESC should insist on the setting-up of joint EU-CEEC economic and social committees. Three years after the relevant decision was taken, the EU-Hungary committee is the only one soon to become operative, following the decision taken by the Association Council in July 1996.

Yet these committees could be highly useful in enabling all social partners and other interest groups to make their voices heard on subjects currently covered by the structured dialogue between the CEEC Governments and the European Council.

7.6.1. In line with the wish expressed by various CEEC representatives at the Warsaw hearing, the Committee has decided to launch and pursue dialogue with these representatives directly. This will mean the setting-up of an Observatory which will keep a close eye on progress towards integration.

7.7. In view of the above problems, the specific transition periods for each CEEC will have to take account of their differing starting-points and progress towards alignment.

That was the line taken at the recent Madrid Summit, which decided that accession negotiations should start simultaneously but be scheduled individually for each CEEC.

7.8. In addition, the political and social instability generated recently by the awkward side-effects of change is a strong argument against delaying the integration process.

The EU and the individual Member States must have a clear strategic vision and take a specific interest in integration as an objective with direct implications for their own future economic and social development.

Integration can provide a decisive boost to Europe's role and competitive potential vis-à-vis the other major economic-trade areas.

The EU should not delay the necessary internal reforms to prepare for it.

7.9. In addition, it is important that the CEECs, while preparing for accession to the EU, seek to maximize integration within their own ranks and harmonize their accession programmes.

Such integration can also be furthered by stepping up regional cooperation despite political and economic

resistance. This approach is reflected in a number of development aid programmes encouraging regional schemes.

7.10. The Committee urges the Commission to keep it constantly up to date with the progress of preparations for the integration process and the various measures to be taken so as to be in a position to state its own views at the right moment, either in the form of Own-initiative Opinions or at the request of the Commission.

7.11. A more in-depth appraisal of the various aspects of accession is left for any supplementary Opinions that the relevant ESC Sections may decide to draw up.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

APPENDIX I

Comments on the Annex to the White Paper

1. In the field of free movement of capital it is hard to distinguish between key measures and other measures but the description of progress already made by the EU since 1960 can be very useful. Radical changes in financial markets compared with the 60s and 70s mean that a strict distinction between long and short-term capital movements has become less important. Hence the sequence of measures can vary and be tailored to the specific features of the individual country's economy.

1.1. In any event full liberalization would seem a sine qua non for attracting foreign investors and fostering a competitive financial sector.

The Annex to the White Paper (Annex) sets out — possibly too imprecisely — the required accompanying measures.

2. Free movement and safety of industrial products is vital for integration into the single market and development of trade. The Committee fully endorses the Annex's approach and agrees that harmonization in this field is a highly complex (and not merely technical) process designed to transform a rigid, centralized system into one based on participation.

The Annex underlines two aspects with implications that go beyond the sector concerned.

2.1. Firstly, as regards the prevention of new trade barriers (Directive 83/139/EEC), the recommended establishment of a comparable system for the exchange of information between the CEECs to lead subsequently to the signing of an agreement between the EU and these countries, viz. between two comparable systems, is a move towards closer regional cooperation.

2.2. Secondly, for the 'new approach' directives on such general issues as safety, health and the environment, the desired involvement and participation of interested categories, consumers and the social partners, along with the replacement of state control by participatory and consensus-based standardization bodies, is clearly a transition of far-reaching political and social significance.

3. The restoration of free market conditions in the competition sector is one of the toughest tasks in the CEECs, which are predominantly state economies. In tandem with the difficult privatization process, one initial step is obviously to distinguish between the state per se and state-controlled undertakings in the shape of a separate legal status.

During the pre-accession phase, the CEECs will also have to set up a national authority with supervisory powers similar to those operating in the Community.

4. On social policy and action, the Committee would reiterate the principle that the social dimension must be considered in its own right and not just in relation to the internal market; the Charter of Fundamental Social Rights and the Agreement on Social Policy annexed to the Maastricht Treaty can therefore serve as guide in the pre-accession phase. However, the Committee agrees on the importance of the priorities indicated and would add a number of preliminary general comments.

4.1. With particular reference to equal opportunities for women and men, it should be remembered that Community legislation is not designed to replace more progressive national rules. The participation and role of women workers are currently being undermined in the CEECs as a result of lower GDP and worsening living standards.

4.2. The reference to Art. 118a of the Treaty could generate suspicion that SMEs will be immune from administrative constraints under occupational health and safety legislation. Yet the Treaty provision reads '...constraints in a way which would hold back the creation and development of small and medium-sized undertakings.'

In the initial stage all directives of a general nature should be included.

4.3. On labour law and working conditions, it would seem advisable for Directive 94/95 on European works councils to be included in the initial phase, partly to consolidate the de facto situation that works councils already exist in the CEECs.

5. The environment should be among the policies covered by 'structured relationship' and — as stated in the association agreements — the relevant measures must be incorporated into development policies from the very start. Pollution is a particularly serious problem in virtually all CEECs and no exception can be tolerated.

Here again environment policies cannot be viewed solely in relation to the internal market but in their own right, hence requiring a specific convergence and harmonization programme, as advocated by the Environment Council on 5 October 1994.

5.1. Accompanying measures are particularly important in this sphere to boost the effect of legislation. Here the European Environment Agency could play a part.

6. Company law enshrining basic Community rules is vital for the operation of the internal market. The Committee agrees with the White Paper that priority should be given to legislation on the freedom to set up undertakings and subsidiaries and to hold shares, along with all rules designed to secure transparency and protection of creditors, together with the essential administrative and accompanying measures.

7. Protection of intellectual property is a sine qua non in an increasingly competitive and vital market in order to foster intellectual creativity and free movement of ideas.

The Committee agrees that the accession of the CEECs (with the exception of Bulgaria) to the Uruguay Round Agreements, and hence the trade-related aspects of intellectual property rights, is not sufficient to satisfy internal market requirements, and that a legally harmonized environment therefore needs to be created.

In the meantime, transitional agreements on the protection of goods and services should be adopted.

8. Lastly, the Committee endorses the approach on consumer protection, which must be recognized and consolidated as a subject in its own right, with a specific aim. This issue cannot be regarded as a by-product of internal market and competition policies. On the contrary, it is a major contribution to the development of a market economy.

A particularly full list is given of the conditions required for application of legislation, and in particular the recognition of basic consumer rights, consumer information and education, access to justice and the promotion of organized interests.

APPENDIX II

Economic development trends

1.1. Some key statistics are given below as a brief guide to development trends in the associated CEECs. It should be remembered, however, that considerable improvements still need to be made in data compilation and processing in these countries⁽¹⁾.

GDP trends, calculated in US\$, over the period 1992-1995, were as follows:

- Bulgaria: increase from US\$ 8 600 million to US\$ 12 900 million;
- Czech Republic: US\$ 28 000 million to US\$ 45 000 million;
- Hungary: US\$ 36 500 million to US\$ 44 000 million;
- Poland: US\$ 84 300 million to US\$ 121 000 million;
- Romania: US\$ 22 100 million to US\$ 33 700 million;
- Slovakia: US\$ 10 900 million to US\$ 16 000 million.

1.2. Foreign debt came to US\$ 10 700 million in Bulgaria (1995), US\$ 13 000 million in the Czech Republic (1995, second quarter), US\$ 33 000 million in Hungary (1995, second quarter), US\$ 44 300 million in Poland (1995, last quarter), US\$ 4 800 million in Romania (1995, second quarter) and US\$ 5 000 million in Slovakia (1995, second quarter).

1.3. Privatization has gained ground, albeit at differing speeds. In 1994 the private sector share of GDP was 27,2 % in Bulgaria, 56,3 % in the Czech Republic, 35 % in Romania and 58 % in Slovakia. In Hungary and Poland the figures for 1993 are 50 % and 55,3 % respectively.

1.4. Private consumption patterns varied widely. In some countries consumption fell (e.g. in Bulgaria by 13,2 % in 1992-93) while in the Czech Republic there was a 23,3 % increase between 1992 and 1994. In Hungary, after a slight fall-off in 1992 (-1,3 %), consumption rose by 1,3 % per annum over the period 1993-94. In Poland there was an 11,8 points increase in 1992-94. Only one set of statistics is available for Romania (-9,8 % in 1992). In Slovakia the trend was mixed, with consumption increasing by 1,2 % in 1993 and dropping by 3,4 % in 1994.

1.5. All countries, with variations, had high inflation rates: in Bulgaria inflation peaked to 122 % in 1994 but fell back to 28,6 % in 1995. Poland's inflation figure of 44,4 % in 1992 dropped to 20,7 % in 1995. In Romania inflation spiralled to 295 % in 1993, but fell dramatically to 27,4 % in 1995. In Slovakia, despite a leap from 9,1 % in 1992 to 25,1 % in 1993, it fell back to 11,7 % in 1994 dropping to 6,7 % in 1995. In the Czech Republic, after an increase to 18,2 % in 1993 (from 12,7 % in 1992), it fell back to 10,25 % in 1994 and 8,7 % in 1995.

⁽¹⁾ The data given in this Appendix are taken from the following sources:

- Key Economic Indicators. 1992-second quarter 1995, Stockholm Institute of East European Economies;
- Eurostat, Statistics in focus — External trade. 1995-7;
- Business Central Europe, May 1996.

1.6. Unemployment, at the end of 1995, was 11 % in Bulgaria, 10,4 % in Hungary, 14,9 % in Poland, 13,1 % in Slovakia. Romania had 8,7 % unemployment while the lowest figure was in the Czech Republic (3,1 %).

Monthly earnings in 1995 were equivalent to US\$ 123 in Bulgaria, US\$ 380 in the Czech Republic, US\$ 346 in Hungary, US\$ 294 in Poland, US\$ 146 in Romania and US\$ 279 in Slovakia.

1.7. For 1996, EBRD, OECD and IMF forecasts are all agreed that the associated CEECs constitute the area with the greatest growth potential.

1.8. It must be remembered that, in describing these countries' growth between 1990 and the present day, the statistical data leave much to be desired. This is partly due to the explosion of the black economy, which is hard to document but whose scale is reflected, for instance, in the discrepancy between the rate at which the purchasing power of earnings has grown and the rise in consumption. To take the example of Poland the purchasing power of earnings fell by 30 % concurrently with a consumer boom which saved the country from recession. The black economy is estimated to account for 30 % of GDP in the case of Hungary, and at least 20 % in Poland⁽¹⁾.

1.9. In recent years the associated CEECs have received large sums of Community financial aid: between 1990 and 1993 over ECU 2 200 million were allocated under the Phare programme, in addition to ECU 1 308 million from the EIB and ECU 29 212 million from the EBRD.

1.10. In the '90s there has been a surge in trade between the EU and Eastern Europe. 1994 statistics for the CEECs as a group⁽²⁾ showed a 21,7 % increase in EU exports to the CEECs and a 26,7 % increase in EU imports from the CEECs, for a value of approximately ECU 40 000 million and ECU 33 600 million respectively. A reminder that the value of trade (including both exports and imports) in 1988 was approximately ECU 20 000 million gives some idea of the scale of this increase.

Trade between the EU and the associated CEECs accounts for over three-quarters (approx. 77 %) of this total (1994).

The EU trade surplus is ECU 6 400 million.

Three Member States (Germany, Italy and France) account for over 76 % of this trade (over 50 % in the case of Germany alone).

1.10.1. EU imports: Poland is the largest exporter (27 % for a value of ECU 9 100 million), followed by the Czech Republic (19 %) and Hungary (15 %). Germany is the main market for CEEC exports (approx. 53 % of the total), followed by Italy (16 %) and France (8 %).

EU exports: here again Poland is in the forefront (approx. 27 % of imports, for a value of ECU 10 800 million), followed by the Czech Republic (20 %) and Hungary (15 %). Germany is the Member State which exports most to the CEECs (50 %), followed by Italy (18 %) and France (8 %).

1.11. The EU's trade surplus (ECU 6 400 million in 1994) is largely due to exports of engines, machinery, mechanical equipment, cars, plastics and plastic products. The EU imports more non-finished clothing, wood and wood products, iron and steel than it exports.

Over half of this surplus comes from trade with Poland (ECU 1 700 million), the Czech Republic (ECU 1 600 million) and Hungary (ECU 1 200 million).

Italy is the Member State with the highest trade surplus (ECU 2 100 million); in 1993 Portugal and Ireland had the sharpest increase in exports in percentage terms compared to the previous year (+68 % and +53 % respectively) while the Benelux and Spanish markets for CEEC exports showed the largest increase (+60 % and +58,5 % respectively, again in 1994 compared to 1993).

(1) The estimates for Hungary were compiled by Lazlo Csaba, senior economist at the Kopint-Datorg Research Institute; the data for Poland comes from a study by the Central Institute of Statistics (GUS) in conjunction with the Polish Academy of Sciences.

(2) The CEECs comprise: Estonia, Lithuania, Latvia, Poland, the Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Albania, Slovenia, Croatia, Bosnia-Herzegovina and the FYROM (Former Yugoslav Republic of Macedonia).

APPENDIX III

Progress of the Transition

	Czech Republic	Slovakia	Poland	Hungary	Bulgaria	Romania
1. Importance of privatization						
a) Added value of the private sector as a % of GDP ⁽¹⁾						
1989	11	n.d.	29	15(29)	n.d.	13
1991	17	22(32) ⁽²⁾	45	33(41)	17	24
1994	56	44(58)	56	52(56) ⁽³⁾	40	35
1995 (e)	70	60	60	60	45	40
b) Percentage of the added value of the private sector according to category, 1994						
Agriculture	82	n.d.	n.d.	68	80	85
Industry	59	53	38	54	18	15
Services	50	n.d.	89	60	49	35
2. Classification of progress in the transition on a scale of 1 to 4 ⁽⁴⁾						
Privatization						
large scale	4	3	3	4	2	2
small scale	4*	4*	4*	4*	3	3
Business restructuring	3	3	3	3	2	2
Price liberalization	3	3	3	3	3	3
Currency exchange and foreign trade	4*	4*	4*	4*	4	4*
Competition policy	3	3	3	3	2	1
Banking reforms and liberalization of interest rates	3	3	3	3	2	3
Financial markets	3	3	3	3	2	2

Source: EBRD: Transition report 1995.

⁽¹⁾ Figures in brackets: including cooperatives.

⁽²⁾ 1992.

⁽³⁾ 1993.

⁽⁴⁾ Classed from 1 (little progress) to 4 (major progress). The sign 4* shows that the country has reached standards typical of industrial countries for the area concerned.

Opinion of the Economic and Social Committee on the 'Impact of Economic and Monetary Union: Economic and social aspects of convergence and measures to increase awareness of the single currency'

(97/C 30/21)

On 9 July 1996 the Economic and Social Committee decided, in pursuance of Article 23(3) of its Rules of Procedure, to draw up an Opinion on the 'Impact of Economic and Monetary Union: Economic and social aspects of convergence and measures to increase awareness of the single currency'.

The Section for Economic, Financial and Monetary Questions, which was charged with the preparation of the Committee's Opinion on the matter, drew up its Opinion on 4 September 1996. (Rapporteurs: Mr Umberto Burani, Mr Michael Geuenich and Mr Bernard de Bigault du Granrut).

At its 338th Plenary Session, held on 25 and 26 September 1996 (meeting of 26 September), the Committee adopted the Opinion set out below by 116 votes to 8, with 11 abstentions.

1. Preliminary comments

1.1. Following a request from the Commission, the Economic and Social Committee, adopted an Opinion on 26 October 1995⁽¹⁾, on the Green Paper on the practical arrangements for the introduction of the single currency⁽²⁾. The present Opinion should be regarded as complementary to the latter Opinion in which the ESC considered the technical problems of introducing the single currency. In the present ESC will look in greater detail at the consequences of a single currency, going beyond the practical problems of its introduction.

1.2. The ESC welcomes the planned introduction of monetary union in Europe. This has been made clear on a number of occasions. The ESC notes with concern, however, that as the deadline for entry to the third stage of Economic and Monetary Union (EMU) draws closer, more and more questions are being raised by the public. Many Europeans regard renunciation of their national currency as a high price to pay, even if the ultimate objective, which enjoys general support, is closer European integration. The high degree of scepticism in some quarters can be attributed, inter alia, to a continuing lack of publicly available information. Against this background the ESC considers it appropriate to stress once again, at the beginning of this Opinion, the advantages of EMU for the prosperity of Europe's citizens.

1.2.1. The most important aspect of EMU is the disappearance of exchange-rate fluctuations. This will remove a major barrier to trade and investment in the European Union. In this connection, the ESC endorses the analysis provided in the Commission document⁽³⁾, 'The Impact of Currency Fluctuations on the Internal Market', particularly its conclusion that the single

currency, as the indispensable complement to the single market, will:

- eliminate internal currency fluctuations, which are a source of major economic problems;
- make possible greater convergence using the machinery provided for by the EC Treaty.

1.2.2. In addition, the forecast growth in investment should be accompanied by a more efficient and rational distribution of investment and employment in the single market. This would greatly amplify the positive effects on growth and employment of the establishment of the single market.

1.2.3. The disappearance of national currencies will also eliminate the need for expensive rate-fixing and exchange costs, with resultant benefits for the production, trade and services sectors.

1.2.4. The higher level of integration of the common capital market will make the single currency a more significant counterweight to the US dollar and the yen, and will cause it to grow in importance as a reserve currency. Investors in search of international diversification may be expected to increase the weighting of the 'euro' in their portfolios. Higher capital imports will benefit the currency itself and real interest rates. A stable currency and the associated lower financing costs are important preconditions for more investment, growth and employment.

1.2.5. From a more general point of view, the combined effect of the introduction of the single currency and the completion of the single market will enable the EU, by the beginning of the 21st Century, to be one of the top three or four economic and political powers at world level. No European state, by itself, could achieve such a position of influence.

⁽¹⁾ OJ No C 18, 22. 1. 1996.

⁽²⁾ COM(95) 333 final, 31. 5. 1995.

⁽³⁾ COM(95) 503 final, 31. 10. 1995.

1.2.6. The single currency will make it easier to compare prices on goods and factor markets across national frontiers. This does not mean that the price of a homogeneous good will be the same on all European markets. But relative price changes will be more easily discernible. This will guarantee the efficient use of available resources. The EU's prosperity will increase.

1.2.7. It is also expected that the creation of a single currency area will make monetary policy more effective. Initial empirical studies⁽¹⁾ indicate that aggregate monetary demand in Europe is more stable than demand for the national components of the aggregate.

