

English edition

## Information and Notices

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## II

(Preparatory Acts)

## ECONOMIC AND SOCIAL COMMITTEE

**Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) on the distribution of permits for heavy goods vehicles travelling in Switzerland' <sup>(1)</sup>**

(1999/C 329/01)

On 14 June 1999 the Council decided to consult the Economic and Social Committee, under the second paragraph of Article 262 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 20 July 1999. The rapporteur was Mr Kielman.

At its 366th plenary session (meeting of 22 September 1999) the Economic and Social Committee adopted the following opinion by 101 votes to 1.

### 1. Introduction

1.1. At the Council of Ministers meeting on 30 November and 1 December 1998, a political agreement was hammered out between Switzerland and the European Community for a system of rules on the transport of goods and passengers by rail and road.

1.2. The text on the transport of goods and passengers is one of the seven areas on which the EU and Switzerland have reached agreement. The others are: freedom of movement for workers, free trade in agricultural products, technical barriers to trade, access to public or semi-public corporations, the research market and air transport.

1.3. Part of the agreement on the transport of goods and passengers regulates how EU hauliers whose vehicles or vehicle combinations exceed 28 tonnes maximum total weight are to be allowed on to Swiss territory. Until now, Switzerland has not accepted lorries exceeding this weight.

1.4. The proposal involves granting permits to Member States for their lorries circulating in Switzerland. The arrangements will run for five years, starting in the year 2000 and ending on 1 January 2005, when Switzerland will align fully on EU standards for the weights and dimensions of goods vehicles.

1.5. For the year 2000 there will be a total of 250 000 of these 'full-weight permits' available for EU-registered lorries. For 2001 and 2002 the total will rise to 300 000 and for 2003 and 2004 it will be 400 000.

1.6. Permits in the year 2000 will allow lorries to circulate on Swiss territory at weights of over 28 tonnes, whilst permits for the years 2001 to 2004 will allow lorries of over 34 tonnes. After 2000, lorries under 34 tonnes will not need a permit to enter Switzerland. After 1 January 2005 there will be free access for all lorries up to a maximum weight of 40 tonnes.

<sup>(1)</sup> OJ C 114 of 27.4.1999, p. 4.

Obviously, the EU maximum weight of 40 tonnes will be in force throughout the period 2000-2004.

1.7. During the transitional period the agreement allows a certain number of permits to be granted to EU hauliers enabling them to transit Switzerland if their lorries are empty or are carrying certain specified loads. These are to be known as 'empty permits'.

1.8. The annual quota of empty permits is fixed at 220 000 for 2000-2004. The infrastructure charge for a lorry transiting Switzerland with such a permit will be CHF 40 in 2000, rising by CHF 10 per year to CHF 80 in 2004 (see Appendix 1).

1.9. In Annex III, the Commission describes its methodology for determining the allocation of permits to the Member States. As regards full-weight permits, its proposals are that:

- A basic allocation of 1 500 permits will be made to each Member State.
- For bilateral traffic, the allocation will be made on the basis of the shares of heavy vehicles registered in the Member States in bilateral road transport to and from Switzerland.
- For transit traffic, the allocation will be made on the basis of the shares of heavy vehicles registered in the Member States in the total number of diverted kilometres in North-South transalpine road traffic as a result of the current weight restrictions in Switzerland.

1.9.1. The Commission proposes carrying out a comprehensive survey in 1999 which will include details of the nationality of vehicles and the additional mileage covered because of diversions; the findings may lead to changes in the currently recommended allocation. The Commission would like to submit any proposal on this to the committee which is to be set up under the regulation.

1.9.2. The Commission suggests that 'empty permits' be allocated on the basis of the shares of vehicles registered in the Member States in transit traffic through Switzerland of vehicles with a laden weight of between 7,5 and 28 tonnes.

## 2. General comments

2.1. The aim of the draft regulation is to allocate permits between all the Member States up to the end of 2004. From 2005 onwards HGVs are to have unlimited access to Swiss territory, though such access will be subject to high fees (see Appendix 2). Since the planned transalpine rail tunnels (NEAT) are not scheduled for completion before 2010, the volume of diverted traffic will be very high until then, or even afterwards if necessary. Anyway, the ESC feels that while the rail tunnels

may in themselves be a good option for road transport, use of the railway must not be imposed through artificial tariff incentives<sup>(1)</sup>.

2.2. The Commission's plan for allocating permits is based on two factors: (i) the share of each Member State in bilateral traffic with Switzerland and (ii) their share in transit traffic through Switzerland.

2.3. Although the Commission's methodology is — provisionally — based on statistics on each EU Member State's trade with Switzerland, the ESC feels the Commission should also use transport statistics, which are more reliable for this purpose than overall trade figures. The ESC regrets that the Commission has to base its calculations on these trade figures for the moment, but carefully notes its undertaking to act as quickly as possible if the 1999 survey shows that permits need to be allocated differently.

2.4. The ESC has noted the regrettable, tragic accident that has led to the closure of the Mont Blanc tunnel for an unspecified — but certainly long — period.

2.4.1. This has led, among other things, to increased congestion at other border crossings, such as Frejus, which has hampered the free movement of goods and diminished road safety. The impact on trade and economic development throughout the EU and the social consequences for the people concerned have also been severe.

2.4.2. The ESC thinks that two possible ways of relieving this situation would be to:

- allow all HGVs to pass freely through Switzerland until the permit scheme comes into force; or
- bring forward the date on which HGVs up to 40 tonnes can transit through Switzerland.

2.4.3. The ESC urges the Council/Commission to conclude such an agreement with Switzerland.

2.4.4. Since the agreement still has to be signed by the Council, the Committee considers that the measures referred to in 2.4.2 could be discussed in greater detail.

2.5. By using trade statistics rather than transport statistics, the Commission does not take account of vehicles' nationality, which will lead to questionable conclusions being drawn when allocating permits among the Member States. No account whatsoever is taken of 'third country traffic', i.e. transport between two Member States using a HGV registered in a third

<sup>(1)</sup> OJ C 116 of 28.4.1999, p. 28.

Member State. Trade statistics attribute such transport to a haulier from one of the first two Member States. As a result, one of these two Member States will be allocated too many permits — as their traffic share will be over-estimated — while the third country, which actually performed the transport operation, will lose out. For some countries such 'third country traffic' represents more than 10 % of their international operations, so the trade statistics method may substantially distort the true state of affairs.

2.6. As the number of available HGV permits is limited in comparison with the number of recipient countries, the Commission proposes a minimum annual quota of 1 500 for each Member State.

2.6.1. Moreover, the Member States must return unused permits to the Commission by 15 November each year for redistribution.

2.6.2. The ESC thinks this date should be brought forward, so that the permits can be actually redistributed. In addition, the redistribution of permits among the Member States on the basis of the survey should include the minimum quota of 1 500 permits for each Member State.

2.7. The Commission uses the same allocation criteria for bilateral and transit traffic. It proposes to allocate permits equally to both types. The Commission offers no justification for this other than a directive from the Council of Ministers. The ESC accepts this political situation but recommends that a different allocation policy be adopted if the survey shows that the actual ratio of bilateral to transit permits is different. Given the limited number of permits available, they should be used in the best way possible.

2.7.1. It should also be pointed out here that bilateral traffic is considered as a round trip, requiring only one permit, while two permits are necessary for a two-way transit journey.

2.8. In order to determine accurately the number of permits to be allocated to each Member State, it is important to have information on the nationality of vehicles and on distances and diverted mileage. The EU Statistical Office can only provide piecemeal information on this area and the Commission therefore says that it must use an approximation when allocating shares.

2.8.1. Countries which do have more detailed data consider this to be extremely unsatisfactory, since the 'better' information is not taken into account and, in particular, countries which practise 'third country transport' suffer, because trips are counted in the trade statistics of the supplying country, and not in the transport statistics of the transporting country.

2.9. The Commission proposes to carry out traffic counting surveys this year so it can work with more reliable data as quickly as possible.

2.9.1. The parameters to be used by the Commission are set out in point 1.9.

2.9.2. Traffic will be counted at all the border crossings with Switzerland, through the Frejus tunnel, the Gotthard tunnel and the Brenner pass.

2.9.3. The ESC also assumes that the committee to be set up under the regulation will include, at least as observers, representatives of road transport organisations or the IRTU, in addition to representatives of the Member States and the Commission.

2.9.4. The ESC can go along with the method proposed by the Commission, provided that permits are reallocated among the Member States as soon as the traffic surveys have been carried out.

### 3. Specific comments

3.1. Page 3 of the proposal (point b) states that the Commission considers that the share-out of quotas should be based on the shares of Member States' hauliers in the total costs to the Community of the 28-tonne weight limit: i.e. every Member State should benefit from the same percentage reduction in its costs. The ESC would like the Commission to provide further explanation on this point.

3.2. On page 6 of the proposal the Commission estimates that 28 % of total diverted mileage comes from vehicles registered in Italy. But a very large part of the transalpine traffic between Italy and Germany goes through the Brenner pass in Austria.

Can the Commission explain how it arrived at this figure of 28 %?

3.3. The ESC has strong reservations about the data compilation exercise that the Commission intends to carry out in order to obtain better transport figures. Does the Commission intend to take account only of the nationality of the vehicles, or will it also check whether they are 'empty' or 'loaded'? This question is very important for deciding what type of permit should be granted.

3.4. The ESC states categorically that the present method proposed by the Commission for allocating permits can only be temporary, since it must perforce be based on trade statistics instead of transport statistics, a method which may give false results, especially for countries which are heavily involved in third country transport.

#### 4. Summing-up and conclusions

4.1. The ESC thinks that, in view of the political straitjacket in which the Commission had to draw up the proposal on allocating permits, it has produced an initial proposal based on a methodology that is inherently acceptable.

4.2. The ESC assumes moreover that as soon as the results of the survey on the nationality of vehicles are available, permits will actually be redistributed, so as to correct the injustices mentioned earlier. The ESC feels that this should apply both to the allocation of permits among the Member States and to the ratio of bilateral to transit permits.

4.3. As regards the impact on road transport of the closure of the Mont Blanc tunnel, the ESC would highlight the social consequences, in particular, of this closure for the other tunnels and border crossings.

4.4. So that the Member States in question suffer no serious social or economic consequences, the ESC would urge the Commission, Council and Parliament to do everything in their power to approve temporary solutions as quickly as possible and to put pressure on Switzerland using all possible means.

4.5. The ESC feels that the construction of rail tunnels through the Alps may in itself be a good option for road transport, but considers that use of the railway must not be imposed through artificial tariff incentives<sup>(1)</sup>.

4.6. The ESC thinks the deadline of 15 November, by which the Member States are supposed to return unused permits to the Commission, should be brought forward to allow the permits to be used during the current year.

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<sup>(1)</sup> OJ C 116 of 28.4.1999, p. 28.

Brussels, 22 September 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

*APPENDIX I***to the Opinion of the Economic and Social Committee****Current charge**

The current charge (the 'Schwerverkehrsabgabe') payable by laden or empty vehicles with a total authorised weight exceeding 3,5 tonnes is CHF 25 per day.

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*APPENDIX II***to the Opinion of the Economic and Social Committee****Charges after 1 January 2005**

The following charges will be payable by HGVs with a maximum total weight of 40 tonnes travelling on the Basle-Chiasso route.

- if the Lötschberg tunnel is not used, the average charge will be CHF 297,
- this will apply until 2007 at the latest;
- if the Lötschberg tunnel is used, the average charge will be CHF 330 until 2008 at the latest.

Empty vehicles will attract the standard 'Schwerverkehrsabgabe'.

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**Opinion of the Economic and Social Committee on the 'Proposal for a Council Decision concerning Community participation in the European Audiovisual Observatory' <sup>(1)</sup>**

(1999/C 329/02)

On 5 July 1999 the Council decided to consult the Economic and Social Committee, under Article 157(3) of the Treaty establishing the European Economic Community, on the above-mentioned proposal.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 September 1999. The rapporteur was Mr Hernández Bataller.

At its 366th plenary session (meeting of 22 September 1999) the Economic and Social Committee adopted the following opinion by 104 votes to two.

## 1. Introduction

1.1. The audiovisual industry, especially television broadcasting and cinematographic production, is an economic sector of key strategic importance for Europe. Among the most significant facts, it should be pointed out that:

- the audiovisual sector represents somewhere between 1 and 2 % of Europe's GDP;
- it currently employs some 1.8 million people and is growing by 7 % annually. This growth is exponential, is very important from an economic point of view, and offers major opportunities for business.

1.2. Nevertheless, in Europe the industry is characterised by a multiplicity of fragmented markets; inadequate production and distribution infrastructure; insufficient investment to develop audiovisual projects; in addition, it has to cope with different levels of involvement in decisionmaking by professionals and producers, by creators and managers.

1.2.1. If we compare the situation of this sector in Europe with that in the United States, we see that the US exports ten times more audiovisual products to Europe in terms of market value. According to Eurostat data, the EU's balance of payments deficit with the US in this sector amounted to almost EUR 1 600 million in 1995. And, according to estimates by the European Audiovisual Observatory, the EU had a deficit of over EUR 5 000 million in its trade in programmes with US in 1997.

1.3. From the European angle, the importance of the audiovisual industry resides not only in the business dimension, but also in its role as a vehicle for promoting our culture and democratic values.

1.3.1. Besides its economic importance, the audiovisual sector is a cultural industry with an inherently 'unique' product. In Europe the traditional approach to the audiovisual media has been to try to maintain a balance between:

- on the one hand, the right to freedom of expression and information, which is an intrinsic part of a democratic society;
- on the other, the defence of the general interest, which serves as a justification for protecting minors, combating racism and xenophobia, safeguarding the right to privacy and improving social cohesion.

1.3.2. Thus it may be said that Europe has a social model based on a number of common values, focusing on:

- a deep-seated respect for democracy and human rights;
- respect for the rule of law;
- a balance between the public and private, between economic interest and social responsibility.

1.4. In Europe it has never been thought that the audiovisual sector should be outside the law, that if left to its own devices it would evolve in a natural way, guaranteeing pluralism. In Europe this sector has always been based on two fundamental factors: its unique nature and its social and cultural function.

1.4.1. Accordingly, one of the key elements in all the Member States' audiovisual policies has always been to guarantee not only the media's mission to provide information, but also to stress their role in educating their audience, over and above purely commercial considerations <sup>(2)</sup>.

<sup>(1)</sup> OJ C 110 of 21.4.1999, p. 14.

<sup>(2)</sup> OJ C 301 of 13.11.1995, p. 35. ESC Opinion on the Proposal for a European Parliament and Council Directive amending Council Directive 89/522/EEC on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities.



1.5. EU policy has had two objectives:

- to create a European audiovisual area guaranteeing the free movement of audiovisual services;
- to strengthen and improve the competitiveness of the European audiovisual production industry.

1.6. The Council has recently approved a decision<sup>(1)</sup> establishing the Community statistical information infrastructure required to frame and apply a Community policy for the industry and markets of the audiovisual and related sectors.

## 2. The Commission proposal

2.1. The European Audiovisual Observatory was established by the Council of Europe on 15 December 1992 in Strasbourg. Since that meeting, at which the Commission was present, the number of Member States of the Observatory has grown from 29 to 34. Its aims were to improve the transfer of information within the audiovisual industry and to promote a clearer view of the market and greater transparency. More specifically, the task of the Observatory is to collect and process information and statistics on certain branches of the audiovisual sector (namely, legal, economic and programme information).

2.1.1. Initially the Observatory was established for a pilot phase and then after three years an evaluation of its operation was carried out. Thus on 20 March 1997 the Committee of Ministers of the Council of Europe adopted a resolution confirming the continuation of the Observatory. The new statute appended to the resolution confirmed the aims of the Observatory, whose services were to be directed mainly at catering for the needs of professionals in the industry. They explicitly exclude any standard-setting or regulatory activities.

2.1.2. The Commission ran a series of pilot activities on a framework for priority actions in the field of statistical information<sup>(2)</sup>. It was specified that the audiovisual industry is regarded as one of the priority service sectors at Community level and provision was made for the establishment of a new information system based on the 'enterprise' approach and functional statistics.

2.1.3. There is a consensus that the activities of Eurostat and the Observatory are complementary and strengthen each other since:

- Eurostat's primary preoccupation is to meet the statistical needs of its users, namely the Commission and other Community institutions, governments of Member States, operators on the internal market and the public at large;

- the Observatory's mission, while specifically excluding standard-setting or regulatory activities, is focused on providing functional information, i.e. information pertinent to the operative needs of companies and professionals. Its officially recognised target groups are professionals of various categories, with governments and public authorities taking last priority; this is because detailed market information needed by operators in the field falls naturally within its competence.

2.2. The Commission's aim in putting forward this proposal is to establish a legal basis for the Community's contribution to, and participation in, the Observatory, taking into account the European Court of Justice's decision of 12 May 1998 (case C 106/96) on legal bases.

2.2.1. The Community contribution to the Observatory represents 12.25 % of the total budget. The remainder of the budget is contributed by the Member States of the Council of Europe which are also members of the Observatory, according to the weighting applied for Eureka Audiovisual<sup>(3)</sup>.

## 3. General comments

3.1. The Committee supports the Commission proposal as it will help to boost the competitiveness of Europe's audiovisual sector by improving the transfer of economic and legal information, providing a clearer picture of the market, encouraging transparency and investment in infrastructure.

In short, the Committee considers that adoption of the proposal will help to strengthen the European audiovisual industry.

3.1.1. Furthermore, the proposal will not increase the burden on firms, nor will it mean additional statistical work for the various institutions and administrations.

3.2. The Committee shares the Commission's point of view given that this measure:

- will help to provide data enabling comparisons to be made between the Observatory's Members; such data are of great interest to the audiovisual industry, the Community institutions, governments, economic and social decision-makers, research institutes, media users, universities and the media themselves;
- is complementary to the Community instruments for the establishment of a Community statistical information infrastructure on the industry and markets of the audiovisual and related sectors. The compilation of statistical information by the Community on the audiovisual sector should be different from the statistical analyses carried out by the European Audiovisual Observatory.

<sup>(1)</sup> OJ L 117 of 5.5.1999, p. 39. Council Decision of 26 April 1999 establishing a Community statistical information structure relating to the industry and markets of the audiovisual and related sectors.

<sup>(2)</sup> OJ L 19 of 18.8.1993. Council Decision 93/464/EEC.

<sup>(3)</sup> See appendix.

3.2.1. The Committee reiterates<sup>(1)</sup> that access to information implies the accessibility of archives and registers, equal participation by all operators and the public obligation to protect freedom of access. Furthermore, access to and use of the Observatory's data should be affordable and based on the costs of printing, updating, retrieving and transmitting the data.

3.3. The Committee considers it important for Community industry and users to have reliable and up-to-date information; this is essential for monitoring, evaluating and drawing up Community programmes.

3.4. At all events, the statistics which are compiled should be based on the principles of impartiality, reliability, relevance, cost/benefit, statistical secrecy for individuals and transparency.

3.5. The Community should evaluate the importance of the audiovisual sector and future requirements for statistics on this sector, especially the data needed to deepen the social dimension of the Union, i.e. to develop and monitor employment, training and equal opportunities policy.

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<sup>(1)</sup> OJ C 169 of 16.6.1999, p. 30. ESC Opinion on Public sector information: a key resource for Europe — Green Paper on public sector information in the information society.

3.6. The Committee would reiterate its analysis highlighting the strategic importance of the audiovisual sector in the EU<sup>(2)</sup> and its impact on job creation. The rapid advance of the audiovisual industries and sectors throughout the world make it even more important and strategic to have a better statistical knowledge of these sectors.

3.7. The Committee hopes that the Commission (a) promotes an audiovisual policy which guarantees genuine European added value by launching Community programmes and actions in the audiovisual sphere, especially the Media III programme, and (b) ensures in general that Community law is respected and applied, in particular through the proper application of the Treaty of Amsterdam's Protocol on the system of public broadcasting in the Member States.

3.8. The Committee reiterates<sup>(3)</sup> that, if more practical action is to be taken in the cultural sphere to defend and promote the 'European cultural identity' and endow it with a political dimension, it is necessary to raise awareness among users and provide them with information, as well as serving the industry and Member States. Hence the Commission should set up a 'European Information Society Agency' which would also help to coordinate the various initiatives in the area of multimedia convergence<sup>(4)</sup>.

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<sup>(2)</sup> OJ C 204 of 15.6.1996, p. 5. ESC Opinion on the Proposal for a Council Decision establishing a European Guarantee Fund to promote cinema and television production.

<sup>(3)</sup> OJ C 256 of 2.10.1995, p. 24. ESC Opinion on the Proposal for a Council Decision on the implementation of a training programme for professionals in the European audiovisual programme industry (Media II — Training) and the Proposal for a Council decision on a programme to promote the development and distribution of European audiovisual works (Media II — Development and Distribution) (1996-2000).

<sup>(4)</sup> Convergence may be defined as the point at which communication, technology and the media intersect.

Brussels, 22 September 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

## APPENDIX

## to the Opinion of the Economic and Social Committee

## Contributions to the budget of the Audiovisual Observatory

Cyprus	0,049975	Ireland	0,249875	Belgium	2,248876
Estonia	0,049975	Romania	0,249875	Switzerland	2,248876
Former Republic of Yugoslavia	0,049975	Slovak Republic	0,349825	Sweden	2,498751
Iceland	0,049975	Poland	0,49975	Netherlands	2,998501
Latvia	0,049975	Czech Republic	0,649675	Spain	5,497251
Liechtenstein	0,049975	Finland	0,9995	Germany	12,243878
Lithuania	0,049975	Greece	0,9995	France	12,243878
Luxembourg	0,049975	Norway	0,9995	Italy	12,243878
Malta	0,049975	Portugal	0,9995	Russia	12,243878
Slovenia	0,09995	Turkey	0,9995	United Kingdom	12,243878
Bulgaria	0,249875	Austria	1,49925	European Commission	12,243878
Hungary	0,249875	Denmark	1,49925		

**Opinion of the Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council amending Directive 94/55/EC on the approximation of the laws of the Member States with regard to the transport of dangerous goods by road' <sup>(1)</sup>**

(1999/C 329/03)

On 7 June 1999 the Council decided to consult the Economic and Social Committee, under Article 71(1)(c) of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 20 July 1999. The rapporteur was Mr Giesecke.

