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II

(Preparatory Acts)

ECONOMIC AND SOCIAL COMMITTEE

Opinion of the Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council amending Council Directive 70/220/EEC concerning measures taken against air pollution by emissions from motor vehicles'

(2001/C 139/01)

On 26 September 2000, 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 the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 7 February 2001. The rapporteur was Mr Bagliano.

At its 379th plenary session (meeting of 28 February 2001) the Economic and Social Committee adopted the following opinion by 105 votes to one, with two abstentions.

1. Introduction

1.1. This draft directive ties in with the framework directive on the comprehensive type-approval of vehicles (Directive 70/156/EEC⁽¹⁾), which defines the various vehicle categories that are then addressed in individual directives. This proposal refers to the following categories:

- 'N₁' vehicles — with a maximum mass (weight when empty + maximum technically admissible load) of under 3 500 kg, designed exclusively for the transport of goods (vans and small lorries).

N₁ category vehicles are divided into three classes, depending on their weight when empty:

- class I for vehicles with a weight when empty of under 1 205 kg,
- class II for vehicles with a weight when empty of between 1 205 kg and 1 660 kg,
- class III for vehicles with a weight when empty of over 1 660 kg.

- M₁ vehicles — designed to carry under nine occupants, including the driver. In practice, a distinction is made between genuine passenger vehicles with a maximum of six seats, and vehicles, such as minibuses, that can carry up to nine occupants or weigh over 2 500 kg.

Lorries and buses meanwhile fall within the N₂ and N₃, and M₂ and M₃ categories respectively.

1.2. Directive 70/220/EEC⁽²⁾, as amended by Directive 98/69/EC (adopted by the Council on 13 October 1998), introduced emissions tests conducted at an ambient temperature of - 7°C but applied only to passenger vehicles and N₁, class 1 vehicles with positive-ignition engines (i.e. excluding vehicles equipped with diesel engines). It also gave the Commission a mandate to draft a new proposal to extend these tests to all M₁ and N₁ vehicle types, though still only those with positive-ignition engines, by 31 December 1999.

(¹) OJ L 42, 23.2.1970, pp. 1-5.

(²) OJ L 350, 28.12.1998, p. 1.

1.3. This extension was found to be necessary following the results of the Auto Oil programme, although updated Auto Oil figures estimate that in 2000 the vehicles concerned by this proposal were responsible for no more than 2,5 % of road transport-generated emissions of polluting substances. European sales volumes for these categories are very small as market preference is for their diesel-engine equivalents.

1.4. The Commission's current proposal extends the scope of the emissions tests conducted at an ambient temperature of -7°C to other vehicles, specifically:

- N_1 class II and III vehicles, with positive-ignition engines;
- M_1 vehicles, with positive-ignition engines, with a mass greater than 2 500 kg or over six but under nine seats;

and sets limit values for CO and HC emissions, to be enforced from 1 January 2003.

1.5. Under the Commission proposal, vehicles that are equipped with positive-ignition engines but that are designed to run exclusively on gaseous fuels, such as LPG or natural gas, are exempt from these tests.

2. General comments

2.1. In the past, exhaust emission limit values only had to be met in laboratory tests after vehicles had been stationary for a minimum period of eight hours in a constant ambient temperature of between 20 and 30°C . The laboratory also had to be kept between those two temperatures.

2.2. Exhaust catalysts, which were introduced for all vehicles with positive-ignition engines from 1992/93 onwards, significantly reduce the quantity of pollutants emitted. However, their efficiency level is practically zero when the vehicle is started and increases only slowly as the catalyst warms up to its optimum temperature, i.e. after travelling about 1 km. Moreover, when the ambient temperature is low, carburation needs to be concentrated to start the engine more easily and to ensure it is running properly when the vehicle begins to move.

2.3. In towns, passenger vehicles are usually used for short journeys. During cold seasons, therefore, the levels of pollutants released can be significantly higher than those indicated by exhaust emission data recorded using traditional testing procedures. The measures proposed by the Commission are therefore justified, in order to keep these increases within acceptable limits from both an environmental and a technological viewpoint.

2.4. In keeping with the commitment and care it has always shown with regard to the environment, the Committee warmly welcomed the decision (Directive 98/69/EC) to introduce low ambient temperature emission tests, using a driving cycle equivalent to a short urban journey, and the corresponding limit values, as a measure to complement the controls carried out at the conventional temperature of 20 to 30°C .

The extension of this type of initiative to N_1 and M_1 vehicles in the higher weight classes, was therefore logical and necessary, with a view to moving closer to environmental targets, especially in urban areas.

2.5. The Committee believes that the technological solutions developed by the industry, to ensure passenger vehicles conform to the new rules on emissions at an ambient temperature of -7°C , are transferable to N_1 vehicles of classes II and III and the heaviest M_1 vehicles. As these categories of N_1 vehicles usually have the same engine systems, it should be possible to implement the Commission proposal at sustainable costs, within the set deadlines.

2.6. The Committee, being aware of the problems of pollution in general and atmospheric pollution in particular and the consequent urgency of the situation, feels obliged to draw attention to the Commission's slowness in carrying out the mandate given by the European Parliament and the Council.

3. Specific comments

3.1. The Committee accepts that the limits proposed by the Commission for low ambient temperature tests stem from MVEG (Motor Vehicle Emission Group) expert recommendations and are based on data produced both by the industry and by independent laboratories. Furthermore, the limited contribution of these categories of vehicle to total pollutant emissions does not justify tougher limit values (see point 1.3).

3.2. The Committee also notes that the implementation date for these limits has been set at two years after the entry into force of the tougher limits on emissions at an ambient temperature of between 20 and 30°C set by Directive 98/69/EC. The present Commission proposal is therefore in line with what has already been approved by the European Parliament and the Council for passenger vehicles and N_1 , class I vehicles under the above-mentioned directive.

3.3. The Committee agrees with the Commission that vehicles with positive-ignition engines but that are designed to run exclusively on gaseous fuels should be exempt from this type of test. Engines of this type do not require the concentrated carburation necessary for starting up traditional engines and running them until they warm up. The Committee also agrees with the definition of vehicles designed to run only on gaseous fuels. The distribution network for this type of fuel is as yet limited, however, making it advisable for these vehicles

to carry a small petrol tank as well, for emergency use. Lastly, the Committee agrees with the Commission that where vehicles designed to run on either petrol or gaseous fuel are concerned, the low temperature tests should be conducted on the petrol-using engine only.

4. Conclusions

4.1. The Committee agrees on the need to extend this type of low ambient temperature test to vehicles that were initially excluded from Directive 98/69/EC (see point 1.4).

4.2. Furthermore, it recommends that the Commission pay close attention to new technology⁽¹⁾ developed to minimise the impact of transport on the environment, and promote research in the industry and in specialist institutes, while not forgetting alternative options, certain of which are already at an advanced stage of testing.

⁽¹⁾ For instance, fuel cells that run on liquid fuel and/or hydrogen, and propulsion systems that combine electric and internal combustion engines.

Brussels, 28 February 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council on measuring instruments'

(2001/C 139/02)

On 9 October 2000 the Council decided to consult the Economic and Social Committee, under Article 95 of the Treaty establishing the European Community, on the above-mentioned proposal.

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 7 February 2001. The rapporteur was Mr Donovan.

At its 379th plenary session (meeting of 28 February 2001) the Economic and Social Committee adopted the following opinion by 112 votes to one.

1. Introduction

1.1. The Commission's proposal sets out a new structure for the harmonisation of the laws of the Member States concerning certain kinds of measuring instruments.

1.2. Community legislation for measuring instruments already exists but is outdated due to technological progress. It is also cumbersome to update in its present legislative structure, commonly known as the 'old approach' (Framework directive 71/316/EEC⁽¹⁾). The new proposal is based on the principles of the New Approach to Technical Harmonisation and Standards⁽²⁾ and the Global Approach to Certification and Testing⁽³⁾. The proposed regime leads to the affixing of the CE and the supplementary metrology⁽⁴⁾ marking to conforming instruments.

1.3. The range of instruments covered includes most metering instruments for utilities such as water, heat, gas and electricity as well as fuel dispensers, weighing and length measuring instruments, drinking containers and taximeters. This will lead to the repeal of the vast bulk of existing instrument Directives (11 Directives and their amendments) dating from the 1970's. A number of new instruments not previously covered by Community legislation are also included, reflecting the growing demand in the Member States for instrument regulation, e.g. exhaust gas analysers and evidential breath analysers.