1.3. Thus, EMU will offer far-reaching opportunities. Hasty and ill-prepared implementation, on the other hand, could be dangerous. Once the third stage of EMU enters into force the currency merger will be irreversible. It is therefore important in the run-up to monetary union to discuss all relevant problems and to establish the best possible framework for the common economic area and relations between this area and the citizen. In view of the many questions which the single currency raises, this draft Opinion focuses on a few key issues. The choice of subjects for discussion reflects the social interests represented at the ESC. More detailed consideration is also given to a number of subjects for which closer examination was shown to be desirable in the light of the Opinion on the Green Paper. The following aspects of monetary union are developed in greater detail:

- interpretation and application of the convergence criteria laid down in the EC Treaty (Section 2);
- establishment of conversion rates (Section 3);
- starting date for monetary union (Section 4);
- position of the future European Central Bank (Section 5);
- derogation Member States: economic considerations and monetary cooperation (Section 6);
- consequences of monetary union for the labour market (Section 7);
- measures to be taken in the field of communications (Section 8).

⁽¹⁾ See M. Falk and N. Funke, *The Stability of Money Demand in Germany and in the EMS: Impact of German Unification*, in: *Weltwirtschaftliches Archiv* 131 (3), pp. 470-488.

2. The convergence criteria — interpretation and application

2.1. The establishment of a common monetary area is economically desirable if economies which have attained a similar level of development merge. In general, the suitability of a region for participation in a common currency depends on its ability to react flexibly and homogeneously to exogenous shocks. When economies of a similar level of development are merged, countries will enjoy the advantages of a single currency — primarily increased investment, growth and employment. If, however, economies with different levels of development are merged, the disappearance of flexible exchange rates can be disadvantageous. The countries which do not satisfy the real convergence criteria run the risk, as will be seen below, of not being able to keep pace with the others and of losing (export) market shares to economically stronger regions for a time. The result would be more under-employment in the economically weaker regions. The resulting large disparities in regional income structures would carry the risk of social and political tensions in the common monetary area. Large financial transfers would be needed to maintain social peace. As a result of external economic integration, a secondary effect would be that loss of demand in the weaker economies would impact negatively on growth in the central region.

Convergence criteria for participation in Economic and Monetary Union

• Price stability

The average rate of inflation, observed over a period of one year before the examination, may not exceed by more than 1½ percentage points that of, at most, the three best performing Member States in terms of price stability.

• Public finances

— The ratio of the government deficit to GDP (deficit ratio) may not exceed 3% unless the ratio has declined substantially and continuously and reached a level that comes close to the reference value, or, alternatively, the excess over the reference value is only exceptional and temporary and the ratio remains close to the reference value.

— The ratio of government debt to GDP (government debt ratio) may not exceed 60%, unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace.

- **Exchange rate stability**

Participation in the normal EMS fluctuation margins without severe tensions for at least the last two years before the examination. In particular, the Member State may not have devalued its currency's bilateral rate against any other Member State's currency on its own initiative for the same period.

- **Interest rate stability**

Observed over a period of one year before the examination, a Member State must have had an average nominal long-term interest rate (long-term government debt issues) that does not exceed by more than 2 percentage points that of, at most, the three best performing Member States in terms of price stability.

2.2. These considerations are reflected in the EC Treaty. The convergence criteria laid down in Article 109j(1) (see box) will be used to determine which Member States will be among the first to participate in monetary union. In view of the observations made in point 2.1, the ESC thinks that a broad-brush approach to the scope for interpretation allowed by the Treaty would not be without problems.

2.3. The question thus arises as to how the convergence criteria are to be interpreted in practice. Phrases such as 'substantially and continuously' and 'sufficiently diminishing', used in the EC Treaty, leave a great deal of scope for interpretation. The ESC therefore calls on the Council to clarify the convergence criteria before entry to monetary union. This would have the advantage of giving governments clear targets. It would also prevent excessively lax, political interpretation of the entry criteria. This is a real danger, given that admission to monetary union requires a qualified majority in the European Council (at present 62 out of 87 votes). Thus, countries which will themselves probably not qualify for monetary union, will be required to approve the entry of other Member States.

2.4. The ESC feels that the convergence criteria need to be clarified in a number of respects. Thus, it is not clear from the text of the Treaty whether the price criterion applies to the average, or the worst value of the three most stable currencies. In order to provide a more precise definition the ESC suggests that the price criterion be regarded as fulfilled if the average inflation rate does not exceed by more than 1½ percentage points the GDP-weighted average inflation rate of the three best performing Member States.

2.5. The ESC also sees a need for clarification of the price criterion because of its relationship to the interest criterion. It is hoped that, as a result of the creation of the European single currency area, the participating economies will benefit from permanently lower average EU interest rates. This expectation is primarily justified by the greater depth of the capital market in the future European currency area. The maintenance of lower interest rates is a precondition for higher investment in Europe and hence for boosting employment. The resultant gains in productivity and international competitiveness are expected to fuel higher investment and employment.

2.6. The exchange-rate criterion also needs clarification. On 2 August 1993 the fluctuation margins were widened from $\pm 2,25\%$ to $\pm 15\%$. The new, wider fluctuation margins take account of the massive increase in capital mobility over recent years and the consequent high degree of volatility on the currency markets. The adjustment of the fluctuation margins was also intended to deprive the markets of an easy target for speculative attack. This has proved successful, as shown by the deviation indicator. This indicator shows whether the behaviour of a currency participating in the intervention system is deviating significantly from that of the other participating currencies⁽¹⁾. With market volatility virtually unchanged, the indicator is showing much less violent fluctuations. And finally, many EMS currencies were able to return to their old fluctuation margins within a short time of the widening of the margins.

2.6.1. At $\pm 15\%$, the limits beyond which adjustment of the bilateral central rate is required are so wide that speculation has become a much less significant factor in exchange-rate movements. Fundamentals now play a comparatively more important role. This has made it easier for fundamentally 'healthy' currencies to remain within the narrow $\pm 2,25\%$ fluctuation margin. A currency's ability to remain within a narrow margin around the central rate can be regarded as a criterion for entry to monetary union. The ESC therefore feels that the following approach could be adopted to the monitoring of convergence. Whilst formally retaining the enlarged $\pm 15\%$ fluctuation margins, the exchange-rate criterion should be regarded as fulfilled if, during the two years prior to entry to the third stage of monetary union, no adjustments have been made to a currency's bilateral central rate and if, during the final year before the examination, the currency has remained within a sufficiently narrow fluctuation margin relative to the bilateral central rate. It will be for the Council of

(1) See Deutsche Bundesbank, Devisenkursstatistik, May 1995, statistical appendix to monthly report 5, p. 84.

Ministers to define the expression 'sufficiently narrow' when assessing convergence. The ESC, however, thinks that a value which takes account of (a) actual economic conditions and (b) the principle of observing competitive neutrality should be fixed.

2.7. Clarification of the government deficit and government debt ratio criterion poses the greatest political problem. The wording of the EC Treaty leaves considerable scope for interpretation.

2.7.1. The provisions of Article 104c in respect of government deficits state that Member States shall avoid excessive government deficits.

2.7.2. Paragraph 2 goes on to define the way this policy is to be implemented, as follows:

'The Commission shall monitor the development of the budgetary situation and of the stock of government debt in the Member States with a view to identifying gross errors. In particular it shall examine compliance with budgetary discipline on the basis of the following two criteria:

- a) whether the ratio of the planned or actual government deficit to gross domestic product exceeds a reference value, unless
 - either the ratio has declined substantially and continuously and reached a level that comes close to the reference value;
 - or, alternatively, the excess over the reference value is only exceptional and temporary and the ratio remains close to the reference value;
- b) whether the ratio of government debt to gross domestic product exceeds a reference value, unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace.

The reference values are specified in the Protocol on the excessive deficit procedure annexed to this Treaty.'

2.7.3. Protocol No 5 to the Treaty defines and spells out (Article 1) the reference values referred to in Treaty Article 104c(2).

- 3% for the ratio of the planned or actual government deficit to gross domestic product at market prices;
- 60% for the ratio of government debt to gross domestic product at market prices.'

2.7.4. Protocol No 5 defines (Article 2) what is meant by 'government', 'deficit', 'investment' and 'debt' and

confirms (Article 3) that governments are responsible for the deficits of 'general government'.

2.7.5. Paragraphs 3 to 14 of Article 104c give details of the procedure for Commission, Council and Parliament monitoring of government deficits. A timetable for the completion of Economic and Monetary Union is given in Article 109e of the EC Treaty. With the exception of paragraphs 1, 9, 11 and 14, Article 104c is applicable from the start of the second phase of completion of EMU.

2.7.6. Consequently, should any Member State fail to comply with the criteria regarding government deficits or debts for purposes of transition to the third phase, the Commission is to prepare a report (Paragraph 3). A committee, provided for in Article 109c, delivers an opinion on this Commission report (Paragraph 4). If the Commission considers that a Member State's deficit is excessive, it addresses an opinion to the Council which shall, under paragraph 6, 'acting by a qualified majority on a recommendation from the Commission, and having considered any observations which the Member State concerned may wish to make, decide after an overall assessment whether an excessive deficit exists.'

2.7.7. A joint reading of these texts shows that it is not absolutely necessary, when determining whether Member States meet the conditions to join the Monetary Union, for the ratio between government deficit and GDP to be under 3%. It is sufficient for:

- the ratio to have declined substantially and continuously and to have reached a level that comes close to the reference value,
- or for the excess over the reference value to be only exceptional and temporary and for the ratio to remain close to the reference value.

2.7.8. The 'substantial and continuous' nature of the decrease, the proximity to the 'reference value' and the 'exceptional and temporary excess' are matters for the Council to appraise (deciding by a qualified majority of its members' votes, weighted in accordance with Article 148(2), excluding the votes of the representative of the Member State concerned). The Council then decides 'after an overall assessment' (Paragraph 6) whether or not an excessive deficit exists.

2.7.9. The reference to an 'overall assessment' gives the Council a margin of appraisal which is not defined in any text. The Council should be able to take account of the date on which the Treaty of Maastricht was signed, viz. 7 February 1992 — at which time the economic situation in the signatory States differed significantly from the situation which will prevail on the date when the Council takes its decision. As a

result, the values specified in Protocol No 5, namely a government deficit of 3% and a government debt of 60% of GDP, are not hard and fast limits and the Council has a substantial, sovereign margin of appraisal, deciding by a qualified majority.

2.7.10. At the time the Treaty was drafted, the signatory states clearly realized that the European economy, like the world economy or individual national economies, was in the throes of constant change, determined by factors beyond the Member States' control. The Member States therefore decided (over six years prior to implementation of these Treaty provisions) against fixed and inflexible convergence criteria as regards reference values. Otherwise the provisions envisaged could well have proved inapplicable.

2.7.11. In the light of the foregoing, it now seems necessary for all parties again to focus on the goal of these provisions, namely the introduction of a single currency for the EU Member States. The feasibility of this venture is conditioned far more by the 'real convergence' of the various economies than by the 'binding' force of criteria.

2.7.12. In the same context, the ESC would point out that an approach based on Council Decisions certainly does not mean that the precise overall assessment criteria can be ignored in the context of efforts to create a 'strong' currency. On the contrary, it would stress that the goal of convergence must be regarded as an indispensable objective.

2.7.13. The deficit ratio should also be interpreted in like manner. In the ESC's view, this ratio could be said to be close to the reference value if it exceeds this value by no more than 1 percentage point. The deficit ratio could be said to have declined substantially and continuously if it has fallen for three years in succession. And a deficit could be said to be exceptional and temporary if it exceeds the reference value only for the duration of a cyclical downswing. The government debt criterion should be quantified in such a way that the results of earlier convergence monitoring do not have to be revised retrospectively. A case in point is Ireland, which in 1995 was found by the Commission and the Council of Ministers to have made sufficient progress on reducing its government-debt ratio.

2.8. Member States wishing to take part in EMU must pursue a strict convergence policy. The Council will at all events make a political interpretation of the convergence criteria when deciding on whether Member

States are to be admitted to the third stage of EMU. Too small a group of Member States would not justify the high costs associated with introduction of a single currency.

2.9. In this connection, the question arises as to whether exclusive concentration on monetary, budgetary and debt criteria makes for an optimum selection process. The ESC feels that, in order to broaden the circle of participants to an economically more viable number, a further examination should be carried out on the basis of appropriate criteria. This should be done, however, only after a rigorous examination on the basis of the criteria laid down in Article 109j(1), and then only with respect to countries which fail to meet one only of the five criteria. This approach could be justified on the grounds that the admission criteria are biased towards monetary and fiscal policy measures. But most of the selection criteria mooted in economic publications relate to real economic variables. And even the EC Treaty calls for the application of other criteria, although the wording is vague. Article 109(j)(1) also refers to 'the results of the integration of markets', 'the situation and development of the balances of payments on current account', 'the development of unit labour costs' and 'other price indices' as factors to be taken into account.

2.10. The advantages of a further examination are neatly illustrated by the case of Belgium. On the basis of the definition set out in the Treaty, Belgium's ratio of government debt to GDP currently stands at 133,5%. Even the most strenuous efforts would be insufficient to bring this ratio close to the Treaty's 60% benchmark by 1997, the year of the convergence examination. Even under the EC Treaty's more flexible requirements that, in order to qualify, a Member State's deficit ratio should be 'sufficiently diminishing and approaching the reference value at a satisfactory pace' (Article 104(c)(2)), Belgium could clearly hardly qualify for participation in monetary union from the point of view of the debt criteria.

2.10.1. And yet Belgium is a country which enjoys a high degree of economic stability, as illustrated by the fact that it fulfils the price, interest-rate and exchange-rate criteria set out in the Treaty. Belgium would also qualify for monetary union on the basis of a number of real economic measures. These include continuing large balance of payments surpluses despite a real revaluation of the Belgian franc, the degree of openness of the Belgian economy and the fact that Belgium is a relatively small economy. And finally, Belgium's structure of production — a highly developed services' sector, a strong industrial sector and a small agricultural sector — are comparable with those of many other European countries. This means that terms of trade shocks would have a symmetrical effect and that the exchange-rate adjustment instrument would not be needed.

2.11. An examination focusing exclusively on the convergence criteria will thus not necessarily lead to the

selection of the countries most suitable for participation in monetary union.

3. Establishment of the conversion rates to be applied on entry to the third stage of monetary union

3.1. The ESC's discussions on the introduction of the single currency have always been coloured by the concern that the conversion rates to be set for entry to monetary union could be distorted by speculation on the international financial and currency markets. The danger of speculative attacks will be particularly acute during the period when the members of the new currency union have already been decided by the Council but the currencies of the participating countries have not yet been irrevocably linked. The EC Treaty contains no clear provisions on the conversion rates at which entry to the single currency will occur. Article 109(1)(4) does stipulate that the transition to the third stage shall not modify the external value of the ecu. Strictly interpreted, however, this would mean that currency union would have to take place at the market rates valid on the day before conversion. The ESC cannot endorse this approach.

3.2. In order to prevent cost-induced distortions of competition in international trade, the ESC considers it essential to ensure that speculative upheavals do not lead to fundamentally unjustified conversion rates being applied at the beginning of monetary union. This is all the more important in the light of the experience garnered from the exchange-rate mechanism of the EMS, that exchange rates justified in real economic terms are an essential precondition for the success of a currency system. If a country participates in a currency system at an exchange rate which is too high it runs the risk of losing price competitiveness. This would be all the more problematic on entry to the third stage of monetary union as, with the disappearance of national currencies, such overvaluation could no longer be compensated for by a relatively low level of interest rates. The distorting effects on external trade flows would be permanent and could only be corrected by productivity gains in the countries with overvalued currencies. But as such gains are in the short term nearly always achieved via job losses, the catching-up process would be particularly painful and would lead to a further rise in unemployment in the countries concerned. This would also have a detrimental effect on public acceptance of the common currency.

3.3. One way of eliminating this problem would be to declare average rates established over at least two years to be the conversion rates. The exchange rate must not diverge significantly from the average value over this period, however. The advantage of this approach over the central rates procedure is that the market plays

the decisive part in determining fundamentally 'correct' exchange rates.

3.4. Another approach would be to use a weighting system which would assign a steadily decreasing weighting to market rates as the irrevocable fixing of exchange rates approached. In order to deprive market operators of targets for speculation it would be a good idea not to publish the weighting system used. In this way currency speculations taking place shortly before monetary union in particular would not affect the conversion rates.

3.5. The models presented here are only some of the possible solutions. The ESC does not consider it particularly important which of them is chosen. What is important is that the responsible European institutions should be aware of the problem and should plan in advance their response in the event of major disturbances on the currency markets. No satisfactory proposals have so far been officially made in this regard. In its study of the transition to the single currency published in November 1995, the European Monetary Institute makes no mention of the problem. The view expressed by the Commission in its above-mentioned Green Paper, that strict application of the convergence criteria will be sufficient to prevent disturbances on the financial and currency markets, is essentially correct. But even then, speculation cannot be entirely excluded. The experience of the EMS has shown this. Again and again fundamentally 'healthy' currencies were dragged down in the wake of other currencies. It is also conceivable that currency turmoil might originate outside the EU. Many European currencies come under pressure whenever the US dollar is weak. The most recent example of this occurred at the turn of 1994/1995, when European currencies came under devaluation pressure as a result of the peso crisis. The ESC feels that the Community must be prepared for exogenous shocks of this kind which might coincide with entry to the third stage of monetary union.

4. Starting date for monetary union

4.1. The starting date for the third phase of monetary union is now virtually certain to be 1 January 1999, as provided for by Article 109j (4) of the EC Treaty. The Council must decide 'which Member States fulfil the necessary conditions for the adoption of a single currency' by the deadline of 30 June 1998. According to the letter of the Treaty, the single currency should be introduced even if, in the extreme case, only one country satisfies the stated conditions. The spirit of the provisions is obviously quite different.

4.2. Clearly — as has been repeatedly stated — the Treaty is intended to establish a 'stable currency', which represents the aggregate of a number of equally stable currencies. The long-term stability of the single currency depends on the prospects for sustainable development in those economies, a factor too frequently accorded secondary importance, if not ignored.

4.3. As indicated in Section 2, the admission criteria provided for by the Treaty are, in many respects, so elastic as to allow scope for that degree of pragmatism which, bearing in mind all relevant factors, might prove necessary when they are applied. Such pragmatism must not, however, be interpreted either as laxity or a departure from the established criteria. The goal of creating a strong, stable currency must be given priority in all decision-making.