At its 366th plenary session on 22 and 23 September 1999 (meeting of 22 September 1999) the Economic and Social Committee adopted the following opinion by 89 votes to 2.

## 1. Introduction

1.1. The general public in all Member States of the European Union takes a great interest in the transport of dangerous goods and measures relating to such transport.

1.2. The present proposal is intended to ensure quality and safety standards in the carriage of dangerous goods by road.

1.3. It refers to Directive 94/55/EC, which to date has not been incorporated completely into national laws.

1.4. The key problem is that EU standards on tanks and receptacles for transporting dangerous goods in class 2 (gases) by the European Committee for Standardisation (CEN) have not been brought into force as ordered in accordance with Directive 94/55/EC.

1.5. These gases are transported in lorries packed in such things as cigarette lighters, aerosols, camping stoves, or as fuel for private homes or industrial use.

1.6. In all Member States over the past 80 years or so there have been various provisions in industrial law and transport law concerning the packing and transporting of class 2 gases.

1.7. These national laws can be very different simply on technical grounds, especially for climatic reasons (e.g. in Finland or Greece). So, a common European standard is necessary.

1.8. Governments and professional organisations in each Member State are affected by this standardisation. So, in each Member State there is a considerable need for a meeting of the minds.

1.9. Common ground must be found between proposals from national and EU-level associations, although interests differ very considerably. However, for the ESC it is not entirely unexpected that no CEN standard has yet been agreed, even though safety and environmental considerations require one.

## 2. The Commission's proposal

2.1. The Commission wants to extend the deadlines set in Directive 94/55/EC, for the reasons given in the introduction.

2.2. It proposes deadlines itself or, because of the complexities involved, refers some extensions to the 'Adaptation Committee', in accordance with Article 9.

2.3. An additional proposal lays down that '*ad hoc* conditions' may continue to apply to the carriage of dangerous goods within the territory of a single state.

## 3. General comments

3.1. The Commission's proposal is appropriate and welcomed, for the reasons given above.

3.2. The ESC recommends that individual Member States be allowed to apply stricter standards than the ADR for local transport operations. This is also conducive to equality of opportunity for rail transport.

3.3. As low standards are also a possibility however, the Committee would ask the Commission to clarify what it understands by 'local transport'. Under no circumstances must the meaning of this term be broadened to cover large stretches of a distribution area.

3.4. In view of various occurrences in the past, the ESC trusts that the governments responsible will impose the strictest standards when granting derogations for '*ad hoc* transport operations'.

<sup>(1)</sup> OJ C 171 of 18.6.1999, p. 17.

#### 4. Specific comments

4.1. Article 6(9) of the proposed directive bans discrimination in relation to the derogation for 'local transport'. The Committee would call for a matching ban in relation to the derogation for 'ad hoc transport operations' under Article 6(11).

4.2. In its assessment of the 'current situation' the proposal states that this directive should have come into force on 1 January 1999.

4.3. As this has not happened to date, national law continues to apply.

4.4. The ESC understands the Commission's initial position of 'wait and see' when submitting a draft directive but feels that the present proposal should be enacted in good time, before the expiry of the transitional provisions.

Brussels, 22 September 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

### **Opinion of the Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council amending Directive 96/49/EC on the approximation of the laws of the Member States with regard to the transport of dangerous goods by rail' <sup>(1)</sup>**

(1999/C 329/04)

On 7 June 1999 the Council decided to consult the Economic and Social Committee, under Article 71(1)(c) of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 20 July 1999. The rapporteur was Mr Giesecke.

At its 366th plenary session on 22 and 23 September 1999 (meeting of 22 September) the Economic and Social Committee adopted the following opinion by 110 votes to 0 with 2 abstentions.

#### 1. Introduction

1.1. The general public in all Member States of the European Union takes a great interest in the transport of dangerous goods and measures relating to such transport.

1.2. The present proposal is intended to ensure quality and safety standards in the carriage of dangerous goods by rail.

1.3. It refers to Directive 96/49/EC, which to date has not been incorporated completely into national laws.

1.4. The key problem is that EU standards on tanks and receptacles for transporting dangerous goods in class 2 (gases) by the European Committee for Standardisation (CEN) have not been brought into force as ordered in accordance with Directive 96/49/EC.

1.5. These gases are transported by rail packed in such things as cigarette lighters, aerosols, camping stoves, or as fuel for private homes or industrial use.

1.6. In all Member States over the past 80 years or so there have been various provisions in industrial law and transport law concerning the packing and transporting of class 2 gases.

1.7. These national laws can be very different simply on technical grounds, especially for climatic reasons (e.g. in Finland or Greece). So, a common European standard is necessary.

1.8. Governments and professional organisations in each Member State are affected by this standardisation. So, in each Member State there is a considerable need for a meeting of the minds.

<sup>(1)</sup> OJ C 181 of 26.6.1999, p. 25.

1.9. Common ground must be found between proposals from national and EU-level associations, although interests differ very considerably. However, for the ESC it is not entirely unexpected that no CEN standard has yet been agreed, even though safety and environmental considerations require one.

## 2. The Commission's proposal

2.1. The Commission wants to extend the deadlines set in Directive 96/49/EC, for the reasons given in the introduction.

2.2. It proposes deadlines itself or, because of the complexities involved, refers some extensions to the 'Adaptation Committee', in accordance with Article 9.

2.3. An additional proposal lays down that 'ad hoc conditions' may continue to apply to the carriage of dangerous goods within the territory of a single state.

## 3. General comments

3.1. The Commission's proposal is appropriate and welcomed, for the reasons given above.

3.2. The ESC recommends that individual Member States be allowed to apply stricter standards than the RID for local transport operations. This is also conducive to equality of opportunity for road hauliers.

3.3. As low standards are also a possibility however, the Committee would ask the Commission to clarify what it understands by 'local transport'. Under no circumstances must the meaning of this term be broadened to cover large stretches of a distribution area.

3.4. In view of various occurrences in the past, the ESC trusts that the governments responsible will impose the strictest standards when granting derogations for 'ad hoc transport operations'.

## 4. Specific comments

4.1. Article 6(9) of the proposed directive bans discrimination in relation to the derogation for 'local transport'. The Committee would call for a matching ban in relation to the derogation for 'ad hoc transport operations' under Article 6(11).

4.2. In its assessment of the 'current situation' the proposal states that this directive should have come into force on 1 January 1999.

4.3. As this has not happened to date, national law continues to apply.

4.4. The ESC understands the Commission's initial position of 'wait and see' when submitting a draft directive but feels that the present proposal should be enacted in good time, before the expiry of the transitional provisions.

Brussels, 22 September 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

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**Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) on the common organisation of the market in fishery and aquaculture products'**

(1999/C 329/05)

On 23 March 1999 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 Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 13 July 1999. The rapporteur was Mr Chagas.

At its 366th plenary session (meeting of 22 September 1999), the Economic and Social Committee adopted the following opinion by 107 votes to six, with two abstentions.

## 1. Introduction

1.1. The present proposal for a regulation on the common organisation of the market in fishery and aquaculture products comes in the wake of the communication which the Commission submitted to the Council and the European Parliament on 16 December 1997, on the future for the market in fisheries products in the European Union: responsibility, partnership and competitiveness.

1.2. The proposal revises and adapts various aspects of the common market organisation and consolidates hitherto separate pieces of legislation.

1.3. As regards the developments which have prompted these changes, the proposal gives producer organisations greater responsibility for managing resources and catches and for adjusting these to market needs. It also contains provisions designed to improve consumer information in the retail chain, and establishes mechanisms for improving the supply of products to the processing industry.

## 2. General comments

2.1. The Committee approves the proposed regulation, subject to acceptance of the comments which follow:

2.2. The Committee has always welcomed steps to improve the common market regime in the sector, in particular those designed to simplify market management and increase the role and representativeness of producer organisations, thereby helping them to become more dynamic.

2.3. The common fisheries policy (CFP) has been adapted a number of times, inter alia in order to accommodate successive enlargements of the EU, the various fisheries traditions and practices of its Member States, and the situation regarding resources.

2.4. With a view to improving the operation of the markets and giving producer organisations a more effective role on them, it might be useful to collect more detailed and up-to-date

information on Member State producer organisations and producers (and on their situation and status). This would help to ascertain whether the current Community system of producer organisations is in tune with the production situation. The Committee calls on the Commission to conduct such an analysis with the involvement of the sector.

2.5. In the Committee's view, the common market organisation should become an effective instrument of the CFP; any changes should be consistent with the other strands of the CFP, so that the sector develops as a whole.

2.6. The Committee welcomes the fact that material which is currently to be found in several different legislative texts is being brought into one single document. This is helpful for those working in the sector.

2.7. The Committee stresses that the proposal is well founded and consistent, and that it takes account of its own comments and those of the sector.

2.8. Although the common market organisation cannot solve all the sector's problems on its own, it must consistently further the objectives of the CFP.

2.9. At a time when fishery resources are scarce, measures which encourage producer organisations to draw up operational programmes that adjust catches to market needs, thereby avoiding wastage of a common but scarce resource, are generally to be welcomed — especially if the requisite financial support is forthcoming.

2.10. The fisheries sector has to contend with dwindling catches and competition from third country producers. In such a situation, price support is particularly important and to a large extent guarantees the economic viability of many producers.

2.11. Making the sector viable is important for the economy of certain regions and for their inhabitants, and would also safeguard the survival and competitiveness of a product which is being recommended more and more as part of a proper diet because of its nutritional value.

2.12. The basic provisions for improving labelling and consumer information on the differences between fresh, chilled and frozen products have also been dictated by the market and will help make the activities of operators more transparent. Producer organisations should comply fully with this and exploit the Community instruments and financial support available to them to the full.

2.13. Common marketing standards are to be established using a special procedure. This must take account of and respect the wide diversity of consumption patterns and habits (e.g. for fresh fish) within the EU. As has been done for other products, the common marketing standards should be extended to cover all salted, fresh or dried products.

2.14. In this connection too, the Committee emphasises the importance of minimum sizes, not only in terms of conservation policy but also in relation to international trade.

2.15. Competition from third-country produce sometimes flouts the relevant legislation, penalising Community production and seriously disrupting the sector.

2.16. The implementation of monitoring provisions in this area has largely been left to the Member States, and has not always been satisfactory. Despite the current trend towards greater efficacy, the Committee stresses the need for stricter monitoring, throughout the EU, of the rules governing imports and landings from third countries or vessels flying flags of convenience, especially as regards quality, minimum size and health standards.

2.16.1. The Committee reiterates its request to the Commission to endeavour to extend Community measures on the management and protection of fishery resources, both in international bodies and in bilateral agreements with third countries. The aim should be to harmonise procedures and rules so as to both protect resources and reduce distortions of competition.

2.17. In order to avoid the disruptions and serious market crises which are sometimes triggered by unfair competition from third country producers, the Committee urges the Commission to establish a specific support mechanism to provide financial compensation for producer organisations.

2.18. The measures for boosting the role of producer organisations will, in some circumstances, oblige non-members to comply with the rules established and adopted by the main organisation in their region. The Committee points out that this is a rather sensitive matter, and should be the

exception rather than the rule. At all events, as the Commission itself says, it must not jeopardise freedom of trade.

2.19. Under the proposal, compensation for the non-members concerned is to be granted by the Member States.

2.19.1. The Committee thinks that this measure should be funded from the EAGGF.

2.20. It is generally agreed that a further way to upgrade Community fishery products and protect Community production from increasing third-country competition is for the sector to adopt a quality policy that is clearly in tune with consumer preferences.

2.21. As already noted, a true policy for improving quality begins on board ship and must be continued right through to the final consumer.

2.22. The proposed regulation laying down rules for Community structural assistance for renewal of the fleet stipulates that the capacity withdrawn must be at least 30 % greater than the new capacity added. The Committee doubts whether these conditions will enable operators to renew the fleet. Here it would reiterate the comments made in the relevant ESC opinion<sup>(1)</sup>.

2.23. A cast-iron guarantee is needed of the safety of food products for human consumption. The Committee thinks that the Commission should draw the full consequences from the analysis of the implications of the use of certain products or ingredients in feed for animals which are destined for human consumption. Similar concern must be exercised in the case of aquaculture products.

2.24. The processing industry must be guaranteed quality and quantity of supply. To this end, conditions must be established to ensure a smooth supply — preferably from Community producers — to industry, although Community production is unable to provide all the raw materials needed by processors.

2.25. Hitherto, the supply of third-country produce to the Community processing industry has been subject to quotas, depending on the needs of the industry. The Commission now proposes to facilitate supplies to the industry by suspending CCT duties for some selected products listed in Annex V.

2.26. The Committee lacks information which would enable it to ascertain whether the existing quota system has proved unsuitable, and whether it is this that has prompted the proposal to remove quota restrictions on Annex V products.

<sup>(1)</sup> OJ C 209, 22.7.1999, p. 10.



2.26.1. The Committee is concerned about the socio-economic consequences of this measure, as it may make Community production even greater prey to third-country competition, adding the new customs concessions to the already low cost of production factors and raw materials.

2.26.2. As regards the supply of raw materials to the processing industry, the Committee would prefer that the case-by-case analyses and the current quota system be main-

tained for all products. The Committee recommends immediate action to reduce the amount of time and red tape needed to authorise the suspension of customs duties, with a view to smoothing supplies to the Community processing industry.

2.27. As regards funding, the Committee would stress that the reform is ambitious and far-reaching, and must be backed by an equally extensive financial allocation if it is to have any real impact on the sector.

Brussels, 22 September 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

### **Opinion of the Economic and Social Committee on the 'Proposal for a Council Directive on the marketing of forest reproductive material' <sup>(1)</sup>**

(1999/C 329/06)

On 8 September 1999 the Council decided to consult the Economic and Social Committee, under Article 37 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 13 July 1999. The rapporteur was Mr Kallio.

At its 366th plenary session (meeting of 22 September 1999), the Economic and Social Committee adopted the following opinion by 108 votes in favour and one abstention.

#### **1. Background**

1.1. The marketing of forest reproductive material within the EU is currently governed by two directives: Directive 66/404/EEC (the origin directive), which is concerned with the origin of material for marketing and the information required about such material, and Directive 71/161/EEC (the quality directive) on the quality of seeds and planting stock. These directives were issued in 1966 and 1971 respectively and since then have undergone very little modification. The Commission recognized the need for the directives to be revised during accession negotiations with Finland and Sweden, and these countries were granted a transitional period until the end of 1999 to implement them.

#### **2. Assessment of the proposal**

2.1. The present draft directive is the result of considerable effort by the working group and lengthy preparation within

the Standing Committee on seeds and propagating material for agriculture, horticulture and forestry. It combines the above-mentioned directives into a single text and makes numerous modifications to both of them.

2.2. The proposal takes account of Finland and Sweden's special needs by adding a new category of reproductive material, known as source-identified ('stand seed'), which could not be used under the current directives. The use of material belonging to this category is indispensable, especially in northern parts of Finland and Sweden. Those countries which do not wish to use such material (e.g. Germany) can prohibit it in their national legislation. Member States are also allowed to impose more stringent requirements than those laid down in the proposal in other respects within their own territory, which ensures that there will be no need to compromise on the level of regulation previously adhered to once the revised directive comes into effect. In this sense the proposal successfully takes account of the differing needs of Member States.

<sup>(1)</sup> OJ C 199 of 14.7.1999, p. 1.

2.3. The proposal responds to developments in the field. An effort has been made to bring the key concepts and classifications into line with the new updated OECD scheme covering forestry reproductive material international trade. This will facilitate trade with OECD countries outside the Community.

2.4. It is generally known that moving material too far from its origin, especially from south to north, inevitably results in the failure of forest cultivation. The Member States may, with the Commission's authorization, prohibit the use of such unsuitable material within their territory. They must demonstrate the unsuitability of the material in order to obtain this authorization. Some consideration should be given to simplifying procedures in this respect and giving Member States greater discretionary powers while at the same time respecting the free movement of goods within the Community.

2.5. The proposal broadens the scope of the directive, chiefly to take account of the increase in the number of tree species. The need for controls is also increasing, bringing higher costs. In compensation, buyers of forest reproductive material should have a higher degree of certainty that the material is of a reliable origin.

2.6. The accuracy of information on forest reproductive material must also be guaranteed when material is sold into the territories of other Member States. This requires highly effective cooperation between Member States' control authorities and an obligation to disclose information on seeds and planting stock being imported. The adequacy of the provisions

concerning these procedures in the proposal is in need of review.

### 3. Economic impact for the Member States

3.1. Implementation of the directive will increase national administrative costs because the production and marketing of forest reproductive material will have to be documented more thoroughly and official control measures will have to be stepped up. The provisions on determining regions of provenance, various registers and maps will require a considerable amount of work at the implementation stage.

### 4. Entry into force of the directive

4.1. The draft directive provides for a transitional period until 1 January 2000 for implementation. This is vital for Finland and Sweden given the importance of forestry and the intensive way in which it is practised in these countries. The new provisions will entail so many administrative changes that the timetable for implementation of the directive needs to be reviewed. Since national legislation on forest reproductive material also needs to be revised, the earliest the directive can be implemented in Finland is from the beginning of 2001. The transition period for implementation of the current directives granted to Finland and Sweden upon accession, which expires at the end of this year, should therefore also be extended by at least one year. The transitional arrangements should also ensure that seeds obtained may continue to be marketed, at least domestically.

Brussels, 22 September 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

## Opinion of the Economic and Social Committee on the 'Draft Council Regulation (EC) on waste management statistics'

(1999/C 329/07)

On 5 July 1999, the Council decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Economic Community, on the above-mentioned draft Regulation.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 14 July 1999. The rapporteur was Mr Vasco Cal.

At its 366th plenary session on 22 and 23 September 1999 (meeting of 22 September 1999), the Economic and Social Committee adopted the following opinion by 108 votes to one, with two abstentions.

### 1. Introduction

1.1. On 24 February 1997, in view of the major legislative, economic and technical progress made in the field of waste policy since its resolution of 7 May 1990<sup>(1)</sup>, giving guidance to national and Community authorities and economic operators and consumers, the Council adopted a new resolution calling for a Community strategy for waste management<sup>(2)</sup>. In this resolution, the Council:

- emphasised the role that statistics can play in identifying waste-related problems, assessing management priorities and formulating and achieving realistic objectives within the framework of waste management policies;
- stressed the need for the production on a regular basis of adequate waste-related data coherent with Community legislation;
- invited the Commission to establish, in cooperation with the European Environment Agency and Member States, a Community-wide reliable system of data collection for waste, which should be based on common terminology, definitions and classifications and should operate at the lowest public and private cost;
- invited the Commission to promote and the Member States and economic operators to establish and pursue quantitative targets of an indicative nature which aim to achieve significant reductions in the amount of waste generated and increased levels of reuse, recycling and recovery;
- requested that the Commission collect information on those environmentally dangerous substances and materials in waste which cause special problems in Member States and to bring forward, as appropriate, recommendations for measures to deal with these problems.

1.1.1. In the same resolution, the Council expressed concern 'at the large-scale movements within the Community of waste for incineration with or without energy recovery' and

invited the Commission to consider the scope for adjusting Community legislation on the incineration of waste with energy recovery and to make proposals accordingly.

1.2. The most recent Community statistical programme<sup>(3)</sup> referred, under its 'Environment' title, to the four-year programme (1994-1997) on the environmental component of official statistics<sup>(4)</sup>, which it stated had been designed 'to meet the needs for statistics together with the information from the European Environment Agency'.

1.2.1. On the same subject it read: 'ongoing work will be continued to fill important data gaps relating to waste and recycling statistics, water use and discharges, use of hazardous and scarce materials, as well as environmental expenditure. A set of satellite accounts for the environment linked to the national accounts will be developed covering the stocks and use of the main natural resources, flows of materials, emissions and environmental expenditure'.

### 1.3. The European Parliament

1.3.1. In its resolution of 14 November 1996<sup>(5)</sup>, the European Parliament called for a clear definition in Community legislation of the concepts of 'waste' and 'product' on the basis of the relevant Court of Justice rulings (Zanetti and Wallonia cases). Furthermore, the European Parliament invited the Council and the Commission:

- to put forward proposals for cutting the volume of waste as well as reducing the presence of hazardous substances in waste such as chlorine, mercury, PVC, cadmium and other heavy metals;
- to formulate targets in the waste management plans for cutting the volume of waste in such a way that they can be assessed and adjusted every two years on the basis of their results.

<sup>(1)</sup> OJ C 122 of 18.5.1990.

<sup>(2)</sup> OJ C 76 of 11.3.1997.

<sup>(3)</sup> OJ L 42 of 16.2.1999.

<sup>(4)</sup> OJ L 328 of 20.12.1994.

<sup>(5)</sup> OJ L 362 of 2.12.1996.

1.3.2. In the same resolution, the European Parliament supported the Commission's view that much better waste statistics were needed and called on the Member States to work together with the European Environment Agency and Eurostat.

#### 1.4. *The Committee of the Regions*

1.4.1. The Committee of the Regions, in its opinion of 16 January 1997<sup>(1)</sup> on the Communication from the Commission to the Council and the European Parliament on the review of the Community strategy for waste management, regretted 'the limited statistical base available on waste at a Community level' and expressed the opinion that a better base could be secured through 'better cooperation among the local and regional authorities'.

#### 1.5. *The Economic and Social Committee*

1.5.1. Point 2.1 of the Committee's opinion of 19 September 1990<sup>(2)</sup> on the proposal for a Council Decision adopting a four-year programme (1990-1993) to develop regular official statistics on the environment<sup>(3)</sup> reads:

'The Committee realises that progress in compiling specific statistics on the environment varies widely among national statistics offices and that the task of developing for the main sectors about one hundred uniform and reliable basic statistical indicators, each representing the culmination of the process of gathering and processing thousands and tens of thousands of physical, technical, economic and social data, is a methodologically complex one.'