2. General comments

2.1. The Committee approves the Commission's proposal which aims to (a) underpin the high level of protection for consumers already established in the laws of the Member States, and (b) create free movement for measuring instruments subject to legal controls.

2.2. The confidence of consumers, users, traders and State services affected by the results of measurement must be upheld by a credible and rigorous Community regime that demonstrates that the highest level of protection is met. The Committee notes that this proposal, along with the Directive on Units of Measurement Directive 80/181/EEC⁽⁵⁾ as last amended in 1999⁽⁶⁾, supports such confidence.

2.3. The Committee notes that the impact of the proposal on consumers is unlikely to be detectable in so far as all the types of instrument are already subject to legislation in one or more of the Member States.

2.4. The Committee notes, however, that the reform of the conformity assessment procedures will impact on users and manufacturers. It can be expected that costs incurred by manufacturers for multiple conformity assessments, the vast majority of them based on third party testing, be reduced.

2.4.1. The Committee welcomes the widening of the choice of conformity assessment procedures as this should further reduce the delay time between design and production to marketing of instruments. Users should also benefit from a wider range and availability of controlled instruments due to the single market route.

2.5. The Committee also welcomes the comments from manufacturers on the positive aspect of the separation of essential requirements (to be given in legislation) from performance and technical specifications (to be given in standards or normative documents) leading to innovation in technologies.

2.6. The Committee emphasises the importance of ensuring that the instrument-specific annexes are not so overly detailed as to inhibit technical innovation.

(1) 71/316/EEC of 26.7.1971, OJ L 202, 6.9.1971, p. 1.

(2) Council Resolution of 7.5.1985.

(3) Council Decision 93/465/EEC of 22.7.1993, OJ L 220, 30.8.1993, p. 23.

(4) Conformity with metrology [Article 13(2)].

(5) 80/181/EEC of 20.12.1979, OJ L 039, 15.2.1980, p. 40.

(6) Directive 1999/103/EC of 24.1.2000, OJ L 034, 9.2.2000, p. 17; ESC Opinion OJ C 169, 16.6.1999.

3. Specific comments

3.1. The Committee is pleased to note that the proposal is of total character, in that no other legislative regime may apply, while at the same time allowing Member States to decide whether the control of a specific instrument is relevant for their territory.

3.2. The Committee wishes to draw the attention of the Commission to the need of working closely with the Central and Eastern European countries in order that they be up to speed and ready to take on the responsibility of this proposal in due time.

3.3. The Committee is supportive of the co-operation of the Member States in fora such as the OIML⁽¹⁾ (International

⁽¹⁾ The OIML is an intergovernmental organisation founded in 1955 whose objective is the harmonisation of regulations applied by its members. All Member States of the European Union, EFTA and most of the Central and Eastern European countries are either full or corresponding members of OIML.

Organisation of Legal Metrology) and Welmec⁽²⁾ (European Co-operation in Legal Metrology) in the area of legal metrology.

4. Conclusion

4.1. The Committee approves the Commission's proposal, which it considers to be very timely and necessary in so far as it provides for a high level of protection of measurement results in the Community.

4.2. The Committee requests that the Commission keeps it informed of the progress of the implementation of this Directive.

⁽²⁾ Welmec is the co-operation of legal metrology authorities of the Union and EFTA countries with associate members from the Central and Eastern European countries.

Brussels, 28 February 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on the 'Proposal for a Council Decision establishing a European Judicial Network in civil and commercial matters'

(2001/C 139/03)

On 6 November 2000 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 the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 7 February 2001. The rapporteur was Mr Retureau.

At its 379th plenary session on 28 February and 1 March 2001 (meeting of 28 February), the Economic and Social Committee adopted the following opinion by 112 votes to one.

1. The main objectives and means envisaged in establishing a European Judicial Network in civil and commercial matters

1.1. This proposal ties in with the ongoing development of judicial cooperation on civil and commercial matters and the process of bringing that cooperation into the Community sphere. It is intended to mark a new step towards establishing a European judicial area, bringing tangible benefits for the citizens of the European Union.

1.2. One implication of a single market with freedom of movement is that, in the area of civil and commercial matters, people should be able to exercise rights and have them upheld, use evidence, bring actions, settle disputes, obtain court decisions and have decisions taken in any given Member State recognised by another Member State. This is necessary in order to promote legal certainty in financial transactions, contracts, and the movement of people, goods and capital.

1.3. Improved knowledge of the legal systems and procedures that apply in each country is therefore one of a number of ways of facilitating the resolution of cross-border disputes of a civil or commercial nature⁽¹⁾.

1.4. The Commission's idea is to establish a network that will grow and be fleshed out gradually as needs are identified and resources become available. Some resources already exist at national and Community level and in the framework of bilateral agreements. The information and coordination network proposed by the Commission would improve the coordination and synergy of the network's own resources and other resources already in existence, thus generating value

added at Community level. The aim is to enable individuals and companies to exercise their rights despite the organisational differences between — or even the incompatibility of — the legal and administrative systems in force in the Member States.

1.5. The instrument proposed in order to meet the dual objective of improving judicial cooperation between States and simplifying access to justice and law for individuals and companies involved in cross-border disputes is a European Judicial Network in civil and commercial matters. This network would be an instrument of judicial cooperation and also an information tool available to governments and the public, with the Internet playing a key role.

1.6. This kind of cooperation is provided for in Article 65 of the EC Treaty, and it was also encouraged by the Tampere European Council. According to the Commission, the legal basis is found in Article 61(c). The choice of the decision format is justified by the need for consistent application by all the Member States, without prejudice to the protocols to the TEU and the TEC concerning Ireland and the United Kingdom on the one hand and Denmark on the other, which could significantly reduce the proposed decision's impact. These countries are, however, party to the Hague Convention, and the proposed decision does not replace existing international agreements in the area of judicial cooperation in civil and commercial matters.

1.7. The achievement of the twin goals of enhancing judicial cooperation mechanisms throughout the Union in a coordinated and uniform way while also providing the public with practical information on cross-border disputes, in order to assist individuals and companies in their affairs, must in no way undermine Member States' own powers or interfere with the implementation of existing international agreements and current ad hoc mechanisms.

⁽¹⁾ ESC Opinion on Judicial and extrajudicial documents in civil or commercial matters (OJ C 368, 20.12.1999, p. 47); ESC Opinion on Recognition of judgements in civil and commercial matters (OJ C 117, 26.4.2000, p. 6); ESC Opinion on Rights of access to children (OJ C 14, 16.1.2001); ESC Opinion on The taking of evidence in civil and commercial matters.

1.8. This would appear to be easier on paper than in practice, as the stated objective of coordination, uniformity and Community cooperation will inevitably affect the mechanisms covering the various specific areas of international judicial cooperation in civil and commercial matters. The idea is to follow a rationale of integration which will be implemented gradually and which, with due respect for existing mechanisms, will aim to develop an integrated approach to the whole field of judicial cooperation in civil and commercial matters, while also allowing the development of cooperation in areas not covered by Community or international instruments. The key element is clear from point 5(e) of the communication: 'the Network can be expected to develop into an important instrument, an essential instrument even, for the establishment of a European justice area in civil and commercial matters. The challenge issued by the Treaties demands instruments to permit the development of an overall integrated approach ...'.

1.9. The network will be based on 'contact points' in the Member States. The number and nature of them will depend on the administrative and legal structures in each country. The network will grow principally by applying modern information and communication technologies to create an internal electronic network, and there will be dedicated web pages on the Commission's website. Existing resources will also be exploited and the central site will build them into its information system, mainly using links.

1.10. The Commission states that the aim is not to take the place of the legal professions, but simply to encourage people to use existing remedies and to overcome the reluctance that results from ignorance of the procedures and their requirements, and the fear of exercising rights in a cross-border context.

1.11. The establishment of a network of this kind demands extremely close cooperation between the Commission and the Member States and appropriate human and material resources.

1.12. Lastly, the network is intended to be a flexible instrument open to evolution. It will develop along with judicial cooperation and could act as a yardstick for it.