4.4. GDP growth, which has remained below forecasts in some countries, the problem of managing public finances and employment trends, which are critical almost everywhere, are all now giving rise to concern for the future. This has helped to create doubt in political and economic circles, which is perhaps even greater among the general public, as to whether a significant group of countries can qualify for admission to monetary union by 30 June 1998.

4.5. The Treaty defines the date and procedure to be adopted for the start of monetary union. This fact should automatically dispel any doubts and prompt the Member States to take all necessary steps to meet the specified conditions in the short time remaining before the decision date.

4.6. Efforts aimed solely at ensuring entry to monetary union will not be sufficient. The preconditions for the sustainable, long-term growth referred to in Point 4.2 must also be created. It is becoming imperative to adopt gradual growth policies, whilst avoiding temporary emergency measures and, in particular, social disruption. This approach may be time-consuming and the deadline may be missed. It would, however, be in the interests of any potential adherent, as well as of monetary union as a whole, to opt for delayed admission from a firm foundation rather than for hasty admission with no prospect of stability.

4.7. Nevertheless, the basic question remains: is there still sufficient time to enable a significant number of countries to participate in monetary union? Moreover, what would constitute a 'significant number?' The ESC believes that the actual total is not, in itself, relevant; it is more important for the single currency to be created by countries which together account for at least 50 % of EU GDP.

4.7.1. In this connection, the following table shows individual national GDP rates and assumes a monetary union which initially includes Germany, Austria, the Benelux countries, France, Ireland and Finland. It is further assumed that the UK and Denmark will use the opt-out clause and that Italy, Spain, Sweden, Portugal and Greece are not in a position to accede. It is obvious that neither the 50 % threshold nor monetary union could be achieved without Germany and France — a fact which now seems to be politically accepted.

Table 1

GDP shares and representativeness of a hypothetical monetary union

	Absolute values (in thousand millions)		Percentages		EMU participants (1 = yes)	Combined percentage	
	ECU	PPP	ECU	PPP		ECU	PPP
B	209,6	196,1	3,2	3,1	1	3,2	3,1
DK	134,8	102,3	2,1	1,6	0	3,2	3,1
D	1 879,2	1 521,5	29,1	23,8	1	32,3	26,8
GR	84,6	109,8	1,3	1,7	0	32,3	26,8
E	424,0	523,4	6,6	8,2	0	32,3	26,8
F	1 181,8	1 089,8	18,3	17,0	1	50,6	43,8
IRL	47,4	53,4	0,7	0,8	1	50,6	43,8
I	811,6	1 019,8	12,6	15,9	0	50,6	43,8
L	10,3	9,1	0,2	0,1	1	50,7	44,0
NL	303,7	272,1	4,7	4,2	1	55,4	48,2
AT	180,6	154,0	2,8	2,4	1	58,2	50,6
P	81,2	117,2	1,3	1,8	0	58,2	50,6
FI	97,3	82,6	1,5	1,3	1	59,7	51,9

	Absolute values (in thousand millions)		Percentages		EMU participants (1 = yes)	Combined percentage	
	ECU	PPP	ECU	PPP		ECU	PPP
SE	167,9	147,3	2,6	2,3	0	59,7	51,9
UK	852,9	1 006,6	13,2	15,7	0	59,7	51,9
EUR15+	6 466,9	6 405,0	100,0	100,0			

Source: European Economy, No 60, 1995.

PPP = Purchasing Power Parity (constant real prices and real exchange rates)

5. The position of the future European Central Bank and the interrelationship between national fiscal and European monetary policy

5.1. The EC Treaty defines the legal status of the ECB and its main responsibility in Articles 105 (objectives and tasks of the ESCB) and 107 (ECB's independence of instructions). The first sentence of Article 105(1) in particular states that 'The primary objective of the ESCB shall be to maintain price stability'. For the Member States, the experience of recent decades justified giving priority to the securing of monetary stability. Thus, countries with a low inflation rate would have relatively low real interest rates and hence a more robust record of investment and job-creation. Economic theory also predicts this, as the efficient allocation of resources via relative price changes is possible only if there is monetary stability. In times of high inflation the price structure is distorted and prices can no longer perform their guiding function, with its positive impact on prosperity. It is not only the goods market which is affected by loss of information as a result of inflation. The positive correlation of price and interest-rate levels, and of price and wage levels, also has a negative impact on factor markets. The result is a misallocation of resources on virtually all markets, and ultimately forgone growth: on the goods market, because producers cannot gear supply to demand; on the capital market, because savings are no longer lent to investors whose projects promise the highest returns; on the labour market, because wage earners can no longer identify the activity with the strongest demand for labour.

5.1.1. The primacy of securing monetary stability does not, however, mean that the ECB is absolved of responsibility for economic policy. The second sentence of Article 105(1) clearly points to the ECB's responsibility, as 'without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2', for example a high level of employment.

5.1.2. In view of the requirements arising from this legal framework — primacy of monetary stability, support of economic policy objectives without prejudice

to price stability — the ESC calls for improvements to facilitate the ECB's performance of its primary task. The planned shape of monetary union is not likely, the ESC feels, to guarantee non-inflationary provision of money, despite the existence of an issuing bank with the best possible institutional safeguards.

5.1.3. Probably the greatest threat to the maintenance of monetary stability is posed by fiscal policy. One of the remaining unsolved conceptual problems in the way of monetary union is the different situation with regard to powers in respect of fiscal and monetary policy. Whilst the ESCB is the instrument for the implementation of a supranational monetary policy has been created in the shape of the ESCB, fiscal policy will remain in the hands of national governments, which in the light of the subsidiarity principle is to be welcomed. The room for manoeuvre in respect of the allocation of fiscal powers should be used in a decentralized way in order to bring decision-making closer to the citizen.

5.1.4. This separation carries with it, however, the danger of monetary policy endeavours aimed at stability being vitiated by destabilizing fiscal policies in the Member States. In this context the sanction mechanisms provided for in Article 104c of the EC Treaty (monitoring of the budgetary situation in the Member States) have been repeatedly criticized as too weak. First and foremost, sanctions can be imposed only by a two-thirds majority in the Council. If a (qualified) majority of Member States is experiencing structural budget problems therefore, far-reaching decisions are unlikely. It would therefore be advisable to make the sanctions' mechanisms automatic, thus avoiding the need for long drawn-out votes in the Council of Ministers. Moreover, the timescale for the implementation of sanctions is too long. If the procedures laid down in Article 104c are strictly adhered, to ten years could easily pass before effective measures are taken.

5.1.5. The ESC welcomes a number of proposals aimed at increasing fiscal discipline in the Member States. It sees a need for an additional agreement limiting new annual indebtedness to an economically acceptable level and providing for appropriate sanctions in the event of infringement of the stability criteria. The ESC looks with favour on the proposal that interest-free deposits with the ECB be required, in the event of an excessive budget deficit, to be refunded only when the

budget situation had been rectified. So as not to impose an additional burden on countries facing fiscal problems, the amounts deposited should not be taken into account in calculating the budget deficit. The ESC feels, however, that such a stability pact should also provide scope for stabilization of demand in times of recession. But this should be expressly limited to the duration of the cyclical downswing.

5.1.6. A voluntary additional agreement between the participating countries committing them to sound budgetary policies would have major advantages. First, it would increase citizens' confidence in the monetary union as, with much stronger stability requirements, the common currency would run less risk of weakness. And secondly, voluntary fiscal policy restraint would allay citizens' fears of the state sector taking an ever greater slice of their incomes. A stability pact would also strengthen the political union as, in addition to monetary policy, a degree of national responsibility for fiscal policy would indirectly be transferred to Community level without any increase in the European central budget.

5.1.7. The ESC calls on the responsible European institutions to take measures to further convergence in economic policy. The reduction of debt-financed state demand will have disinflationary effects. Another welcome effect of a stability pact would be to reduce government recourse to the capital market. This would result in falling real interest rates and, hence, a better climate for private investment, private consumption and, ultimately, employment.

5.2. Nevertheless, the ECB's task of maintaining price stability is not independent of the other factors contributing to economic convergence, which is the responsibility of the Member States. It is for them to control public expenditure, not only with regard to investment but also in respect of social provisions, public health and pensions. Reducing unemployment should be one of their main objectives alongside the goal of maintaining competitiveness. Inflation should be contained and, when necessary, reduced. A fiscal policy in tune with sustainable growth represents the cornerstone of the entire system.

5.2.1. The foregoing gives rise to the following observation: an independent ECB policy on currency management and the maintenance of price stability would have to be backed up by national economic and social policies. These policies are, however, the

responsibility of authorities facing different national situations which can involve a mix of measures that are not necessarily compatible with the goal of convergence.

5.3. Thus, compliance with the convergence criteria — which are sound economic policy principles, quite apart from being requirements of the Treaty — becomes of vital importance for the individual Member States and the Community as a whole. If this principle is accepted, purely 'national' policies are clearly no longer acceptable. Economic policies must be based on common guidelines aimed at creating the conditions for admission to the single currency.

5.4. Under the Treaty, the European Central Bank is required to pursue the objective of monetary stability. It is not clear, however, what will be regarded as the highest acceptable inflation rate for the EU. And thus fiscal, wages and monetary policy lack a concrete benchmark, making it difficult for economic operators to know what to expect.

5.4.1. It would seem appropriate to formulate a medium-term inflation target binding for a period of several years. An argument against such an annual target is that exogenous shocks — such as a rise in the price of crude oil — could temporarily lead to a higher rate of inflation. If the future ECB were committed to an annual target, the result might be excessive swings in monetary policy leading to severe dislocations on the factor and goods' markets.

5.4.2. Over the last few years a number of countries have set specific inflation targets. The experience gained by these countries has been positive. Significant progress has generally been made on reducing inflation. The ESC feels that 2 % would be a suitable medium-term target at European level. This would be in line with the policy pursued by a number of central banks and thus would signal stability to the markets.

5.5. The EC Treaty neither spells out an inflation target nor specifies the monetary strategy to be pursued in order to underpin the value of money. One of the EMI's main tasks during the second stage of EMU is to draw up a monetary policy plan. This is to be ready by the end of 1996. The ESC therefore wishes to express its views on the subject now.

5.5.1. There are two possible strategies for safeguarding the value of money: either direct use of monetary policy to control inflation or adoption of an intermediate target such as control of the money supply. Experience has been acquired in respect of both these methods. The Bank of England, for example, uses control of inflation and the Bundesbank uses control of the money supply.

Each of these approaches has specific advantages and disadvantages.

5.5.2. Controlling inflation directly involves underpinning the value of the currency by influencing market interest rates. The main problem with this approach is the lack of certainty as to the optimum amount and duration of an interest-rate change. Thus, there is a danger that 'the wrong interest rates' and variable time lags will actually accentuate the current cycle. There is also a structural hiatus in the causal relationship between interest rates and the inflation rate. Whilst, in the short term, these two variables are inversely correlated, in the longer term there is a positive correlation.

5.5.3. The biggest problem in using an intermediate monetary target is that a clear positive relationship between the money supply and inflation exists only as long as monetary demand remains stable. Recent studies in the United States have shown that, as a result of large-scale financial market innovations, this condition is no longer fulfilled. Numerous studies of the German market, on the other hand, have shown that even after unification monetary demand remains stable.

5.5.4. For the purposes of European-level decisions, it is important to establish whether aggregate monetary demand is sufficient to determine stability. Numerous studies have been carried out on this question. The results so far suggest that monetary demand is more stable in a common monetary area than in national monetary areas⁽¹⁾. Thus, an intermediate monetary target could also be fixed in the new monetary union. The main advantage of this approach is that an intermediate target gives the financial markets a central guidance value for expectations. If a whole series of often contradictory indicators (growth, business expectations, money supply trends, interest-rate structural trends, etc.) of future inflationary dangers are taken into account in deciding interest policy ('looking at everything'), the basic criteria underpinning monetary policy are no longer perfectly obvious to the market. The resultant uncertainty produces comparatively greater volatility in the financial markets with an uncertain investment climate. Lastly, the use of an intermediate monetary target has the advantage of dispelling the impression that monetary policy is aimed exclusively at price stability. Reference should be made in this context to the requirement, contained in the second sentence of Article 105(1), that the ECB support the general economic policies in the Community.

⁽¹⁾ See M. Falk and N. Funke loc. cit. and O. and J.J.M. Kremers and P.D. Lane, Economic and Monetary Integration and the Demand for Money in the EMS, in: IMF Staff Papers 37, pp. 777-805.

5.5.5. The ESC is, of course, aware that the use of an intermediate monetary target can also cause problems. In the context of ongoing financial market innovation and ever-increasing capital market movements, failure to meet the money supply target cannot be ruled out. This could pose serious problems for the European Central Bank. If, in the interests of its reputation, it was unduly strict in the pursuit of the money supply objective, it could jeopardize growth. On the other hand, the market could interpret a failure to act as a threat to stability. To avoid such problems, it is crucial for overall EU monetary demand to be more stable than that of individual Community regions — possibly through a comparatively low level of currency substitution. Use of an intermediate monetary target seems advisable if this condition is satisfied. The ESC therefore calls on the EMI to intensify its studies of the stability of monetary demand in the future currency area. The results of these studies could provide a basis for the EMI monetary policy plan.

5.6. Maintaining the principle of neutrality with respect to competition must be the prime consideration when effecting currency conversion. This applies to the design of the monetary-policy instruments as well as to the formulation of objectives and strategy. In order to supply the banking system with central bank funds, all commercial banks, regardless of size, must be given direct access to ECB funds. Restricting the future ECB to open market transactions will place smaller financial institutions at a disadvantage. One of the problems is that smaller institutions which do not trade actively on the money markets have difficulty disposing of the surplus funds arising from an over-generous tender allocation. This problem does not arise in the case of refinancing via standing facilities. Under this system, the financial institution decides whether and when it wishes to cover its needs with central bank funds. If close control of the money supply is sought, central bank financing is inevitably subject to quotas; in the interests of a competition-neutral refinancing policy, it should therefore be ensured that the refinancing rate is not significantly below the market interest rate.

6. Derogation Member States: economic considerations and monetary cooperation

6.1. Adoption of the single currency will lead to the creation of two groups of countries within the EU, namely those in a position to join EMU and the remaining countries. There is still some uncertainty as to the identity of the 'derogation' countries, and it is not known whether the two Member States (Denmark and UK) which have secured the 'opt-out' clause intend to apply it. It is, however, interesting to examine the position of the two different groups of countries and the relations between them.

6.2. The advantages of the single currency for participating countries have been amply described in reports and Opinions of the Commission, Council, Parliament and the Economic and Social Committee itself, as well as in countless statements, speeches and writings. With the exception of the opponents of the single currency, there is now general agreement on the following aspects:

- greater average price stability throughout the EU;
- general reduction in the cost of transactions and rate fixing;
- greater price transparency between countries;
- lower administrative and cash management costs for firms (excluding start-up costs);
- stimulus to growth, competitiveness and employment;
- possibility for the euro to become a reserve currency.

6.2.1. The derogation countries will not enjoy these benefits of the single currency, finding themselves in a less favourable position with a real risk of the creation of a 'two-speed' Europe. Non-participation in EMU must therefore represent a 'transitional stage' as defined by the Commission⁽¹⁾. The shorter this phase is, the less serious will be its impact. The ESC cannot fail to endorse this position. The need for derogation states to participate in EMU without delay will provide a stimulus for their economic re-organization. At the same time, the ESC would warn against facile optimism and over-simplification; the situation in several countries shows no signs of dramatic improvement in the short term and economic re-organization is an objective necessity, regardless of the need for EMU membership.

6.3. The single market has progressed and the EU institutions have done what they could to promote growth. At the same time, unemployment and the need to improve competitiveness continue to be outstanding problems. Neither the current economic situation in Europe nor future forecasts offer encouragement for Structural Fund increases and the general continuation of assistance policies. All these factors suggest that the much-vaunted 'solidarity' cannot be embodied in a policy of further subsidies; individual countries must

impose a more rigorous discipline and exhibit greater self-reliance than in the past.

6.4. Enlargement of the European Union to cover countries which have applied, or will apply, for membership — though several will presumably not be ready for EMU entry immediately — will constitute a new, serious problem. Together with the new derogation states, derogation countries which have still not joined EMU at the time of enlargement would help to create a significant nucleus of non-participants. It would no longer be a question of a two-speed Europe but of two separate groups, with a different understanding of the term 'Europe'. The political danger would then overshadow the already serious economic risks.

6.5. In addition to the disadvantages, certain advantages for the derogation countries must be taken into account. They would be able to benefit from the experience of the core group. Even given the most thorough preparation, the introduction of the new currency and the adoption of a single monetary policy by the ECB will not be free of teething problems. It may even prove advantageous to have more time to fulfil the convergence criteria. Abruptly coming into line with the Maastricht objectives without concern for a country's structural peculiarities could result in loss of demand with damaging consequences for the labour market⁽²⁾; if structural budget deficits were gradually reduced, however, such effects would be far less likely. Gradual reduction of structural deficits and a corresponding reduction in the government debt ratio should be reflected in a reduction in the risk premium component of interest rates. Yields would also benefit from relatively lower expectations of inflation. The resulting impetus to growth ought, in the medium term, considerably to outweigh the loss of demand resulting from consolidation. Finally, the derogation countries would have access to the instrument of exchange-rate adaptation, which could prove advantageous in the light of different productivity trends.

6.6. In view of the special situation of the derogation countries it will be necessary to make arrangements for monetary relations between both groups of Member

⁽¹⁾ 'Exchange links between the Member States taking part in the third phase of EMU and the other Member States'; Interim report to the European Council, 28 November 1995.

⁽²⁾ Thus a study carried out by the National Institute for Economic and Social Research showed that reducing all the EU Member States' budget deficits to the 3% level required by the Maastricht Treaty by 1999 would lead to the temporary loss of some half a million jobs. Fulfillment of the debt criterion by 2002 could lead to the temporary loss of a further million jobs. Greece would be the hardest hit, with 450 000 lost jobs. See R. Barell, J. Morgan and N. Pain: The Employment Effects of the Maastricht Fiscal Criteria, National Institute for Economic and Social Research Discussion Paper 81.

States. Any possible agreement should be based on three key requirements: ensuring that the internal market continues to operate smoothly; guaranteeing the greatest possible level of currency stability; and facilitating the transition of the non-participating countries to the single currency in the medium term.