## 2. **The Commission's draft regulation**

2.1. The draft regulation is designed to establish a framework to oblige Member States and the Commission to produce Community statistics on the management of waste generated by businesses and households. The following areas are covered:

- waste production and recovery by economic activities;
- household and similar waste collection by businesses and municipal collection schemes;
- waste incineration, composting and disposal by businesses and municipal authorities.

<sup>(1)</sup> OJ C 116 of 14.4.1997.

<sup>(2)</sup> OJ C 332 of 31.12.1990.

<sup>(3)</sup> This programme was never adopted. The legislative procedure of which this Committee opinion is a part led to the adoption by the Council of the 1994-1997 programme referred to in point 1.2.

2.2. The Commission is to be assisted by the Statistical Programme Committee and, within three years of the regulation's entry into force and every three years thereafter, must submit a report to the European Parliament and the Council on the statistics compiled and, in particular, their quality and the burden on business.

2.3. The financial impact is estimated at a total of EUR 450 000 for the years 1999, 2000 and 2001.

## 3. **General comments on the Commission document**

3.1. The Economic and Social Committee welcomes the proposed regulation aimed at establishing a Community-level statistical framework for the management of waste generated by business and households. It should provide Eurostat with reliable and comparable data, collected and processed in good time to provide a basis for the progressive harmonisation of waste management in the European Union.

3.2. The Committee calls on the Council to adopt the proposed regulation forthwith. It will be an important weapon in the environmental policy armoury, in particular for preventing illegalities in the management of waste collection and incineration.

3.3. The Committee is pleased to note that the proposal will pave the way for effective cooperation between Eurostat and the European Environment Agency (EEA) which was set up in 1996. The European Waste Catalogue (EWC) established by Commission Decision 94/3/EC<sup>(4)</sup> provides a classification system which will henceforward serve as a basis for the collection, in all the Member States, of all waste-related data.

3.3.1. The Committee welcomes the fact that a 'memorandum of understanding' is being drawn up between the EEA and Eurostat. The Committee hopes that this memorandum will make for better and more rapid coordination between these two bodies. It particularly wishes to see an end to overlaps and oversights.

3.4. The Committee asks whether it would not be possible to shorten the transition period of three years referred to in Article 4. It is aware, however, that the staff shortages and financial constraints facing national statistical offices add weight to the argument in favour of a period to enable Member States to adjust gradually to Community requirements.

3.5. However, the Committee would stress that Community policy on the collection, recovery and/or elimination of waste is universally welcomed and approved by the Member States. It is, therefore, up to them to provide the necessary means for optimal implementation.

<sup>(4)</sup> OJ L 5 of 7.1.1994.

3.6. The Committee again draws attention to the importance of high quality statistics to back up national and Community policies. It notes, however, that national statistical offices often suffer from the belt-tightening that has been and is still required for the implementation of the EMU and the stability and growth pact.

3.7. The Committee would query the case for limiting the compulsory surveys provided for under Article 3 to enterprises with more than nine employees. Nevertheless, while maintaining that criteria based on quantity of waste would have been preferable, the Committee accepts the wisdom of the Commission-proposed criteria, to avoid discouraging the micro businesses that are so important for job creation, particularly since enterprises generating dangerous waste are governed by other measures.

3.8. The Committee proposes that the financial statement accompanying the proposal should be extended to include partial Community funding for Member States that are lagging a long way behind in the area of waste statistics (following the lead of the Environment DG on statistical projects in Member States). Negotiations should be initiated right now with those countries applying to join the EU in order to help their statistical offices to meet the requirements laid down in this regulation.

3.9. The Committee fears that statistical data collected on the basis of the proposed regulation will not provide a clear reflection of waste 'flows'. It may be necessary to review the system in due course to provide a picture of 'flows', to further the battle against the improper elimination and illegal export of certain types of waste.

#### 4. Specific comments

4.1. In Article 2 (a) there should be a reference to Commission Decision 96/350/EC<sup>(1)</sup> as well as to Directive 75/442/EEC.

<sup>(1)</sup> Commission Decision of 24 May 1996 adapting Annexes IIA and IIB of Council Directive 75/442/EEC on waste. OJ L 135 of 6.6.1996.

Brussels, 22 September 1999.

4.2. In Annex I, Section 2, paragraph 3, numbers 14 (non-ferrous metal scrap excluding packaging), 26 (textile waste), and 43 (construction and demolition waste) should not lead to confusion since from a legal point of view these materials are regarded as waste, even if technically they can be used as raw materials.

4.3. In the same Annex, it can be difficult to distinguish between the products mentioned under numbers 25 (other wood waste) and 43 (construction and demolition waste). Products covered by number 43 cover 90 % of the total and are by far the most damaging to the environment.

4.3.1. The Committee considers that dangerous waste should continue to be subject to special arrangements.

4.4. Although the monitoring of codes 121 (quantity of waste internally recovered) and 123 (quantity of secondary waste resulting from recovery or incineration) in Section 3 of Annex I would appear to be unjustified, the Committee accepts the explanation given by the Commission representative, whereby these codes enable a more precise record to be kept of the elimination of waste and thus improve the monitoring system.

4.5. With regard to Section 2 of Annex II, the Committee would question whether numbers 16 (composite packaging), 17 (mixed packaging), and 19 (clothes and textiles) are sufficiently clear.

4.6. Annex III, Section 6, paragraph 1 reads 'For each type of operation listed..., Member States will indicate the percentage to which this activity is covered by data collection. The coverage can be estimated by external criteria such as employment or amount of waste input. Minimum requirement for the coverage is 90 % for each type of operation.' The Committee is not totally convinced of the legitimacy of this minimum percentage and considers that, for dangerous waste in particular, a coverage rate of 100 % would be more appropriate.

4.7. In Annex III, Section 7, the distinction between 'disposal' and 'recovery' of waste is not sufficiently clear in the table specifying the waste, incineration, composting and disposal operations. The Committee proposes amending as follows the sub-headings in the table so as to distinguish clearly between the different operations: 'Recovery, including composting and incineration with energy recovery' and 'disposal'.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

## Opinion of the Economic and Social Committee on the 'Sixth Periodic Report on the Social and Economic Situation and Development of the Regions of the European Union'

(1999/C 329/08)

On 1 September 1999 the Commission decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the Communication from the Commission on the Sixth Periodic Report.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 September 1999. The rapporteur was Mr Christie.

At its 366th plenary session (meeting of 22 September 1999), the Economic and Social Committee adopted the following opinion by 108 votes to one with 1 abstention.

During the preparation of the opinion, the study group which was responsible for preparing the Committee's work visited the Highlands and Islands Region of Scotland.

### 1. Introduction

1.1. The Sixth Periodic Report is presented at a time when the European Union has been undertaking a major review of the Structural Funds Operations and is about to adopt new Regulations that will govern these operations over the period 2000-2006. Its publication therefore offers the Economic and Social Committee an opportunity to comment on the achievements of the Union's structural interventions with respect to socio-economic developments in the regions of the EU as these have evolved over the period since 1988, when the Funds were reformed.

1.2. The Sixth Periodic Report is the last in a series of three-yearly reports on the social and economic situation and development in the regions of the European Union dating from 1981. In future, and in accordance with Article 130B of the Treaty, the principal source of such information will be the three-yearly European Union wide Cohesion Reports, the first of which was published in 1996. The Economic and Social Committee takes this opportunity to emphasise the important role that the Periodic Reports have played in informing the debate over the orientation and scope of Structural Fund activities. It is essential that the Cohesion Reports continue to provide focused and reliable reviews of the economic and social situation in all the disadvantaged areas of the European Union in order to ensure that the subsequent development of the Funds continues to be guided by the underlying principles of solidarity and transparency.

1.3. It is now ten years since the Structural Funds were comprehensively reformed. It is widely agreed that the results accruing from measures of regional economic support appear only gradually. However, it is clear from the Sixth Periodic Report that progress has been achieved in narrowing regional economic disparities between the regions of the European Union and that this is, to a significant extent, attributable to the impact of the Structural Funds.

1.4. This periodic Report is being considered at the same time as (i) the Commission and the Member States are preparing the allocation of the Structural Funds for the years 2000-2006 and (ii) the Commission is negotiating with several

States their accession to the Union. A significant value of the Report is the analysis and identification of those factors which make an effective contribution to economic and social development (or the absence of which could inhibit such development). The Economic and Social Committee would emphasise the importance of ensuring that these lessons are applied region by region across the enlarged Union, and are reflected in Structural Funds implementing documents and in arrangements negotiated with new Member States.

1.5. Beyond this, the Sixth Periodic Report appears at a particularly important moment in the overall development of the European Union. The transition to monetary union, with all that this implies for monetary policy management within the euro-area, together with the impending eastern enlargement of the EU will herald a crucial phase in the history of the Union and inevitably will present a series of unprecedented economic and institutional challenges. In this context, the principles of 'cohesion' and 'solidarity' which lie at the core of the Structural Funds interventions will be severely tested. This Opinion offers the Economic and Social Committee an important opportunity to draw conclusions from the outcomes of the structural actions over the past decade and, crucially, to offer recommendations to the Institutions of the European Union in the context of the challenges now confronting it.

### 2. General Comments

2.1. The Economic and Social Committee notes that one of the main conclusions of the Sixth Periodic Report is that regional disparities in per capita income across the EU have narrowed over the period since 1988. Moreover, despite less success being demonstrated in terms of the level of unemployment, which remains unacceptably high across the EU and markedly so in the disadvantaged regions, Table 28 does show that positive employment growth in the Union's assisted regions has occurred over the duration of Structural Funds interventions, particularly in the period 1993-1997. Although many factors have contributed to this success,

including the establishment of the Single European Market and inwards investments, it is the case that the Structural Funds have been a key element in this. The Economic and Social Committee takes this opportunity of applauding the significant success of the Structural Funds over the period since 1988, and attaches the utmost importance to the continued evolution of the Funds as required in accordance with attaining the Treaty commitment to the principle of economic and social cohesion.

2.1.1. Despite the overall success in employment growth in the disadvantaged regions in recent years, it is clear from Table 31 that there are differences between Member States in this. For example, in both Ireland and the UK the data shows an extremely strong positive rate of employment growth in the Objective 1 regions over the period 1988-1997. In other Member States the rate of growth of employment in the Objective 1 regions has been lower, although generally it has exceeded the average rate of growth of employment for that Member State. At the other extreme, the data shows that Italy has experienced negative rate of employment growth in Objective 1 regions over the period under review — indeed, employment growth has been worse in the regions assisted by the Structural Funds than was the case for the Italian economy as a whole. The Economic and Social Committee urges that the causes of such varying employment creation experiences by Member States are reviewed, and that appropriate lessons are drawn. In particular, it may be important to examine the role of national economic policies in this regard.

2.2. The analysis contained in the Sixth Periodic Report is based on economic statistics which describe, in various ways, the evolution of regional economies over the period since 1986. Undoubtedly the quality of the statistical information contained in the Report is of a high order, and it enables us to gauge the comparative economic conditions in the regions of the EU. In places, the Commission makes use of graphics to present information rather than detailed statistical tables. The use of graphs, at the exclusion of statistical tables, reduces the usefulness of the Report as a research tool, and the Economic and Social Committee would urge the Commission and EUROSTAT to make available, in subsequent Reports, the detailed statistics on which graphs are based.

2.2.1. A major limitation of the Report is the failure of the Commission to embed the analysis of the economic and social situation in the Regions within the framework of the public policies (particularly fiscal flows) of the Member States themselves. It is not at all clear why the Commission devotes many pages of the Report to assessing the regional economic impact of private sector financial flows of various types (e.g. foreign direct investment, research and development expenditures, etc.), but does not comment upon the regional economic effects of public financial flows, such as government expenditure through orthodox fiscal policy channels. It is highly likely that the economic effects of changes in the magnitudes of these variables will significantly effect the economic development prospects of the regions of the EU. This issue is particularly relevant in the context of European Economic and Monetary Union (EMU). The regional impact of these policies should be assessed along with the impact of private financial flows.

2.2.1.1. The importance of assessing the regional consequences of Member States' domestic public policies becomes all the more crucial in the light of the fact that some regions will no longer be eligible for Structural Funds support from 2000, other than through transition assistance. In many cases it has been the combined effect of Structural Funds support and matching national assistance (the context of partnership) which has enabled disadvantaged regions to secure significant gains in income and employment. Should national regional development support automatically cease once those regions are no longer eligible for Structural Funds support then there is a risk that these important economic and social gains will be lost. It is crucial that Member States assume responsibility for building on the success of the structural interventions and prevent any reversal of the economic prospects of these regions.

2.2.1.2. The importance of national regional economic policies within the existing Member States will also increase in the context of enlargement in so far as the future distribution of Structural Funds activities tends to move in favour of the applicant countries from Central and Eastern Europe. The Economic and Social Committee recommends that Member States and the Commission address the implications of enlargement with respect to current recipients of Structural Funds support in future Cohesion Reports.

2.3. The primary indicator used to assess the economic performance of regions is per capita gross domestic product (GDP)<sup>(1)</sup>. The data shows that, over the period 1986-1996, there has been a definite convergence in regional per capita GDP. In the poorest 10 regions over the period 1986 to 1996, per capita GDP increased from 41 % to 50 % of the EU average. In the poorest 25 regions, per capita GDP rose from 52 % to 59 % of the EU average. In the four cohesion countries, GDP per head increased from 65 % to 76,5 % of the EU average over the same period.

2.3.1. The Committee notes the significant degree of convergence in per capita GDP between the poorest regions of the EU and the EU average that has been achieved over the period since 1988. The data presented in Table 29 demonstrates that, at the level of the Member States, the average of per capita GDP in the Objective 1 regions in all cases except Italy has risen steadily with respect to the EU average over the period 1988-1996. Although it is clear that the rate of progress has differed between Member States, and between individual Objective 1 regions within Member States, nonetheless, there are only six Objective 1 regions that have failed to record an increase in per capita GDP with respect to the EU average over the period 1988-1996. Although this number increases (to 16) for the period 1993-1996, it is important to note that this was a period during which the EU suffered a significant economic recession when disparities in regional economic performance typically tend to increase. It is noteworthy, therefore, that the majority of Objective 1 regions continued to achieve a degree of convergence during this period despite the onset of recession.

<sup>(1)</sup> Throughout this opinion GDP figures are, as prepared by Eurostat, using Purchasing Power Standard (PPS).

2.3.2. Notwithstanding the general narrowing in regional disparities in per capita income that has occurred over the period of the reformed Funds, the Economic and Social Committee would urge the Commission, in future Cohesion Reports, to provide detailed commentary on those regions which — despite best efforts — are failing to record a relative improvement in per capita income levels. And if it is the case that the decline in relative income levels in those regions would have been greater in the absence of interventions from the Structural Funds (i.e. the Funds are achieving convergence in those regions), then this should be clearly stated.

2.3.2.1. It may well be the case that performance differences are the result of differences in the economic structure of the regions concerned (i.e. the division of activity between agriculture, manufacturing and services, or the process of economic restructuring) or that these reflect certain geographical handicaps or the relative peripherality or rurality of the region. Both of these aspects will influence significantly the scope that exists for gains in productivity. However, with the ever greater emphasis properly being given to accountability in public spending, it is essential that the results of the Structural Funds are openly and objectively assessed, particularly in those instances where they appear not to be achieving their aims.

2.4. As the Sixth Periodic Report shows, considerably less success has been recorded in terms of reducing the level of unemployment in the disadvantaged regions. In the 10 worst affected regions, average unemployment in 1997 was 28,1 % compared to 3,6 % in the 10 least affected regions. Indeed, the divergence between the 25 best and worst performing regions of the EU in terms of unemployment widened over the period 1986-1996. The level of unemployment in the 25 best performing EU regions has remained steady at 4 % but has risen from 20 % to 24 % on average in the 25 most affected regions. Table 30, which provides detailed unemployment figures for the Objective 1 regions, shows that — with a few exceptions — the trend in unemployment within the EU's least favoured regions has been upwards over the whole of the period 1988-1997, particularly so during the latter period 1993-1997.

2.4.1. The trend in unemployment within the disadvantaged regions is particularly worrying because of the high element of long term and youth unemployment in the total unemployment. This accounts for 60 % of the total unemployment in the 25 worst affected regions, and is associated with the deep-seated adverse social consequences which arise as a consequence of long term exclusion from the workforce. Such exclusion is especially prevalent among women and young persons. It is evidently the case that this element in total unemployment does not respond significantly to changes in the EU-wide rate of economic growth. Whilst recognising that some part in the prevention of long term unemployment may involve reforms of labour market practices within individual Member States (possibly in conjunction with other supply-side measures), the Structural Funds will remain a central mechanism — directly and indirectly — in boosting employment opportunities both in the lagging regions and in the declining industrial regions.

2.5. The record of regional economic performance presented in the Report demonstrates that convergence in regional per capita income tends to occur most forcefully during periods in which the EU-wide rate economic growth is above average (as during 1986-1991) and tends to be reversed during recessions when average growth rates decline (as during 1991-1994). It is certainly the case that this is also true at the level of the Member States. The clear message from the data is that the macro-economic performance of the European Union as a whole, as well as of individual Member States, is one of the key determinants of the pace of convergence of regional per capita income in all of the disadvantaged regions. Consequently, macro-economic policies across the EU (fiscal and monetary policy) should be directed towards achieving uninterrupted economic growth at both the national and the EU level to the extent that this is consistent with the need to ensure price stability.

2.6. Whilst acknowledging the extremely thorough review and analysis of the economic developments within regions contained in the Sixth Periodic Report, the Economic and Social Committee regrets that the Commission has failed throughout to identify the specific and general lessons that may be learned with regard to 'best practice' regional economic development policies being undertaken by particular Member States or regional authorities. It is essential that assisted regions are able to learn lessons from each other with respect to the design and the implementation of effective regional economic development programmes. Regional development practices differ substantially across the EU, and the Committee would urge the Commission to identify those elements which seem to distinguish successful economic development programmes from less successful ones. Future Cohesion Reports would be the appropriate place to present the findings from such research.

2.7. Lastly, the Committee would like to encourage the Commission to increase its efforts in creating awareness of the extent of the European Union contribution to the development of disadvantaged and lagging regions. The recent low turnout in the European Parliamentary Elections shows that European citizens generally still do not relate the activities of the European Union with the economic well-being of their communities. There is a positive message to sell and the Commission should consider if more action is necessary to communicate this message.

### 3. The Situation in the Regions

3.1. The Economic and Social Committee notes that, although the annual average rate of economic growth recorded by the four Cohesion countries as a whole exceeded the average for the EU as a whole over the period 1986-1996 (2,9 % compared to 2,1 %), this obscures the fact that Greece and, though to a lesser degree, Spain recorded average annual rates of economic growth significantly below the rates of growth achieved in Ireland and Portugal. Consequently, the success of the cohesion effort in two of the four countries



must not lead us to conclude that this effort has been uniformly successful across the four as a whole. In the context of future Cohesion Reports, the Committee would welcome comments from the Commission that account for differences in performance between the Cohesion countries, particularly the respective contributions to regional economic growth made by the Structural Funds and the Cohesion Fund.

3.2. Although the success of the Structural Funds in reducing regional disparities in per capita GDP across the EU as a whole between 1986-1996 is shown in Graph 1, the information contained in Table 3 of the Statistical Appendix to the 6th Periodic Report shows that, at the same time, disparities in per capita GDP between regions in the same country increased over that period in all Member States except Portugal and the UK. The implication of this is that whilst the actions of the Structural Funds demonstrably are contributing to greater cohesion at the level of the European Union, domestic economic policies are failing to prevent a widening of the cohesion gap between the regions within individual Member States. Whilst this may be a consequence of the intensification of dualistic economic tendencies within individual Member States (e.g. faster growth in centres rather than peripheries; industrial restructuring; labour immobility, etc.), it is clear from evidence of regional growth rates of GDP (Map 2) that there is greater divergence in regional economic performance within member states currently than between Member States.

3.2.1. In this regard, the Economic and Social Committee repeats a comment made in its Opinion on the Fifth Periodic Report<sup>(1)</sup>, namely that the Commission should include in its next Cohesion Report a general commentary concerning the impact of national economic policies on cohesion within Member States.

3.3. The Committee welcomes the Commission's analysis which classifies EU regions according to the characteristics which determine relative regional economic prosperity, in particular urban-rural positioning and the sectoral composition of economic activity of the region as between agriculture, manufacturing and services. Both of these variables influence the level of labour productivity (value added per employee) which is the key element in determining the rate of economic growth in the regional economy.

3.3.1. It is clear from the data presented that — with some exceptions — a core-periphery pattern of economic development typifies the evolution of the EU economy. There are many reasons why this is the case including the advantages of concentration, the direct relationship between economic prosperity and the growth of a high value added services sector (including education and research and development activities), and the lack of labour mobility across the European Union which tends to exacerbate the difficulties of regional economic development.

3.3.2. This analysis points to the importance of domestic public policy measures, as well as measures from the Structural Funds, which target explicitly these difficulties. Although the Structural Funds have made a critical contribution to the regional economic development, many of the problems afflicting the disadvantaged regions can only be properly addressed through the introduction of appropriate national public measures. Indeed, important as they are, interventions under the Structural Funds only play a small part in the overall package of policy actions (both micro-economic and macro-economic) necessary to achieve sustainable growth in the disadvantaged regions. This is both inevitable and desirable given that different Member States have different institutional and policy traditions in the area of regional economic development. Nonetheless, and respecting fully the principle of subsidiarity, it may be appropriate for the Commission — within the context of future Cohesion Reports — to provide general advice and information to Member States concerning those national policy measures which appear to be achieving greatest success in regional economic development and that are, consequently, consistent with securing progress to economic and social cohesion.