1.12.1. The network will consist of:

- national contact points designated by the Member States;
- central authorities, judicial or other relevant authorities with responsibilities for judicial cooperation in civil and commercial matters by virtue of relevant international agreements to which each Member State may be party;

- the liaison magistrates to whom Joint Action 96/277/JAI⁽¹⁾ applies;
- any other judicial or administrative authority whose membership of the network is considered to be useful by a Member State.

1.13. Central national contact points (one per country, designated by the national authorities) will serve as the interface between the national and European levels of the network, coordinated by the Commission. A non-exhaustive list of tasks and initiatives is proposed, highlighting the pragmatic and practical nature of the activities. Countries may, depending on their territorial or judicial structure, choose to set up a limited number of additional contact points. Member States will supply the Commission with all relevant information on the national elements of the network, including their knowledge of languages.

1.13.1. It is proposed that in addition to the national language(s), the contact points should have knowledge of one other official Community language. The practical information sheets prepared by each country for the general public will be translated by the Commission into all the Community's official languages.

1.13.2. The contact points will be available to the relevant central legal authorities or liaison magistrates. They will direct external requests to the relevant national authorities, or provide assistance in the absence of a legal or agreed mechanism in cases not covered by Community texts or international agreements.

1.14. Each country will appoint an equal number of representatives (four) for periodic network meetings, to be called by the Commission at least three times a year. These meetings will deal with issues relating to the running and development of the network, the practical information sheets to be drawn up and measures to be taken. The Commission will also call a broader annual meeting for contact point managers and representatives of administrative and judicial institutions, for the purposes of sharing experiences and ideas and identifying best practice.

1.15. Contacts within the network will be without prejudice to any regular or occasional planned or potential contacts between relevant authorities in the various countries in the context of multilateral or bilateral agreements, in particular cooperation arising from the various Hague or Council of Europe conventions. On the contrary, a synergy should develop between the network contact points and these authorities, and the network will be available to offer them any necessary assistance.

⁽¹⁾ OJ L 105, 27.4.1996.

2. General comments

2.1. By helping to provide individuals, professionals, institutions and governments with information on the law and procedures applicable in the Member States, the proposed network could be a useful and effective tool for resolving cross-border disputes, providing it is established in a spirit of complementarity and designed to cover the areas that escape the mechanisms set up by the various international conventions in the civil and commercial field. In the Committee's view, the network will prove an essential instrument for effective cooperation and legal consistency within the single market. It will provide support for people working in the judicial systems and the legal professions, and provide individuals and businesses with assistance in the event of cross-border disputes in the civil and commercial field. The Committee therefore welcomes the basic thrust of the proposal.

2.2. The flexibility envisaged in the implementation and future adaptation of the network, and the possibility open to it of setting itself new objectives as time goes on and creating new resources for itself, appear to be realistic as they will allow the network to adjust to experience. Practical difficulties could arise because of the network's two objectives (judicial cooperation and information), but this approach could be productive if progress in the two areas enables each to benefit from the experience of the other.

2.3. The Committee thinks that, while securing the overall consistency of judicial cooperation on civil and commercial matters, the network should fill the gaps in sectors not covered by Community or agreed provisions. It will also supply information to the public, the legal professions and associations and groups representing the social partners or consumers, and will promote the pooling of experience and mutual assistance among professionals in the legal sector.

2.4. The Committee feels that, taken as a whole, the proposals and services planned appear complicated and it stresses the need for the services to be easily accessible and comprehensible, in both nature and form, to individuals and SMEs, their prime audience. Furthermore, access for these categories ought to be easy and free of charge. Meanwhile, more technical and more in-depth resources should possibly be made available to professional legal advisors and lawyers and to associations, such as European humanitarian, social or professional bodies, cooperatives or trade unions, that might wish to defend their members or the interests they represent, in the event of specific issues that go beyond the national dimension (the safety of certain products produced in another

Member State, disputes over commercial contracts, or individual or collective cross-border labour disputes, compensation for damage to property or personal injury suffered abroad, etc.).

2.4.1. The Committee thinks that the information sheets on the Commission website should include links to relevant Community or national databases, so as to enable individuals, associations and professionals to obtain further information if they so desire.

2.5. The Committee believes that all the members of the Union, current and future, should plan to take part in the project. The Committee therefore strongly hopes that those countries that have a choice under protocol of opting in will do so, as all the legal systems will have to contribute for the network to be genuinely useful and effective.

2.6. In the Committee's view, the draft decision poses a number of problems:

- it does not address the issue of the cost of accessing databases;
- the Committee views the judicial network and the public information service as a fullscale Community public legal service which should be defined as such in the legislation, with all the consequences implicit in that concept (accessibility, basic information free of charge);
- the draft decision does not take a very clear stance on the advisory and defence work of the legal professions. Although the development of the network and the heavy emphasis on promoting alternative means of resolving disputes may lighten the workload of civil and commercial courts, the risk is that it could also result in the weakest parties (individuals, private sector or social economy SMEs) who have no real legal aid and who are up against groups that do have resources (legal departments, advisors, experience) having to accept compromises that provide them with only a minimum level of defence or reparation;
- the draft decision makes no room in explicit terms for business or trade union associations and organisations or other areas of organised civil society, such as humanitarian or consumer organisations, to be involved and take part in the network and its running (e.g. as regards the nature and form of the information to be made available to the public), although these bodies play an important informative, advisory and sometimes active role in the legal field, representing or defending their members. The local offices of these organisations, alongside the Euro Info Centres for businesses and the Euroguichets for consumers, could also act as public information points, and full use should be made of them.

2.6.1. The Committee is convinced that civil society organisations have an important practical role to play in the judicial information process and in certain judicial or extra-judicial procedures, and believes that the project is lacking in this area.

2.7. The Committee notes that the content of the public information system and of the practical information sheets will demand a major effort on the part of the national authorities and the Commission departments. It hopes that it will be possible to achieve this ambitious goal, gradually but within a reasonable timeframe, naturally using all the existing possibilities of information networks already active at Community level, without ignoring the fact that considerable additional resources will be required.

2.7.1. Aside from the public information network, the Committee considers that for information to be circulated as effectively and widely as possible, courses must be provided in schools and elsewhere on the use of technological tools such as the Internet. This is vital if people are to fully exercise their citizens' rights and defend their interests.

3. Specific comments

3.1. Attention should be drawn to the problems of financing the network — not only in terms of construction costs but also ongoing operating and maintenance costs — and the sheer volume of material resources it will require. Little mention is made of these issues in the proposal, but such resources will in all likelihood be hard to come by in view of the state of the judicial systems, which are more often than not under-staffed and lack sufficient financial and material resources on a day to day basis.

3.2. The Committee is concerned by the language issue. The contact points will surely require greater foreign language capabilities than those envisaged (one non-national Community language), and, in view of the major differences between legal systems and concepts and judicial practice and structures, it is difficult to picture the project working without a single common language.

3.3. The Committee notes that the Commission cites Article 61(c) of the TEC as the legal basis. Article 61, however, refers to Article 65, which does not provide specifically for the establishment of a judicial network. In any event, until 1 May 2004, decisions in this area will require the unanimity of the Council.

3.4. The Committee stresses the need to standardise the procedures, technical resources and software of the information network, as otherwise the project could turn into a technological tower of Babel which would impede communication. Care must thus be taken to ensure that the technologies and programmes implemented are compatible.

3.5. The prime role given to the Internet in public information should be tempered to take account of the fact that some countries still have relatively low Internet connection rates. The proposal must allow for the fact that individuals and businesses will have to go through intermediary advisory associations or lawyers to obtain information specific to their needs; all the more so since raw legal information in itself is not enough to enable an individual to embark upon and succeed in legal proceedings in another country. Qualified voluntary or paid advisors will be needed to provide advice on strategy and tactics, developments in the case must be monitored, and representation will be needed both in the country of origin and the country where the proceedings are taking place. The public must be given accurate information on this subject, so that people know which associations or professionals to turn to for advice and assistance.

3.6. The Committee would also stress the need to ensure that communications between the contact points and the judicial and administrative authorities are secure, where they involve natural or legal persons. The best possible protection must be secured for personal data and business confidentiality, without prejudice to the secrecy that must govern investigations and judicial dealings between Member States.

3.7. As regards the practical definition of the civil and commercial spheres, the Committee calls for the decision to make specific reference to the Court of Justice definitions. Since civil actions heard in the context of criminal and tax cases do not fall outside the scope of the proposal, and it is also possible that documents which cannot easily be defined in legal terms by the appropriate legal body may be requested, an indent along the following lines should be inserted in order to protect the rights of the parties involved: 'the receiving agency shall define as flexibly as possible those documents whose legal character cannot be clearly assigned to either the civil or the commercial field, but which nevertheless have points in common with them'.