6.7. The ESC advocates an exchange-rate system based on the EMS linking the currencies of the derogation countries to the common currency. With this aim in view, the derogation countries will, however, have to pursue a rigorous anti-inflationary policy and a disciplined fiscal policy. Only on this basis should the future ECB intervene in the market in conjunction with the central banks of the derogation countries to provide necessary exchange-rate support. With increasing success in attaining convergence, the currencies of the derogation countries should be allowed to operate in progressively narrower fluctuation margins around the central Community rate. To qualify for subsequent entry to monetary union, the derogation countries would have every interest to satisfy the exchange-rate criterion in the manner outlined in Point 2.6.1. The advantage of a flexible approach of this kind, the ESC feels, is that narrowing of the fluctuation margins would test in the market the suitability of a currency for entry to the monetary union.

6.8. This approach would not be without dangers for the common currency. As explained in Point 4.4, a strong common currency could make intervention on the foreign exchanges necessary to support weak currencies. The resulting monetary expansion in the monetary union would pose an inflationary threat. Therefore any agreement between the monetary union and the derogation countries must include the instrument of devaluation of the central exchange-rate.

7. Organization of the social dialogue and consequences for the labour market in a European monetary area

7.1. Underlying the planned European Monetary Union is the conviction that it would strengthen the European internal market. This is of particular importance in view of the EU's relatively weak growth and employment trends of the last few years. Rising structural unemployment is one of Europe's most pressing social problems. Since 1980 employment trends in the EU have been distinctly less favourable than in comparable industrialized countries. The average rise in employment in Europe between 1980 and 1994, was some 1,25 percentage points lower than the corresponding figure for the US and approximately 0,85 lower than the figure for Japan and the gap continues to widen. Moreover, the figure for Japan is considerably depressed by the

structural crisis which has persisted since 1990. The EU 1994 unemployment rate of 11,5 % was 5,4 percentage points higher than that of the USA and 8,4 percentage points higher than that of Japan. And the prospects for the labour market are not likely to improve rapidly. According to an OECD labour market study⁽¹⁾, EU employment growth in both production-related services and high-technology products (computers, space technology, genetic engineering etc.) was below that of the USA and Japan. In view of these trends, the attention of all political and social leaders must be focused on the realization of the anticipated employment gains from monetary union.

7.2. The EC White Paper and the OECD labour-market study referred to above pinpointed the rising pressure of taxes and levies on wages and declining investment and innovation as the main causes of rising unemployment. Although the widely postulated negative correlation between wage costs and employment trends is not empirically proven, it is undeniable at a time of growing mobility of capital that labour costs — particularly when amplified by fundamentally unjustified exchange-rate movements — are becoming a steadily more important determinant in international competition. On the other hand, in the medium to long term adequate employment growth can clearly be guaranteed only if there is a high level of innovation and investment. Unfortunately, industry's gross investment in fixed assets is growing more slowly in the EU than in comparable world-market competitor countries. Whilst the average rate of growth for the period 1980 to 1994 was 3,3 % for the USA and 5,6 % for Japan, for the EU it amounted to a meagre 2,0 %. Europe is thus running the risk of being decoupled in the future from worldwide growth trends.

7.2.1. The current problems of weak level of growth and rising unemployment will, in the ESC's view, not be solved by postponing the beginning of Monetary Union; what is needed is to implement a policy which reconciles fiscal discipline, economic growth and employment policy objectives, on the basis of the proposals set out in the White Paper on Growth, Competitiveness and Employment — The Challenges and Ways Forward into the 21st Century. EMU must not be implemented solely as a project for achieving stability, in isolation from the overall economic context. It is just as necessary to create jobs which have a promising future and to combat unemployment as it is to create a zone of stability.

7.3. In view of the serious labour-market problems in the EU, the ESC would refer once again to the guidelines for structural reform of the labour markets

⁽¹⁾ See OECD: The OECD Jobs Study. Facts, Analysis, Strategies, Paris 1994, pp. 19 et seq.

adopted by the Essen European Council in 1994. These were:

- improving employment opportunities for the labour force by promoting investment in vocational training;
- raising the employment-intensiveness of growth;
- reducing non-wage labour costs;
- improving the effectiveness of labour market policy;
- improving measures to help groups which are particularly hard hit by unemployment.

7.3.1. The final communiqué of the Essen Summit called on the Member States to submit programmes for the implementation of these measures. The ESC regrets that, so far, few Member States have complied with this call. The ESC believes that the EU should monitor the implementation of employment-promotion measures. As in the area of fiscal policy, the ESC considers that a case may be made for an additional agreement requiring the Member States to pay an employment levy in the event of non-compliance with jointly adopted labour-market initiatives.

7.4. The solutions set out in Point 7.3 above do not exhaust the range of possible EU employment-initiative measures. For example, the ESC wonders whether structural changes to the taxation system could serve the objective of full employment.

7.5. The beginning of monetary union in Europe will also bring changes in the field of wages policy. The ESC points out that the free collective bargaining between employers and workers successfully practised in many EU Member States must retain its place in European economic life. The increasing integration of labour markets which will accompany monetary union will also require that transnational merger rights be guaranteed.

7.6. For the countries participating in monetary union, the introduction of the single currency will mean the end of the exchange rate as a mechanism for responding to structural problems and exogenous shocks. If a currency cannot be devalued, the main burden of structural adjustment will fall on wages and prices. Finland provides the most recent European example of this. Its exports fell by approximately 20% after the opening-up of Eastern Europe and the Soviet Union's entry into the Commonwealth of Independent States (CIS). Without the subsequent dramatic devaluation of the markka, the Finnish export industry would scarcely have been able to cope with the new conditions.

7.6.1. External disturbances will have serious consequences for growth and employment as a result of the

loss of international price competitiveness. Greater mobility of labour is also necessary in and between individual Member States. To promote this movement, the ESC calls for financial support for measures to facilitate the taking-up of employment in another Member State, for example funding for language courses. It should also be noted that supplementary company pension insurance has consistently proved an obstacle to mobility in the past. The ESC therefore sees a need for at least partial EU harmonization of such pension arrangements. Migratory movements must not, of course, lead to structural discontinuities in labour markets.

7.7. The dawn of a new age in Europe provides an opportunity to reorganize the economic policy decision-making process. The ESC wishes in particular to be involved more directly in the Broad Economic Policy Guidelines adopted annually by the Ecofin Council. This would be advisable with a view to the establishment of a future regulatory framework for European wages policy. The ESC is convinced that the special interests represented within it will enable it to make a useful contribution to regulatory questions in a European monetary union. In this context the ESC would reiterate its calls made in the report of 26 April 1995 on The 1996 Intergovernmental Conference and the Role of the Economic and Social Committee.

8. Communication measures

8.1. The only way to dispel any fears over the practical aspects of implementation of the single currency is to organize a flawless communication plan, based on past experience. At the moment only some Member States seem to have provided for a communications budget in the run-up to the introduction of the euro. The key words here are integrity, clarity, transparency, psychology, education.

8.1.1. From 1 January 2002 euro notes and coins will be in circulation alongside existing notes and coins. The transition period will last for no longer than 6 months. For a smooth changeover it is vital that European citizens be properly informed prior to the event.

8.2. Lessons must be drawn from past experience.

8.2.1. French experience with the changeover from the old 'germinal' franc to the new 'pinay' franc offers many lessons. On 1 January 1960, the old French franc

was converted into the new franc with 100 old francs making up the new franc. 35 years on, many French people — including the media — still calculate in the old currency. During 1959, no specific communication measures were taken to prepare for the changeover. At the time of the changeover in 1960, shopkeepers were told to ensure that any price display in new francs was also accompanied by the corresponding amount in the old currency. The year 1961 saw the introduction of the obligation to add 'NF' (Nouveaux Francs, or 'new francs') to the price, but there was no longer any obligation to display the corresponding amount in old francs.

8.2.1.1. The public had clearly not been sufficiently prepared; in fact, no real information campaign seems to have been envisaged to prepare them for the changeover. Up until January 1960, very little information seems to have been available to explain the changeover and its consequences to consumers. This was, of course, prior to the media boom, and bankers, public authorities and teachers were under no obligation to provide people with a clear message in the run-up to the changeover from old francs to new francs. With hindsight, it seems that the few steps taken to familiarize people with the changeover only served to encourage mental complacency rather than provide practical information. Moreover, the simplicity of the conversion from old francs to new francs also encouraged complacency. When the consumer is faced with a complex conversion rate, he soon works out his own value-scale by fixing some reference points in the new currency. On the other hand, when the exchange rate is simple (knock off two zeros), the consumer does not take the trouble to get used to the new value, especially for large sums of money which he may not be used to handling.

8.2.1.2. Since the conversion was simple, the French government of the day no doubt thought it superfluous to provide extra information measures after the changeover. It would now appear that the simplicity of the conversion rate should have made back-up measures all the more necessary.

- **Visual information**

Advertising hoardings, shop-window displays, newspapers and leaflets could have provided efficient back-up.

- **Radio information**

In 1960, few homes had TV, so radio would have been the best way to provide further information on the changeover.

- **Information in schools**

Teachers should have made children and young people aware of the situation. They would have been able to bring the message home to the family: in those days, the family was often more closely-knit.

- **Information via business circles**

Employers, banks, public administrations, etc. could have been encouraged more to help spread the message.

8.2.2. The British and Irish experience in the changeover to decimal currency was quite different.

8.2.2.1. In 1971, it took the United Kingdom five days to switch to the decimal currency. The two currencies were legal tender simultaneously for five days only. The success of the operation was the fruit of considerable input in information, training and education over a four-year period.

8.2.2.2. Ireland, which changed over to a decimal currency at the same time as the UK, provides an example of a successful communication campaign. An intensive information campaign was conducted to ensure that the public were perfectly prepared for the changeover.

8.2.2.3. In January 1971, a guide to decimal currency was distributed free of charge to every household in the country. It provided brief, basic information for everyday shopping in decimal currency. It dealt with the new coins; writing and pronouncing figures in decimal currency; cheques; banknotes; and dual price display. It included a copy of the price conversion tables for the most common purchases. A large-scale advertising campaign used the press, TV and radio, buses, and billboards in streets throughout the country. The campaign had two main aims: to point out the need to read 'Everyone's guide to decimal currency', and to provide people with very simple information to prepare them for the changeover.

8.2.2.4. TV and radio programmes comprised:

— a number of TV and radio discussions in which members of the government gave information and advice on the various aspects of the changeover;

- a series of short programmes produced by RTE and broadcast on the radio in January 1971;
- a series of three short educational programmes produced by RTE and broadcast on TV. These TV programmes were repeated several times during the three weeks before the changeover to decimal currency.

8.2.2.5. Special measures were taken to help the elderly and the disabled. Various members of women's associations, local thinktanks, etc. were provided with information by government officials. This meant that they in turn could provide basic information on the coming changeover to the various branches of their associations throughout the country.

8.2.3. Bearing in mind the above experiences and accompanying analysis, a large-scale information campaign should be organized, specially adapted to the specific needs of the euro, in order to prepare for the changeover. The campaign will also have to be accompanied by back-up measures for a limited time.

8.3. In order to ensure a successful changeover the information campaign should centre on the European citizen (bank staff, administration, employers and employees, consumers, teachers, family unit, etc.), gathering momentum and harnessing the 'trickle-down' effects of the relationships between the different users of the currency.

8.3.1. An overview of the impact of the introduction of the euro must be provided from the outset. We must first allay all the fears people have concerning any loss of nationality, abandonment of sovereignty, rise in unemployment, price increases, etc. Simple, practical information must therefore be disseminated, unlike the information made available for the referendum on the Maastricht Treaty.

8.3.2. Surveys have generally shown that people have a positive attitude towards the introduction of the single currency, but wish more general information were available. The round table discussions organized by the European Commission on 22-24 January 1996 revealed that old people, housewives and people who have a sedentary lifestyle will be the most difficult sections to convince that the changeover to the euro is both important and necessary. The fact is that these people use currency as a means of payment, but only rarely carry out transactions involving currency exchange, unlike some professional people, for example. Everything thus depends on how far people are involved in financial dealings.

8.3.3. The speed with which people adapt to the new system will depend on the difficulty of the arithmetic in translating national currency into euros. For example, in order to change French francs into euros, the calculation should involve dividing by 7 (approx.). This is somewhat similar to the calculation involved in converting Belgian francs into French francs. Experience has shown that French people who have lived in Belgium for many years continue to think in the currency they used when they were growing up. The upshot of this is that whilst the conversion from French francs into euros will probably be a simple operation, it might run up against the problem of mental complacency which arose previously. But for each country, conversion will be a specific operation, involving varying degrees of complexity.

8.4. The approach involved will differ according to the degree of frequency of the various purchases. A distinction should be drawn between three types of purchase: frequent, everyday purchases (foodstuffs, newspapers, petrol, etc.); 'one-off' purchases (car, house, etc.); and 'intermediate' purchases (clothes, furniture, electrical goods, etc.).

8.4.1. For everyday and 'one-off' purchases, the changeover to the euro should not pose any major problem. As far as everyday purchases are concerned, the fact that the housewife often buys the same products will make it easier for her to adjust to the new value scale, since she will not have to modify her consumer patterns.

8.4.2. 'One-off' purchases occur so infrequently that the consumer does not rely on habit or any reference scale when shopping around. In this respect, the changeover to the single currency will not be dramatic. The consumer will only choose the product on the basis of research carried out at the time, and therefore in the currency which is legal tender at the time of the purchase.

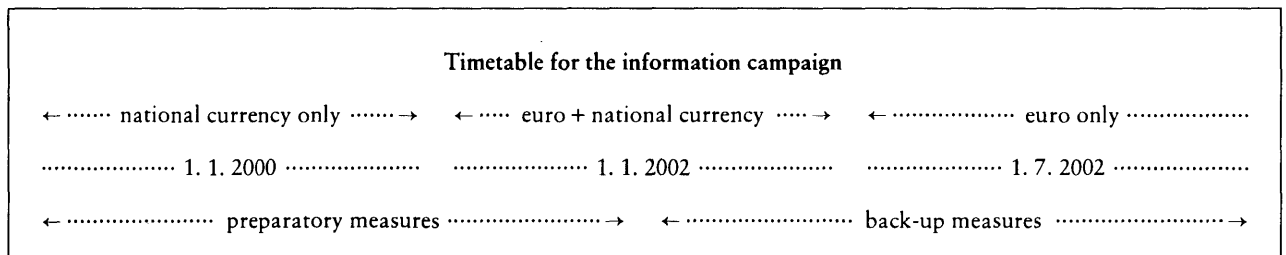
8.4.3. On the other hand, in the case of 'intermediate' purchases, the consumer will have a greater tendency to convert, so as to establish a value scale and in order to enable him to call upon consumer experience with a view to facilitating price comparisons and taking advantage of competition.

8.4.4. When the switch to the euro takes place, information campaigns will have to pay special attention to this aspect, and compensate for the infrequency of 'intermediate' purchases by providing clear price displays for the products. Thus, the consumer will get used to the new currency thanks to an awareness of the price ranges of the products rather than through direct experience of buying. In all the above cases, checks will have to be carried out to avoid hidden price rises, since the force of competition may not be sufficient to prevent them.

8.5. If long-term preparation is to be effective, it should start now or, at the latest by the year 2000. The date is important psychologically — a new currency for the new millennium. In order to fit in with the schedule set out in the Treaty, the communication measures should begin on a large scale one year after the actual launch of Monetary Union (introduction of the euro, fixing of conversion rates) on 1 January 1999.

8.5.1. This would give banks and administrations time to adjust to the new currency. The extra costs ensuing from the obligation to inform should thus be financially acceptable.

8.5.2. The preparatory measures will have to end on 31 December 2001 — on the eve of the introduction of the euro — and be replaced by back-up measures.



8.5.3. This advance information concerns the intermediaries and certain scenarios which should be envisaged.

8.6. *Preparation through intermediaries*

8.6.1. The information campaign should be carried out by local operators, which are in the best position to deal with business circles and individual citizens, and should be geared to the specific needs of the user (consumer, taxpayer, employee, job-seeker, social security contributor, elector, small business, shopkeeper, etc.). Intermediaries should not be contacted individually; rather, existing inter-relationships should be exploited to the full in order to enhance the effect of the information campaign, by harnessing what could be called the 'trickle-down effect'.

8.6.2. Thus, the authorities would inform the banks, who would inform the customer, who would inform friends and relatives, and so on.

a) Authorities

Any information or papers from national authorities containing sums expressed in figures must advise the reader of the change. The term 'authorities' must include social security departments (with which the user has frequent dealings), the Post Office, tax authorities, the police, the law courts, chambers of commerce and local authorities.

b) Employers and employees

Every firm will have to organize its own staff training programme, paid for partly from its own resources and partly from external funding from the state or the EU. Trade unions can carry out excellent work in the field of communication by means of their training programmes.

c) Distributive trade staff

Special attention should be devoted to this sector. Customers will often ask check-out assistants for help with prices. Consequently, intensive training courses must be provided for them in advance.

d) Bank staff

Bank staff will have to have more intensive training, since they will have to understand the changes in order to be able to carry out their work, and also, more importantly, to explain the process to their customers.

e) Teachers

A special effort must be made in schools, particularly with the youngest pupils who are not yet used to handling money, and for whom the euro will be their first and only national currency. For older pupils, the teacher will have to adapt and step up the examples. When calculating the cost of the 'shopping basket', the arithmetic should be expressed in euros.

Generally speaking, an information campaign for schools — from primary school to the sixth-form college — will have to be set up with Community support (along the lines of the Leonardo programme). Community support could also extend to encouraging schools to make sure that internal

financial transactions, such as those involving photocopies, school equipment, snacks, fund raising events for school trips, etc., can only be carried out in euros. The same kind of Community support could also be used to establish a European prize for the best idea for information on the introduction of the euro. Only schools would be allowed to compete and a prize would go to the winning school.

f) Consumer associations

These could act as excellent go-betweens for the public authorities and consumers, providing simple, easy-to-understand information. The more the information reflects daily life, the more the consumer will feel involved. All consumer publications and TV programmes should focus regularly on the switch to the single currency.

g) Travel agencies

Since the introduction of the euro will do away with currency exchange between countries which adopt the single currency, travel agents should be encouraged to help tourists understand the benefits that the introduction of the euro brings to their everyday life.

h) The media

When France held a referendum on the Treaty on European Union, the former European Commission President, Mr Jacques Delors, felt that it was not the Community's job to provide information and advertising for the new Treaty. Consequently, Maastricht's detractors had no problem in putting forward often false arguments to discredit the Commission's efforts in this area.