3.4. It is evident from the Report that the statistical definition of the regions of the EU (i.e. the NUTS classification) may result in some disadvantaged regions not qualifying for support. This is particularly true where the underlying economic position of otherwise severely disadvantaged regions (by reference to per capita GDP) is obscured by virtue of the exceptional prosperity of one or two core cities within that region. This is the situation in parts of Portugal, Spain and Ireland, although it is evident in other parts of the EU as well (e.g. Highlands of Scotland and Northern Ireland). It is important therefore that the Structural Funds operations are able to provide support to regions in need even where these regions contain principal centres which are enjoying significant economic growth, as is demonstrated by the analysis contained in the Report.

3.4.1. The Committee proposes that the Commission and Eurostat jointly investigate the need for refining the NUTS classification to ensure that economic development support for disadvantaged regions is not compromised by this kind of distortion. Otherwise, there is a risk that economic 'dualism' will become a feature of economic development in disadvantaged regions.

3.4.2. The distortions that can arise from the prevailing classification of disadvantaged regions was demonstrated to the Study Group during its visit to the Highlands and Islands of Scotland. This region is geographically extensive and is characterised principally by an extremely fragile economy based on a very low population density. However, the region has a relatively strong economic centre based around the town of Inverness and the income generated around that centre has pulled up the average per capita income for the region as a whole to be very slightly above the 75 % Objective 1 threshold. There is a real risk that the economic development support

(1) OJ C 236, 11.9.1995, p. 24.

that continues to be essential to secure sustainable economic development for the region as a whole is being undermined by virtue of the economic strength of the main urban area within that region. And although there are some beneficial economic effects that flow from the dominant centre to the rural hinterland, these are both extremely weak and unreliable with the attendant risk that a new form of economic dualism is appearing.

3.5. Developing further the facilities for education and training remain crucial to enhancing the prospects for sustainable economic development within the Objective 1 regions. As was clearly demonstrated in the Highlands and Islands of Scotland, the advent of new technologies along with the adoption of community approaches to long-life learning offer exciting and important new opportunities for improving the knowledge base in these disadvantaged regions. Not only do these measures serve to enhance skills and raise productivity in the regions, they contribute to maintaining local populations and attracting new people into the remoter regions thereby making a significant contribution to achieving sustainable economic development.

3.6. The Economic and Social Committee stresses that the development of economic infrastructure, broadly defined, continues to be a major requirement in developing the economies of the disadvantaged regions. Although a large part of structural interventions have already been targeted on infrastructure, it is clear that poor infrastructure continues to act as a barrier to sustainable economic development in many of the disadvantaged regions. Consequently, efforts to improve economic infrastructure should remain a priority for the Structural Funds.

3.7. The Report records the slow (though positive) rate of employment growth achieved in the Union's Objective 2 regions — amounting to just 0,1 % per year between 1989 and 1997. This is disappointing, although the Committee does note that the rate of unemployment in these regions as a whole actually fell between 1993 and 1997 whereas the average for the EU as a whole remained constant.

3.7.1. Notwithstanding this positive development, the Committee notes that in three Member States (Germany, France and Italy) the rate of unemployment in the Objective 2 regions increased significantly over the period 1989-1997. Whilst commenting generally on these statistics, the Commission offers no specific reasons for the apparent under-performance of Objective 2 support in those countries. The Committee recommends that future Cohesion Reports incorporate specific commentary on the performance of assistance in Objective 2 regions within particular Member States. Such qualitative assessment is particularly important in the context of Objective 2 assistance as quantitative studies generally are unfeasible in these cases.

3.8. The Report indicates that employment creation in Objective 5b regions has been significantly above that for the EU as a whole, and that much of this can be attributed to SME activity. The Committee considers it to be essential that the effort made in supporting the development of the rural and

peripheral parts of the EU (including the upland areas) continues, and that assisting the SME sector should remain a priority within this approach. It is imperative that the new Structural Funds Regulations do not result in any diminution of such efforts.

3.9. In reviewing the evidence on regional economic development presented in the Sixth Periodic Report, the Committee is struck by the sometimes wide differences that exist between the relative economic performance of the regions receiving assistance from the Funds — whether this be under Objectives 1, 2 or 5b. It considers essential that, in subsequent Cohesion Reports, the Commission attempts to account for such differences in performance. Only then can 'best practice' arrangements be identified which may then be applied in those regions which are not performing as strongly. Such practices may be identified and apply at any stage between the formulation of specific regional plans through to the particular mechanisms and arrangements of implementation and appraisal used at the level of the region.

3.9.1. To the extent that 'best practice' arrangements can be identified, it may subsequently be appropriate to amend the Structural Funds Regulations — within the context of subsidiarity — as necessary to ensure that the Funds make the maximum contribution possible to regional economic development.

3.10. The Committee once again stresses the importance of the Community Initiatives in assisting the disadvantaged regions. Evidence that was presented to the Committee in the course of the preparation of this Opinion clearly indicated that it was in the context of Community Initiatives that the principles of partnership and a 'bottom-up' approach to regional economic development were most evident. These Initiatives offer the possibility of local communities actively engaging the issues arising from various aspects of economic disadvantage and providing solutions which reflect the real situation in the regions themselves.

#### 4. Competitiveness

4.1. The Economic and Social Committee welcomes the Commission efforts to present a detailed examination of the determinants of 'competitiveness'. Despite this, however, the Report fails to clearly identify a precise measure or index of competitiveness, preferring instead to define this in a purely qualitative manner. This severely constrains the usefulness of the concept and leaves it open to misinterpretation. The limitations of the analysis become very clear when the Report presents a number of scenarios for eliminating differences in regional 'competitiveness', scenarios which tend to confuse the causes of strong regional economic growth and the consequences of such growth. Further efforts in clarifying this concept are required, and the Committee would ask the Commission — possibly in collaboration with Eurostat — to develop a robust statistical framework capable of measuring competitiveness, or using indices to illustrate changes in competitiveness.

4.1.1. While the Committee would welcome further efforts on the part of the Commission in clarifying further the notion of 'competitiveness', it would also endorse an approach that focused more precisely on a study of factor (labour and capital) productivity, and reasons that explain different regional rates of growth of both labour and capital productivity. As the Report acknowledges, it is productivity which largely determines regional rates of economic growth and contributes to competitiveness.

4.1.2. Nonetheless, there is little controversial about the proposition that regional economic success arises in regions which have an above average incidence of market services and/or manufacturing; demonstrate a high extent of innovative activity; command an efficient and effective infrastructure; and have a skilled workforce. The requirement is for the Commission and the Member States together to develop public policies which will influence the geographic distribution of these four elements which together are associated with successful regional economies, and which are informed by prevailing 'best practice' advice.

4.2. Notwithstanding certain weaknesses in application of the term 'competitiveness' in the context of promoting regional economic development, the Report does elaborate a number of key themes which deserve further study with a view to designing policies capable of assisting regional economic development in the weaker regions. The extent to which employment in research and technological development activities is concentrated within the stronger (core) regions of the EU is very striking. This establishes the important role that Structural Funds actions designed to foster RTD in the weaker regions have to play in the overall cohesion effort. The Committee notes that Community Initiatives have played a key role in this respect and have provided RTD support — especially for SMEs — within the weaker regions of the EU.

4.3. The Sixth Periodic Report rightly focuses on the importance of the SME sector in employment creation and technological innovation across the EU. The Committee stresses the important role that SMEs play in the rapid movement towards an information society. Quite clearly the volume of support currently given to this sector must be maintained — or possibly increased — in the light of the contribution to economic development made by SMEs.

4.3.1. However, it is recognised that the quality of the analysis with respect to the contribution of SMEs is limited by the different role that SMEs play by sector and between individual Member States. This is particularly the case with respect to the actual distribution of successful SME activity between the manufacturing and services sector where, as Table 17 demonstrates, the employment contribution made by these firms varies between sectors. The Committee stresses that maximum efforts should be directed towards supporting those SMEs which contribute most to employment creation.

4.3.1.1. The Economic and Social Committee considers that further research into the precise role that SMEs play in regional economic development should be undertaken, and that summaries of the results be published in subsequent Cohesion Reports. Priority in this research should be given to explaining (a) the survival rate of SMEs and reasons for regional variations in the 'mortality rate' of such enterprises, (b) the contribution that SMEs can make to research, development and innovation and reasons for regional variation in this, (c) the regional variation in market share as between SMEs engaged in similar activities, and (d) the content to which SMEs are able to access Structural Funds support, particularly to develop their own potential for research, development and innovation. Similar research may also be undertaken on the role of Business Networks.

4.4. The Commission's findings with respect to the role of infrastructure and human capital are as expected. These are key elements in enhancing the economic prospects and performance of the weaker regions. Equally, however, it is also clear that despite the significant share of all Structural Funds support directed to these objectives, provision of infrastructure and social capital in the Cohesion countries remains below — often significantly below — the EU average. In particular, the Committee notes that these gaps are considerable in certain environmental elements (such as renewable fresh water reserves and waste water treatment) and educational provision. This suggests that greater effort both in terms of common EU action and national measures are required in these areas.

4.5. An important conclusion reached in the Report concerns the beneficial consequences of the mechanisms that have been used to 'deliver' the Structural Funds. The gains that accrue from 'partnership' in the design of structural action plans, and in the implementation and assessment of these actions, are demonstrated quite clearly. The Committee has been a persistent supporter of the Commission in its various attempts to strengthen the operation of partnership, and the Report clearly vindicates this stance. It once again states its commitment to the principle of partnership, which is to be considered a 'best practice' arrangement, and calls for Member States to observe and strengthen, where necessary, this principle in all aspects pertaining to the design and implementation of the Structural Funds.

4.5.1. In the preparation of this Opinion, evidence presented to the Study Group while visiting the Highlands of Scotland demonstrated very well the contribution to sustainable economic development that arises from partnership. Involving local economic and social partners ensures that many groups in the local region effectively become 'stakeholders' in the economic development efforts. Not only does this enhance the quality of the programmes themselves, it creates a determination and capacity on the part of individuals and groups in the disadvantaged areas to work together to achieve economic and social progress. It is essential that resources are available to local partners to allow 'capacity-building' in this regard; that is, to provide them with the relevant knowledge and understanding of the issues surrounding local economic

development programmes to ensure that they are able to play an active role in the design and implementation of public policies. Such participation through partnership is a key element in the success of these economic development efforts, though one that may be underestimated.

## 5. Enlargement

5.1. The Committee welcomes the Commission's comments on the economic and social conditions in regions of the applicant countries from Central and Eastern Europe, and Cyprus, which represents a useful contribution to the debate. These comments set in context the large scale of the economic transition that has been undertaken in those countries, and the initially negative impact that transition measures had on GDP for the countries concerned. The Commission's analysis is particularly useful in the light of widespread concerns that have been raised throughout the EU concerning the likely budgetary costs of enlargement in the context of additional cohesion expenditure which is expected to be required.

5.2. Overall the Commission's analysis is slightly less pessimistic than some commentaries with respect to the situation in the regions of the applicant countries. What is striking is the extent to which regional development in those countries also conforms to the core-periphery pattern evident within the EU. It is therefore important that efforts are made in good time for the Commission to be in a position to advise authorities in the applicant countries of the lessons that may be drawn from the period of operation of the Structural Funds to ensure that 'best practice' techniques are applied in those countries.

5.3. As expected, the data within the Report reveals that although GDP levels in all of the applicant countries remains substantially below the EU average, and certainly within a range rendering most regions within these economies eligible for Objective 1 support under current Regulations. Nonetheless, the Committee does note that since 1993 there has been strong economic growth in some of the principal zones within these countries. Indeed, the Commission notes that it is likely

that, in some instances, specific regions around the main centres of economic activity in the applicant countries will achieve per capita GDP levels above 75 % of the EU average by the time of enlargement. This is encouraging, although it remains the case that this catching-up process has been patchy and in some countries has not occurred at all.

5.3.1. Nevertheless, when calculated at current exchange rates, the average CEEC per capita GDP stands at approximately 13 % of the EU average. This provides some indication of the scale of Community support which is needed to improve their social and economic situation and to prepare them for accession.

5.4. The extent of regional disparities within the applicant countries is very large. This is to be expected. In the immediate transition phase two forces are likely to contribute to highly uneven economic development. First, the parlous state of public finances in the transition economies means that little local capital is available to assist regions of these economies that are 'lagging' the transition process. Second, the inflow of foreign direct investment that occurred after the economic reform process begun has been hugely localised in a handful of preferred regions, typically around capital cities. Consequently, in all of the applicant countries the unevenness of the transition process, and the economic adjustments following in the wake of that process, have exacerbated considerably the internal regional divide.

5.5. It is clear that enlargement will pose a major challenge to the cohesion efforts of the EU. This cannot be denied, nor the implications for the EU budget understated. However, it is also evident from the Commission analysis that enlargement itself is bound to assist the economic development of the applicant countries themselves. The Committee would stress that there are real economic benefits on offer from enlargement, both to the applicant countries and to the EU. These benefits must be identified to ensure that the added cohesion costs are viewed in the appropriate light, and that these costs are not seen as a dead-weight loss to the EU. There are real economic gains that will arise from enlargement that will offset partially the additional cohesion costs that are bound to arise.

Brussels, 22 September 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

**Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) amending Regulation (EEC) No 1911/91 on the application of the provisions of Community law to the Canary Islands'**

(1999/C 329/09)

On 8 September 1999, the Council decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Economic and Monetary Union and Economic and Social Cohesion which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 September 1999. The rapporteur working without a study group was Mr John Simpson.

At its 366th plenary session (meeting of 22 September 1999) the Economic and Social Committee adopted the following opinion by 114 votes in favour with 1 abstention.

## 1. Introduction

1.1. The Commission has proposed a new Council Regulation amending Regulation (EEC) No 1911/91 on the application of Community law to the Canary Islands.

1.2. The amendment waives until 30 June 2000 a requirement for a further scheduled reduction in the scale of protection to local production of a limited range of products, offered through a local tax on production and imports (details below). The existing Regulation calls for annual reductions of 20 percent in this tax starting from 31 December 1996 and eliminating the tax completely from 31 December 2000 from which date the Canary Islands will also fully implement the Common Customs Tariff of the European Community.

1.3. Effectively, the amendment would postpone for six months the reduction which would otherwise have taken place on 31 December 1999. This postponement will be accompanied by an examination by the Commission of the impact of phasing out the tax on the several sectors concerned. The merits of, and the case for, further special measures in favour of these vulnerable sectors will be examined and, if necessary, a further proposal will be made to the Council.

1.4. This amendment requires the unanimous agreement of the European Council.

1.5. The new arrangements, if any, to be agreed in 2000 will be subject to qualified majority voting in the Council under Article 299(2) as amended by the Amsterdam Treaty.

## 2. Special provisions applicable to the Canary Islands

2.1. The Canary Islands became part of the EU with the accession of Spain in 1986.

2.2. The Act of Accession of Spain and Portugal acknowledged the special and difficult social and economic situation in the archipelago<sup>(1)</sup>. In recognition of the particular difficulties, initially, the Canary Islands was excluded from the Community customs area and the common commercial policy, and from the common agricultural and fisheries policies.

2.3. In more recent years, measures have been introduced which, in a sympathetic manner, have reduced the scale and impact of these exemptions.

2.4. The APIM system of taxation, (see below), was introduced in 1973 and continued after accession to the Community. This tax has been used to offer some fiscal protection to the more vulnerable sectors of manufacturing industry in the islands.

2.5. The special problems of the Canary Islands, as one of the outermost regions of the Community, have been acknowledged in a number of different ways. These include:

1. Council Regulation (EEC) No 1911/91 sets out the way in which the provisions of Community law would apply to the Canary Islands<sup>(2)</sup>;
2. Council decision setting up a programme of options specific to the remote and insular nature of the Canary Islands (Poseican) (91/314/EEC)<sup>(3)</sup>;
3. Commission decision concerning the tax on production and imports (arbitrio sobre la producción y sobre las importaciones, APIM) based on the specific provisions of Regulation 1911/91<sup>(4)</sup>;

<sup>(1)</sup> Act of Accession, Protocol No. 2. In particular, the Canary Islands were then excluded from the Common Customs Area and the Common Agricultural Policy.

<sup>(2)</sup> OJ L 171, 29.6.1991, p. 1.

<sup>(3)</sup> OJ L 171, 29.6.1991, p. 5.

<sup>(4)</sup> OJ L 10, 13.1.1996, p. 38.

4. Council Regulation (EEC) No 1601/92 established a specific supply system and related specific measures, concerning trade in a range of agricultural products to derogate, temporarily, from the Common Agricultural Policy.
5. Commission decision under the Regis II Community Initiative for a programme from 1994 to 1999 to accelerate closer economic integration into the Community involving a commitment from the Community of 216,9 m.ecu, of which 94 % was from the ERDF and 6 % from EAGGF, in a total programme cost of 385,5 m.ecu;
6. Support from the Structural Funds which, for the period 1994 to 1999, will have contributed 660 m.ecu in an expenditure programme including national expenditure and private financing which totalled 1 052 m.ecu.<sup>(1)</sup> in 1994 prices. This does not take account of any impact of allocations from the Spanish multiregional programmes.

### 3. The APIM (arbitrio sobre la producción y sobre las importaciones)

3.1. The proposal is that the APIM should continue to apply to seven groups of products at the present rate until 30 June 2000.

3.2. These fall within defined groups of products according to the nomenclature of the Common Customs Tariff. The detailed classifications are listed as an Annex to the proposal. The groups are described as:

- miscellaneous foodstuffs
- tobacco
- chemicals
- paper
- textiles
- metalworking industries
- other manufactured goods (as specified).

3.3. The Commission has come to the conclusion that employment in the sectors identified in paragraph 3.2 could be threatened by the elimination of the APIM. Detailed estimates have been compiled of the adverse implications for employment in each sector.

3.4. A request from the Spanish authorities for the inclusion of soft drinks and construction materials in the list of products for which the reduction in APIM would be suspended has not been accepted by the Commission.

3.5. If the amendment is accepted then the APIM will continue to apply to only 10 percent of the value of all imports to the Canary Islands and the highest rates applied would be a maximum of 6,9 percent on tobacco and 2,3 percent on the specified 'manufactured goods'.

3.6. The Commission acknowledges that the proposed measure, which would derogate temporarily from the principles laid down in the Regulation (EEC) No 1911/91, must form part of the process of integrating the Canary Islands into the Community and can be aimed only at mitigating the effects of the economic adjustments that have to take place.<sup>(2)</sup>

### 4. The economic and social situation in the Canary Islands

4.1. The Canary Islands have a population of 1,6 million people. They are an autonomous region of Spain with a large degree of devolved responsibility for the development of economic policies in the Islands.

4.2. The Community has recognised the unusual and particular problems of the Islands and their implications in securing the integration of the Islands into the Community.

4.3. A feature of the Islands is the large degree of dependence on revenue from tourism. Over 10 million visitors arrive each year. This is a critical source of income but also brings, as a consequence, the need for careful planning of the environmental sustainability of this activity in terms of the use of natural resources, especially fresh water supplies.

4.4. The climate of the region gives a comparative advantage for the growing and export of bananas and tomatoes as well as the production of wine.

4.5. The most conspicuous factors affecting the economy of the Islands are the combination of distance from the main markets of Europe and the relatively small scale of the economy based in the several islands. As a partial offset to the cost of shipping goods to and from the islands, a contribution to exporters based on the extra transport costs of imports and exports between the Islands and the rest of the EU is paid.

4.6. Unemployment is high. More recently, unemployment in the region (using the NUTS II definitions) was the fourth highest in the EU.<sup>(3)</sup>

4.7. In the ten years from 1987 to 1997, unemployment fell from over 25 percent to 21 percent. However, it remains over twice the average for the whole of the EU.

<sup>(1)</sup> The impact of structural policies on economic and social cohesion in the Union, 1989-1999 (A first assessment presented by country, October 1996), European Commission, p. 166.

<sup>(2)</sup> COM(1999) 226 final; paragraph 7.

<sup>(3)</sup> Sixth Periodic Report on the Social and Economic Situation and Development of the Regions of the European Union, European Commission, Table 43.

4.8. GDP per head, as measured in purchasing power standards by Eurostat, rose from 69 percent of the EU average in 1986 to 74,3 percent in 1996.<sup>(1)</sup> This represents a significant improvement but is still low enough to qualify for Objective 1 status which has now been assured for the period to 2006.

## 5. Future developments

5.1. Article 299(2) of the Amsterdam Treaty [formerly Article 227(2)] makes specific provision for the application of the Treaty to the French Overseas Departments, the Azores, Madeira and the Canary Islands and provides that the Council, after consulting the Parliament<sup>(2)</sup>, shall adopt specific measures aimed at laying down the conditions for the application of the Treaty to those regions taking account of the structural social and economic situation as described in terms of remoteness, insularity, small size, topography and climate and dependence on a limit range of products. Presumably this reference to products also includes services.

5.2. The specific measures are to take into account areas such as customs and trade policies, fiscal policy, free zones, agriculture and fisheries policies, conditions for the supply of raw materials and essential consumer goods, State Aids and conditions of access to structural funds and to horizontal Community programmes.

5.3. These special measures are to be adopted 'without undermining the integrity and coherence of the Community legal order, including the internal market and the common policies'.

5.4. For the period 2000-2006, the Commission has already decided that the Canary Islands qualify as an Objective 1 region of the Community. This is a continuation of the position in the years up to 1999. The Canary Island also continue to qualify under the Cohesion Fund which enhances the maximum proportion of eligible costs which may be financed through the Structural Funds.

## 6. Conclusions and recommendations

6.1. The Economic and Social Committee welcomes this opportunity to comment on the proposed amendment to

<sup>(1)</sup> Op.cit, Table 43.

<sup>(2)</sup> There is no specific reference in the amended Article 299(2) to any consultation with the Economic and Social Committee or the Committee of the Regions.

Regulation (EEC) No 1911/91 which applies the provisions of Community Law to the Canary Islands.

6.2. The Committee recognises that the outermost regions of the European Union merit special consideration in the application of Community policies whilst adhering as closely as is practicable with the spirit and detail of those policies. The Committee particularly endorses the requirement of the Treaty [Article 299(2)] that the integrity and coherence of the Community legal order should not be undermined.