3.8. On the question of the territorial scope of the proposal, the Committee would refer to its previously expressed views on the nature and competence of the national authorities responsible in each Member State for judicial cooperation with the other Member States (in most cases, the national or federal ministry of justice). The national contact point(s) should be

expressly designated and legitimated by these authorities. Member States with responsibilities regarding the territories with special characteristics mentioned in Article 299 of the EC Treaty should establish appropriate legal and administrative arrangements.

Brussels, 28 February 2001.

*The President
of the Economic and Social Committee*

Göke FRERICHS

Opinion of the Economic and Social Committee on the 'Initiative of the Federal Republic of Germany with a view to adopting a Council Regulation on cooperation between the courts of the Member States in the taking of evidence in civil and commercial matters'

(2001/C 139/04)

On 11 October 2000 the Council decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the above-mentioned initiative.

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 7 February 2001. The rapporteur was Mr Hernández Bataller.

At its 379th plenary session of 28 February and 1 March 2001 (meeting of 28 February 2001), the Economic and Social Committee adopted the following opinion by 117 votes to one, with one abstention.

1. Introduction

1.1. The purpose of international legal assistance is to offset the difficulties which arise in proceedings as a result of the inability to exercise powers of jurisdiction outside national territory in order to execute specific procedural documents.

1.2. In order to complete proceedings involving external legal transactions, a number of procedural steps, such as service of notifications, notice of proceedings or taking of evidence, must be executed in another State.

1.3. The system of evidence and its admissibility is usually subject to procedural factors. Consequently, the *lex fori* determines:

— the general arrangements for evidence: whether a *numerus apertus* or *clausus* applies, and in the latter case, which evidence is admissible,

— under what conditions documents granted by a foreign authority may be used.

1.4. The origin of the problems posed by international evidence largely lies in the differences between national legal systems regarding evidence. The most significant differences arise in relation to three aspects:

a) the greater or lesser role of judges in evidential proceedings: while in some systems these are largely conducted by judges, in others they are carried out by the parties themselves;

b) the 'pre-procedural' or procedural character of giving evidence: while in some systems, the period in which evidence may be submitted is basically concurrent with the proceedings which are already under way, and hence when the claims have been clearly defined, in others it runs mostly prior to the opening of proceedings and before the claims have been exactly defined;

- c) the degree to which individual parties are subject to the investigating authority; while in some systems third parties are obliged to give evidence but not the parties to the case, in others both the parties to the case and third parties are obliged to provide evidence.

2. Solutions under international private law

2.1. Two options are available when State A considers that investigations are required within the territory of State B:

- if the law of State B so permits, the party in question may request the authorities of that State to take evidence and may then use it in the primary proceedings in State A;

the second option is to request the legal authorities in State A to take evidence. The party in question may approach the judge primarily responsible for dealing with the dispute and request him to order investigations to be carried out in State B. In this case, two further options arise:

- a) for the investigations to be carried out by diplomatic or consular means, in which case the evidence is taken by the diplomatic or consular representative of State A in State B (passive cooperation);
- b) the second possibility is for the investigations to be carried out by a State B authority. Cooperation of this kind is requested through mutual legal assistance channels, according to which the State A judge contacts the relevant authority in State B, where the evidence is located, and asks that authority to carry out the necessary investigations (active cooperation).

2.2. International legal assistance channels are used to request the authority of another State to carry out investigations, and specifically to take evidence; the request leads to the preparation of 'letters of request'⁽¹⁾ through which the request is dealt with.

2.3. The question of obtaining evidence in other States by letters of request is governed by the 1954 Hague Convention on civil procedure and, more specifically, by the Hague Convention of 18 March 1970 on the taking of evidence abroad in civil or commercial matters. Its main features are as follows:

- The convention applies to civil and commercial matters.

⁽¹⁾ The instrument by which the judicial authority of one State requests the appropriate authority of another State to carry out specific investigatory acts or other judicial acts within its territory: this basically means carrying out enquiries.

- Requests for cooperation are expressed through letters of request and through a system of central authorities.

- Letters of request must contain sufficient information for the enquiry to be executed usefully and effectively and, in principle, must be drawn up in the language of the requested State or accompanied by a translation.

- The authorities competent to execute the enquiry sought in the letter of request, the way it is executed and the available measures of compulsion are determined by the law of the requested State.

- The taking of evidence is communicated to the parties to facilitate their attendance: if authorised by the requested State, a judge from the requesting State may also be present.

- Grounds for refusing cooperation are highly restricted: when the requested State considers that it may prejudice its sovereignty or security, or when the requested act does not fall within the functions of the judiciary of the requested State.

2.4. The Hague Convention of 18 March 1970 on the taking of evidence abroad in civil or commercial matters applies in eleven of the EU Member States: it has not been ratified by Austria, Belgium, Greece or Ireland.

2.5. In the interests of compliance with the principle of legal certainty, however, relations between Member States which have ratified the Hague Convention of 18 March 1970, and to whom the present regulation applies, and the remaining Member States should be governed by a legal instrument which reflects as fully as possible the spirit and content of this regulation.

3. The proposed regulation

3.1. The Union has set itself the objective of maintaining and developing the Union as an area of freedom, security and justice in which the free movement of persons is ensured. For the gradual establishment of such an area, the Community is to adopt, among others, the measures relating to judicial cooperation in civil matters needed for the proper functioning of the internal market.

3.2. At its meeting in Tampere on 15 and 16 October 1999, the European Council recalled that new procedural legislation in cross-border cases, in particular in the taking of evidence, should be prepared under Article 65 of the Treaty.

3.3. It is often essential for a decision in a civil or commercial matter pending before a court in a Member State to take evidence or perform other judicial acts in another Member State. It is therefore proposed to apply the principles governing Council Regulation (EC) No. 1348/2000 of 29 May 2000⁽¹⁾ on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters.

3.4. It was decided to exclude from the scope of the proposed regulation measures for assistance in enforcement which fall within the scope of:

- the regulation on insolvency procedures, and
- the 1968 Brussels Convention on jurisdiction and the enforcement of judgements in civil and commercial matters.

3.5. Although it is based on the principle that the transmission and execution of requests for the performance of a judicial act be made directly and by the most rapid means possible between Member States' courts, it is explicitly provided that it must be possible for Member States to indicate their intention of designating only one transmitting or receiving agency or one agency to perform both functions for a period of five years.

3.6. So as to ensure the utmost clarity and legal certainty, the request for the performance of a judicial act must be transmitted on a form to be completed in the language of the Member State of the requested court or in another language accepted for administrative or legal purposes within the territory of that State.

3.7. A request for the performance of a judicial act must be executed within two months: if this is not possible, the requested court must inform the requesting court of the reasons preventing the request from being executed swiftly.

3.8. The possibility of refusing to execute a request for the performance of a judicial act is confined to strictly limited exceptional situations.

3.9. Member States which are parties to the international Hague Conventions shall be free to adopt agreements or arrangements to expedite or simplify cooperation in the taking of evidence, provided that such agreements are compatible with the regulation.

3.10. In accordance with Articles 1 and 2 of the Protocol on the position of the United Kingdom and Ireland annexed to the Treaty, these countries take no part in the adoption of the proposal, although they may do so if they so wish. According

to Articles 1 and 2 of the Protocol on the position of Denmark annexed to the Treaty, this country shall take no part in the adoption of the regulation.

4. General comments

4.1. The Committee agrees with:

- the choice of a regulation as the appropriate legal instrument, on account of its value-added, since it is binding in full and directly applicable to each Member State, and
- the content of the proposed regulation, as submitted for consultation, subject to the present comments.

4.1.1. The ESC supports the development of an area of freedom, security and justice in the European Union. This includes adopting the necessary measures in the field of legal cooperation in civil matters so that individuals and businesses are not hampered or discouraged in the exercise of their rights because of the incompatibility or complexity of legal and administrative arrangements in the Member States.

4.2. Building a European legal area is absolutely dependent upon improving cooperation between courts and, consequently, upon simplifying and streamlining procedures in order to remove malfunctions and delays.