Here again, we must learn from the past. The Commission must get involved and provide funding for information on the transition to the euro, even though the ideal communication level must most definitely be as close as possible to the citizen. This Commission action could take different forms, e.g. adopting communications designed to provide encouragement, binding provisions, programmes with targeted funding, etc. Commission intervention is needed not because the Member States shirk their

responsibilities, but because only the Commission can provide the necessary coordination.

The success of the switch to the euro depends on coordinated communication between the different Member States. This coordination requires identical communication measures to be introduced simultaneously in the Member States joining the single currency, and also in those with a derogation.

The Commission should enlist the support of the media. It might suggest a national measure to encourage the press to print a countdown to the switch. In the same way, TV game show producers could be encouraged to express prize money in euros.

Still in the field of television, armchair shopping programmes should give prices in both currencies, and make arrangements for rapidly phasing out the national currency, leaving the price in euros only.

Finally, advertisers (TV, hoardings, radio, newspapers) should be encouraged to display prices in euros.

8.6.3. The Economic and Social Committee could constitute a very effective instrument for publicizing a programme for promoting the introduction of the euro, such as that launched by the Commission.

8.7. Preparation through dual price display

8.7.1. Dual price display is considered as one of the possible ways to familiarize consumers with the new currency; it could serve to educate the public. In order to take account of the specific characteristics of national markets, arrangements in respect of dual display should be determined at national level, in accordance with the principle of subsidiarity. Prices should be displayed in both currencies for all everyday transactions.

8.7.2. Dual display of retail prices is designed to ensure that whenever a price is given in national currency, its equivalent in euros should appear beside it. This measure means that for each product, four different values would be displayed on the same label. This is because 1997 will see the entry into force of the Directive on price display by unit sold and by unit of volume or weight. Legibility and feasibility problems may arise here.

8.7.2.1. Since 1 September 1985, the French experience of displaying prices by unit and volume for

pre-packed products sold in stores larger than 120 m² has shown that French consumers became used to reading two prices without any difficulty. Having several prices on the same label should not worry consumers too much, especially since the obligation will be limited to two and a half years.

8.7.2.2. Training will have to be provided for sales staff dealing with the sums involved and cash-handling machines will have to be adapted. As mentioned above, check-out assistants will need prior training in order to be able to answer the various questions customers will most certainly ask them. Cash registers will have to be adapted to provide a receipt in both currencies, at least for the total figure. When adapting them for the dual display requirement, they could be programmed from the outset to issue a receipt giving the price of each article in euros, but the total in both currencies. This would avoid the need to adapt the cash registers several times. Thus, in practice, until 1 January 2002 when the euro comes into circulation, consumers will use national currency to pay prices displayed in national currency and in euros. The advantage of this is that at the end of the dual price display stage on 30 June 2002, cash registers will not have to be radically adjusted once again. It will be sufficient to erase the facility allowing conversion and printing of the total in national currency, and leave the operation in euros only.

8.7.3. It is vital for the consumer to establish a link between income and outgoings if he is to get used to retail prices expressed in euros. Spending power will not be affected by the introduction of the euro, but reassurance must be provided in this respect. Accordingly, binding provisions should be introduced at Community level to ensure that payslips mention wages in national currency and euros. This should accompany the introduction of the dual display of retail prices.

8.7.4. Special attention should be paid to the dual display of banking services:

- account statements should give the figures for debit and credit in both currencies;
- cheque books: although cheques would still be made out in national currency, they could carry a conversion table on the reverse side;
- documentation in respect of loans should give the amounts in both currencies;
- documentation in respect of securities should give the amounts in both currencies;
- automatic cash dispensers will have to be adjusted

to give a receipt showing the amount withdrawn and the equivalent in euros.

8.7.5. From 1 January 2002, cash dispensers will have to be adjusted to dispense euros only, and the receipt should show the equivalent in national currency until 30 June 2002. Persons wishing to withdraw cash in national currency will have to go directly to the bank counter. With effect from 1 September 2002, cash dispensers will only be able to issue receipts showing withdrawals in euros.

8.7.6. As regards the dual display of all documents from the authorities, the term 'authorities' should be understood in a broad sense, as was the case in earlier sections of this Opinion. All tax documents (declarations, stamps, fines, etc.) and social security documents should give equivalents in euros.

8.7.7. There are two types of repercussions in connection with the introduction of the dual display: technical and financial.

8.7.7.1. First of all, the dual display requirement means that a very large number of machines will have to be adjusted: cash registers, cash dispensers, etc. Special new software will have to be developed for this. However, given the limited 'shelf-life' of software, those developed in 1996 will be almost obsolete by 2002. Thus, it is important to gauge the right moment for bringing in the new software to deal with the new data and requirements resulting from the introduction of the euro.

8.7.7.2. The costs involved in implementing the dual display requirement should not be overlooked. These will be connected with the purchase and tailored installation of the software, staff training, and losses due to conversion error (the decimal problem). In order to encourage economic operators to make the necessary preparations for dual display, the public authorities could allow tax relief and tax deductions on the technical investments needed for the switch to the euro. The consumer's share of the changeover costs should be kept to the bare minimum.

8.8. After the switch on 1 January 2002, the preparatory measures outlined above will be replaced by short-term back-up measures for a maximum period of six months.

8.8.1. This period will coincide with the date set for circulation of the euro (1 January 2002) and withdrawal of national currencies (1 July 2002 at the latest). The main change during the back-up period will be reversal of dual price display. During the preparatory period, the price in national currency will be followed by the euro-price, whereas during the back-up period, prices will be displayed in euros first, and then in the national currency for information only. The back-up measures

will take over from the preparatory measures and cover the same aspects.

8.8.2. As of 1 January 2002, wages must be paid in euros, but payslips will also show the amount in national currency, for information only. Prize money from betting, lotteries, etc. will have to be paid out in euros.

8.8.3. As regards banking services, cash dispensers will only allow withdrawals in euros. Cheques will have to be made out in euros, but a 'round figure' conversion table could be kept on the back of the cheque.

9. Summary

9.1. The ESC welcomes the planned monetary union in Europe which will make a fundamental contribution to bringing about a Europe which is closer to the citizen, more highly respected at international level and in a better position to create jobs and wealth within its boundaries.

9.2. In order to make the convergence monitoring process transparent, the convergence criteria must be applied clearly (see Points 2.4 and 2.7).

9.3. It is the Council which will finally make a political assessment of the achievements of the Member States with a view to deciding whether they are to be admitted to the third stage of EMU. Too small a group of Member States would not justify the high costs associated with introduction of the new currency.

9.4. The ESC recommends that countries which fail to meet only one of the five convergence criteria be examined again on the basis of real convergence criteria.

9.5. Exchange rates should be set at a level which ensures that speculative distortions have no lasting impact during the transition to monetary union.

9.6. The ESC considers it essentially counter-productive to assume that departure from the convergence principles as a result of circumstances beyond government control can be penalized by financial sanctions.

9.7. As regards the derogation countries, the ESC would draw particular attention to the adverse consequences of their long-term exclusion from EMU, especially against the background of EU enlargement.

9.8. The ESC would like to see an inflation target published in the future single currency area. An intermediate monetary target should be a main plank of the ECB's monetary policy. In order to make money-market

control more effective the ESC would like to see a minimum reserve requirement applied to deposits with commercial banks, attracting a rate of interest close to the market rate.

9.9. The ESC urges that monetary relations between the core group of Member States participating in the third stage of monetary union and the other Member States be regulated in order to (a) guarantee the continued smooth operation of the internal market, (b) ensure a high degree of exchange-rate stability between the single currency and the national currencies and (c) facilitate the non-participating countries' subsequent transition to the single currency.

9.10. With these aims in view, the ESC supports the establishment of an exchange-rate mechanism on the lines of the EMS in which the single currency would act as an anchor.

9.11. In view of the high level of structural unemployment in the EU, the ESC calls for the objective of full employment to be accorded greater priority in European economic policy.

9.12. The ESC would remind the governments of the Member States of the guidelines for structural reform of the labour markets adopted by the Essen European summit. The ESC regrets that so far few Member States have submitted programmes for the implementation of these measures.

9.13. The ESC points out that the free collective bargaining between employers and workers successfully practised in many EU Member States must retain its place in European economic life.

9.14. The introduction of the euro will require a number of back-up measures to prepare those working in the various sectors involved and the public at large. Both the preparatory measures and the back-up measures taken after the introduction of the euro will have to be geared to the target groups. In the ESC's view, we should draw on the French experience (with the introduction of the new franc) and the UK and Irish experience (with the introduction of decimal currency) in order to ensure that citizens are prepared for the changeover in good time.

9.15. If the changeover is to take place under optimal conditions, the first step which needs to be taken is to launch information campaigns. Special roles could be played here by administrations, employers and employees, staff in the distributive trades, bank staff, consumer associations and, indeed, by the ESC. The media have a vital role to play; they should be encouraged to issue a countdown to the changeover, in the interests of the general public.

9.16. Dual display (national currency followed by the euro in the run-up to 1 January 2002 and the euro followed by national currency post 1 January 2002) in

respect of prices, wages and contribution slips — which should also take account of the specific characteristics

of national markets — could help consumers to avoid confusion.

Brussels, 26 September 1996.

*The President
of the Economic and Social Committee*
Carlos FERRER

APPENDIX

to the Opinion of the Economic and Social Committee

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

Mr/Mrs/Miss: BAEZA SANJUAN, BAGLIANO, BARROW, BASTIAN, BELABED, BENTO GONÇALVES, BERNABEI, BETELU BAZO, de BIGAULT du GRANRUT, BLESER, BØGH, BOISSERÉE, BOUSSAT, BREDIMA-SAVOPOULOU, BRIESCH, BUNDGAARD, BURANI, van den BURG, BURKHARD, BYRNE, Vasco CAL, CARROZZA, CASSINA, CAVALEIRO BRANDÃO, CHEVALIER, CHRISTIE, COLOMBO, DANTIN, von der DECKEN, DELAPINA, de NORRE, van DIJK, DRIJFHOUT-ZWEIJTZER, ENGELN-KEFER, FERNÁNDEZ, FOLIAS, FORGAS I CABRERA, FRERICH, GAFO-FERNÁNDEZ, GAUDER, GEUENICH, GIACOMELLI, GIESECKE, GIRON, GOTTERO, GRUSELIN, HAMRO-DROTZ, HAUSMANN, JENKINS, KALLIO, KANNISTO, KAZAZIS, KIELMAN, KIENTLE, KONITZER, KONTIO, KORYFIDIS, KRITZ, LAUR, LEHNHOFF, LEMMETTY, LERIOS, LINSSEN, LIVERANI, LÖW, MADDOCKS, MALOSSE, MARGALEF i MASIÀ, MASUCCI, MATTEOLI, MAYAYO BELLO, MEGHEN, MENGOZZI, MERTEN, MORELAND, MUÑIZ GUARDADO, NIELSEN B., NIELSEN L., NILSSON, OLSSON, OSENAT, PANERO FLOREZ, PAPAMICHAIL, PARDON, PELLARINI, PETERSEN, PIETTE, POMPEN, QUEVEDO ROJO, RAMAEKERS, REGALDO, REGNELL, REUNA, RODRÍGUEZ DE AZERO, RODRÍGUEZ GARCÍA CARO, ROSSITO, RUPP, SARALEHTO, SCHMITZ, von SCHWERIN, SEPI, SIGMUND, SIRKEINEN, SKLAVOUNOS, SKOUBY, SOLARI, STECHER NAVARRA, STOKKERS, STRASSER, STRÖM, STÖLLENBERGER, TWIST, TÜCHLER, VERHAEGHE, VEVER, VINAY, VOGLER, WHITWORTH, ZÖHRER.

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

Mr/Mrs/Miss: ASPINALL, BEALE, BROOKES, ETTY, LITTLE, MORGAN, PELLETIER, WALKER.

The following members, present or represented, abstained:

Mr/Mrs/Miss: BORDES-PAGES, CHAGAS, KARGAARD, LEVITT, LYONS, LÖNNBERG, MOBBS, NYBERG, OLAUSON, PÉ, WESTERLUND.

Opinion of the Economic and Social Committee on the 'Amended proposal for a Council Regulation (EC) laying down certain technical measures for the conservation of fishery resources'

(97/C 30/22)

On 25 September 1996 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Economic and Social Committee decided to appoint Mr Lerios as Rapporteur-General with the task of preparing the Committee's work on the subject.

At its 338th Plenary Session, held on 25 and 26 September 1996 (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion by 80 votes to 1.

1. Main points of the Commission proposal

On 6 December 1995 the Commission presented an amended proposal for a codified version, taking account of the amendments made to Regulation (EEC) No 3094/86 since the original proposal was presented.

Since the said Regulation has been further amended in the meantime by Council Regulation (EC) No 3071/95 of 22 December 1995, the Commission has decided to

table a new amended proposal to codify the Regulation under Article 189a(2) of the EC Treaty.

2. Conclusions

Given that Regulation (EEC) No 3094/86 has been once more amended to a considerable extent, the ESC takes the view that it is necessary to codify it for reasons of clarity and logical presentation; the Committee therefore endorses the Commission proposal.

Brussels, 25 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Report on the operation of Directive 90/88 and the Proposal for a European Parliament and Council Directive amending Directive 87/102 (as amended by Directive 90/88) for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit'⁽¹⁾

(97/C 30/23)

On 31 May 1996 the Council decided to consult the Economic and Social Committee, under Article 100a of the Treaty establishing the European Community, on the above-mentioned report and 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 16 July 1996. The Rapporteur was Mr Burani, and the Co-Rapporteurs were Mr Ceballo Herrero and Mr Sanderson.

At its 338th Plenary Session (meeting of 26 September 1996), the Economic and Social Committee adopted the following Opinion by 94 votes to ten with five abstentions.

1. Introduction

1.1. The first Directive on consumer credit 87/102/EEC⁽²⁾ left open the definition of a uniform method for calculation of the 'annual percentage rate of charge' (APR), which would allow all consumers to compare the cost of consumer credit charged by lenders in the various EU countries. A subsequent Directive, 90/88/EEC, adopted by the Council on 22 February 1990⁽³⁾, introduced a Community method of calculating the APR, and defined the items to be used in the calculation.

Following referral from the Council, the Economic and Social Committee adopted an Opinion⁽⁴⁾ which broadly supported the initiative, whilst making some suggestions which were only partly taken on board.

1.2. The Directive in question required the Commission (Article 1a(5)(b)) to present to the Council, by 31 December 1995, 'a Report, accompanied by a proposal' which will make it possible to definitively apply a single mathematical formula for calculating the APR, valid in all EU and European Economic Area (EEA) countries, i.e. Iceland, Liechtenstein and Norway. Directive 90/88 was in fact incorporated in the EEA agreement (cf. Commission document, Introduction and Summary, paragraphs 5 and 8, p. 2).

1.3. In proposing the Directive, the Commission has responded to the Council's instruction — albeit with a certain delay which is justified by various circumstances. The proposal leaves the calculation method more or less intact: it sets the principle that all Member States should use the calculation method laid down in the 1990 Directive, introduces the requirement to use a common

European symbol for the APR, and makes some changes to the English and Greek versions (regarding the term 'APR').

2. General comments

2.1. The Directive is the logical and scheduled follow-up to previous work, and accordingly the Committee supports the Commission, and is willing to work with it to achieve ever better protection of consumer interests.

2.2. Moreover, in order to avoid any misunderstanding, the scope and limits of the Directive should be discussed. If it had been merely a matter of allowing comparison of APR within a single country, it would have been sufficient to require each country to adopt its own uniform rate. The aim of the Directive is, however, to establish a basis for comparison between all EEA countries.

2.3. This objective has, however, only been achieved in part. A 'perfect' comparison between different countries would be possible if, further to harmonization of the calculation system, it were also possible to give a common definition of the items used in calculating the APR. These items, together with their definitions, vary from country to country⁽⁵⁾ owing to the remaining discrepancies in business practices, business legislation and taxation. The Commission has accepted⁽⁶⁾ that it is not possible, while complying with the proportionality rule and subsidiarity, to harmonize these definitions (let alone the items, the Committee would add); but it must

⁽¹⁾ OJ No C 235, 13. 8. 1996, p. 8.

⁽²⁾ OJ No L 42, 12. 2. 1987.

⁽³⁾ OJ No L 61, 10. 3. 1990.

⁽⁴⁾ OJ No C 337, 31. 12. 1988.

⁽⁵⁾ Cf. the study carried out for the Commission, which is quoted several times in the Report and the table set out in paragraphs 97 to 111 of the Report.

⁽⁶⁾ Cf. point 10, of the Report.

be admitted that where no uniform definition exists, 'cross-border' comparison of consumer credit becomes difficult.

2.4. Moreover, consumer credit is still largely provided by the financial institutions of a country for the residents of the same country, and for obvious reasons: the need to know the client, different legislation, difficulty in reclaiming sums lent abroad. It is only in certain border areas that 'cross-border' credit is of any significance.

2.5. This situation is bound to change with the introduction of the single currency, but only for the countries which join. For consumers from these countries, the Euro-area will be a real single market for consumer credit. For the others, nothing will change.

2.6. It is precisely because of the imminent creation of a real single market for consumer credit that the Directive could provide a step forward towards the completion of the Single Market.

2.7. The Commission asserts that adoption of the APR promotes 'the establishment and functioning of the internal market' and ensures that 'consumers benefit from a high level of protection'⁽¹⁾; it should, therefore, include in the recitals the logical — albeit as yet inexplicit — consequence, i.e. that adoption of the APR will mean that consumers can gain access to consumer credit under the provisions covering the freedom to provide services.

2.8. In view of the above points 2.3, 2.4, and 2.5, and following the line illustrated in 2.7, the Committee believes that it is the duty of the Commission, the national authorities and credit institutions to warn consumers against entering into decisions lightly. Another country's apparently more attractive rate is not necessarily better value than the home country rate. Quite apart from the items which make up the APR, each interest rate is specific to each currency, and generally reflects the state of the relevant national economy and monetary policies; it can alter with varying frequency, and not always to the benefit of the consumer. Exchange rates can also vary, with consequences the consumer can neither predict nor prevent when signing a contract. The consumer must be informed of the risks involved in borrowing in another currency.