6.3. The evidence of recent years is that the economic position of the Canary Islands has improved in both absolute and relative terms. Nevertheless, efforts to further enhance this progress are desirable.

6.4. The ESC, therefore, welcomes the commitment by the Commission with the Spanish authorities to examine the consequences of suspending the phasing-out of the APIM and, if judged necessary, to present a proposal on possible action. The objective is to eliminate the tax without jeopardising some local production activities in vulnerable sectors.

6.5. Whilst the ESC endorses the general thrust of the proposal by the Commission, there would be merit in using this opportunity to review not just the impact of the APIM system of taxation but also the nature and impact of all Community policies on the development of the Canary Islands and seeking proposals which will more closely integrate the Islands into the Community and generate innovative actions to enhance their development.

6.6. The ESC, therefore, accepts the arguments made for the amendment of Regulation (EEC) No 1911/91 to suspend the phasing-out of the APIM as an appropriate mechanism to allow a more fundamental review of the methods of enhancing development in the Canary Islands.

6.7. When the review has been undertaken, the Economic and Social Committee will have a keen interest in the proposals which emerge and hopes that the Commission will arrange for the Committee to have an opportunity to offer its opinion on their implementation.

Brussels, 22 September 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

## Opinion of the Economic and Social Committee on 'The role and contribution of civil society organisations in the building of Europe'

(1999/C 329/10)

At its plenary session on 28 January 1999 the Economic and Social Committee decided, under Rule 23(3) of its Rules of Procedure, to draw up an opinion on 'The role and contribution of civil society organisations in the building of Europe'. In accordance with Rules 11(4) and 19(1) of its Rules of Procedure the Committee set up a subcommittee to prepare its work on this subject.

The subcommittee adopted its draft opinion on 30 August 1999. The rapporteur was Mrs Sigmund.

At its 366th plenary session (meeting of 22 September 1999) the Economic and Social Committee adopted the following opinion by 116 votes to 2, with 13 abstentions.

### 1. Introduction

1.1. On the initiative of its president, Mrs Rangoni Machiavelli, the ESC will hold a conference in October this year to discuss the role and contribution of civil society organisations in the building of Europe. Specific proposals are to be drawn up by three working groups. The topic chosen is a logical follow-up to the approach developed by the Committee in its 1992 opinion on a Citizens' Europe<sup>(1)</sup>. The conference is not therefore intended to be a 'one-off' event, but a prelude to the Committee's programme for the next few years.

1.2. The present ESC opinion has been prepared by a subcommittee so that the event can be facilitated through appropriate preparatory work. The subcommittee members did not see it as their role to propose ready-made solutions; rather they have tried to organise the subject matter, identify the key players and define the institutional framework for concrete proposals. The final part of the report contains specific proposals that could serve as a basis for discussion in the conference's working groups.

### 2. General comments

2.1. People at the end of the 20th century are experiencing far-reaching changes which affect not just the substance but also the structure of their lives.

2.2. The end of 19th century saw the creation in Europe of social laws which would lead in the 20th century to the welfare state. Their importance for peace, political freedom, economic performance and social cohesion is unquestionable. But there is also a need to respond to new challenges, such as globalisation, though many questions as to the form and content of these changes remain unanswered.

2.3. A reform debate is of course also taking place at European Community level. The evolution of objectives between the time of the founding treaties and the Amsterdam Treaty necessitates structural reforms that should be set in train without delay.

2.3.1. It should not be forgotten that the driving force behind European integration was not the economic dimension alone, but the desire to safeguard peace, which is indeed the first thing mentioned in the preamble to the ECSC Treaty (safeguarding world peace; contribution which an organised and vital Europe can make to civilisation; helping to raise the standard of living).

2.3.2. Accordingly, the remit of the European Union has since expanded to embrace not just the original, purely economic, spheres but also the environment, health and consumer protection, as well as education, social policy and employment.

2.3.3. All this illustrates that European integration should be seen not as a single event, but as a process that is not only subject to change but also capable of responding to change. This is how we should interpret the preamble to the Maastricht Treaty, in which the European Union is not defined for all time, but the process is deliberately left open by referring to 'an ever closer Union'.

2.4. The European Union must currently address such sensitive and sometimes very emotionally charged issues as enlargement, common foreign and security policy and a whole host of institutional matters. At the same time it faces low confidence among its citizens, who accuse it of inefficiency, point to democratic deficits and call for greater responsiveness to grassroots opinion. European integration needs the commitment and support of ordinary people more urgently than ever before, and at present it does not seem to have enough of either.

2.5. It is precisely in connection with this issue of (inadequate) responsiveness to grassroots opinion that the notion of 'civil society' is constantly being mentioned. This concept is cited and invoked in the most diverse contexts, and its

(1) OJ C 313, 30.11.92, p. 34.



relevance is not always obvious. It is almost as if 'civil society' has become a vogue expression that is often used without any clear indication of what the speaker really means. Experience has shown that a discussion is only fruitful if agreement is first reached on the basic premises. The subcommittee therefore felt it was essential first to describe the historical background and development of civil society, and then, using scientific theories, to provide a definition of the concept<sup>(1)</sup> that actually reflects political reality.

### 3. Historical overview

3.1. The concept of civil society in Western political thought has undergone differing interpretations throughout its history. It is important to transcend these now by providing an all-embracing definition.

3.2. Until the Enlightenment, civil society denoted a particular form of political organisation, namely one that was subject to the rule of law. For Aristotle, the *koinonia politiké* was a dimension of society that encompassed and prevailed over all other dimensions. Cicero talked about a *societas civilis*. This political definition of civil society still applied in the Middle Ages, although it took on the new connotation of the antithesis to religious community. The term was thus secularised. It is interesting to note that according to this interpretation, 'civil society' and 'state' are virtually synonymous. Thus good citizenship is the moral value associated with civil society, which in the Roman tradition means members of civil society fulfilling their duties as citizens.

3.3. From about 1750 onwards the expression came to mean almost the opposite. Civil society was no longer bound up with the notion of the state, but increasingly represented a counterweight to the state. This was because the emerging bourgeoisie with its liberal world view appropriated the concept to denote a social sphere separate from the political sphere, comprising the market and people's private lives. The associated moral and social ethic was no longer 'good citizenship' but 'good breeding', i.e. good manners and impeccable social conduct.

3.4. It was this liberal approach that Ferguson had in mind when he sang the praises of civil society. It was precisely this apolitical interpretation that disturbed 19th century philosophers such as Hegel and Marx, who attacked it for being biased and one-sided. They identified civil society largely with the bourgeois individualistic world view and the formalised regulation of relationships through civil law.

3.5. Liberalism and socialism crossed swords over the concept of civil society, now defined as the antithesis of the

political sphere: liberalism saw civil society as the stronghold of individual freedom and contractual relations, socialism saw it as the expression of oppression and the class divide.

3.6. Since the 19th century, however, a number of political and social thinkers have been trying to transcend this clash between an 'ancient-medieval' and a 'modern-bourgeois' version of civil society, and, within the latter, between the liberal and socialist versions.

3.7. A new interpretation of modern civil society, inspired by Tocqueville, Durkheim and Weber, is emerging, based on four principles:

- Civil society is typified by more or less formalised institutions: this institutional network forms an autonomous social sphere that is distinct from both the state and from family and domestic life in the strict sense. These institutions have many functions (not just economic, but also religious, cultural, social, etc.) and are crucial to social integration;
- Individuals are free to choose whether to belong to civil society institutions: they are never forced to join any of the associations, businesses or groups which make up civil society, either through a political commitment or supposedly 'natural' allegiance to a particular group;
- The framework of civil society is the rule of law: the democratic principles of respect for private life, freedom of expression and freedom of association provide the normative framework of civil society. Although civil society is independent of the state, it is certainly not an area outside the law;
- Civil society is the place where collective goals are set and citizens are represented: civil society organisations play an important role as 'intermediaries' between the individual and the state. The democratic process could not take place without their mediatory role.
- Civil society introduces the dimension of subsidiarity, a concept derived from Christian doctrine, which opens up the possibility of establishing levels of authority which are independent of the state but recognised by it.

### 4. Civil society: the common denominator for democratic movements in Europe

4.1. Social changes in Europe have helped to provoke a broad international debate over the past few years, in theory and in practice, about the term 'civil society'. Remarkably, citizens' groups and movements from western and eastern Europe are addressing the matter together, despite their very different histories. This has become a much-debated subject in the search for a social model that offers a middle way between unbridled individualism and the trend towards total authoritarian collectivism.

<sup>(1)</sup> See points 6.1 and 7.1.

4.2. Whereas in western Europe and the United States the main question was how ordinary people could rebuild a sense of solidarity and so strengthen the social ties which a community needs, the initial concern in central and eastern Europe was to dismantle the central government control inherited from the Communist system.

4.3. The difficulties currently besetting both western and eastern European countries are not purely economic, social and financial. They are mostly related to internal changes in the way civil society is organised, and to the limits of state action in a complex society.

4.4. The countries of central and eastern Europe had not succeeded, and in certain cases have still not completely succeeded, either in building confidence in the new institutions or in creating the necessary structures for the existence of a strong civil society. This situation is particularly relevant for the European Union in the context of enlargement. The ESC, too, has launched a large number of initiatives to support this reconstruction process in the CEEC, and these activities have a high priority in its current work programme.

## 5. An attempt to define civil society

5.1. There is no hard and fast definition of civil society. Because the term is so closely associated with specific historical developments in individual societies and so normative, it can be defined only loosely, as a society that embraces democracy. Civil society is a collective term for all types of social action, by individuals or groups, that do not emanate from the state and are not run by it. What is particular to the concept of civil society is its dynamic nature, the fact that it denotes both situation and action. The participatory model of civil society also provides an opportunity to strengthen confidence in the democratic system so that a more favourable climate for reform and innovation can develop.

### 5.2. Some components in the concept of civil society

5.2.1. The development of civil society is a cultural process, and 'culture'<sup>(1)</sup> therefore determines the definition of civil society and has a bearing on all the concepts listed below. If we take the very broad definition of culture as a code of values that apply to the members of a society, then culture also shapes the areas in which civil society operates.

— Pluralism: In a pluralist society every member of the community determines his or her contribution, and the

community tries to improve the conditions of co-existence. This applies not only to the substance but also to the form of action taken; thus civil society also links diverse social groups through the way in which ideas are exchanged and social contacts established, thus lending some stability to their communication efforts. What is remarkable is that this public discourse is not purely factual, but that the parties involved also exchange value judgements. However, this co-ordination of different views and perspectives does not happen automatically, but requires a constant will to achieve consensus. In a pluralist society, all individuals recognise each other as having equal rights and engage with each other in a public debate. All this takes place on the basis of tolerance and free will. An example is the democratic culture of the multiparty political system.

— Autonomy: Ordinary people determine the pattern of their social actions themselves. These must take place, however, within a state that has been fashioned by its citizens, a state that provides the framework for society to function through basic rights anchored in a constitution. But autonomy also requires independent institutions that protect non-material values — such as education, religion and culture — that guarantee human dignity, a basic right of which the state is not the sole guarantor.

— Solidarity: Civil society is underpinned by a 'culture of solidarity', which manifests itself in a willingness to place limits on one's own interests and take on obligations as the prerequisite for acting in the common interest. People's actions are determined by their own lives (culture, upbringing, education, experience) and they benefit from their interaction with others.

— Public awareness: Civil society establishes a climate of communication and so creates a social context of 'political awareness'. This political awareness is characterised by very grassroots-oriented patterns of communication. The information society has become very relevant to such awareness. Even if, as a kind of 'non-organised civil society', the information society is still to a certain extent an elite community, it is likely to provoke radical changes, not only in the shape of civil society but also in the way it operates.

— Participation: in a flourishing democracy there are two ways in which citizens can be politically represented or active:

- 1) through a range of political institutions at different levels: citizens participate mainly by taking part in election debates and subsequent ballots;
- 2) through the action of interest groups and citizens' initiatives: people belong to groups that build up expert and grassroots knowledge of the social issues in

<sup>(1)</sup> In broad terms culture can be said to define the past and presently prevailing system of values and needs (material or not material); culture determines the hierarchy of values and needs as well as the 'means' by which values are served and needs are satisfied or met.

question. These bodies also participate in public information and communication processes, so helping to create a general perception of the common good. The term 'civil society' implies this type of participation.

- Education is a fundamental element of civil society. The basic values of human society are communicated through education. Those involved in education establish the principles according to which civil society develops. On no account therefore should education policy be the sole preserve of the state.
- Responsibility: civil society is not just the place where individual rights are exercised: these rights are accompanied by obligations in the common interest. In fulfilling these obligations, members of civil society must be accountable to the other members. This is why civil society is the ideal context for practising a particular type of 'good citizenship', because it is a community of interests.
- Subsidiarity: The grassroots level plays a primary role in this political and social system; higher authorities only come into play when lower levels cannot cope. In the context of civil society, subsidiarity must also be understood as an external factor, i.e. as a recommendation that citizens themselves should be left to deal with matters that concern them.

### 5.3. *Civil society in the current debate*

5.3.1. The theoretical discussion is broadly based on three approaches:

- The liberal tradition sees the citizen as an economic, rational element of society defined primarily in terms of his or her rights and duties. Citizens organise themselves in interest groups and ensure that the state guarantees universally valid, individual freedoms. Civil society is realised through the broadest possible application of individual rights. The focus is on applying liberal principles.
- According to the theory of communitarianism, citizens are members of a community established on the basis of values they themselves have defined. People must adapt their behaviour to the objectives of the community, which for its part must act as a system of links between individual and state.
- The third theoretical approach is discursive democracy, which lies somewhere between the liberal and communitarianist positions; this theory is based on the concepts of communication and interaction: civil society creates a 'political awareness' in which democratic debate not only generates opinions, but also establishes standards, so that the information process also becomes a decision-making process through which civil society agrees on common values. These values — for example in the sphere of justice or protection of minorities — must then be implemented by the democratic institutions (the state).

## 6. State, market and civil society

6.1. There is no doubt that the social state based on the rule of law has enhanced the development of political freedom, economic strength and social cohesion. The typical dual model of former political and economic theories, which revolved around the two poles of 'state' and 'market', more or less ignored all relationships outside that context, relationships that most closely reflect human and social reality.

6.2. The concept of civil society is thus very important as the third component of the state system. Whereas the 'statist society' model sees the citizen first and foremost as a citizen of the state (in relationships determined by the state), the 'market society' model sees the citizen as a market player. The citizen as a member of civil society (*homo civicus*) mediates between the two, by embodying all three aspects (*homo politicus*, *homo economicus* and *homo civicus*).

## 7. Civil society organisations

7.1. Civil society organisations can be defined in abstract terms as the sum of all organisational structures whose members have objectives and responsibilities that are of general interest and who also act as mediators between the public authorities and citizens. Their effectiveness is crucially dependent on the extent to which their players are prepared to help achieve consensus through public and democratic debate and to accept the outcome of a democratic policy-making process.

7.2. Civil society organisations can also be viewed dynamically as a locus of collective learning. In complex societies, which cannot be run on a centralised basis, problems can only be resolved with active grassroots participation. Various forms of social experimentation and forums for pluralist discussion are a prerequisite for an 'intelligent' democracy that can generate an ongoing process of social learning. In this sense, civil society is a 'school for democracy'.

7.3. This also applies by analogy to the Community sphere, where the role of the nation state is also relativised by the process of European integration and people increasingly sense that the nation state's traditional claims to sovereignty no longer reflect social reality. Employment and environmental problems and issues of welfare and social justice can no longer be dealt with exclusively at national level.

## 8. Players in civil society organisations

8.1. Civil society organisations include:

- the so-called labour-market players, i.e. the social partners;

- organisations representing social and economic players, which are not social partners in the strict sense of the term;
- NGOs (non-governmental organisations) which bring people together in a common cause, such as environmental organisations, human rights organisations, consumer associations, charitable organisations, educational and training organisations, etc.;
- CBOs (community-based organisations, i.e. organisations set up within society at grassroots level which pursue member-oriented objectives), e.g. youth organisations, family associations and all organisations through which citizens participate in local and municipal life;
- religious communities.

### 9. The role of civil society organisations at Community level — the civil dialogue

9.1. In the context of European integration, civil society organisations have also been set up at Community level, though their make-up and representativeness vary. These organisations range from ad-hoc lobby groups to highly organised associations, all claiming representation and co-decision rights for their particular area of interest. However, only those with a certain basic organisational machinery and which are qualitatively and quantitatively representative of their particular sector can be expected to make a positive contribution to European integration.

9.2. One common feature of these civil society organisations at European level is the intermediary role they which they have taken over from the national level. The European social partners are a case in point, having employed their communication strategies in a Community-level institutionalised negotiation process. This social dialogue is essentially a decision-making process based on consensus; since the coming into force of the Amsterdam Treaty, the parties in this process act on a quasi-constitutional basis. The importance of social dialogue in core areas of social policy, especially labour relations, is undisputed. Of particular interest, however, is the fact that it serves as a model for applying a form of communication intrinsic to civil society, in which dialogue is a constantly developing, goal-oriented process. The social partners have thus set standards for a new type of political culture which should embrace areas outside the social dialogue.

9.3. There have already been numerous efforts to set up structures for democratic discourse alongside the social dialogue at European level. In the Commission, Directorate-General V plays a key role in promoting civil dialogue at a practical level. It initiated the first European Social Policy Forum, held in March 1996, where the concept of 'civil dialogue' was introduced. In its Communication 'Promoting

the role of voluntary organisations and foundations in Europe' (1), the Commission took up this suggestion and set as a political objective 'the building over time of a strong civil dialogue at European level to take its place alongside the policy dialogue with the national authorities and the social dialogue with the social partners'. In its opinion on this Communication (2), the Committee discussed the question further, observing that: 'By organising themselves, citizens provide themselves with a more effective means of impressing their views on different society-related issues on political decision-makers. Strengthening non-parliamentary democratic structures is a way of giving substance and meaning to the concept of a Citizens' Europe.'

9.4. Civil dialogue is set to become the communication forum for Community-level civil society organisations. However, it would be wrong to see it as providing an alternative to, or as competing with, the social dialogue. Rather, civil dialogue should be considered a necessary complement to the social dialogue, in which the social partners — depending on the areas to be dealt with — will participate just as all the other relevant players in civil society. It is in Europe's interest to improve and develop all structures which allow its citizens to participate in the common project of European integration.

9.5. A political awareness must be developed in Europe that provides transparency and requires cooperation. In modern societies it is the mass media above all that create such political awareness, but the media tend not to be very interested in European issues. Reports are generally limited to topical matters and allusions to incompetence which are intended to boost sales. So it is hardly surprising that people's distrust of 'Brussels', which they equate with aloof bureaucracy and opaque decision-making structures, has grown. 'Out of touch with ordinary people' and 'democratic deficit' have become catchwords associated with Europe.

9.6. Civil society organisations at European level therefore have the important task of contributing to a public and democratic discourse. Through its remit as a forum for civil society organisations, the Committee can ensure contact with grassroots concerns and contribute to the democratic policy-making process. Its members speak directly for civil society organisations, and together they represent that network of interactions, the 'real world', that forms the necessary basis for action in a civil society.

9.7. In this connection the Committee regrets that both the communication 'Promoting the role of voluntary organisations and foundations in Europe' and the report on the Second European Social Policy Forum 1998 mention only the Commission and the European Parliament as forums for civil dialogue, omitting any reference to the Committee.

(1) COM(97) 241 final.

(2) OJ C 95, 30.3.1998, p. 99.

## 10. The Economic and Social Committee as the representative of civil society organisations

10.1. By setting up the Economic and Social Committee, the Rome Treaties gave sectoral interest groups access to the European decision-making process and made the Committee the representative of civil society organisations at Community level. Hence, the Committee can trace its special role as the representative of civil society organisations back to both its institutional status and remit, as well as its membership. It should therefore set a clear course for the further development of civil dialogue at the conference in October.

### 10.2. Committee members

10.2.1. Under Article 257 of the EC Treaty, the Committee comprises 'representatives of the various categories of economic and social activity, in particular, representatives of producers, farmers, carriers, workers, dealers, craftsmen, professional occupations and representatives of the general public'. This purely indicative list is deliberately left open, as best befits the evolving nature of civil society organisations.

It is not clear whether current membership of the Committee really reflects social changes that have taken place over the past 40 years.

10.2.2. Committee members are generally nominated by national organisations, but they are not bound to follow those organisations' instructions. In other words, they are independent. But members naturally reflect in their work the reasons for which they were nominated. In this way they represent the pluralist interests of civil society organisations. In addition, the Committee's members must respect their duty to serve the common interest: 'The members of the Committee may not be bound by any mandatory instructions. They shall be completely independent in the performance of their duties, in the general interest of the Community.' (third paragraph of Article 258 of the EC Treaty). This means that political decision-making in the Committee is not the automatic outcome of competition between interest groups, and its way of working more or less reflects the *modus operandi* of civil society organisations. The particular process for drafting opinions in the Committee (study group — section — plenary session) is also consistent with the principle of consensus, which is the basis for negotiated action in civil society. Thus any lack of diversity in the membership of the Committee is partly offset by the rules governing the exercise of their activities and the form of the decision-making process.

10.2.3. The Committee's legitimacy as the representative body of civil society organisations derives not only from its status as an institution of the European Community, but also from the existence of its three Groups. The Committee incorporated this right to form groups from the Council's nomination guidelines of 1958 into its Rules of Procedures, in the first place presumably to simplify its work. But the intention was also to make clear that the Committee was

a forum not for national delegations but for European organisations with similar interests. Thus the Committee also sees itself as speaking on behalf of civil society organisations.

### 10.3. Role of the Committee as a Community institution

10.3.1. The Committee's role as a consultative body is best summed up in terms of its relationship with other bodies, particularly the European Parliament: the Committee guarantees the implementation of the participatory model of civil society; it enables civil society to participate in the decision-making process; and it helps reduce a certain 'democratic deficit' and so underpins the legitimacy of democratic decision-making processes.