4.3. The Committee has previously expressed its support⁽²⁾ for abolishing the transitional period in the progressive establishment of the 'area of freedom, security and justice' referred to in the Treaty of Amsterdam, given the non-implementation or non-uniform implementation of the acts adopted by the representatives of the Member State governments in this field prior to this Treaty being concluded.

4.4. It would be appropriate for the text of the proposal to mention its impact in terms of increasing or enhancing the rights of the parties involved, and in particular of citizens of the Member States. The ESC believes legal texts should be understandable and should facilitate access to justice as a public service.

4.4.1. The Committee believes that the opinion of different sectoral bodies on the draft regulation should be known: the proposal should, for example, be forwarded to the relevant national parliaments and judicial authorities to maximise dissemination, discussion and awareness of it.

⁽¹⁾ OJ L 160, 30.6.2000, p. 37.

⁽²⁾ ESC Opinion on the Proposal for a Council Directive on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters; OJ C 368, 20.12.1999, p. 47.

4.5. The risk of conflict between the laws of different Member States, particularly with regard to the burden of proof, or the admissibility or otherwise of certain evidence, is a matter of concern to the Committee. Adoption of the regulation must not be accompanied by any erosion of the level of safeguards offered by laws of a protective nature for all citizens, especially the most vulnerable.

4.5.1. The possibility of changing the rules on the burden of proof should be considered where the plaintiff alleges acts of discrimination, where evidence is available to only one of the parties and relates to the substance of the proceedings, or where the legal effect of evidence may be affected.

4.5.2. The ESC considers that the law of the requesting Member State should be applicable where laws conflict. In this respect, the case-law of the Court of Justice of the European Communities should be extended to such circumstances. In a dispute between parties of different nationalities, which falls within the jurisdiction of a court of a country which is a contracting party to the 1968 Brussels Convention, this case-law gives precedence to the legislation governing conflict of laws in the competent court⁽¹⁾.

4.6. The ESC believes the transmitting and receiving agencies described in Article 3 of the proposal as a derogation nullify the general principle of direct transmission between the courts: the regulation is incompatible with the criteria of simplification and Community harmonisation.

5. Specific comments

5.1. The territorial scope of the proposal may give rise to confusion when applied. The specific nature of certain territories, as reflected in Article 299 of the Treaty establishing the European Community, and the responsibilities certain Member States have assumed regarding them should be borne in mind. It should be pointed out in this regard that independently of how evidence is actually taken, the bodies competent to perform this task must be designated by the national authority bearing the State's external responsibility, thereby guaranteeing the authenticity of the acts of these bodies. The Member States must establish the proper legal and administrative channels for this purpose.

5.2. The Committee strongly believes that the proposal should accord secondary status to the procedural provisions it contains for areas covered by the Insolvency Regulation⁽²⁾, excluding only specific cases (e.g. credit institutions and other financial intermediaries) from its scope.

5.3. Article 11(3) of the proposal could run counter to internal Member State arrangements regarding protection of fundamental rights, in keeping with the spirit of the Charter of fundamental rights for EU citizens. An explicit reservation regarding implementation should be introduced incorporating compliance with such rights, without prejudice to the continuation of the relevant system of guarantees under Member State legislation or case-law.

5.3.1. With regard to fundamental rights, the ESC advocates a high level of protection, as expressed in the Charter of Fundamental Rights, and in particular respect of the rights under Article 6 of the European Convention for the Protection of Human Rights and Fundamental Freedoms, which guarantee equality of arms between the parties involved in proceedings.

5.3.2. A new point 5 should be added to Article 11 as follows: 'National authorities must accord the same probative value to admissible certificates of civil status (or any such documents which may serve as evidence within the scope of the present regulation) issued by the authorities of another Member State as they do to such certificates issued by themselves, insofar as they are eligible'. This is more in keeping with the case-law of the Court of Justice of the European Communities⁽³⁾.

5.3.3. In any case, the ESC believes that with regard to certificates issued by a Member State body, principles similar to those of 'mutual recognition' in the single market should apply, without prejudice to public policy.

5.4. Explicit provision should be made for a judge to refuse to execute a request on the grounds of force majeure under circumstances which are not covered by Article 11(2), which appears to refer only to 'special procedures'.

5.4.1. An ad-hoc means of settling disputes should be introduced with regard to Article 13(3) of the proposal. Accepting the wording of the proposal as it stands would imply submission by the court of the Member State claiming competence in the dispute to the Member State requesting that evidence be taken.

5.4.2. For this reason, the ESC considers the powers granted to the central authority of each Member State for 'seeking solutions to any difficulties which may arise in respect of a request' [Article 4(1)(b)] to be insufficient, and is concerned at the possibility which may arise of justice being denied: this must be avoided at all costs.

(1) Judgement of the Court of Justice of the European Communities of 9.11.2000, Coreck Maritime, C-387/98.

(2) Council Regulation (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings, OJ L 160, 30.6.2000, p. 1-19.

(3) Judgement of the Court of Justice of the European Communities of 2.12.1997, case of Eftalia Dafeki, C-336/94, in which the German authorities refused to accept the probative value of the date of documents issued by the Greek registry office.

5.5. It should be made clear that the parties involved must not have to bear disproportionate or discriminatory costs on the grounds of their nationality. The Committee is concerned that Article 16(2) not only provides for reimbursement of costs, but constitutes a 'cautio iudicatum solvi' ⁽¹⁾ (deposit of security for costs) for Member State nationals not resident in the State in which the evidence is being taken, which would be discriminatory.

5.5.1. In obtaining evidence from the parties involved, however, deposit of securities on a discriminatory basis must not be accepted under any circumstances.

5.6. The ESC is of the view that personal data used in obtaining evidence in civil matters must be handled with due regard and only for the original specific purpose, in keeping with legislation on personal privacy.

5.6.1. The collection, processing and use of personal data must be carried out in accordance with the principles laid down by the Council of Europe Convention of 28 January 1981 and Recommendation No. R(87)15 of the Committee of Ministers of the Council of Europe of 17 September 1987.

5.7. The claim in Article 19(1) of prevalence over conventions entered into by Member States in this field may conflict with Court of Justice case-law ⁽²⁾. The Committee believes that

⁽¹⁾ Repeatedly condemned by the Court of Justice: case C-43/95, *Data Delecta*, judgement of 26.9.1996; *Hayes* judgement of 20.3.1997; *Austin* judgement of 10.2.1997.

⁽²⁾ *Levy* judgement of 2.8.1993, case C.158; *Evans Medical* judgement of 28.3.1995, case C-324/93.

the wording could be amended in order to guarantee the primacy of the regulation over the conventions in relations between Member States, while complying with agreements between the Member States and third countries. This would in any case appear more in keeping with the hierarchy of laws in relations between international and Community law as laid down in Article 307 of the EC Treaty. Agreements concluded between Member States and third countries in this sphere should be designed to flesh out the system established by the draft regulation. 'Mixed' agreements represent the most suitable legal form for achieving this.

5.7.1. The Committee particularly welcomes Article 19(2) as it furthers one of the Union's objectives, provides for the adoption of measures between Member States facilitating the taking of evidence and may ensure rapid cross-border investigations. Such agreements must however comply with the *acquis communautaire* and be open to the other Member States.

5.8. The Committee would recall ⁽³⁾ the need for simple and rapid redress procedures. It therefore calls upon both the Commission and the Council to consider formulating legislative proposals standardising procedural aspects in order to speed up proceedings (e.g. preparing a European instrument of enforcement).

⁽³⁾ ESC Opinion CES 233/2000 on the Proposal for a Council Regulation (EC) on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters, rapporteur: Mr Malosse, in OJ C 117, 26.4.2000, p. 6.

Brussels, 28 February 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and the Council on universal service and users' rights relating to electronic communications networks and services'

(2001/C 139/05)

On 25 October 2000, 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 Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 30 January 2001. The rapporteur was Mr Hernández Bataller.

At its 379th plenary session of 28 February and 1 March 2001 (meeting of 1 March 2001), the Economic and Social Committee adopted the following opinion by 41 votes to three, with one abstention.

1. Introduction

1.1. One of the ESC's express conditions for lending its support to the current process of liberalising the telecommunications sector has always been that consumers and users must have access to good quality essential services at an affordable price, taking into account the technology available on the market.

1.2. As part of a universal service in telecommunications, it is crucial that consumers have access to networks and services that meet the standard of the technologies currently available on the market if an information society that offers everyone the same opportunities is to evolve.