2.9. Another aspect which should be commented on is the introduction of a symbol (not 'logo', as sometimes mentioned in the Report — symbol and logo are not the

same thing). It would have to be used whenever the denomination 'APR' is used. Without wishing to dwell on the problems involved in preparing the lay-out of information leaflets and contracts, one wonders whether the average consumer will actually understand the meaning of the symbol. Here again, insider terminology is not necessarily welcomed by the public, especially if it requires an effort to understand it. The introduction of the symbol would cost a significant sum (one major European bank has estimated the cost of using the symbol to be in the region of ECU 6-7m.). Furthermore, in order to reduce the symbol to a size suitable to appear on contracts, the stars surrounding the percentage sign merge into a circle. The objective of a single recognizable sign is therefore lost.

2.10. There is an even more cogent argument against using the symbol: it is open to abuse and misuse. A 'Europe' symbol always confers some kind of official authority on a document. Given the multitude of financial consultants on the market — licensed or otherwise, vetted or otherwise — it is easy to see that it could be misused in a variety of ways. It would be only too easy to trick the consumer into thinking that the APR quoted in the literature had been given some kind of official approval. The ESC would advise against using a 'Europe'-type symbol which, rather than providing greater clarity and improving consumer information, would sow the seeds of confusion and misunderstanding.

2.11. The proposals do not really make any great changes to the current situation; however, three provisions deserve special attention because of their practical implications:

- deletion of the scope (used by Finland, France and Germany) for adopting a different method for calculating the APR;
- the requirement to base calculations on the calendar year (365 or 366 days) rather than on the 'business' year (360 days);
- accuracy to two decimal places, which has not yet been adopted everywhere, and was not, in any case, required earlier.

2.12. As shown below in the comments on the individual Articles, these provisions could lead to increased costs in most Member States, due to the need to adapt computer programmes prior to the entry into force of the Directive on 1 January 1997. The programmes would have to be adapted again when

⁽¹⁾ Proposal for a Directive, first recital.

the Single Currency is adopted two years later. The Committee wonders whether it would not be better for the Directive to enter into force on 1 January 1999, at least as far as calculation is concerned. Thus, it would be possible to carry out the changes to the programmes all at once; this would reduce costs considerably and should be of benefit to the consumer.

3. Comments on individual Articles

3.1. Article 1

3.1.1. As stated in the above 'general comments' (2.9 and 2.10), the Committee would strongly advise against adopting an 'official' or seemingly official symbol, in all cases — including that currently being discussed — concerning private transactions: the consumer could be misled. Moreover, an innovation of this kind could set a precedent for extensive use of the European symbol whenever a contract refers to European regulation. The situation would be confusing for consumers and the authorities would not be able to vet it.

3.1.2. Furthermore, it gives rise to the delicate problem of whether a European symbol (the twelve stars) should be used by the non-EU countries, i.e. the EEA countries (cf. 1.2 above), which would still have to respect the provisions of the Directive.

3.2. Article 4

3.2.1. This Article deletes the scope given to financial institutions to use a different APR formula from that laid down in the Directive, as long as the formula was already in force in their country before 1 March 1990. This derogation is currently used by Finland, France and Germany. Although this derogation was intended to apply only until 31 December 1995, it remains operative *de facto* until the Directive mentioned in Article 1a(5)(c) of the amended Directive 87/102/EEC is adopted.

3.2.2. As for the costs involved in altering programmes, the Commission states (cf. paragraph 15 of the Report) that 'production costs for software companies and financial institutions will be reduced due to the economies of scale provided by the use of a single formula throughout the Single Market.' The problem should not be seen in this light, since the financial institutions of derogation countries would have to meet costs which the institutions of the other countries have already met. Moreover, this comment is important for the remarks below on the other amendments proposed in the Directive (cf. 3.3) and the effective date of the Directive (cf. 3.4).

3.3. Article 7

3.3.1. According to the wording of this Article, it merely replaces the previous Annex I of Directive 87/102 by another Annex which makes apparently minor amendments to the previous text. The amendments concern:

- the method of calculating the days of the year, which must be carried out according to the calendar year (365 or 366) and not 360, as in some countries⁽¹⁾;
- the result of the calculation must be expressed within an accuracy of up to two decimal places (it was previously possible to round off to one decimal place).

3.3.2. Whilst the abolition of the derogation provided for in Article 4 affects only the above-mentioned Member States (Finland, France and Germany), which must replace their existing methods of calculation with the formula laid down in the Directive, the proposal to replace the 360 day year used by some Member States as the basis for calculation with a 365/6 day year would also affect Member States which are currently using the method of calculation which is in future to be binding throughout the EU. Most Member States would therefore have to change their method and/or basis of calculation partially or completely. This is particularly so if the new rule means that the calculation has to be exact to the day. In this case a basis of calculation would have to be introduced throughout Europe which is so far used by only three Member States, representing about a third of the EU population.

3.3.3. A calendar day calculation would create considerable problems, since it would no longer be based — as in most of the States concerned — on standardized values (e.g. $365 \text{ days} \div 12 = 30,41666 \text{ days/month}$) but on actual values; thus, a monthly calculation would have to be based on 31 days for January and 28/29 days for February. The APR would then depend on the loan-payment date and vary according to the length of the month, notwithstanding a nominally identical interest rate. This would be counterproductive from the standpoint of the Single Market consumer, since the interest rates quoted by different lenders would no longer be comparable. The ESC therefore calls for clarification of the Directive text, to enable financial institutions to apply the uniform calculation method based on standardized values. In addition, leap years should no longer be taken into account since, as the Commission itself acknowledges, these would not be noticed even in calculations to two decimal places.

3.3.4. The practical impact of calculating APRs to two decimal places will have an adverse effect on

⁽¹⁾ Germany, Finland, Sweden, Liechtenstein and Norway: cf. paragraphs 124 to 128, and the table in paragraph 124 of the Report.

consumers. This requirement will mean that financial institutions will no longer be able to issue the pre-prepared tables which are currently used for advertising purposes. The tables provide details about loans which consumers use to compare the cost of borrowing before requesting a bespoke loan from their chosen financial institution.

3.3.5. Bearing in mind the fact that the 360-day year is only used in a minority of countries, and that it is already normal practice almost everywhere to round off to two decimal places, the costs involved alone would not seem to justify altering systems which have not yet conformed to the prescriptions of Annex II. The Committee wonders whether the modest practical impact of this harmonization and the ensuing benefits for consumers are really in proportion to the costs involved.

3.4. Article 9

3.4.1. This Article gives 1 January 1997 as the effective date of the Directive. The Commission evidently felt

that such a short deadline was feasible since adoption of the proposals posed no particular problem. In fact, the proposals are, in part, of only marginal significance (slight alteration of calculation systems), and partly meet a requirement which had already been envisaged (withdrawal of the right to use a different system).

3.4.2. Moreover, considering the costs involved in altering the programmes (cf. 3.2.1 and 3.2.2 above) twice (cf. 2.12), the Committee wonders whether it would be worth deferring entry into force of the Directive to 1 January 1999.

On this date, the Member States which already use the APR calculation method described in the 1990 Directive 90/88 will have to make calculating adjustments. For similar reasons, it is proposed that Member States which issued the derogation provided for in Article 1a(5)(a) of the amended Directive 87/102 should also be required to adopt the APR calculation method laid down in the Directive by the date on which the single currency is introduced.

Brussels, 26 September 1996.

The President
of the Economic and Social Committee
Carlos FERRER

APPENDIX

to the Opinion of the Economic and Social Committee

Defeated Amendments

The following amendments, which received at least one quarter of the votes cast, were defeated during the discussion.

Paragraph 2.9

Delete the text after the third sentence (thus the first deleted sentence begins with 'Here again ...') and continue with:

'It is therefore imperative that the consumer is well informed about its meaning. The consumer should be made aware through information campaigns that the symbol does not reflect a recommendation from EU-authorities in favour of that particular credit offer, but merely stands for the European substitution of a term referring to a uniform method of calculation of the annual percentage rate.'

Reason

Although the danger for confusion of the consumer, as the Rapporteur notes, cannot be excluded, his rejection of the symbol altogether is going much too far. Information campaigns would help to prevent the danger of misinterpretation. Since the incidence of obtaining credit from another member country will increase, especially after the introduction of the Euro, the consumer should be informed in a simple way of the application of a uniform method of calculation of the annual charges. Since no agreement could be reached on 'uniform language', the introduction of a symbol can be regarded as a second-best alternative.

Result of the vote

For: 34, against 47, abstentions: 21.

Paragraph 2.10

Delete.

Reason

See preceding amendment.

Result of the vote

For: 34, against: 47, abstentions: 21.

Paragraph 2.12

Delete.

Reason

The significance of the entering into force of a harmonized regime for the calculation of the annual percentage rate of charge as of 1 January 1997 far outweighs the comparatively minuscule extra costs which are involved in separately adapting programmes for the introduction of the Euro two years later. It is simply not true that the suggested delay will yield significant savings. The extra costs should be judged in relation to the amount of credit granted annually. It would, moreover, not be sensible to use the same date for the introduction of the Euro and the implementation of the consumer credit Directive. The banks will already be stretched to the limit by the work that is involved in introducing the Euro, as is made clear in the ESC's excellent opinion on the subject. Moreover, it is not at all clear which Member States will in fact accede to the single currency. For the Member States which will not participate as of 1 January 1999, no extra costs are involved. Finally, the suggested delay sets dangerous precedents for the settling of dates for the implementation of any directive, since most measures will involve certain costs.

Result of the vote

For: 37, against: 62, abstentions: 12.

Opinion of the Economic and Social Committee on the 'Proposal for a European Parliament and Council Directive amending Council Directive 89/647/EEC on a solvency ratio for credit institutions'

(97/C 30/24)

On 11 April 1996 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Union, on the above-mentioned proposal.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 17 July 1996. The rapporteur was Mr Pelletier.

At its 338th Plenary Session of 25 and 26 September 1996 (meeting of 26 September) the Economic and Social Committee adopted the following Opinion by 87 votes to 13 with 19 abstentions.

1. Introduction

The purpose of the proposal is to amend the Directive on the solvency ratio for credit institutions.

Two Articles are being amended.

1.1. Article 6(1)(c)(1)

1.1.1. This allows mortgage-backed securities to be treated in the same way, from the point of view of risk weighting, as the mortgage loans referred to in Articles 6 and 11.

1.1.2. As the solvency ratio is worded at present, the risk on these securities is weighted at 100 %. The aim of the amendment is to enable the competent authorities to weight them at 50 % if they consider that the risk is the same as for the underlying mortgage loans.

1.2. Article 11(4)

1.2.1. The existing article allows only four Member States (Denmark, Germany, Greece and Austria) to weight certain mortgage loans at 50 % instead of 100 % and to do so until 1 January 1996. The amendment extends this possibility to all Member States until 1 January 2001.

1.2.2. The loans must be completely secured by mortgages on offices or on multi-purpose commercial premises situated within the territory of the Member States. The sum borrowed cannot exceed 60 % of the value of the property in question, calculated on the basis of rigorous assessment criteria laid down in statutory or regulatory provisions.

1.2.3. The property must also be either used or let by the owner. In the latter case, the rental value must be

secured at least at a level envisaged in the assessment of the value of the property.

2. General comments

2.1. Mortgage loans for commercial purposes play a major role in the European economy. The granting of commercial mortgage loans, the reduction of credit costs for borrowers, and more flexible refinancing conditions for credit institutions, are essential for continuing economic recovery in Europe. The cost of credit is ultimately reflected in consumer prices, which is why there is a tendency to look favourably on everything that can help to reduce such costs.

2.2. Moreover, studies show that commercial mortgage loans do not carry abnormally high risks and that losses in this sector are not significantly greater than losses on residential mortgage loans; the two types of loan should therefore be in the same risk category.

2.3. This comment is not at odds with the findings set out by the BIS in its annual report, namely that property prices have fallen heavily over the last few years, as has the value of the corresponding bank assets. But it is important not to take the property market as a whole, i.e. by lumping together the risky loans made by certain banks and the loans falling under the draft Directive which, as has been pointed out in paragraph 1.2, are exceptionally secure.

2.3.1. By way of example, unsold and unoccupied office blocks, which account for much of the difficulty faced by European banks, could not benefit from the current proposal on the reduction of risk weighting under Article 1 of the draft Directive.

2.3.2. Sound management means that banks with risky loans on their books must provide risk cover for them from their own funds to the tune of at least 100 %.

2.4. Experience has shown that when a company goes bankrupt and its assets are released, the asset which loses least value is property. This is because property, unlike materials, can easily be used again.

2.5. The draft Directive embraces the general principle set out in Article 6(1) of the 18 December 1989 Directive on solvency ratios. This principle, which is valid for all weightings, stipulates that the competent authorities may fix higher weightings if they deem this to be appropriate.

2.6. This right entails the risk of a reverse distortion of competition between the Member States by allowing the competent authorities to stipulate, before 1 January 2001, a higher risk weighting than the 50 % authorized by the Directive for loans granted in their own territory.

2.7. There is thus the danger of the development of different levels of mortgage risk protection, with some Member States accepting a 50 % weighting whilst other more stringent Member States stipulate a weighting of anything up to 100 %. This is at odds with the fundamental principle of a unified market for credit operations within the European Union. This difference in treatment is likely to be all the more grotesque in the medium term as the property market will tend to become more and more uniform with the advent of the single currency.

2.8. The Commission is aware of this risk and tries to limit it by specifying in the last paragraph of Article 1 that:

'...competent authorities of a Member State, which applies a higher risk weighting in its territory, may allow the 50 % risk weighting to apply for this type of lending in the territories of those Member States that allow the 50 % risk weighting.'

2.9. It is therefore clear that a banking institution established in a country applying a 50 % risk weighting cannot go and compete in the territory of countries whose banking institutions apply a higher risk weighting. On the other hand, a banking institution which enjoys

favourable conditions for its national mortgage-loan activities will have a higher profit margin potential than its EU competitors and hence a higher level of competitiveness.

2.10. The risk of distorted competition is real since the property market crisis experienced by several Member States, and sometimes involving serious banking risks, has prompted the supervisory authorities of the majority of Member States to opt for maximum i.e. 100 % risk cover.

2.11. One can only hope that the effect of the draft Directive will be to harmonize the practices of the supervisory authorities, thereby eliminating reverse distortion, but this is only a hypothesis and is by no means certain.

2.12. Notwithstanding these concerns, the Committee can only conclude from a random analysis of the particular case of mortgage credit a) that the parent Directive on solvency ratios of 18 December 1989 authorizes national supervisory authorities to adopt varying practices in an area that has a very heavy bearing on bank profitability and b) that the judgments of the Court of Justice tend to follow suit.

2.13. The Committee approves the Commission's proposal, which aims to open the door to the 50 % weighting of commercial mortgage risks. It would nevertheless draw the attention of the Commission and Council to future arguments for harmonizing provisions on banking risk cover in order to obviate the risk of distorted competition, including those cases where the Member States themselves are the cause of the distortion.

2.14. The present draft Directive must be seen as a step in this direction. The Committee hopes that the Commission will press on with its work to harmonize risk cover, bearing in mind in particular the variability and volatility of the markets in question.

3. Specific comment

3.1. Add the words 'or equivalent concept' after the word 'trustee' in Article 6(1)(c)(1)(ii) as amended by Article 1 of the new Directive. Some European countries are not familiar with the concept of a trustee.

Brussels, 26 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

APPENDIX

to the Opinion of the Economic and Social Committee

Rejected amendment

The following amendment, which received more than a quarter of the votes cast, was examined and rejected:

Paragraph 1.1.2

After '100 %' add: 'in line with the Basle Accord for reasons of prudence'.

Result of the vote

For: 29; against: 60; abstentions: 17.

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) introducing transitional measures into Regulation (EC) No 1626/94 laying down certain technical measures for the conservation of fishery resources in the Mediterranean'⁽¹⁾

(97/C 30/25)

On 3 June 1996 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 18 July 1996. The Rapporteur was Mr Muñiz Guardado.

At its 338th Plenary Session (meeting of 25 September 1996), the Economic and Social Committee adopted the following Opinion by 68 votes to eight, with ten abstentions.

1. Introduction

1.1. Regulation (EC) 1626/94 of 27 June 1994 lays down technical conservation measures for Mediterranean fishery resources. The Regulation sets minimum catch sizes for certain species and minimum net mesh sizes.

1.2. In response to specific problems faced by Italian fishermen in the Adriatic, the Commission is now proposing temporary derogations to the Regulation that will allow these fishermen to catch and market fish of less than the minimum size.

1.3. The proposal also provides for the possibility of extending the derogations to other parts of the EU.

2. General comments

2.1. The Committee recognizes that the proposed amendments are not exceptional, as the Regulation already provides for other derogations.

2.2. The Committee notes the Commission's statement that the proposal is less radical than the initial request by the Italian organizations. It also notes that the derogation is to be temporary.

2.3. However, the Committee would recall the comments made in other ESC Opinions on fisheries conservation and management which run counter to the present proposal; these have highlighted the worrying depletion of Mediterranean fishery resources and the urgent need to adopt remedial measures and policies. The European

⁽¹⁾ OJ No C 176, 19. 6. 1996, p. 14.

Parliament and the Commission itself have expressed similar concerns.

2.4. The Committee also stresses that the Commission's figures — which are borne out by the studies and surveys of international bodies such as FAO — show that Mediterranean resources are over-exploited and that there is a pressing need to restructure the fisheries sector.

2.5. These considerations strengthen the Committee's view that it is necessary to gradually alter fishing patterns and the use of certain fishing practices in the Mediterranean, particularly those which take the greatest toll of juveniles. If action is not taken, it may be impossible to rationalize fishery activity in a sustainable manner.

2.6. Although the measures now being proposed are for a transitional and limited period, they form a serious precedent which could jeopardize efforts to secure a more structured fisheries conservation policy in the Mediterranean.

2.6.1. The Committee also points out that the possible extension of the derogation to other regions is an

extremely serious matter, as it could jeopardize all the Community's efforts to reduce juvenile fishing mortality.

2.7. For the above reasons, the Committee cannot endorse the present proposal. However, mindful of the economic and social impact on fishermen in the Italian Adriatic of the technical measures introduced under Regulation 1626/94, the Committee asks the Commission to use existing structural instruments to cushion the negative impact and meet the legitimate concerns of those fishermen.

2.8. The Committee calls for more campaigns to inform members of the sector and consumers in general of the minimum authorized sizes and the implications of the consumption of juveniles. Controls should also be tightened up, particularly on landings at Community borders. The Committee asks the Commission to press third countries which fish for the same Mediterranean resources to make similar efforts, with a view to rationalizing Mediterranean fishing activity and ensuring its survival.

Brussels, 25 September 1996.