10.3.2. Democracy manifests itself through the will of the people, which is expressed through majority decision-making. For the minority to accept the will of the majority, there must be a degree of agreement between them: they must have a common identity. This is not usually a problem at national level, where (in a broad interpretation of the 'demos' concept) this identity is defined by a common nationality (or residence in a particular area), and a common culture, language and set of values.

10.3.3. However, when it comes to democratic policy-making at European level, additional identity criteria are required to create a European identity. If European Union citizenship is defined simply as the sum of all national citizenships, then a 'European' must be the sum (or synthesis) of several national identity criteria, which all derive from a common tradition and the values of democracy and human rights.

10.3.4. This means, however, that the democratic process at European level — even more so than at national level — must provide a range of participatory structures in which all citizens, with their different identities and in accordance with their different identity criteria, can be represented and which reflect the heterogeneous nature of the European identity.

10.3.5. The European Parliament is elected by Europe's citizens in their capacity as national citizens (residing in a particular Member State), i.e. exercising their democratic rights as part of their national (territorial) identity.

10.3.6. But people's identity is also defined by membership of interest groups in the diverse shape of civil society organisations. These identity criteria, relating to people's role in civil society organisations, are not covered by representation in the EP. It is precisely these identity criteria, however, which are taken into account by the Committee as the representative of civil society organisations; this enables the Committee to promote democratisation at the European level, and to show Parliament that it provides genuine added value in the democratic European decision-making process. The Committee cannot compete with Parliament, in power terms alone, but it complements Parliament's legitimacy in a way that makes sense.

## 11. Measures to support the role of the Committee

11.1. Cooperation with the Commission: The Committee currently maintains close working contacts with the Commission which both sides feel to be satisfactory. Contact should nevertheless be established with individual Commissioners so as to ensure that the Commission requests an opinion from the Committee at an earlier stage in its decision-making process. Particularly in matters concerning its interest groups, the Committee should be consulted as early as possible so that it can decide to draft an own-initiative opinion if it wishes.

11.2. Cooperation with the Council: Each Presidency generally lays down certain programme priorities. The Committee should build on the already effective cooperation during the preparatory phases and organise accompanying measures during each Presidency (own-initiative opinions, hearings and local events, and joint initiatives with the presidency-in-office).

11.3. Cooperation with the European Parliament: The Treaty of Amsterdam empowers the Parliament (or its committees) to ask the Committee for opinions. The interinstitutional working group on ESC-EP relations has a key role to play here, with far-reaching political implications. If solid foundations can be laid for future cooperation, people's current feeling of remoteness from the European institutions could perhaps be reduced, and citizens could be reminded, through their representative organisations, of their responsibility for Europe and motivated to become involved.

11.4. Cooperation with the Committee of the Regions: local and regional representation of interests in the COR does not conflict with sectoral representation in the Economic and Social Committee; on the contrary, in many cases it is complementary. Mutual benefits could be won here too. A first step in this direction was taken by the Bureau this July, when a liaison group with the COR was set up to monitor the follow-up to a Committee opinion on 'Exploitation of children and sex tourism' <sup>(1)</sup> and implement with the COR one of the proposals in this opinion, the setting-up of a European network of child-friendly cities.

The Committee should do more to encourage such practical forms of cooperation.

## 12. Creating a 'civil society' action plan in the Committee

12.1. The Committee is the right forum in which to further broaden civil dialogue, and it should therefore make appropriate arrangements as soon as possible for this dialogue

also to be conducted with those civil society organisations that are not currently represented in the Committee. This would be a crucial contribution to developing the model of participatory democracy.

12.2. The Committee is the institution in which civil society organisations meet.

It is therefore proposed that an appropriate 'civil society' organisational structure be set up to introduce initiatives in the following spheres, under an action plan to be implemented in the near future:

- events within the Committee, as well as hearings outside the Committee, which could give more people the opportunity to participate. The possibilities this would provide for opinion-forming and goal-setting through dialogue could represent a valuable contribution to the development of civil dialogue;
- interinstitutional contacts could also be consolidated and developed within this framework, with round tables of outside experts preparing joint opinions;
- there is also considerable scope to make more use of contributions from experts, which are often of high quality. Working up these contributions — where they address civil society issues — into press or scientific reports would not only further the knowledge of Committee members but could also be of interest to the wider public.

12.3. The ESC is the forum for development of a European identity: as already mentioned, European identity has many levels and comprises different criteria, first among which is the acceptance of a common code of values based on respect for human dignity and human rights.

— The German Presidency of the Council launched an initiative to draft a Charter of Basic Rights. At the Cologne summit, the German Minister for Justice noted that establishing a common code of values is of such fundamental importance for Europe's citizens that the highest possible degree of democratic legitimisation is desirable.

— As the representative of civil society organisations, the Committee can make a decisive contribution to this democratic legitimisation. It will prepare an own-initiative opinion on the subject, and will also give its views during the committee procedure for drawing up a list of basic rights, which will be determined in more detail under the Finnish Presidency.

— Even in the preparatory stages the Committee can ensure that as many as possible of the relevant players from civil society organisations are involved, by organising its own consultation procedures and hearings.

<sup>(1)</sup> OJ C 284, 14.9.1998, p. 92.

12.4. The Committee is the bridgehead of civil society organisations in the context of EU enlargement:

- In the run-up to enlargement, the Committee's involvement in helping to set up civil society structures in those countries that do not yet have them, or in which they are not yet complete, cannot be overstated. As well as legal, economic, social and political action, integrating new members into the Community requires comparable structures, in order to actually implement the shared value system referred to above.
- The Committee has already done a lot of work to facilitate the setting-up in the candidate countries of bodies similar to the Committee, or to the national economic and social councils: it is working in joint consultative committees with those authorities in the applicant countries that are responsible for setting up these bodies. It is organising exchange programmes and in certain cases is also providing assistance with technical and administrative matters.

Brussels, 22 September 1999.

With the help of the relevant sections and other administrative departments concerned, more positive steps could be taken in this direction through the action plan proposed in point 12.2.

### 13. Summary

New types of political entity — and the European Union in the post-Amsterdam period is such an entity — call for new ideas. In times of change, the so-called paradigm shift that characterises our present era, there is a need for visionary ideas and joint efforts to implement them. For Europe in particular this period preceding a possible enlargement poses a major challenge: to establish a common European identity based on a common value system, in addition to achieving major socio-economic goals.

The Committee has the opportunity to support this process of development and contribute to European integration as envisaged in the Maastricht and Amsterdam Treaties.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

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## APPENDIX

**to the opinion of the Economic and Social Committee****(in accordance with Rule 47(3) of the Rules of Procedure)**

The following amendment was rejected but received more than 25 % of the votes cast:

**Point 12.1**

Insert the following after the 2nd sentence:

'The various activities occasioned by this broader dialogue should also help to boost participation for non-ESC members from organisations currently represented in the Committee.'

*Reason*

In addition to the problem of organisations for which the ESC is currently unable to find room, we have trouble spreading the message of what the Committee actually does even within our own organisations. Moreover, some of the expertise within our organisations remains untapped in the ESC's regular activity. It should be possible to harness this expertise in various internal or external arrangements, thus making the people involved more aware of our work.

*Result of the vote*

For: 27, against: 40, abstentions: 11.

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## Opinion of the Economic and Social Committee on 'The impact of the enlargement of the European Union on the single market (SMO)'

(1999/C 329/11)

On 29 January 1998, 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 impact of the enlargement of the European Union on the single market (Single Market Observatory)'.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 July 1999. The rapporteur was Mr Vever.

At its 366th plenary session on 22 and 23 September 1999 (meeting of 22 September) the Economic and Social Committee adopted the following opinion by 77 votes to three, with one abstention.

### 1. Preliminary comments

1.1. The 'common market' has not stopped growing since the European Community was established with six founding members. Successive accessions have taken the number of Member States to 9, 10, 12 and now 15. These enlargements have been very positive for the single market, enhancing its size, impact and economies of scale, without diluting either the areas it covers or its achievements. With enlargement have come bids to strengthen policies, driven by European Commission programmes implemented by the Member States working to the deadlines of first 1993 and then 1999.

1.2. During the same period, the single market has also embraced other non-EU European countries in many economic and commercial areas, through cooperation and association agreements centred on freedom of movement and the adoption of entire sections of the corpus of Community single market legislation. The countries concerned are the members of the European Economic Area (the 15 EU Member States plus Norway, Iceland and Liechtenstein) and also Switzerland, via a bilateral arrangement. While extending the advantages and requirements of the single market to the four non-EU members, these agreements also greatly facilitated the transition-free accession of Austria, Finland and Sweden in 1995, as the EEA had enabled them to gradually incorporate most of the body of Community legislation. Turkey too is linked to the single market by a customs union agreement, concluded in 1962.

1.3. Today's European Union is facing a new vista of political enlargement, this time on a much broader scale. The new process concerns 12 applicant countries: 10 central and eastern European countries (Poland, Hungary, Czech Republic, Slovakia, Estonia, Latvia, Lithuania, Slovenia, Romania and Bulgaria) and two Mediterranean countries (Cyprus and Malta). They too are already linked to the single market by association

agreements providing for a high degree of free trade and the gradual adoption of Community legislation. When the time is right, there may be further applications from would-be EU members in south-east Europe, marked in recent years by a number of local conflicts, notably in Kosovo in 1999. Turkey may also join the Union in the future, once it has complied with the EU's political conditions.

1.4. Against a geopolitical backdrop undergoing radical change, the ESC's opinion has a two-fold objective:

- to take stock of preparations for enlargement and the impact of enlargement on the single market, by drawing on the experience of socio-occupational representatives on both the EU and applicant country sides;
- to recommend means of facilitating the integration of the applicant countries into the single market and ensuring that the future enlarged single market is managed effectively.

1.5. The Single Market Observatory has based its work on four hearings of socio-occupational representatives. Discussions were held in Brussels on 13 and 14 July 1998 with CEEC representatives and on 15 September 1998 with EU representatives. Two special hearings also took place, on 23 June 1998 in Berlin with German representatives and on 20 April 1999 in Prague with Czech representatives. Consideration was also given to the conclusions of the social partners' conference on enlargement, held on 18 and 19 March 1999 in Warsaw.

### 2. New prospects

2.1. The enlargement of the single market will open up new horizons, bringing significant opportunities but also greater demands if the full benefit is to be reaped.

*Unprecedented opportunities*

2.2. The political significance of EU enlargement is clearly of historic proportions. The peaceful and democratic unification of the continent, which is the natural extension of the long process that began with German reunification in 1990, is unprecedented and will ensure that there can be no going back on the political and economic changes in the East. It will also guarantee stability and cooperation for all the countries taking part and their neighbours. Enlargement will enable the Union to defend a common core of shared values while upholding cultural diversity. It will give the EU greater weight in world affairs, while providing an example to encourage other world regions to establish similar political or economic groupings.

2.3. Enlargement of the single market will bring many economic opportunities, including further investment, markets and trade, more producers and consumers, new openings for cooperation, sub-contracting and economies of scale, fresh growth prospects, new infrastructure projects both within the CEEC and at trans-European level, and better means of stepping up European competitiveness in the face of globalisation.

2.4. Enlargement of the single market should also be a positive factor in social terms — the full effects of which can emerge only gradually — by facilitating exchanges, by raising the standard of living and generating new jobs as a result of further growth, by spreading the benefits of European social legislation and, providing it is carried out in a well-ordered manner, by balancing migratory flows.

*Equally unprecedented challenges*

2.5. The challenges posed by further enlargement of the single market are quite as great as the opportunities and are much more complex than for previous enlargements.

2.6. It has to be borne in mind that single market integration has been an on-going process for the 15 Member States, influenced by successive treaty reforms, the adoption of further Community legislation and the introduction of the euro. The level of integration required of the applicant countries is much higher than ever before.

2.7. The current number of applicant countries is also higher than ever before. Revolutionary ways will have to be found to determine how best to organise and manage the single market in view of the eventual near doubling of the number of participating States, with many small countries,

broad linguistic and cultural diversity, and wide discrepancies in development. The challenges are manifold: added complications with decisions requiring unanimity, the monitoring of Community law and transposition into national legislation, new requirements for customs harmonisation, the management of Member State diversity, operation of the mutual recognition system, the safeguarding of economic and social cohesion, and preventing new national barriers.

2.8. The social dimension will need special attention, if complex demands are to be reconciled. On the one hand, care must be taken not to provoke excessive migratory movements, and to avoid upsetting the EU job market as a result of the much lower social costs in the applicant countries. The quality of existing social legislation in the Union must also be maintained. On the other hand, economic growth and employment in the candidate countries will need backing, bearing in mind the need for a transitional period to integrate Community social legislation in its entirety. Timetables should be drawn up for the gradual and balanced completion of the necessary adjustments.

2.9. It will be imperative to ensure that enlargement does not damage the cohesion of the single market, particularly since the European Union does not currently have a further programme for single market completion, and is restricting itself largely to the adoption or transposition of the directives covered by the previous programmes, with the exception of certain additional target areas. Ill-prepared enlargement would weaken single market cohesion. It would undermine the economic and social expectations to which every European, from east or west, has a right. An orderly enlargement process, however, means making the most of the preaccession period to carry through changes and reorganisation. Step by step, this will increase the single market's dynamism and scope, justifying all the effort invested to ensure this historical process is a success.

### 3. Evaluating the situation

3.1. Enlargement of the single market to include the applicant countries is already well under way. This can be seen not only from the agreements reached and the on-going negotiations but also on the ground. Most of the applicant countries' external trade nowadays is with the European Union and is for the most part tariff free.

*Progress made*

3.2. Significant progress was apparent at the hearings. First and foremost was the acceptance of the process of change

in the applicant countries. This goes hand in hand with acceptance of the rationale behind the European single market and its demands and regulations, which are inextricably linked to its benefits and opportunities. The conditional nature of European aid was also understood and accepted. In this context, the smooth running of the single market and its enlargement to central and eastern Europe were not felt to be a contradictory concepts.

3.2.1. Current efforts are focusing on the improvement of economic factors, especially regarding growth and price stabilisation. Trade between central and eastern Europe and the European Union is continuing to expand. It now accounts on average for 60 % of CEECs' external trade (equivalent to the level of trade among member countries) as against barely 30 % in 1993. Taken together, these countries have now become the EU's second largest trading partner after the United States. Investment, technology transfer and EU financial aid in central and eastern Europe are already producing dividends, leading to higher productivity, a new business and management culture, and the modernisation of infrastructure (housing, transport, energy, etc.) and of industrial production. They have enabled the on-going development of the banking and insurance sector and of other service activities such as business and audio-visual services. Furthermore, the quality of products and services has improved, there is a new trend towards decentralisation, and pollution (water, air, industrial waste, nuclear waste) has already been reduced considerably. There is more cooperation on technical standardisation, health and safety standards have risen and consumer organisation and protection has been strengthened.

3.2.2. The socio-occupational representatives from the EU Member States emphasised their active and positive commitment to enlargement of the single market and their desire to step up their presence and investment and well as partnerships and mutual exchanges.

3.2.3. Their counterparts in the applicant countries stressed that they were not looking for extra protection as such but for more effective means of adapting to the wider market and competition, and for better access to the European single market. They were ready to make the necessary efforts to bring about change; they were confident of their ability to play a full role in the single market and stressed the need to develop the complementary features they could offer the European Union, to benefit the enlarged single market, which was already having a positive impact on both sides.

### *The problems*

3.3. Though there was clearly agreement on the mutual benefits of enlarging the single market and on the progress being made, certain points of concern were nevertheless raised.

3.3.1. On both sides, these related first and foremost to the unknown elements in the political process that had begun. There were still question marks hanging over countries' differing rates of progress in the negotiations, accession timetables, the scale of the successive enlargements and the overall and even final extent of the enlargement process. The many difficulties involved in the process, which looks to be longer than expected, were also emphasised, including the changeover to a new mindset and a complete turnaround from an administered, controlled economy to one based on initiative and accountability. Clarification of the operational conditions for future enlargements would definitely help socio-occupational operators to prepare more effectively.

3.3.2. Mutually-felt economic concerns included the risk of distorted trade and competition conditions, difficulties in adapting rules and structures, environmental protection problems, the cost of meeting standards, inadequate workforce training and qualifications, the need to modernise the production apparatus and commercial channels and the necessary changes to the workforce, often superfluous in agriculture but wanting in other sectors. The difficulties appeared to be all the greater for countries that had delayed reform. Mention was also made of insufficient cooperation between central and eastern European countries (their mutual trade remained at a fairly low level, even dropping as a percentage of their external trade from 15 % in 1993 to 13 % in 1997) in spite of some progress in cross-border regions. All in all, there was an overwhelming feeling that there was a lot to do at once and that precautions would have to be taken and stages marked out in the process.

3.4. The applicant countries raised many further issues.

3.4.1. In general, the difficulties mentioned related to the complexity and constraints of implementing the corpus of Community legislation, particularly since the countries of central and eastern Europe have 40 years to catch up on. Emphasis was placed on a competitive lag in the face of heightened competition, trade balance deficits, restricted access to the EU market for farm products, restrictions on Community aid, concern to avoid a brain drain, and problems relating

to the development of a black economy. One observation was that infrastructure (e.g. transport, telecommunications, energy, water) is often still underdeveloped, which hinders the expansion of trade. Mention was also made of the need to make improvements in administration and in the public sector, which is suffering in particular from the massive divergence between public and private sector salaries. There was also a concern to avoid the development of differences in the way the applicant countries are treated, so that they are not branded as fast- or slow-track applicants.

3.4.2. Special attention was given to the difficulties facing SMEs. Most find it hard to expand, are not ready for the global market, lack capital and access to credit, receive little financial aid from the EU, and are ill-informed about the real significance of accession. The complexities of applying Community legislation, and the cost to companies of change in particular, is a highly sensitive issue for SMEs. There is also a desire to avoid a changeover from domination by national public monopolies to abusive domination of certain sectors by private (in particular foreign) monopolies or oligopolies. Local businesses must therefore be given the means to develop and restructure in order to hold on to their market positions.

3.4.3. Mention was made of the lack of practical support in providing socio-occupational interest groups, businesses and consumers with better information on the changes implied by integration into the single market. The need is not so much for financial support as for assistance from experts and speakers, through missions and local secondments, not to mention the use of new means of communication such as the Internet. The EU, its organisations and its businesses should follow the US example and take more initiative in these areas. Particular consideration must be given to increasing public understanding of, involvement in and commitment to the enlargement process in the applicant countries.

3.5. The EU Member States too raised several further issues.

3.5.1. Emphasis was placed on delays in adjusting regulations and liberalising the economy in the applicant countries: persistence of non-tariff barriers to trade, restrictions on freedom of establishment, disregard or challenging of the legal and fiscal framework, maintenance of price regulating mechanisms, failure to open up public procurement, complexity and level of taxation, property purchase restrictions, delays in privatisation (especially in the insurance sector),

inadequate and often obsolete financial and distribution systems, accounting difficulties in relation to technical and accounting standards, restrictions on location (licences, branches), shortcomings in intellectual property protection. Mention was made of the high level of State aid, which has a negative impact on the surplus capacity of certain sectors (e.g. textiles, steel) at European and world level. Problems with customs procedures also figured, especially for goods in transit from former USSR countries. Factors such as price dumping, failure to abide by environmental standards and illegal labour were felt to distort competition. Reference was made to friction on the western labour market (especially in the new Länder and in Member States located on borders), the risk of social tension if care is not taken, and problems for the border regions of central and eastern European countries if they are not given assistance. The issue of the relocation of businesses and activities to the countries of central and eastern Europe also came up.

3.5.2. Some representatives questioned the institutional capacity of administrations in the applicant countries when faced with the difficulties of adjustment and abnormal competition. Procedures were felt to be too bureaucratic, legal remedies were absent, the monitoring authorities lacked competence and independence, customs protectionism was a recurring issue, certain regulatory, standardisation and certification bodies lacked efficiency, there were difficulties relating to mutual recognition, and fraud and corruption were a problem.

#### *Shared needs*

3.6. The fears expressed by both sides must be addressed, and one priority must certainly be to step up dialogue, especially as the fears concern immediate problems whereas the benefits may sometimes be felt to relate more to the medium and long term.

3.7. The joint aim should be to ensure that the enlargement of the single market is conducted under balanced and well-ordered economic and social conditions, in accordance with the order of priorities on both sides, while keeping up the momentum so as to avoid excessive delays. Enlargement must not have the effect of lowering Community standards on social, environmental and consumer matters, but rather of disseminating those standards in the applicant countries to promote common development that strikes the right balance between the economic competitiveness of a wider single market and the quality of life of the European public.

3.8. The issue of the conditions for integrating the applicant countries into the economic and monetary union must also be raised in relation to the enlargement of the single market. Obviously, participation in the single currency can only come as the final stage in the integration of the new members, and will involve appropriate transition periods following accession. However, although this stage is still a long way off, it must not be ignored in the preparations for enlargement, but must be included among the long-term objectives. The euro is now an essential feature of the single market and it has been clearly agreed that no opt-out will be allowed for the new Member States once they meet the economic criteria for joining the EMU. The European Union would therefore be justified in providing for appropriate pre-monitoring of the applicant countries' economic policy guidelines, in accordance with this long-term perspective. It should also make its aid conditional on minimum requirements, taking into account specific levels of development and the long list of hurdles the countries must overcome to qualify for the EMU.

3.9. The socio-occupational interest groups will have a special role to fill in facilitating this vast process of integration: enlargement of the single market concerns them directly, over and above the responsibilities falling to governments and administrations. The success of the process will depend largely on their direct involvement.