1.3. The essential elements of the universal service are not created simply by opening up competition, as competition alone cannot guarantee a universal service. However, while it is hoped that the free play of market forces and competition will lead to a better allocation of resources, to a mobilisation of considerable investment capital and to better prices for the user, these instruments have their limits. There is a risk that only some of the population will benefit and social and territorial cohesion will therefore be weakened.

1.4. The European Community has addressed the issue of universal service in the following Directives and Communications:

- Commission Directive 96/19/EC, of 13 March 1996, amending Directive 90/388/EC ('Full competition Directive')⁽¹⁾, which provides, in particular, that Members States must, no later than 1 January 1997, notify the Commission of financial obligations with regard to universal service and publish them no later than 1 July 1997.

- European Parliament and Council Directive 97/33/EC of 30 June 1997 on interconnection in telecommunications with regard to ensuring universal service and interoperability through application of the principles of Open Network Provision (ONP)⁽²⁾.

- European Parliament and Council Directive 97/51/EC of 6 October 1997 amending Council Directives 90/387/EEC and 92/44/EEC for the purpose of adaptation to a competitive environment in telecommunications⁽³⁾.

- European Parliament and Council Directive 98/10/EC of 26 February 1998 on the application of open network provision (ONP) to voice telephony and on universal service for telecommunications in a competitive environment⁽⁴⁾.

- Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, 'Towards a new framework for Electronic Communications infrastructure and associated services — The 1999 Communications Review'⁽⁵⁾.

- Communication from the Commission on the results of the public consultation on the 1999 communications review and orientations for the new regulatory framework⁽⁶⁾.

The Committee has expressed its views on these documents in various opinions, which basically state that the priority of universal service should be to encourage citizens to participate in community life and thereby strengthen social and economic cohesion⁽⁷⁾.

⁽²⁾ OJ L 199, 26.7.1997.

⁽³⁾ OJ L 295, 29.10.1997.

⁽⁴⁾ OJ L 101, 1.4.1998. ESC opinion; OJ C 133, 28.4.1997.

⁽⁵⁾ COM(1999) 539 final.

⁽⁶⁾ COM(2000) 239 final.

⁽⁷⁾ ESC opinion on *Universal service for telecommunications in the perspective of a fully liberalized environment* — OJ C 30, 30.1.1997; ESC opinion on *Services of General Interest* — OJ C 368, 20.12.1999.

⁽¹⁾ OJ L 74, 22.3.1996.

1.5. Following public consultation on the new legal framework, the purpose of which is to create greater stability over time, the Commission has presented a series of proposals concerning the common regulatory framework, the processing of personal data and protection of privacy, authorisation, the radio spectrum, unbundled access to the local loop, universal service and users' rights, all in the context of electronic communications networks and services.

1.5.1. The aim is to bring the regulations into line with the technological innovation and economic impetus that has radically transformed the world of telecommunications, without losing sight of the protection and promotion of certain social objectives, such as improving the overall quality and benefits of telecommunications or ensuring that they are within people's reach. This must be the purpose of regulatory intervention.

1.5.2. According to the US 1996 Telecommunications Act⁽¹⁾, universal service means access to telecommunications services as a basic social right of all citizens and essential for their full participation in the community, constituting an essential element in the freedom of expression. The concept of universal service as laid down in this Law may be broken down into a series of subsidiary concepts: availability (provision of service on demand), accessibility (all users to be treated equally in terms of price and quality of service), and affordability (relation between the cost of the service and the users' purchasing power).

1.5.3. The Communication from the Commission on Services of General Interest in Europe⁽²⁾ defines universal service, within an environment of open and competitive telecommunications markets, as the minimum set of services of specified quality to which all users and consumers have access in the light of specific national conditions, at an affordable price.

1.5.4. For the ESC, the risk of individuals, groups or entire regions being excluded from the overall initiative is great and manifold as non-computer access to universal services will gradually fall into disuse as increasingly services are provided electronically⁽³⁾.

2. The Commission proposal

2.1. Aims of the proposal

2.1.1. The aims of the proposal for a Directive are listed in paragraph II of the explanatory memorandum and summarised in Article 1(2). They are:

- to ensure the availability throughout the European Union of good quality electronic communications services at an affordable price;
- to deal with circumstances in which users' and consumers' needs are not satisfactorily met by commercial means;
- to ensure interoperability of consumer digital television equipment.

2.1.2. In attaining these objectives the Directive aims to:

- safeguard competition and real choice;
- when this is not sufficient, to impose universal service obligations.

2.1.3. The proposal should be seen in the context of the proposed framework Directive on a common regulatory framework for electronic communications networks and services, and the Directive on the processing of personal data and the protection of privacy in the electronic communications sector.

2.1.4. Furthermore, the proposal maintains and incorporates in its articles all the obligations regarding:

- retail tariff regulation for provision of access to and use of the telephone network at fixed locations, as laid down by Article 17 of Directive 98/10/EC⁽⁴⁾ (Art. 16 of the proposal);
- availability of leased lines, as laid down by Articles 3, 4, 5, 6, 7, 8 and 10 of Directive 92/44/EC (Art. 27 of the proposal)

until, in accordance with the market analysis procedure provided for in Article 14 of the proposed framework directive, the national regulatory authorities (NRA) decide that such obligations shall be maintained, changed or withdrawn.

2.2. Scope of the universal service

2.2.1. The proposal defines the universal service concepts applicable to electronic communications networks and services, in accordance with the criteria already established in the Communication on universal service for telecommunications in the perspective of a fully liberalised environment⁽⁵⁾.

⁽¹⁾ See <http://www.fcc.gov/telecom.html>.

⁽²⁾ COM(2000) 580 final of 20 September 2000.

⁽³⁾ See opinion on *eEurope 2002 — An information society for all — Draft Action Plan*. Rapporteur Mr Koryfidis. Opinion currently being drafted.

⁽⁴⁾ OJ L 101, 1.4.1998.

⁽⁵⁾ ESC opinion: OJ C 30, 30.1.1997.

2.2.2. It should be borne in mind that in some language versions (e.g. the Portuguese version) of the draft directive the obligation to provide users on request with a connection to the public network at a fixed location and at an affordable price is not qualified by the addition of the adjective 'reasonable' before 'requests for connection' in Article 4(1). All language versions of the proposal therefore need to be harmonised.

2.2.3. The guidelines on the availability of the universal service are based on the principles of transparency, objectivity, non-discrimination and minimum distortion of the market and on the criteria of availability, reasonable access and interconnection.

2.3. Definition of universal service

2.3.1. In the proposed Directive, universal service is defined as a series of obligations imposed in the Member States by the NRAs.

2.3.2. As part of the universal service, it is the express obligation of the Member States to ensure:

- a) that the connection to the public telephone network from a fixed local number allows users to make and receive national and international telephone calls, fax and data communications, including Internet access [Art. 4(2)];
- b) that users have access to a subscriber directory, in printed or electronic form, or both, and the directory enquiry service (Arts. 5 and 21);
- c) that there are public pay telephones to meet the reasonable needs of users (Art. 6);
- d) free access to the European emergency call number '112' and other national emergency numbers (Arts. 6(3) and 22);
- e) equivalent access for disabled users and users with special needs (Art. 7);
- f) clear differentiation of tariffs for additional facilities and services [Art. 10(1)];
- g) that the main service is not disconnected unjustifiably for non-payment of the additional services [Art. 10(2)];
- h) that the contributions made by undertakings to finance universal service obligations be shown on users' bills [Art. 14(3)];
- i) that telephone service providers conclude contracts with users and consumers for the direct supply of telephone services covered by Directives 93/13/EC and 97/7/EC (Art. 17);

- j) that the general public and users and consumers in particular be informed about the applicable prices and tariffs and about the other terms and general conditions for access to the service (Art. 18);
- k) the interoperability of consumer digital television equipment (Art. 20);
- l) that all subscribers to telephone services, including mobile services, can retain their number, independently of the undertaking providing the service [Art. 25(1)];
- m) that undertakings under their jurisdiction may be obliged to carry specified radio and television programmes (Art. 26) in return for appropriate compensation.