The President
of the Economic and Social Committee
Carlos FERRER

Opinion of the Economic and Social Committee on the 'First Multiannual Programme to assist European Tourism (1997-2000) — Philoxenia' ⁽¹⁾

(97/C 30/26)

On 24 June 1996, the Council decided to consult the Economic and Social Committee under Article 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

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 17 September 1996. The Rapporteur was Mr Sklavounos. The Co-Rapporteur was Mr Regaldo.

At its 338th Plenary Session (meeting of 26 September 1996) the Economic and Social Committee adopted the following opinion by 84 votes to five, with six abstentions.

1. Introduction and historical background

1.1. The Economic and Social Committee first formally addressed the subject of tourism in 1989. In an Own-initiative Opinion on tourism and regional development ⁽²⁾ the ESC regretted that such a huge sector which created prosperity and jobs was not the subject of a Community support policy, further noting that many member governments neglected the sector and had not set up a special ministry for it.

1.2. The European Commission published its initial reflections on Community measures to encourage tourism during the 1980s. The Council of Ministers then decided to proclaim 1990 'European Tourism Year', a symbolic gesture which drew the attention of the Member States and European citizens to the economic dimension of tourism, and to the importance of taking concerted development action.

1.3. In 1992, the Commission published a three-year action plan, which the ESC approved as a promising first step, despite its shortcomings ⁽³⁾ (cf. Chapter 5).

1.4. During the years which followed, and particularly during the preparations for the Edinburgh Conference which was to lead to the Treaty of Maastricht, the Economic and Social Committee and the European Parliament took action on various occasions to urge the Commission and the Council to coordinate the proposed measures more efficiently and to provide a consistent framework for a European tourism policy ⁽⁴⁾.

1.5. Initial results did not fulfil expectations: while the amended Treaty acknowledged for the first time the possibility of taking measures in the field of tourism, it fudged the issue of including such a policy in the Treaty

on its own proper legal basis, and the question was postponed until the 1996 Intergovernmental Conference.

1.6. The next step was the publication of the Commission's Green Paper on tourism ⁽⁵⁾. The Green Paper's aim was to sound out the reactions of all the partners concerned (the sector's professionals, consumers, environmentalists, etc.) regarding what would be a desirable future for the sector at European level, ranging from maintaining the status quo through to option 4, the inclusion of a 'Tourism' chapter in the EU Treaty. The majority of the Economic and Social Committee came out in favour of option 4, on the grounds that Europe could effectively bring added value to tourism as promoted and practised in the different Member States.

1.7. After assessing the results of the action plan ⁽⁶⁾ and the reactions to its Green Paper, the Commission, following a proposal from Commissioner Papoutsis, is now submitting the Philoxenia programme.

1.8. The administrative unit for tourism in DG XXIII was set up only in 1989. It should be mentioned that the tourism portfolio was previously a responsibility of DG VII — Transport.

1.9. By definition, tourism is a subject of a horizontal nature, and consequently both DG XXIII and other Directorates-General, have adopted and continue to adopt measures directly or indirectly influencing the tourism sector. These include DG IV — Competition, DG V — Employment, Industrial Relations and Social Affairs, DG X — Information, Communication, Culture and Audiovisual Media, DG XI — Environment, DG XVI — Regional Policies, DG XXIV — Customs and Indirect Taxation and DG XXIV — Consumer Policy.

⁽¹⁾ OJ No C 222, 31. 7. 1996, p. 9.

⁽²⁾ OJ No C 332, 31. 12. 1990.

⁽³⁾ OJ No C 49, 24. 2. 1992.

⁽⁴⁾ OJ No C 393, 24. 12. 1994.

⁽⁵⁾ ESC Opinion, OJ No C 301, 13. 11. 1995.

⁽⁶⁾ Price Waterhouse Study for the European Commission.

1.10. Consequently, most Community measures, excepting of course those of DG XXIII, were adopted on the basis of different priorities and different viewpoints from those of tourism.

1.11. It should, however, be pointed out that the above does not apply to the period from 1995 onwards during which DG XXIII (Tourism) has endeavoured to ensure better coordination of Community measures influencing tourism, subject of course to its informal and limited coordinating responsibilities. As a result of the 1993-94 action plan, the need was perceived to strengthen the horizontal approach to tourism and to avoid overlaps. Today it is necessary to develop still further internal Community mechanisms for coordination and for maximization of the expected results. This must be the role and responsibility primarily of DG XXIII.

2. The importance of tourism for the European economy

2.1. The ESC has repeatedly stressed the importance it attaches to tourism, and would take this opportunity to emphasize that it regards the tourism sector as being vitally important to the European economy for a variety of reasons, especially as:

- the tourist industry is expected to be the largest in the world by the year 2010, with about 700-750 million international arrivals⁽¹⁾.
- Europe is likely to remain the main destination of world-wide tourist flows (even if its relative share in world tourism is declining).
- as a result, tourism is the economy's largest creator of jobs, with direct and indirect repercussions on regional development and on the development of other sectors.

2.2. The importance of tourism for the European economy can be summarized in the following indicators: Tourism presently accounts for one in eight jobs in Europe, employing over 9 million workers. At the same time, it represents 13.4% of the European Union's GDP⁽²⁾.

2.3. As the Explanatory Memorandum to the Philoxenia programme (COM(96) 168 final) recognizes, retention of the first place in the world tourism market does not justify complacency. Over the last twenty years the European market has shown a steady decline (about 10%), with a parallel increase for destinations in

South-East Asia, North Africa and South America. Clearly, the European Union cannot remain indifferent to these developments.

2.4. The aim of retaining a significant position on the world tourism market cannot be concentrated solely on statistical targets. Europe must maintain its leading place in high-standard tourism, offering high-standard products, and forms of tourism involving exchanges. Apart from natural resources and cultural heritage factors Europe must formulate and maintain a sales policy based on high quality products and services, and highlight the European identity and current European trends. In addition to the traditional, historical, cultural and nature-related aspects of the market, European marketing can and must offer products which will constantly renew interest and generate demand.

2.5. In the formulation and implementation of such a strategy, there is a need for a high level of cooperation and coordination at all levels — local, regional, national and European Union. There must be cooperation and coordination between jointly responsible bodies in the public sector, and between the public and private sectors.

2.6. There is a need for research into world demand and its formation, into world-wide competition and into trends on the internal market.

3. Current developments and problems

3.1. The development of European tourism from the age of the isolated tourist/traveller of the late 19th and early 20th century to that of present-day mass tourism or the so-called 'tourism industry' is inextricably bound up with the development of the European economy and society which determines it and which, to a large extent nowadays, it influences.

3.2. Besides the many positive consequences in respect of economic development, modern mass tourism is characterized by:

- the transformation from a privilege of an economic and social elite to a benefit for wider, popular and indeed mass consumption;
- the establishment of touristic holidays as a basic need at all levels (in terms of income, education and class) of European society;
- the formation of gigantic enterprises which undertake to satisfy the above need by creating tourism products and travel facilities;
- mass transport, mass recreation, mass accommodation and catering, viz. standard arrangements covering almost every aspect;

⁽¹⁾ World Tourism Organization (WTO) International Tourism Overview Highlights 1995, Madrid 1996.

⁽²⁾ 'The Economist' 29. 7.-4. 8. 1995.

- the adaptation, both of the quality of tourist goods and services and the way in which they are presented and consumed, to the needs created by the mass market;
- the increasing availability of low-cost transport and services without the final product being necessarily sold at a low price.

3.3. There are consequences in:

- environmental terms (geographical over-concentration of tourist accommodation in small areas of particular beauty, over-concentration of tourist population in particularly small areas and certain periods of the year, putting a substantial environmental burden on the soil and subsoil);
- social terms (in a number of regions which specialize in mass and seasonal tourism serious social problems have arisen: problems in societies receiving tourists and problems between tourists and those societies);
- cultural terms (the mass scale and form of tourism in many regions creates serious cultural problems).

3.4. *Specific consequences of mass tourism*

3.4.1. The one-sided specialization in tourism and the seasonality of economic life in a number of regions have a destabilizing effect on the social fabric.

3.4.2. In the peak holiday period social life is paralyzed for the benefit of economic life, while cultural life is transformed into a product available for consumption by visitors.

3.4.3. Relations between tourists and the local community are inadequate. Due to the above-mentioned standard arrangements for the tourist as a customer and as a consumer, the accent is more on profit than on human contact and communication.

3.4.4. The trend towards oligopoly in the marketing and handling of European tourism tends to create serious clashes and conflicts of interest within the European tourism 'family'.

3.4.5. A shift in the centre of gravity of the business interest of the tourism giants from the supply of tourist products and services to the profitable investment of capital collected through advance bulk selling of pre-paid package holidays.

3.4.6. The transfer of capital and profits from the tourism industry to the financial system.

3.4.7. The rapid 'touristic devaluation' of whole areas, resulting in negative effects on local communities and economies, through the geographical over-centralization of accommodation, excessive numbers of tourists and the destruction of the natural and cultural capital which constituted the original basis for the development of tourism.

3.4.8. The seasonal concentration of tourist flows in most regions of Europe, resulting in seasonal employment both in terms of the workforce and in terms of capital invested.

4. Basic needs of European tourism today

4.1. The basic needs of European tourism today can be classified as follows:

- the needs of its average customer (as a human being, a working person and a consumer, in terms of present and prospective demand);
- the needs of accommodation proprietors or businesses (mainly small and medium-sized enterprises);
- the needs of tour operators, the main actors in the European tourist industry;
- the needs of those employed in tourism;
- the needs of society in general, particularly in tourist destinations.

4.2. *Customers' needs*

- need for reliable advertising and information;
- need for safety while travelling and throughout their stay as regards any possible threat;
- need for cheaper fares within the internal market, without compromising on the quality of service;
- need for market price to match quality of services on offer;
- need to avoid the risks of market control concentrated in a few hands;
- need for direct, effective and financially objective response in the event of accident or illness in both internal and external tourism.

Both on the problems of the tourist as a consumer and

on problems relating to accidents and health, the ESC reasserts the views expressed in its earlier Opinions.

4.3. *The needs of accommodation owners and businesses*

- these suppliers are calling for fair treatment in setting their prices as a precaution against abuse of a dominant position by tour operators;
- they need arbitration procedures and institutions in order to settle disputes about prices and fair terms of payment;
- they need special credit facilities for their business needs under the European banking system and the European Structural Funds;
- they need more direct communication with consumers, information and further training on the information society and new technologies;
- there is a need for participation in publicity, environmental protection, and infrastructure improvement by local and regional authorities, states and the European Union;
- there is a need to tackle the seasonal nature of tourism and the problems which it causes for a large number of tourism enterprises;
- also a need for management education and training.

In tackling the above problems, one undoubtedly needs to accept the principle of subsidiarity, but also the need for European participation.

4.4. *The needs of tour operators*

The tour operators take the view that ensuring basic infrastructures such as airports, telecommunications, water supply and sewage systems, and a socio-political climate which is peaceful and friendly towards tourism, is a basic precondition enabling them to plan and supply products and services.

European and world-wide publicity is undoubtedly welcome to the tour operators.

4.5. *The needs of people employed in tourism*

4.5.1. People working in the tourism sector cannot be defined homogeneously in terms of their income, their professional qualifications and their position under law and regulations. This arises partly from the great differences in the activities they perform and partly

from the great number of firms and enterprises which contribute to a single final 'tourist product'.

4.5.2. What these workers have in common, however, is a high proportion of atypical and seasonal jobs and an environment of relative deregulation as regards working conditions.

4.5.3. The increase in employment which ought to result from an adequate strategy of tourism development will have to be accompanied by a qualitative improvement in workforce skills. The following measures will be necessary:

- to promote training, proficiency and participation as well as mutual recognition of working experience, qualifications and diplomas;
- to provide a legal framework for all workers, even when their jobs are 'atypical';
- to check on the safeguard of minimum rights set up by the Charter of Fundamental Rights of Workers in the EU, especially concerning working hours, health, safety at work and working conditions certified by contract;
- in every case to abide by the ILO conventions, in particular convention 172.

4.5.4. These measures will help to bring about tourist services of quality, to ensure vertical and horizontal mobility of people employed in tourism and also to solve by way of consensus the problems of flexibility of SMEs in tourism.

4.6. *The needs of society in general*

4.6.1. In sharp contrast to well-balanced regional and economic development, the anarchic development of mass-tourism activities in many regions of Europe, particularly southern Europe, has created a whole range of problems and needs, calling for study and decisive action. Many centres of tourism have become areas of unbridled mass recreation which create problems for local communities. In many tourist areas, rather than being a factor for contact, acquaintanceship and understanding between peoples and between cultures, tourism is a factor for xenophobia, conflict and open clashes.

4.6.2. Communities in tourist areas require preparation and information. The mass media, whose task it is to communicate with and inform communities in tourist areas, require a special kind of information in

order to prevent negative effects. Cultural contacts and exchanges between tourists' home and destination areas during the off-seasons are necessary in order to create a new scale and quality of relationships and exchanges which are not exclusively utilitarian. The problem of developing the management of off-season time in social, economic and cultural terms calls for training and further training in many regions, particularly in southern Europe.

5. The basic gaps in action taken so far

5.1. The policy measures in support of tourism up to and including 1995 are characterized by:

- lack of cohesion;
- lack of coordination amongst bodies responsible;
- lack of strategic planning;
- lack of research and programming;
- lack of procedures for evaluating results;
- the weakness of prevention and/or correction of the negative effects of tourism;
- the lack of procedures and methods for dialogue in the field of tourism;
- lack of harmonization (for instance on VAT).

6. Philoxenia

6.1. The proposed four-year programme to assist European tourism (Philoxenia), beginning on 1 January 1997, has as its main objective to stimulate the quality and competitiveness of European tourism, in order to contribute to the general growth of the European economy and job creation.

6.2. To achieve that strategic objective, the programme proposes four intermediate objectives:

- to improve knowledge in the field of tourism;
- to improve the legislative and financial environment for tourism;
- to improve the quality of services and products in European tourism;
- to increase the number of tourists from third countries.

6.3. It proposes that the programme be open to the participation of the associated countries of central and eastern Europe under the cooperation protocols for

the participation of those countries in Community programmes. The programme will also be open to the participation of Cyprus and Malta under rules applying to EFTA countries as countries participating in the European Economic Area, and in accordance with the procedures to be agreed with those countries.

6.4. The proposal also states (in Article 7) that the European Commission should provide information on each basic measure concerning tourism, through a report to the European Parliament, Council, Economic and Social Committee and Committee of the Regions.

6.5. Article 8 of the proposal introduces regular evaluation of the results of the programme, and, on the basis of this evaluation process, an interim report three years after the beginning of the programme and a final report within twelve months after the end of the programme.

7. General comments on the programme

7.1. As regards the aims of the programme, the ESC notes that:

- the objectives set by the programme correspond to basic primary needs of European tourism;
- they are within the parameters set by the resources allocated for carrying out the programme.

7.2. Both the proposals for informing responsible interested bodies and the proposals for stage-by-stage and final evaluation of the programme correspond to the views already expressed by the ESC on democratic participation, transparency and effectiveness of Community actions.

7.3. The Economic and Social Committee believes that all the Mediterranean countries covered by the decisions of the intergovernmental Barcelona Euromed conference (1995) — and not only Cyprus and Malta — should be involved in Philoxenia with a view to developing optimum tourist synergies throughout the Euro-Mediterranean area. This should of course be achieved by using various separate budget lines (e.g. those specifically provided for in the Barcelona decisions) so as not to further reduce the already scarce resources available to the Philoxenia programme.

7.4. The proposed measures are in line with the principle of subsidiarity. They also define correctly the needs and interests of European tourism. In addition, the programme is appropriately structured, and successfully combines strategic objectives with intermediate and immediate aims and actions.

7.5. However, Philoxenia does not bring out the particularly important need for a European external

policy on tourism. The formulation of such a policy could deal with delicate and important subjects in economic, social, political, ethical and cultural terms.

7.6. In particular the problems linked with organized 'sex tourism' and all types of child abuse and exploitation, in Europe and elsewhere, are a matter of grave concern to the Committee. It considers the formulation and implementation of measures to combat these phenomena to be of immediate importance⁽¹⁾.

Sex tourism also has repercussions on the external image of Europe and on its relations with other countries, such as those of North Africa, the Pacific area and Latin America. Moreover, traditional forms of tourism are threatened by negative customer reactions against sex tourism.

7.7. *On funding*

The ESC takes the view that the needs of European tourism call for a much more encouraging and generous approach on the part of the European Commission and the European Union. The aims of the programme, though set out in a proper order of priority, are limited by the insufficient funding of the programme. The first Multiannual Programme to assist European Tourism ought to have resources at its disposal which would enable it to include promotion, support and development measures, not only to encourage visitors from outside, but also for internal tourism within Europe and for all alternative forms and categories of tourism which serve:

- to extend the tourism period;
- to tackle the problem of seasonality;
- to increase employment;
- to offer services of high quality.

8. Specific comments on the proposed objectives and measures

8.1. *Objective A: improving knowledge in the field of tourism*

The ESC believes that Objective A is a top priority for the serious study of the problems faced by European tourism and for the formulation and strengthening of an effective development policy. In addition, assessment of the effectiveness of direct and indirect assistance to tourism will remain mere verbiage without substance if Objective A is not pursued as fully and methodically as it should be.

8.1.1. Objective A1: Developing tourism-related information

The ESC sees an undeniable need to improve the accessibility and user-friendliness of the statistical data. As regards the measures, the ESC agrees both on the usefulness of establishing a European statistical system for tourism and on the need to carry out research, studies and analyses. However, it would point out that those responsible for the sector will need to participate in prioritizing needs and in determining the priorities of the research programme and the programme of studies.

8.1.2. Objective A2: Pooling tourism information from other sources

Collection of information on tourism from other sources is a very useful service which will cover practical, theoretical and research needs — those of the tourism industry but also those of policy makers. The proposed action, the creation of a European research and documentation network has the ESC's approval as regards its utility. However, its mode of operation and communication with the tourism industry are questions which call for clarification, dialogue and careful attention. The ESC also judges that the action proposed under Objective A2 complements the A1 measures, and in that sense Philoxenia, at least in terms of method and approach, covers the whole range of needs of the tourism industry, in research, study and documentation. Of course, the serious question of the way to achieve the objectives, and of relations of the network with those working in the sector, remains open. The problems of access to the network's data and of transmission and dissemination of information by the network remain open for discussion.

8.1.3. Objective A3: Facilitating the assessment of Community measures affecting tourism

The ESC agrees with the proposed Objective A3, but would point out that in its view the proposed action does not correspond to the needs set out by the Objective.