#### 4. Priorities for the applicant countries

4.1. The Committee stresses the need for the applicant countries to hold firm in the process of adapting to the single market. The first dividends, in terms of economic development and an improved standard of living, are already emerging. The aim must be to apply the corpus of Community legislation in its entirety, in order to preserve the cohesion of the enlarged single market and to ensure that it functions properly. Transition periods could be allowed in certain cases and subject to certain conditions, but the scope and duration of such arrangements should preferably be kept to a minimum once the countries actually accede to the European Union. Ensuring the body of Community legislation is taken on board under the best conditions as rapidly as possible means not just adopting the necessary national legislation and regulations, but above all promoting the economic and social reforms these regulations imply, and, where possible, checking the effectiveness and quality of the transposition of the regulations.

##### *Priorities for action*

4.2. The first move must be to continue and consolidate the progress already made, in particular on rigour in economic management, improved productivity and quality of goods and services, business culture, and consumer education.

4.3. The Committee also stresses the need to tackle the problems cited by stepping up reform in the following areas:

4.3.1. More effort must be made to further economic liberalisation, on which accession depends, by means of a series of measures. These should include bolstering the reform of the state and administration, stepping up decentralisation, strengthening independent and representative socio-occupational organisations with contractual powers, continuing and speeding up privatisation, developing price liberalisation, launching tax reforms suited to market economics, applying monetary regulations, and giving more rein to economic operators. The legal procedures needed for the economy to function properly (e.g. debt recovery, etc.) must be firmly in place, which means making the legal systems more efficient. Competition policy must comply with the provisions currently in force in the European Union. This means that all the applicant countries must have efficient national bodies to monitor competition conditions. Standardisation must be stepped up, by intensifying the transposition of European standards, certification and mutual recognition. Customs procedures must gradually be brought into line with those of the EU, and goods in transit from third countries (especially the former Soviet Union) must be monitored effectively.

4.3.2. The modernisation of structures must be accelerated, with a particular emphasis on developing infrastructure (transport, water, energy, telecommunications) and linking it more effectively to that of the EU Member States as part of the trans-European networks. A major effort must also go into bringing research and innovation up to scratch. Sales and after-sales structures must also be brought up to date, to bolster economic efficiency.

4.3.3. Better support must be made available to small and medium-sized enterprises through a series of measures: imparting a spirit of enterprise, providing training on modern management methods, attracting capital and encouraging profit-making, developing access to credit, a favourable fiscal and quasi-fiscal environment which does not hinder their development, simplifying regulations, and providing businesses operating on the international market with information and support.

4.3.4. Environmental protection must be improved, in particular using Community aid, even though projects will often prove lengthy.

4.3.5. The foundations must be laid for social progress by building up the social dialogue, gradually implementing Community social legislation and developing vocational training. It is desirable to control and channel migratory movements, first to enable the applicant countries to hold on to the

workforce they have trained, and second to take pressure off the western labour market, where necessary allowing for sufficiently long transition provisions in the area of labour. The fight against the black economy must be intensified; much will depend here on the success of the economic reforms.

#### *The best initiatives*

4.4. To rise to the various challenges, the Committee recommends that the applicant countries take a pragmatic approach, based on practical initiatives in a series of key areas. These initiatives must fully involve the economic and social operators, who all too often feel that neither their governments nor the European Union involve them sufficiently in the enlargement process.

4.5. Preparing the applicant countries for the single market will take more than bilateral efforts between each country and the EU. A common area should also be marked out for free trade and cooperation between the countries of central and eastern Europe, as under CEFTA (the Central European Free Trade Agreement), which was launched for the Visegrad countries several years ago. Cooperation and free trade must be taken further within the CEFTA zone and the area should be extended to include neighbouring EU applicant countries. The inclusion of Romania in CEFTA marks a major step in the right direction. This will require cooperation between border regions and the encouragement of initiatives by socio-economic operators to that end. EU support programmes should take this need into consideration and promote more of this type of cross-cooperation.

4.6. The corpus of Community legislation must be adopted in its entirety but cannot be taken over all at once. Some measures will prove more urgent than others during the pre-accession period. Rather than pushing all the issues forward randomly, it would be preferable to move quickly to see that small but significant areas work properly, before then expanding the limits gradually to cover new packages of measures every year.

4.7. Monitoring the transposition of the legislation will involve developing strong independent authorities — both administrative and legal — in the countries of central and eastern Europe, to watch over transposition and the progress of the reforms. Structures should also be set up to liaise between these monitoring authorities and the Union, involving the professional sectors concerned.

4.8. To trace the applicant countries' progress on single market integration, the Committee recommends that regular scoreboards be drawn up, at least once a year, charting the

implementation of Community legislation in the applicant countries, like those set up in the EU in recent years to monitor the fifteen Member States' progress on single market completion. Socio-occupational representatives should be consulted on and involved in their preparation and monitoring. It is particularly important to have their views on the application of reforms in the field and not to judge simply by what appears in legislative and regulatory texts.

4.9. The Committee also recommends proposing that the applicant countries set up single market coordination centres and single market contact points for businesses and the general public, along the lines of those recently set up in the EU Member States. This could have several advantages:

4.9.1. In general terms, this initiative would have a major psychological and practical impact by confirming that those countries are now within the orbit of the single market, by involving them directly in the management of the enlarged single market, and by offering them practical means of helping their authorities, businesses and public to adapt more easily.

4.9.2. Single market coordination centres in the applicant countries would provide an informal means of finding bilateral solutions to many of the practical obstacles to trade between the EU and the applicant countries, especially problems of red tape (in either the EU or the applicant countries).

4.9.3. The parallel establishment of single market contact points for businesses and the public would provide a means of building up practical information on the opportunities offered by the single market, especially for small and medium-sized enterprises, consumers and the social partners, and thus make up for the shortage of information mentioned in the hearings.

4.9.4. Social and occupational interest groups would benefit directly from the establishment of coordination centres and single market contact points in their countries, and they should play a front line role in helping them to work well.

4.10. In general terms, the Committee also stresses the importance of promoting social dialogue in the applicant countries and between the social partners on both sides, as recommended by the European social partners conference in Warsaw in March 1999. The establishment of economic and social councils or committees like those in several Member States could also have a positive impact.

4.11. The development of customs cooperation between the applicant countries of central Europe and the EU in all areas should be a top priority for the cohesion of the single market, without waiting for alignment on the common commercial policy: the operation of customs posts (tightening up border controls with regard to third countries, coordinating with the European Union), improvement of procedures, better reciprocity in terms of the treatment granted by the EU, monitoring of free trade areas and free ports, fight against fraud and counterfeiting, monitoring of the rules of origin, reliability of the statistical system, gradual alignment on the common commercial policy. This cooperation should be founded on administrative assistance agreements, inspection visits and customs training programmes. To that end, the Committee recommends the setting-up of a customs cooperation observatory, involving socio-occupational interest groups, to help monitor application in the various areas.

4.12. Attention must be given to the issue of economic and trade relations between the central and eastern European applicant countries and their former-Soviet Union neighbours, on a number of counts: recent and on-going developments in commerce and trade with those countries, the impact of integration into the single market on that trade, future prospects for economic relations between the enlarged European Union and the countries of the former Soviet Union.

4.13. The issue of economic and trade relations between the applicant countries and non-EU European countries that are linked to the single market by association agreements (e.g. the three EEA partners, Switzerland and Turkey) must also be examined. It would be useful to pool ideas on methods and results of integrating single market legislation in the associated countries. There should also be a forward-looking debate into the future of these relations following enlargement.

## 5. Priorities for the European Union

5.1. The European Union too must prepare for the enlargement of the single market by reforming its institutions, speeding up its completion in key areas and involving the applicant countries in the debate on the future management of the enlarged single market. By meeting these challenges, the European Union will ensure that rather than running counter to the strengthening of the Union, enlargement of the single market will further and improve its functioning, precisely because of the greater demands involved.

### *Essential institutional reform*

5.2. It is a prime requirement that the European Union should reform its institutions and decision-making procedures in order to adapt to further enlargement. The unanimity rule, which will be a real barrier to decisions with almost double the number of Member States, should be kept only for a few exceptional cases. The extension of the majority voting system seems inevitable if the single market is to operate properly with 20, 25 or 30 members.

5.3. The Committee welcomes the decision taken by the European Council in Cologne to hold an intergovernmental conference in 2000, with the intention of producing results within that year. Its aim will be to revise the Treaty in key institutional areas, and thus increase the coherence and decision-making capacity of the European Union in time for the next round of enlargements.

### *Completion of the single market*

5.4. The European Union should keep up the momentum to complete the single market by devising a follow-up to the programme that ended in 1998, in accordance with procedures to be agreed. There must be no let-up as there is still a lot to do. The Committee points out the need to remedy the delays in harmonising legislation, especially regarding the definitive VAT regime, the elimination of trans-national double taxation, a scheme to facilitate mergers, a workable and attractive European company statute, the liberalisation of financial services, the opening up of public procurement, transport, telecommunications and public monopolies, and the standardisation of intellectual property rights with a genuine Community patent. Adjustments will also have to be made for electronic commerce and on-line services, which are revolutionising trade conditions, and for the increased need for standardisation in view of the introduction of the euro, particularly in the tax field.

5.5. The Committee also stresses the need to take great care to ensure that directives for which the deadlines have passed have been properly transposed in all Member States. This is not always the case: at the end of 1998, 15 % of single market directives had still not been applied in all Member States. Those States should be aware that in demanding that applicant countries apply all Community legislation they have a particular responsibility to do so themselves and set an example.

5.6. The Committee would also stress the need to promote — with a view to the proper functioning of an enlarged single market — a better balance in the choice of legal instruments laying down the rules applicable to the single market, in order to make the common rules more effective. The Committee draws attention to the recommendation in its earlier opinion that, when the common interest of single market cohesion is directly involved, European legislation should place more emphasis on regulations, which are applied directly and uniformly, instead of resorting too systematically to directives.

5.7. The Committee also stresses the need for the greatest vigilance to ensure that mutual recognition arrangements operate much more effectively. They will have even greater importance after enlargement, and too many problems of practical application still persist, as the European Commission very appositely pointed out in a recent communication on the matter.

5.8. The Committee takes the view that work to simplify Community legislation and especially to transpose it rapidly into effective new regulations must also be stepped up. This is particularly important for the SMEs in the applicant countries that must apply Community legislation.

5.9. Efforts must also be made to prevent new obstacles from arising at national level, an issue that will gain importance with the increase in the number of Member States. The Member States could ensure that their national legislation is more euro-compatible by agreeing on a code of good practice for the single market, as the ESC recommended at an earlier stage. Euro-compatibility would aim to balance the need to preserve the inevitably greater political, cultural and social diversity of the enlarged European Union with the smooth running of the single market.

## 6. Shared priorities for the applicant countries and the EU

### *Supporting the applicant countries*

6.1. EU aid to the applicant countries is extremely important. It is impossible to ignore the fact that, following the Berlin agreement on Agenda 2000, the multiannual budget stretching until 2006 provides only very limited resources compared with the scale of the need in the applicant countries, if they are to integrate successfully into the single market. The Committee therefore stresses that it is essential to take extra care to ensure that optimum use is made of aid. Its impact must be assessed systematically; it must be targeted more

accurately on key areas (in particular improving the framework of activities for companies and supporting the authorities that are responsible for applying and monitoring application of Community legislation); checks must be conducted to ensure it is used properly, in accordance with conditionality criteria; care must be taken to avoid distorting competition; and more must be done to combat fraud. In general, the sights must be set not on assistance but on development, with a view to gradually phasing out rather than maintaining or increasing the aid, encouraging greater use of loans or interest rate subsidies and promoting private capital investment, a decisive factor in development. Finally, the trend for greater support to be given under the Phare programme to social measures needs to be both further extended and enhanced.

6.2. Consultation and cooperation between the EU and the applicant countries for the purposes of integration must not be restricted to states, governments and administrations. It must also directly involve socio-occupational organisations and businesses. The Committee stresses that the establishment of strong and representative socio-occupational organisations in each of the applicant countries, playing an active part in a responsible economy mirroring the European economic and social model, is a necessary condition for the successful enlargement of the single market.

6.2.1. First of all, the Committee considers that the socio-occupational organisations of the EU countries must be encouraged, with the support of Community programmes, in particular PHARE, to support their counterparts in the applicant countries, in terms of training and adaptation to integration into the single market. Partnership agreements, for mutual cooperation and support, not least to facilitate trade, should be developed within the framework of these organisations.

6.2.2. Special emphasis must be placed on support for SMEs. The main European programmes for companies (framework programme for research, SME and craft sector support programme, European Investment Bank loans, etc.) should be more open to the applicant countries, helping them optimise their financing (access to risk capital, interest rate subsidies, guarantees from European financial institutions, etc.), encouraging them to use the European legal instruments that will facilitate integration into the single market (e.g. European patent, Community trade mark, EC certification, etc.), and promoting transnational partnerships with EU companies.

6.2.3. Consultation between socio-occupational organisations must also be developed within the framework of the European social dialogue, following on from the first social partners' meeting held in Warsaw in March 1999 with Commission backing.



*A joint debate on the future of the single market*

6.3. It will not be enough simply to ask the applicant countries to apply the single market in its current state. They must be given the opportunity to prepare for coming changes in the single market and to share their views on the common objective for the single market in 10 or 20 years' time. A single market with 25 or 30 Member States will have requirements and features that differ from those of the current single market of 15 countries. Therefore, the Committee thinks it essential to:

6.3.1. involve the applicant countries in the debate on the future of the single market, in particular through invitations to sessions of the Internal Market Council;

6.3.2. invite observers from the applicant countries to participate in the committees and bodies responsible for monitoring internal market workings;

6.3.3. include applicant countries and their socio-occupational representatives in the debate on issues surrounding administrative simplification and the prevention of new barriers;

6.3.4. launch a joint debate on the reform of the Community policies (including CAP) that are set to outlive Agenda 2000, into the years beyond 2006;

6.3.5. start a forward-looking study into complementarities and trade flows between the enlarged single market and its regional neighbours, including the EEA and Switzerland, the former Soviet Union and the countries of the Mediterranean basin.

Brussels, 22 September 1999.

**7. Economic and Social Committee initiatives**

7.1. The Economic and Social Committee is aware of its specific responsibility to support the applicant countries in integrating both into the single market and into the EU. As the representative of civil society organisations, its primary duty is to ensure the effective participation of the socio-occupational operators of east and west in this major process.

7.2. To this end, the Committee intends to work on the following initiatives over the coming years:

7.2.1. The Committee will continue to develop existing contacts through the bilateral committees set up with socio-occupational partners in the applicant countries, monitoring developments and checking on specific priorities;

7.2.2. The Committee will continue to hold annual meetings with the socio-occupational representatives of central and eastern Europe, in order to track progress on the various recommendations made in this opinion;

7.2.3. The Committee's Single Market Observatory will carry on paying close attention over the coming years to the smooth running of the process of involving the applicant countries and their socio-occupational organisations in the enlargement of the European internal market. In particular, it will gradually extend the scope of its PRISM survey (Progress Report on Initiatives in the Single Market) to cover initiatives and good practice developing in the field, for the purposes of promoting the single market.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

## APPENDIX

## to the Opinion of the Economic and Social Committee

## Enlargement/Statistics

Figures from year 1997

	Czech Rep.	Slovakia	Poland	Estonia	Latvia	Lithuania	Hungary	Slovenia	Bulgaria	Romania	CC-10	EU15
Population (million)	10,3	5,38	38,64	1,5	2,5	3,7	10,3	2	8,3	22,75	105,37	374,565
Area in km <sup>2</sup>	78 866	49 034	312 685	45 227	64 589	65 301	93 030	20 253	110 994	238 391	1 078 370	3 236 180
GDP (billion EUR)	45,9	17,2	119,7	4,2	4,9	8,4	39,6	16,1	9	30,6	295,6	7 130,4
GDP/capita (100 EUR)	45	32	31	28	20	23	39	81	11	14	28,1	189,83
GDP/capita in PPP (100 EUR)	63	47	40	37	27	30	47	68	23	31	—	—
GDP/capita (% of EU-15)	23	17	16	15	10	12	21	43	6	7	—	—
GDP growth (% per year)	1	6,5	6,9	11,4	6,5	5,7	4,4	3,8	-6,9	-6,6	—	—
Food price index	104,4	105,4	112,6	89,3	102,5	106,1	117,5	108,6	1 224,6	249,7	—	157,1
Av. monthly wage (USD)	337,4	274,6	302,0	249,5	203,4	255	305,0	989,0	94,0	118,0	—	—
Unemployment (%)	4,7	11,6	11,2	10,5	14,4	14,1	8,1	7,3	15	6	—	10
Trade balance (MEUR)	20,084	7,754	22,707	2,567	1,429	3,382	16,842	7,382	3,126	7,434	92,707	10 737
Inflation (%)	8,6	6,1	15	11,2	8,4	8,8	18,3	8,3	1 082,3 <sup>(1)</sup>	154,8	—	—
Export to EU (%)	59,90	45,00	63,50	48,60	48,90	36,70	69,90	63,60	44,10	56,60	—	—
Import from EU (%)	61,50	39,51	63,00	59,10	53,20	47,70	62,40	67,40	42,10	52,30	—	—
VAT (%)	—	—	—	18	—	—	25/12	—	—	—	—	—

MEUR = Million Euro

PPP = Purchasing Power Parity

CC-10 = Ten new candidate countries summarized (Cyprus excluded in the statistics)

<sup>(1)</sup> 1996: 123 %

**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 the competitiveness of European enterprises in the face of globalisation — How it can be encouraged'**

(1999/C 329/12)

On 22 January 1999 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned communication.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 July 1999. The rapporteur was Mr Morgan.

At its 366th plenary session (meeting of 23 September 1999), the Economic and Social Committee adopted the following opinion by 92 votes, 23 against and with 21 abstentions.

## 1. Introduction

1.1. In its reflection document, the Commission has made no attempt to classify in any systematic way the European enterprises to which the Communication refers. For the purposes of its opinion the Committee proposes the following classification:

### A. Large enterprises:

A1 nationalised enterprises;

A2 Europe-domiciled public companies;

A3 Non-Europe-domiciled but Europe-located public companies.

### B. Small and medium enterprises:

B1 publicly quoted on stock markets;

B2 privately owned;

B3 venture capital supported.

1.2. The purpose of the Communication is to examine how to meet the challenges which Europe faces in order to benefit from globalisation. This requires consideration of the capacity of each of the enterprise classes detailed above to compete in the global economy so as to contribute to GDP growth and employment creation in the EU. It is the thesis of the Communication that, in order to possess this capability, enterprises will have to adapt and that, in parallel, there must be a political response both from the EU and from Member States.

1.3. As in all ESC Opinions, this Opinion is faithful to the goals of the European social model — health, education, social security and employment — on which the skills and welfare of EU citizens depend. However, concerns about the implementation of the model are raised in this Opinion: specifically funding social provision via payroll taxes rather than income taxes, and the nature of the regulations which protect employment security.

1.4. There are a number of favourable references to the US economic model in the Communication. The central issue of this Opinion is how to achieve US-type outcomes within the structures and regulations of the European social model. In particular there is a cultural challenge to encourage risk taking within the welfare state without jeopardising the welfare state itself.

1.5. Globalisation means that producers world-wide can enter all markets, and low-cost countries gain a comparative advantage in basic and repetitive industries. The evolutionary forces set in train require that the first world develop leadership in high tech, high added value industries which exploit skilled human resources. This will also be disruptive; lower technology industries are likely to fail and this in turn will put pressure on any rigidities and inflexibility in the economy. Europe's ability to meet these challenges is a recurrent theme of the Commission's Communication and this Opinion. It will also depend on the success of the Commission in negotiating a new world order for international trade and improving the operation of international capital markets.

1.6. Competitiveness requires that an enterprise can add value to factors of production and win customers in open markets. The role of government is to ensure that the legislative environment is supportive, and that business and payroll taxes are not punitive. The overall effect must be that (a) the interests of all stakeholders are protected and (b) jobs are both safeguarded and created.

## 2. European Enterprises and Market Capitalism

### 2.1. Large enterprises

2.1.1. Until recently, many of Europe's larger enterprises have been nationalised monopolies, which meant that Europe did not engage in certain sectors of the global economy. Key sectors of the European economy have been fragmented across fifteen countries by country boundaries. The development of the Single Market in the EU has removed many of these constraints.

2.1.2. Liberalisation of market sectors and privatisation of enterprises in the last decade have begun to correct the situation, yet much still needs to be done:

- a) the Communication refers to the failure of the European defence industry to consolidate. But, unlike the US defence industry, European defence M&A (Mergers & Acquisitions) has been inhibited by nationalisation and government interference, often via its golden share;
- b) the Communication makes much of the networked world, but the excessive delay in liberalising and privatising the telecom sector has left Europe with prices so high as to discourage public use of the Internet;
- c) the development and commercial exploitation of TENs (Trans-European Networks) is still liable to be held back by nationalised monopolies in the power and rail industries;
- d) the former nationalised industries and the formerly regulated industry sectors are in many cases central to the provision of a cost-competitive, high quality enterprise infrastructure in Europe. The realisation of this infrastructure, started in the last decade, is far from complete, and penalises the competitiveness of EU enterprises generally.

2.1.3. Liberalisation of industry sectors such as telecoms and broadcasting has at last stimulated the emergence of many new, fast-growing and successful high-technology enterprises. The continued emergence and growth of new enterprises in such areas as information society technologies, biotechnology and renewable energy technology require further prudent moves towards deregulation and protection from the abuse of dominance.

2.1.4. With the exception of the UK, the market capitalisation in other EU stock markets is surprisingly small. In part this is because some large enterprises remain partly government owned but, in addition, very many large Europe-domiciled companies are in private hands and not quoted on any stock exchange. Of course, private ownership has many advantages, especially for the owners. The disadvantage is that it limits access to international capital. It is therefore a potential brake on the global aspirations of competitive European companies. The necessary political response to this situation is to ensure that tax regimes do not inhibit the sale and flotation of private companies. The flotation of private companies also has the advantage for stakeholders of increasing the transparency of management operations.

2.1.5. In many European countries, equity holdings lack transparency as a result of complex cross-shareholdings, often involving the banks. Therefore there has been relatively little pressure from shareholders for improvements in management performance.