2.3.3. In particular the NRAs are to be given express powers to:

- a) require undertakings, as a universal service obligation, to provide tariff options or packages which differ from those provided under normal commercial conditions for consumers on low incomes or with specific social needs [Art. 9(1)];
- b) designate which undertakings are obliged to provide the universal service and to ensure that they publish information on their performance in the provision of access and services [Art. 11(1)];
- c) assess whether the provision of universal service represents an unfair burden [Art. 12(1)];
- d) ensure that details of the mechanism for financing the universal service are publicly available and that an annual report is published giving the calculated cost of the universal service obligations [Art. 14(1) and (2)];
- e) require undertakings that provide electronic communications services to publish comparable, adequate and up-to-date information on the quality of their services [Art. 19(1)];
- f) require undertakings with significant market power to enable their subscribers to access the services of any interconnected provider of publicly available telephone services [Art. 25(2)].

2.4. Consultation and dispute resolution arrangements

2.4.1. The proposed Directive stipulates that the NRAs must provide for the consultation and participation of interested parties in all matters relating to user and consumer rights and the quality of service (Art. 29).

2.4.2. The proposal also stipulates that the Member States have to ensure that responsibilities are met by means of transparent, simple and inexpensive procedures for dealing with users' and consumers' complaints, following the principles set out in Recommendation 98/257/EC (Art. 30).

2.4.3. Finally, in the case of trans-border disputes the proposal states that the system enshrined in Article 18 of the draft framework Directive [Art. 30(2)] shall apply.

2.5. Review

2.5.1. The proposal provides for a notification and monitoring procedure, to be implemented by the NRAs at national level and the Commission, Parliament and Council at Community level. In this, the Commission is assisted by the Communications Committee set up in Article 19 of the framework Directive.

2.5.2. The proposal instructs the Commission to periodically review, for the first time not later than two years after entry into force of the Directive, the scope of universal service in the light of social, commercial and technological developments (Art. 15).

2.6. Final provisions

Articles 34, 35 and 36 contain standard provisions on transposition, entry into force and addressees.

3. General comments

3.1. The ESC supports the Commission's proposal since its content is in keeping with its aims, although it could have been simplified, especially the definition in Article 4(2).

3.1.1. The ESC believes that in order to maintain economic growth and stability and prevent social illiteracy, it is necessary to encourage freedom of expression, pluralism and cultural diversity, while at the same time promoting the general interest and universal service.

3.1.2. The ESC generally agrees with the current concept of universal service based on connection to the public telephone network at a fixed location and access to publicly available telephone services at a fixed location through at least one operator. The connection provided must, however, not only

allow users to make and receive local, national and international telephone calls and faxes, but also offer them rapid public Internet access.

3.1.3. The ESC therefore considers that from now on rapid public access to the Internet should be included in universal service. This would promote and foster the objectives of the eEurope initiative⁽¹⁾ and is also essential if people on low incomes, voluntary sectors, non profit-making organisations and users from less populated regions are to have access to advanced services and if an information society that meets the European Union's democratic and social objectives is to be created.

3.1.4. All the services that make up the universal service must be made available to all users in their territory, irrespective of geographical location, and at an affordable price, thereby ensuring that users living in rural or high cost areas can also access these services.

3.2. The ESC regrets that the proposal contains such vague concepts and terms; when it comes to transposing the Directive into national law, this may lead to distortions of competition or a failure to comply with Community legislation, as in points 3.6, 4.4, 4.5, 4.6 and 4.9, among others, of this opinion.

3.3. Member States must use transparent, objective and non-discriminatory procedures to designate undertakings to provide universal service for all or part of their territory.

3.4. The proposal contains some fundamental shortcomings, such as the criteria defining the universal service (e.g. regarding accessibility). At the same time, it does not contain harmonised common principles that would clarify the situation. The fact that the different Member States set their own criteria may lead to differences in legislation and distortions of competition. The Commission must therefore issue recommendations to the NRAs and ensure in particular that the measures adopted by the NRAs comply with the principles of causality, coherence with other EU policies and proportionality, in accordance with Community law.

3.5. While both the Commission and national regulatory authorities must act within their powers, some concepts in the proposal are a potential source of confusion, such as 'reasonableness', which should be deleted or clarified, and 'public pay telephone'.

⁽¹⁾ See opinion on eEurope 2002 — An information society for all — Draft Action Plan. Rapporteur Mr Koryfidis. Opinion currently being drafted.

4. Specific comments

4.1. The ESC agrees completely with the Commission that the concept of universal service is constantly evolving and must be revised periodically to reflect advances in technology, market developments and changes in user demand. However, the proposal needs to set out clearly the criteria to be used in such a revision so as to ensure greater legal certainty and prevent the rapid growth of the information society and New Economy leading to social exclusion.

4.1.1. The Committee considers that when the concept of universal service is periodically reviewed, particular account should be taken of the following criteria:

- a) technological advances;
- b) the configuration of telecommunications services and information services;
- c) to what extent information technologies and services
 - are essential for education, telework, health or public safety and;
 - subscribed to by a substantial majority of residential customers;
 - provided via public communications networks;
 - compatible with the public interest, useful and respond to public needs;
 - allow citizens to participate more fully.

4.1.2. The ESC believes that directory enquiry services, operator assistance services and directories must be provided in a format whereby the majority of the population has practical and not merely token access to them on non-discriminatory terms. Information also needs to be centralised while protecting its commercial value for operating companies. Otherwise it could be very onerous for users to obtain information whenever several different service providers are involved.

4.1.3. The designation of undertakings to provide these information services must respect the principles of public tendering; these undertakings must abide by the rules of the single market, especially those concerning the protection of personal data.

4.1.4. The ESC shares the Commission's view that obligations may be imposed on operators so as to ensure that public pay telephones (cards and coins) meet users' needs in terms of geographical coverage, number of telephones and quality of services.

4.1.5. General speaking the Committee believes that giving a Member State the option of not applying the aforementioned requirements in all or part of its territory is excessive, as the

consultation provided for in Article 29 is insufficient and could mean a reduction in the quality of life of citizens, with repercussions for economic and social cohesion. However, in accordance with the subsidiarity principle, this decision should be taken by the NRAs when it is absolutely necessary to provide the service by other means and it does not impact adversely on economic and social cohesion.

4.2. The ESC calls on the Commission to make specific measures for disabled users and users with special needs mandatory rather than optional. By taking into account their social situation and adopting satisfactory 'special schemes' for their benefit, the most vulnerable users' groups will be offered the proper protection.

4.3. The ESC agrees with the Commission's criteria regarding the level and structure of tariffs, affordability and control of expenditure and the quality of service provided by designated operators. Guaranteeing all citizens all communication services at an affordable price must be a priority if they are to be able to participate in the information society.

4.4. There also needs to be a predetermined procedure for disconnecting services, of which consumers have been informed and which is based on objective criteria.

4.5. Quality of service must be assessed according to clear parameters that are easy to understand for the average consumer. These requirements are not met by Annex III to the proposal. It is also unacceptable that under Article 29(2) of the proposed Directive, national regulatory authorities in the Member States are not obliged to require publication of information on the quality of service provided by network operators and service providers.

4.6. Regarding calculating the costs of the universal service, the proposal does not define criteria relating to an 'excessive' or 'unfair burden'. Annex IV defines the concept of net cost but not that of unfair burden. These criteria should be harmonised and clarified so that the national regulatory authorities can apply them or determine the amount.

4.7. Regarding the financing of universal service obligations, the ESC reiterates its view — as previously expressed in various opinions — that all telecommunications service providers using the public telephone network must contribute in a proportionate and fair way to all aspects of this service, including its financial aspects. The ESC therefore argues that the universal service should be financed by all operators in line with their market share and degree of involvement in that market in the event that a company is subject to an excessive burden.

4.8. The ESC agrees with the Commission proposal's aim to guarantee consumers a high level of protection, particularly in the following areas:

- the possibility of regulating retail tariffs so that when market conditions are not fully competitive NRAs can set maximum tariffs;
- the rules on contracts with direct telephone service providers, as greater transparency in contracts will allow consumers to make an informed choice.

4.9. The provisions on the transparency and publication of information for consumers are essential for users and for SMEs in particular. Nevertheless, the Committee considers that on this point the proposal fails to mention the following:

- the medium, format and content of information, which must be relevant and sufficient;
- quality of service, the criteria and standards for which should be published;
- accurate and transparent information about the prices of individual calls that have been made or received.