8.1.3.1. Certainly the Philoxenia programme is not the only instrument of European tourism policy. The European tourism industry is supported by the European Union through a very wide range of measures with direct or indirect effects on tourism. The Commission's report to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on Community measures affecting tourism

⁽¹⁾ OJ No C 153, 28. 5. 1996.

for 1994 (COM(96) 29 final of 5 February 1996) comprises a very extensive description of:

- the direct Community measures which influence tourism;
- the special Community actions to support European tourism, and the other Community measures which influence tourism.

8.1.3.2. The Structural Funds provide most of the funding for tourism and it is planned that this will go on being the case in the 1994 to 1999 period. Despite the fact that the Funds' allocations for tourism were 'defined' in the Community Support Frameworks or the Single Programming Documents (which were drawn up by agreement between each Member State and the Commission), at the moment it is difficult to determine which aid goes where, to which sectors exactly, and on the basis of what criteria.

8.1.3.3. It is clear that the tourism industry is also supported through the Cohesion Fund in order to improve the transport infrastructure and protection of the environment in Spain, Portugal, Ireland and Greece.

8.1.3.4. Moreover, it is thought that interventions by the European Regional Development Fund are the most important source of allocation of Structural Funds for the development of tourism (COM(96) 29 final, p.80). ERDF funding is divided between infrastructure works, the development of the regions' own resources and productive investment.

8.1.3.5. Actions relating to so-called tourist resources, architectural and cultural heritage, natural and man-made environments, or actions relating to human resources, undoubtedly have an impact on tourism. Measures on research and development are also regarded as important for tourism.

8.1.3.6. It is an obvious fact that tourism in the European Union is indirectly supported by many activities (like all the sectors and branches of the European economy). The study of these activities (activities which support tourism indirectly or other policies which directly support tourism) leads to the unwelcome conclusion that at present we do not know what, or how many, forms of assistance are given to tourism at European level, with what priorities, how much cooperation is aimed at, and in the context of what strategy.

8.1.3.7. The ESC takes the view that a clear distinction must be drawn between direct and indirect support for the tourism sector, if possible broken down by branch.

8.1.3.8. The term 'tourism industry and assistance for the tourism industry' is rather general and does not make possible the essential evaluation of needs, assistance and results by branch. For example, the Council on land-use planning (Leipzig, 21 September 1994) decided on the drawing-up of a European plan for land-use development. Recognizing how important the achievement of such an aim is for the formulation of a European strategy on tourism and for tourism policy at a pan-European level, we can certainly reach the following conclusion:

- the collection, evaluation and distribution of information on tourism on a pan-European scale is essential;
- setting priorities for actions, and ensuring cohesion, coordination and cooperation in those actions should be the main concern of DG XXIII.

8.1.3.9. Consequently, more substantive and more effective measures are essential to facilitate and evaluate Community measures which influence tourism, and the Philoxenia programme proposes such measures. There is a need for other DGs, when they take measures affecting tourism, to take into consideration the framework of principles, priorities and objectives formulated within the scope of DG XXIII. New policies in the field of communications, structural funds and environment for instance ought to devote a special chapter to impact on tourism (as was done in the new action programme for environment). Similarly, the responsible Directorate-General should be able to provide immediate information on any measure directly concerning tourism.

8.1.3.10. As regards the proposed action under Objective A3, the ESC feels that the proposed mechanism would be more useful:

- if it was of an economic rather than legal nature;
- if it could operate as a mechanism of synergy, harmonization and coordination between DG XXIII and other Directorates-General whose activities relate to tourism;
- if it could monitor and assess to what extent the synergy and the combined results of the various measures fulfil the strategic objectives of the EU's tourism policy.

8.2. *Objective B and B1: Improving the legislative and financial environment for tourism, and reinforcing cooperation with Member States, the industry and other stakeholders*

8.2.1. The ESC notes that while Objectives B and B1 are particularly important and touch upon very serious problems of the sector, the proposed actions, while very

seriously conceived as thematic units, do not constitute fully fledged measures.

8.2.2. The role and scope of action of the Consultative Committee must be reviewed with the aim of making it a body which participates substantially in the formulation of European tourism policy, and in the monitoring and assessment of that policy.

8.2.3. The problem of funding of SMEs in the European tourism sector must be tackled directly, and that of its relations with the European banking system must be tackled institutionally. Similarly, support for SMEs in the European tourism sector through the various Community funds must take account of the special needs of the sector and consider it as a specific category.

8.2.4. The Philoxenia programme should place greater stress on the need for dialogue, settlement of disputes, reconciliation of interests, and arbitration. The ESC takes the view that, apart from the informal organization of regular meetings and round tables (as proposed in the draft programme), the European tourism industry requires reinforcement and rationalization, and possibly the establishment of instruments for dialogue between all the parties concerned, with the particular aim of heading off difficulties and, where appropriate, settling disputes.

8.2.5. The legislative framework and the financial environment of tourism must be tackled afresh with the aim of seeking harmonization among Member States as well as the strengthening and promotion of best practice. Cooperation between Member States must be encouraged by every means and at every level: from the level of consumer protection to that of safe travel and friendly service for the tourist on the various transport modes, at stations and airports and on the part of the police; and including the level of the strategy to tackle the considerable problems of tourism, such as seasonality, environmental pollution, funding of SMEs and competitiveness.

8.3. *Objective C: raising quality in European tourism*

8.3.1. Objective C of the programme seeks to tackle two key questions of European tourism:

- the question of sustainable development;
- the removal of the obstacles to the development of tourism. (The title of this chapter appears ill-chosen because it does not correspond to the content).

8.3.2. As regards pursuing a policy of sustainable tourism development, the ESC is undoubtedly in agreement. However, the ways in which such a policy

should be formulated and implemented remain an open question. First of all, it requires a critical view of the established, prevailing model of tourism development which can hardly or very seldom be reconciled with the logic of sustainable development.

8.3.3. A more general policy context must be defined within which to base the organization of tourism and the supply of products of 'sustainable orientation'.

8.3.4. Questions such as the European land-use planning development initiative, transport, telecommunications, mass tourism policy and policy on special forms and categories of tourism must be tackled with a view to sustainable development.

8.3.5. Moreover, sustainable development cannot depend on the intervention of the public sector and of the tourism industry alone. For sustainability to be established in tourism, in theory and practice, the participation of society as a whole is required. What is needed is a European campaign approaching the issue at the academic and mass media levels, and in terms of organization of work, of recreation and free time, and of everyday culture. The direct, in-depth correlation of culture with tourism, and of cultural measures with tourism at local, national, regional and European level is essential.

8.4. *C2: Removing obstacles to tourism*

8.4.1. Developing alternative, specialized forms of tourism is certainly one way to contribute to the growth of the tourist industry. It should also be borne in mind that a single European currency would remove many obstacles in European tourism.

8.4.2. The ESC regards it as useful for new forms of tourism to be encouraged. For example, instructive or educational tourism can act as a factor for sustainable tourism development, both for intra-European tourism and incoming tourism. Agro-tourism is now a recognized activity. The same encouragement ought to be given to tourism related to fishing and boating on rivers, lakes and around small fishing areas.

8.4.3. In addition to operating all year round — although rather less during the academic holidays — conference and science-related tourism is one of the most profitable and employment-generating sectors of tourism.

8.4.4. Tourism for the elderly, linked or not with therapeutic tourism, could offer one solution to the

problem of seasonality as well as to the problems of the elderly such as exclusion, isolation and the need for recreation. The specific needs of handicapped people should also be taken into account in every country.

8.4.5. Religious tourism can be developed at many levels and would open up a market which has been little developed so far (for example itineraries following the steps of St. Paul, or Luther, or linking several monasteries etc.).

8.4.6. It is useful for local initiatives to be supported in the way proposed in the draft programme, so as to determine which categories of problems can be tackled locally and which require regional, national, international, or pan-European action.

8.4.7. It is however clear that the extent of the problems of tourism under each proposed heading is such that the proposed actions can only indicate certain clear pathways to follow — ways of tackling the problem rather than an overall solution to it.

8.5. *Objective D: Promoting Europe as a tourist destination*

8.5.1. On this Objective the ESC would point out that increasing the numbers of visitors from third-countries would result from all the foregoing actions, and not only from promotion.

8.5.2. The creation of demand for products which only Europe can provide, and indeed of sustainable demand for those products, can contribute substantially to achieving the objective of sustainable development. For example, cooperation between European universities or Ministers of Education with a view of establishing European standards for recognized subjects at secondary and university level or studies on Europe can create a permanent flow of visitors. Studies on European history, European art or archaeology cannot be completed without studying at a European university.

8.5.3. The offices of the European Union around the world could be strengthened with a staff responsible for tourism questions. The various centres for promoting national cultures and languages of the Member States of the Union, such as the British Council, the Goethe Institute, etc., which are now found throughout the

world, could work together and be developed further in the context of the promotion of European tourism.

8.5.4. Of the twenty main cities in the world which offer conference tourism, eighteen are in Europe. This means that Europe can satisfy various requirements of tourism demand, not only those of historical and cultural interest.

8.5.5. Ways and means must be studied for the promotion of Europe's long-term effectiveness. The choice from a European standpoint of target groups must be different from that of national tourism organizations and tour operators.

8.5.6. Cooperation among national tourism organizations can produce very good results. For example, the Alps as a region could be promoted through international cooperation. The same applies to the Mediterranean, or to the Nordic area.

8.5.7. Instead of merely seeking tourist custom, making full use of Europeans living around the world can be a permanent way of promoting Europe.

9. Conclusions

9.1. Despite the efforts of the European Commission in defining and analyzing the various problems and the improvements achieved in the harmonization of statistics, there is still no specific and institutionalized European tourism policy.

9.2. The Philoxenia programme is intended to fill a fundamental gap. It inserts a number of earlier measures into a coherent structure with a clearly defined ultimate goal: How to improve economic results in the sector of tourism without spoiling our natural environment or the quality of human life.

9.3. With this programme the European Union is entering the historical stage of formulation and implementation of a coherent policy on tourism. The Economic and Social Committee regards the Philoxenia programme as a first, small but decisive step towards the future, and takes the view that the preparation of a second Philoxenia programme would constitute an essential commitment on the part of the Commission towards the European tourism 'family'.

Brussels, 26 September 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

APPENDIX

to the Opinion of the Economic and Social Committee

The following amendment which received at least one quarter of the total votes cast, was defeated in the course of the debate:

Paragraph 7.6

Add the following:

'In this respect, the Committee calls on the Commission to set up an investigation into child labour in Pakistan which is already the subject of proceedings initiated under Articles 9 and 10 of Regulation (EC) No 3281/94, following a series of complaints.'

Reason

Self-evident.

Result of the vote

For: 30, against: 39, abstentions: 19.

Opinion of the Economic and Social Committee on the 'Proposal for a European Parliament and Council Directive on injunctions for the protection of consumers' interests⁽¹⁾

(97/C 30/27)

On 28 March 1996 the Council decided, in pursuance of Article 100a of the Treaty establishing the European Community, to ask the Economic and Social Committee for an Opinion on the above-mentioned proposal.

The Section for Protection of the Environment, Public Health and Consumer Affairs, which was instructed to prepare the Committee's work on the matter, drew up its Opinion on 16 July 1996 (Rapporteur: Mr Ramaekers).

At its 338th Plenary Session held on 25 and 26 September 1996 (meeting of 25 September 1996), the Committee adopted, by 93 votes to four, with ten abstentions, the Opinion set out below.

1. Introduction

1.1. The proposal translates into action the goals set out in the Commission's Green Paper on access of consumers to justice and meets the ESC's wishes.

In its Opinion⁽²⁾ on the Green Paper⁽³⁾, the ESC expressed regret that 'the Commission has not now used this opportunity to submit concrete proposals for action within the scope of its specific powers, particularly for exploring the potential offered by Article 129a of the Treaty of Rome'.

1.2. The proposal under review, put forward by the Commission as a 'priority action' seeks to coordinate national provisions in respect of injunctions designed to block a range of illegal commercial practices and provides for mutual recognition of the entities qualified to bring such action. It should be stressed that the proposal allows professional organisations to bring injunction proceedings.

1.3. Although at the present time most national legal systems make provision for injunctions, the effectiveness of such measures is jeopardized whenever the illegal practice concerned originates in a different country from that in which its effects are felt.

1.4. The Directive's scope is confined to practices

(1) OJ No C 107, 13. 4. 1996, p. 3.

(2) OJ No C 295, 22. 10. 1994.

(3) COM(93) 576 final, 18. 5. 1994.

governed by national laws which have been harmonized under EU Directives.

1.5. The principle of mutual recognition implies that a 'qualified entity' (i.e. a person having an interest in bringing an action) in country A may either apply directly to a court in country B or initiate injunction proceedings via a qualified entity in country B.

1.6. The draft Directive sets out minimum provisions. More favourable national provisions may be maintained.

1.7. The legal basis is Article 100a.

2. General Observations

2.1. The ESC welcomes the proposal which accords with the wishes it expressed in its Opinion on the Green Paper on access of consumers to justice:

'The Committee considers that the Commission should rapidly submit legislative proposals on the following:

- a) definition of common principles and procedures for uniform proceedings for settling transfrontier consumer disputes and actions for an injunction;
- b) definition of basic rules for the standardization of collective or joint actions relating to consumer conflicts at Community level.'

2.2. The proposal may help to boost consumer confidence in the internal market by establishing appropriate machinery for combatting cross-frontier illegal trade practices.

2.3. A right is not effective unless it can be exercised. The proposal under review is thus part of the process of securing recognition of basic civil rights, since the right to initiate legal proceedings constitutes one of these fundamental rights.

2.4. As stated in point 2.1 above, the ESC called upon the Commission to take wider-ranging measures than those contained in the proposal under review. This proposal may be regarded only as a first step towards improving consumers' access to justice.

The main aim of the proposal is to enable the courts to order the cessation of acts which constitute an infringement. Consideration should be given to the case for liability actions, which would be an effective complement to injunctions.

The ESC does, however, take note of the proposals set out in the Commission's communication on an action plan on the access of consumers to justice and the settlement of consumer disputes in the internal market (COM(96) 13 final), on which it wishes to be consulted.

2.5. The Committee has a number of observations and criticisms in respect of the proposal. These observations are set out below.

3. Specific comments

3.1. *Legal basis*

The legal basis is Article 100a, i.e. measures taken in pursuance of the establishment of the internal market.

Assuming that the aim of the proposal seeks to strengthen consumer protection, Article 129a would also appear to constitute an appropriate legal basis.

3.2. *Article 1*

Injunction proceedings may be brought only in respect of infringements of the Directives listed in the Appendix.

This field of application is very limited as many Directives which are not listed in the Appendix are concerned — either in whole or in part — with consumer protection, e.g. the Directive on product safety and the Directives on banking and insurance.

The ESC urges that the right to bring an action be applicable in respect of infringements of any provision of EU legislation transposed into national law where (a) such a provision is designed, either directly or indirectly, to protect the consumer, and (b) the infringement of such a provision may be effectively redressed by issuing an injunction. It will be up to the national and, where appropriate, Community courts to decide whether the disputed standard protects consumers or not.

3.3. *Article 4*

Member States are entitled to restrict the application of the principle of mutual recognition since they have the power to require a qualified entity from a country A to take court proceedings via a qualified entity from country B. This restriction is open to criticism. The principle of mutual recognition would be vitiated if the requirement to use an intermediary were to be enforced. Furthermore, the requirement to act via an intermediary will substantially extend the amount of time required to bring injunction proceedings and this is the very problem which the Commission is seeking to tackle.

3.4. Article 5

The Member States may make provision for the qualified entity to issue a prior notification. Assuming that such a measure will not have the effect of a delaying tactic but will make it possible to put an end rapidly to

the alleged infringement, the Committee endorses the measure.

3.5. Article 6

The Committee expresses the wish that the Commission also present the report on the application of the Directive to the ESC.

Brussels, 25 September 1996.

The President

of the Economic and Social Committee

Carlos FERRER

Opinion of the Economic and Social Committee on the 'Proposal for a European Parliament and Council Decision amending European Parliament and Council Decision No 1254/96/EC laying down a series of guidelines on trans-European energy networks'

(97/C 30/28)

On 25 September 1996 the Council decided to consult the Economic and Social Committee, under Article 129d, first paragraph, of the Treaty establishing the European Community, on the above-mentioned 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 13 September 1996 (the rapporteur was Mr Hernández Bataller).

At its 338th Plenary Session (meeting of 25 September 1996) the Economic and Social Committee adopted the following Opinion by 100 votes to one with eight abstentions.

1. General comments

1.1. The Committee welcomes the present proposal which updates the first guidelines on projects to be included in the trans-European energy networks. These guidelines, as the Committee pointed out at the time, have the dual objective of (i) forming the backbone of the internal energy market and making it physically possible, and (ii) helping to consolidate the cohesion, in terms of energy supply, of the EU's outlying and most remote regions.

1.2. The Committee is particularly pleased not only that projects in the three new member states are included, but also that these networks have been integrated into the Union's new approach to external energy policy, e.g. vis-à-vis the CEEC and, in particular, the new Euro-Mediterranean cooperation.

1.3. The Committee would, however, raise three points which could limit the success of this proposal:

1.3.1. Firstly, the meagre funding earmarked for project viability studies, coupled with the inherent uncertainties which, especially in the natural gas sector, could arise during the discussion of the directive on the internal market in this energy source.

1.3.2. Secondly, the short shrift given to projects in the outlying and most remote regions which receive only minimal attention and could therefore find themselves denied the benefits deriving from improved supplies to other regions. The Committee would reiterate its call for projects of special importance for these regions to receive, if necessary, partial financing from the Structural Funds.

1.3.3. Thirdly, the inadequate attention paid to the environmental compatibility of projects. The statement in the annex, namely that 'this decision is without prejudice to the assessment of the environmental impact of the projects', is not enough and should have been incorporated into a specific article in the decision itself.

'Whereas the next review of this list will give special attention to the integration of the specific needs of the outlying and most remote regions of the European Union so as to facilitate satisfactory conditions of security of supply and diversification of their sources of supply.'

2. Specific comments

2.2 Add the following new Article 1a:

2.1. Add the following new clause to the preamble:

'This decision is without prejudice to the need for a favourable assessment of the environmental impact of each project before it can be regarded as definite.'

Brussels, 25 September 1996.

The President
of the Economic and Social Committee
Carlos FERRER