2.1.6. The ESC supports the view that companies established in Europe, wherever domiciled, are 'European' enterprises.

2.1.7. As companies develop a global dimension, they also develop the capability to create or destroy jobs in Europe. Many jobs have been exported from EU countries in the last decade. Such companies will increasingly compare the relative attraction of Europe as a location for productive activity with other locations around the globe.

2.1.8. Inward investment contributes largely to EU employment and GDP, and the enterprises involved are naturally concerned about the relative competitiveness of their subsidiaries located in the EU. As globalisation becomes universal, and the same group of companies, wherever domiciled (Europe, Asia, USA, ...) become omnipresent, the actual domicile of such companies becomes increasingly less important. Companies gear their investment decisions according to the attractiveness of locations in different countries and regions worldwide.

2.1.9. Amongst the key considerations for a 'business-friendly' location are labour force skills, employment costs, taxation, physical infrastructure and the legal framework. Well functioning social dialogue, social harmony, work motivation and local markets are also important. These are the issues on which politicians should focus. The challenge for EU locations is to maintain a balance between the superiority of its workforce skills, the quality of the infrastructure and the environment on the one hand and the costs of doing business on the other. (see points 1.4 to 1.6).

## 2.2. *Small and medium-sized enterprises*

Nearly all enterprises fall into the small and medium category. There are actually very few large enterprises. Most SMEs quoted on a stock exchange will be of medium size, with nearer 200 employees than 20. For the purposes of this analysis they should be grouped with the large enterprises.

2.2.1. SMEs in private hands in countries like Germany and Italy have been the backbone of their economies. Traditionally they have been financed by family capital, not risk capital. As the generations change, many such companies are seeking outside capital and ownership. Again, it is important that such developments are not inhibited. It is of course important that capital is channelled into productive investment, and not purely speculation.

2.2.2. Within the Communication there is much discussion of venture capital — especially the US version — and the part

it can play in the formation and growth of SMEs<sup>(1)</sup>. US venture capitalism offers high risks and high rewards all round — for venture capitalists, entrepreneurs and employees. Entrepreneurs and their employees enjoy stock options over a proportion of the company's capital way beyond the institutional norms of Western Europe. It is a feature of the system that ventures can just as well fail as succeed. This does not disqualify an entrepreneur from trying again. The role of NASDAQ<sup>(2)</sup> is to let the venture capitalists sell out to shareholders as soon as the venture is sufficiently advanced to be saleable, so that the venture capital can then be recycled into new ventures.

2.2.3. European ventures can be sold to the public on a number of national exchanges and there is also access to EASDAQ<sup>(3)</sup> and NASDAQ. The European public is very receptive to this type of investment, so venture capital exits are assured. The infrastructure of European capital markets still lacks critical mass so entrepreneurs have difficulty accessing capital. There is also a relative shortage of European high-tech ventures. It is in the absence of these that venture capital has to resort to refinancing family companies and supporting the restructuring of European companies via management buy outs (MBOs)<sup>(4)</sup>.

2.2.4. As a manifestation of 'man's' creative ability and in the context of a high level of unemployment, the creation of an enterprise with the associated jobs should be given considerable social recognition. This is unfortunately not always the case. Accordingly, there is 'brain-drain' of many potential entrepreneurs out of the EU. To correct this situation, the Committee supports many of the ideas included in the Communication:

- risk-taking does need to be encouraged;
- the stigma attached to honest business failure should be lessened by establishing appropriate regulations for bankruptcy and insolvency (although this might be difficult to achieve);
- the taxation system applied to small companies and the burden of payroll taxes should be reviewed;
- the capital gains tax regime should not penalise entrepreneurs or employees who become rich through company ownership or stock options;
- rates of death duties and inheritance taxes should be reviewed in order to ensure the survival of family enterprises;

(1) See 'Proposal for a Council Directive on measures of financial assistance for innovative and job-creating SMEs — the growth and employment initiative', OJ C 157, 25.5.1998, p. 65.

(2) NASDAQ = National Association of Securities Dealers Automated Quotation.

(3) EASDAQ = European Association of Securities Dealers Automated Quotation.

(4) OJ C 235, 27.7.1998, p. 13.

- national systems of public recognition should embrace entrepreneurs who create significant employment;
- entrepreneurs in high-tech industries are becoming global role models: EU countries should foster theirs;
- we do need to expose students to the entrepreneurial culture and to make business management education an important component of university education;
- universities need to be entrepreneurial in the exploitation of their technologies;
- enterprise parks for technology transfer have great potential and should be attached to the major technological universities.

2.2.5. In addition to the entrepreneurial 'drain', the USA also acts as a magnet to technologists attracted by the employment opportunities. Presumably the response to this trend is to make technological employment and personal advancement as attractive in the EU.

2.2.6. The Communication is rightly concerned about the encouragement of high-tech start-ups with a potential to grow, compete globally, and create jobs. It is vital to ensure an adequate supply of students to scientific and engineering disciplines, and then to teach them in an entrepreneurial environment. Competitions and prizes should be used to focus science students on innovation and exploitation. Single small companies which cannot get financial support from the Fifth Framework Programme without collaboration with third parties need support from their national governments. Additional financial support should be available to new technology ventures, both in the form of direct grants and tax write-offs for R&D. The system for protecting intellectual property must also be improved, particularly to help entrepreneurs in high-tech fields.

2.2.7. Stimulating the supply side via technological entrepreneurship is not, of course, sufficient to solve the problem that Europe lags behind the USA in high-tech start-ups. There is also a demand issue, whether for information society technologies, biotechnology or energy technology. To some extent public authorities can create this demand, but the attitudes of business and the general public are also critical.

2.2.8. All over Europe, entrepreneurs are angry about the burden of regulation and red tape. At its inception the firm will have only one or two managers. They will be fully engaged in establishing the company and creating the markets which will support employment. A reduction is therefore needed in the red tape which hinders start ups and makes it difficult for new firms to survive. In some countries the response from the authorities is deplorable, whether for authorisation to start a business, or to keep it running.

### 3. Specific Observations on the Communication Text

#### 3.1. Section I — Trends — the phenomenon of globalisation

The Committee broadly accepts the trends analysis included in the Communication, to which the following additions should be made:

3.1.1. The Communication highlights the importance of those industries which are 'outstripping traditional sectors in growth, capitalisation and exportability'. Companies in these industries have few assets except human capital. After a decade in which job creation in the USA has been equated in Europe only with 'Mac'-jobs, the Communication reveals the real impact: 'Between 1995 and 1996 the information technology and electronics industries added 250 000 jobs to the American economy. Two million jobs are generated annually from the software industry, which accounts for more than 44 000 companies'. The challenge for Europe is to create the business culture in which such firms can flourish here.

3.1.2. The Communication discusses Europe's capacity to compete in these new industries; although this must indeed be regarded as a challenge, it will not be easy. The knowledge industries and E-commerce in the USA are, after all, developing in an archetypal free market. That market is fulfilling its classic role as a process of 'discovery' to find out what sells and what does not, what works and what does not, what succeeds and what fails. Hence some venture companies succeed, but many more fail. Many that succeed go on to export their success. Even if not exporting, the unified US market is far easier for a start-up company to exploit than the fragmented European market.

3.1.3. It is not clear from the Communication how the Commission believes that Europe should compete and how aspects of the US model can be adopted without accepting the liberal philosophy which underlies it. If a company in the US fails, all involved can start again. Hence, the process of 'discovery' extends to the entrepreneur, who can keep trying, as well as to the employees, who can keep re-forming the enterprise. It is not, however, possible simply to transfer the US model to Europe. In the EU, a balance must be achieved between creating the necessary business culture while maintaining economic and social cohesion.

#### 3.2. Section II — The position of European enterprises

3.2.1. The Communication proposes the following elements for diagnosis:

- a) Competitiveness: the need for new definitions.
- b) The position of industry: traditional rather than high-growth.

- c) Cultural identity and audiovisual business: a challenge and an opportunity.
- d) Science and technology policy: insufficient effort and room for improvement in organisation.
- e) Inefficient patent and licence trading system.
- f) Alliances, mergers and acquisitions in advanced fields: a degree of inhibition.
- g) Europe has not developed risk-taking sufficiently.

While the Committee accepts much of this diagnosis, there are a number of points to make, as follows:

#### 3.2.2. The limited use of information technology

3.2.2.1. An important contributory factor is the high cost of telecommunications. A more fundamental concern is the nature of the changes which are needed within the enterprise if the full benefits of IT are to be realised. These involve organisation structure, job content, working practices etc. It is clear to the Committee that promotion of the use of IT depends to a large extent on the quality of management and the investment climate. Moreover, there is a need to examine whether EU legislation is sufficiently geared to such reorganisation of employment. Here, too, we need to create a balance, as outlined in the above paragraphs. The need to ensure proper living and working conditions in the EU is, however, beyond dispute.

3.2.2.2. The successful use of information technology requires a high level of individual IT skills. In part this is an issue for the quantity and quality of IT professionals available to companies in the EU market. In this context the career opportunities for women are under-developed. In addition to professional skills, the general level of user skills in both management and the workforce is a most important issue for the competitiveness of European companies. Increased IT skills and understanding need to be acquired by individuals with ambition and provided by companies which wish to compete.

#### 3.2.3. The delayed globalisation of business services

3.2.3.1. The Communication states that Europe lags behind the USA in business services, but does not explain why. The reason for this is that capital markets have been slow to develop in Europe. As a result, services related to IPOs (Initial Public Offerings), M&A (mergers and acquisitions), corporate reporting and other public company activities are underdeveloped. Hence, this sector is dominated by foreign investment banks, law firms, brokers, accountants, auditors and financial PR firms. There is a related shortfall of European firms in personal financial services because pension provision has

historically been nationalised in most Member States and stock markets are underdeveloped as a repository for personal savings.

3.2.3.2. The other dimension of service-business development is outsourcing; this is the process by which enterprises concentrate on their core functions and contract-out peripheral service functions. Independent service firms are created in this process for activities as diverse as logistics, building operations, catering, information technology, public relations, etc. In Europe this form of specialisation started somewhat later.

3.2.3.3. The Communication says that 'action to exploit the employment potential of the services sector forms an important element of the European employment strategy'. The EU and the Member States could help this process by creating the requisite general conditions. This can include encouraging public authorities to contract out the service component of their employment. This could also improve the quality of service provided to both the authorities and the public.

### 3.2.4. Science and technology policy

The data given in the Communication is not adequate to explain the differences in R&D expenditure between the USA, the EU and Japan. R&D relates to industry sectors in which enterprises are active. The key issues are the relative amounts spent at sector level and the number of enterprises per sector. In this way we could at least determine whether comparative enterprise R&D is deficient — e.g. Rolls Royce versus General Electric, Volkswagen versus Ford, Philips versus Sony, or Glaxo versus Merck. If Europe is deficient in R&D in high-tech industries, this is, in part, because Europe suffers from a deficit of enterprises in those sectors. In general, European enterprises are not entering the new industries, nor are enough new companies being formed. There are, of course, exceptions like SAP and Nokia [see also 3.3.5 (g)].

### 3.3. Section III — Pointers to a new industrial policy

The opening paragraph of this section of the Communication reads as follows:

'The analysis of world trends and of Europe's position highlights the need to adapt its industrial policy, notably to spread the enterprise culture and encourage risk-taking and to promote the emergence of innovative companies able and willing to conquer the world market.'

3.3.1. This is to be achieved by the following actions:

- a) Adapting the systems for acquiring skills and fostering the spirit of enterprise.
- b) Improving the system for research, take-up of results.
- c) Facilitating risk-taking.

- d) Redirecting public aid to enterprises towards intangible investment.
- e) Developing human capital.
- f) Increasing mobility for individuals.
- g) Further harnessing the competitive advantages offered by the single market.
- h) Ensuring efficient competition, which would allow the global innovative nature of markets to be taken into account.
- i) Continuing the successful efforts in liberalising public utilities.
- j) Promoting the establishment of a global framework for competition.
- k) Monitoring enforcement of the rules.
- l) Defending European positions: greater vigilance, preparing negotiations, working together.
- m) Working towards close coordination at world level.
- n) Placing greater responsibility in industry.
- o) Promoting the interests of consumers and users.

3.3.2. The measures (j) to (o) fall within the general heading of 'promoting a global consensus and level playing-field'. These actions, taken together, describe a proactive role for the EU in WTO and other global trade negotiations which has the full support of the Committee. Clearly the EU has an important role to play in establishing a new world order. In order to do so, it must be careful to retain its moral authority, particularly since the European social model is at stake. Recent disagreements with the WTO, where rulings about bananas and beef have been rejected, could compromise the position of the EU in future disputes where the EU itself might wish to rely on WTO rulings against third parties.

3.3.2.1. EU enterprises would be more competitive on the global market if comparable conditions of competition, in particular labour-law standards, also applied in other parts of the world. In the forthcoming WTO negotiations, the EU should particularly press for improvements in labour-law standards throughout the world, on the basis of the work carried out by the ILO.

3.3.2.2. The social partners should seek to encourage acceptance of the European model via contacts with related organisations in other parts of the world.

3.3.2.3. Our trading partners will, of course, be concerned that in some cases we may be attempting to transfer some of the overhead costs of our economic and social model to them. In order to ensure the competitiveness of European enterprises, the Commission will have to consider for relief any extra cost burden on European business which cannot be transferred in this way. However, the first priority must be to promote the social standard of the European model.

3.3.3. Concerning point (b), research, three actions are proposed. The Committee is fully supportive of these. The Committee has given an Opinion on the Fifth Framework Programme<sup>(1)</sup>. The success of the pilot I-TEC investment initiative is encouraging and the Committee looks forward to its extension under the Fifth Framework Programme. The need to improve the patent system is recognised and the Committee looks forward to the Commission's planned initiatives.

3.3.4. The ESC fully supports the Commission's recommendations regarding the development of human capital (e).

3.3.4.1. The EU needs to give priority to training and developing people (see point 1.5 of the opinion) in order to enable technology to be developed and exploited and in order to safeguard quality and high added value. Special attention should also be paid in this context to encouraging entrepreneurial spirit.

3.3.4.2. To be competitive, human resources must form an enterprise, led by an entrepreneur. However skilled, a work force needs leadership to achieve its full potential. Customers create jobs, entrepreneurs create customers, society must create entrepreneurs. Within the development of human capital, encouragement of the entrepreneurial spirit must have a high priority.

3.3.4.3. The entrepreneurial culture needs to start in schools, and with our attitudes to jobs for school children. EU students do not generally receive training in enterprise and entrepreneurship and to appreciate the role of business in society. There are, however, some exceptions, where business sponsored training programmes in 'entrepreneurship' have become increasingly common in secondary schools and are apparently very successful.

3.3.4.4. The ESC believes that the Commission should take active measures to spread knowledge of benchmarking examples, to encourage its extension to further countries in various ways, and to emulate training programmes in entrepreneurship which have been tried out successfully in different places in the ordinary basic school system — such as 'Young Enterprise' in the UK, 'Jeune Entreprise' in France and 'Ung Företagsamhet' in Sweden. European Social Fund financing could be appropriate for such initiatives.

3.3.5. Concerning point (g) (Further harnessing of competitive advantages offered by the single market), the Committee agrees with the statement that 'the single market gives firms in the Union a competitive advantage'.

- a) European standardisation is a real strength. GSM is a case in point.
- b) A European company statute will be welcomed by companies operating in multiple countries of the Union.

c) Agreed accounting standards would be a great benefit. Cross-border M&A activity is significantly hindered by uncertainty about the value of target companies.

d) Coordination of tax systems is a two-edged sword. Overall rates of tax on business and employment vary widely. It is possible that harmonisation could involve higher taxes in certain countries, which would hit the competitiveness of enterprises. Any reform needs to be carefully considered from the points of view of competitiveness and employment.

e) Adaptation of the regulatory framework for the information society could be of great benefit. Some of the issues were explored in the 'Convergence' Green Paper last year<sup>(2)</sup>. The European Council has asked the Commission to work on the framework conditions for the information society, and the ESC is most anxious to review any ensuing proposals.

f) The advent of the euro has very positive aspects, creating universal capital markets with real depth and liquidity for equities and bonds. However, the right general conditions will have to be established for these markets to operate properly. In due course, transparent euro pricing will give a big boost to competitiveness in the Internal Market.

g) Nevertheless, the Committee believes that there is scope for more institutional and industrial policy integration in such areas as national support to R&D and defence and infrastructure procurement.

3.3.6. Point (h) relates to competition and the Committee endorses the statement that 'enterprises that evolve in a highly competitive environment in their market of origin are better equipped to confront globalisation'. The Communication points out that the geographical delineation of the market may now be global. This is borne out by mergers such as those between BP and Amoco and between Daimler and Chrysler. However, we should not forget that competitiveness is very often based on geographic clusters of companies supported by relevant ancillary businesses. Competition policy should therefore seek to encourage and maintain a highly competitive environment for EU companies in their market of origin. The Committee endorses the Communication's statement on dominance. Barriers to entry must be prevented except and until a new product or service is established. Due regard must, nevertheless, be had for anti-trust legislation, and maximum attention paid to protection from market dominating firms.

3.3.7. With regard to point n) — Placing greater responsibility on industry for competitiveness, the Committee thinks that not only enterprises but also the associations representing both large enterprises and SMEs must be involved. They should therefore seek to establish relationships with equivalent associations on a global basis.

<sup>(1)</sup> OJ C 355, 21.11.1997, p. 38.

<sup>(2)</sup> Opinion of 29.4.1998, OJ C 214, 10.7.1998, p. 79.



#### 4. Conclusion

4.1. The Committee welcomes the Communication from the Commission. It is in full agreement with the analysis quoted in point 3.3 and with many of the actions proposed.

4.2. The conclusion of the Communication states:

'New forms of competition are emerging under the pressure of globalisation geared more towards the mastering of technologies, access to global markets, speed of action, innovation and intangible investment. Europe, reinforced by the euro, must harness the potential of these economic changes to unleash the strength of its entrepreneurs and build up fresh momentum for employment. In international fora it must promote its values, in particular the integration of markets, cultural identity and social protection.'

4.3. The Committee is asked to participate in the debate with the Commission, the Council, the Parliament and the Committee of the Regions as to how these objectives may be achieved. In order to begin the debate the Committee poses the following questions:

4.3.1. If all foreign domiciled enterprises operating in Europe are classified as 'European', what are the implications for industrial policy?

4.3.2. To what extent is the late development of capital markets in continental Europe still holding back the partici-

pation of European enterprises in global markets and global M&A activity?

4.3.3. How can the EU and Member States help current and former nationalised enterprises to participate in the rationalisation of European enterprises into competitive combinations with global scale? How can the impact of such restructuring on all stakeholders be mitigated?

4.3.4. Can Europe develop a form of venture capital compatible with the norms of social market economy?

4.3.5. What steps can be taken to develop the European market demand for high-tech products and services, so that there is demand pull as well as technological push?

4.3.6. What steps should the EU take to promote its values, particularly the social market model, in international fora? What are the alternatives if it fails, or is only partly successful?

4.3.7. In total, are the actions outlined in Section III of the Communication really sufficient to facilitate the spread of a new enterprise culture, encourage risk-taking and promote the emergence of innovative companies able and willing to conquer world markets? Can the industrial framework and business culture be adapted while economic and social cohesion is preserved? At stake is the ability of Europe to create enterprises which can compete effectively in the 21st century.

Brussels, 23 September 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

## APPENDIX

**to the Opinion of the Economic and Social Committee**

The following amendments, which obtained more than one quarter of the votes cast, were rejected during the discussions.

**Point 3.2.3.3**

Delete the last two sentences of this point and replace them by the following:

'There is a considerable demand — matched by corresponding employment potential — in the field of labour-intensive personal services, in particular.'

*Reasons*

Outsourcing, per se, no longer guarantees quality service. Given the high level of unemployment, we should not be seeking to outsource existing jobs but rather to find new scope for employment. The economic strength of a state — and thus also its degree of competitiveness — lies in its very ability to cover the demand for goods and services.

*Result of the vote*

For: 61, against: 67, abstentions: 7.

**Point 3.3.2.3**

Delete.

*Reason*

This point makes no sense economically. It confuses microeconomic and macroeconomic conditions.

*Result of the vote*

For: 64, against: 66, abstentions: 9.

**Point 3.3.4.2**

Delete.

*Result of the vote*

For: 58, against: 68, abstentions: 12.

The following section opinion texts, which obtained more than one quarter of the votes cast in favour of their retention, were rejected in favour of amendments adopted by the assembly.

**Point 1.6**

'Competitiveness requires that an enterprise can add value to factors of production to win customers in open markets at prices which allow taxes to be paid, investments to be made and shareholder value to be achieved. In this way, the interests of all stakeholders can be secured and employment protected and expanded. The role of government is to ensure that the legislative environment is supportive, and that business and payroll taxes are not punitive. In the EU, governments also provide social security to mitigate the impact on employees of company failures in a competitive and globalised environment.'

*Result of the vote*

For: 79, against: 62, abstentions: 3.

**Point 2.2.4 — Third indent**

'taxes on small companies should be reduced and simplified, and the burden of payroll taxes should be reviewed;'

*Result of the vote*

For: 69, against: 67, abstentions: 2.

**Point 2.2.4 — Fifth indent**

'reduced rates of death duties and inheritance taxes should be adapted to allow companies or their value to be kept in families;'

*Result of the vote*

For: 73, against: 66, abstentions: 3.

**Point 3.1.3**

'It is not clear from the Communication how the Commission believes that Europe should compete and how aspects of the US model can be adopted without accepting the liberal philosophy which underlies it. It is particularly easy to form companies in the USA. There are few restrictions on employment, working hours, etc. A real "enterprise" can be formed by an entrepreneur and his team of employees. If a company fails, all involved can start again. Hence, the process of "discovery" extends to the entrepreneur, who can keep trying, as well as to the employees, who can keep re-forming the enterprise. In the EU, a balance must be achieved between creating the necessary business culture while maintaining economic and social cohesion.'

*Result of the vote*

For: 76, against: 62, abstentions: 4.

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