4.9.1. The ESC is particularly in favour of the proposed provisions on number portability, carrier selection and pre-selection. Neither conditional sales, technical measures or any other provisions that limit the consumer's choice of operator or service provider should prevent consumers transferring a number.

4.9.2. The Committee considers that the user should have the possibility of identifying the call when it is received through other operators (interconnection).

4.10. Consumers and users must have access to simple, inexpensive and independent complaints and disputes procedures, and clear and effective mechanisms for lodging appeals. The ESC therefore reiterates that the 'European claims form' prepared by the Commission must be used and promoted for complaints to the NRAs.

4.11. The ESC considers that the provisions on the interoperability of consumer digital television equipment and the obligation to transmit specified radio and television broadcasts, as set out in the proposal, are particularly beneficial to the consumer, even if they may not have been included in the best place.

4.12. The consultation of interested parties provided for in Article 29 is insufficient as it makes no provision for consultation at European level. The ESC therefore proposes setting up, in line with the Oulu Declaration⁽¹⁾, a telecommunications forum or observatory at the ESC so that the views of interested sectors and parties are taken into account at Community level.

5. Conclusions

5.1. The Committee considers that the following principles must govern universal service:

- a) access to high-quality services at fair, appropriate and affordable prices;
- b) rapid public access to information and advanced telecommunications services in all regions;
- c) access for all consumers, irrespective of their income, in rural areas and areas where providing the service is expensive, to telecommunications and information services at prices comparable to those in urban zones;
- d) fair and non-discriminatory contribution by all telecommunications service providers to maintaining and advancing universal service;
- e) the existence of specific, predictable and adequate mechanisms for maintaining and extending universal service;
- f) any additional principles deemed necessary by the NRAs to protect the public interest;
- g) the creation of a telecommunications forum or observatory.

⁽¹⁾ Conclusions of the Presidency concerning the hearing on The Information Society and Job-Creation to the minutes of the 11th meeting of the TEN Section on 6 and 7 September 1999.

Brussels, 1 March 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on:

- the 'Proposal for a Regulation of the European Parliament and of the Council concerning the Committee on Safe Seas and amending the Regulations on maritime safety and the prevention of pollution from ships', and
- the 'Proposal for a Directive of the European Parliament and of the Council amending the Directives on maritime safety and the prevention of pollution from ships'

(2001/C 139/06)

On 6 October 2000 the Council decided to consult the Economic and Social Committee, under Article 80(2) of the Treaty establishing the European Community, on the above-mentioned proposals.

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 30 January 2001. The rapporteur was Dr Bredima-Savopoulou and the co-rapporteur was Mr Retureau.

At its 379th plenary session of 28 February and 1 March 2001 (meeting of 28 February 2001) the Economic and Social Committee adopted the following opinion unanimously.

1. Introduction

1.1. The proposed measures come under the common policy on safe seas. Their objective is to set up a Committee on Safe Seas and to have it replace the committees referred to in the Council regulations and directives in force in the field of maritime safety. In addition, the proposals aim to facilitate the subsequent updating of the regulations and directives on maritime safety in the light of developments in international law. Due to technological developments in the past few years, there has been a proliferation of maritime safety standards and the international rules have constantly been updated. Updating of the EU legislation is to a large extent driven by the adoption of new rules at the international level.

1.2. The measure applies in the maritime safety area the provisions of Article 202 of the Treaty by which the Council can confer on the Commission the power to take measures implementing the rules it adopts. It is also designed to facilitate the implementation of Community policy in an area where responsibility is shared by the Commission and Member States.

1.2.1. The planned measure corresponds to the Commission's commitment to update all Community legislation in the light of Council Decision 1999/468/EC on committee procedures. It is intended to make it easier for Member States to implement amendments to international conventions and reduce the need for the Commission to amend at frequent intervals the basic acts in the field of maritime safety.

1.3. The value of a single committee dealing with maritime safety issues was already underscored in the Commission Communication on a common policy on safe seas (24 February 1993), which explicitly mentions setting up a Committee on Safe Seas in its action programme.

According to the Communication, the establishment of such a committee would ensure coherent implementation of the Community measures planned in the field of maritime safety, as the comitology procedures provided for by the directives and regulations in this field have a common denominator: they primarily concern the incorporation into Community law of amendments and updates to the international conventions and international instruments that are an integral part of Community law.

1.4. Under a resolution adopted on 8 June 1993, the Council approved in principle the establishment of a Committee on Safe Seas, in accordance with Council Decision 87/373/EEC of 13 July 1987 laying down the procedures for the exercise of implementing powers conferred on the Commission, with the purpose of:

- a) centralising the duties of the committees, created by the implementation of the aforementioned decision in existing or future Community legislation, concerning maritime safety matters;
- b) assisting and advising the Commission in all maritime safety matters and matters of prevention or limitation of environmental pollution due to maritime activities.

2. The Commission's Proposal

2.1. Two separate proposals⁽¹⁾ have been made:

- A proposal for a European Parliament and Council Regulation, which sets up the Committee on Safe Seas and lays down procedures governing its operation and its scope. The proposal also provides for amending existing regulations in the field of maritime safety, both to take account of the creation of the Committee on Safe Seas and to facilitate their subsequent updating.
- A proposal for a European Parliament and Council Directive, the aim of which is to amend the existing directives in the field of maritime safety in order to take account of the establishment of the Committee on Safe Seas and to facilitate their subsequent updating.

2.2. In choosing the legal form for the act setting up the Committee on Safe Seas and applying the regulatory procedure to the Community legislation, the Commission has followed the principle of congruent forms. As the committees were established by two different types of legal act, namely Council regulations or directives, this principle implies that the provisions of regulations in force are amended by a regulation, and those of directives by means of a directive under the co-decision procedure described in Article 251 of the Treaty.

Moreover, in the proposal amending the directives in force, the Commission proposes correcting some anomalies of an editorial nature to be found in Directive 94/57/EC (classification societies) and 98/18/EC (safety of passenger ships).

2.3. The proposal is designed to replace the five existing committees by the Committee on Safe Seas, a regulatory committee composed of representatives of the Member States and chaired by the representative of the Commission. It would also replace the regulatory procedure applicable to the existing regulations and directives, based on Decision 87/373/EEC by the new regulatory procedure adopted recently by Council Decision 1999/468/EC (28 June 1999) laying down the procedures for the exercise of implementing powers conferred on the Commission to Community legislation in the field of maritime safety. Decision 1999/468/EC simplifies the above

procedures and ensures greater involvement and more comprehensive information to the European Parliament and the general public regarding the use of these powers and in particular the work of the committees. According to the Commission, the establishment of a Committee on Safe Seas would have positive practical effects such as a reduction in the number of meetings and lower costs in organising and running them.

3. General Comments

3.1. It is a long standing policy of the ESC corroborated in a string of past opinions⁽²⁾ that given the international character of shipping, international standards are the most effective means of improving maritime safety and environmental protection. Updating of regulations and directives to keep in step with developments in international standards and technical progress is an important task for the Commission and Member States.

3.2. In its opinion⁽³⁾ on the Communication on Safe Seas regarding the proposal to create a Committee on Safe Seas, the ESC had misgivings about the need to set up a new administrative layer. In its view it 'would appear less bureaucratic and more appropriate given the prime role of Member States, if the existing Council Working Group machinery were used, adjusted as necessary'. It was recognised that if the consultation/coordination procedure was to be enhanced a mechanism had to be found whereby such discussions could take place between Member States. However, the Communication on Safe Seas did not spell out in any detail the composition and role of the Committee on Safe Seas and this fact was pinpointed in the ESC opinion.

⁽¹⁾ The proposals are amending Directives 94/57/EC, 93/74/EC, 94/58/EC, 95/21/EC, 96/98/EC, 97/70/EC, 98/18/EC, 98/41/EC, 1999/35/EC and Regulations (EEC) No 613/91, (EC) No 2978/94 and (EC) 3051/95.

⁽²⁾ Opinion on positive measures for maritime transport, OJ C 56, 7.3.1990; Opinion on the Communication on Safe Seas, OJ C 34, 2.2.1994, p. 47; Opinion on Directive 94/57/EC (classification societies), OJ C 34, 2.2.1994, p. 14; Opinion on Directive 95/21/EC (port state control), OJ C 393, 31.12.1994, p. 50; Opinion on the new maritime strategy, OJ C 56, 24.2.1997, p. 9; Opinion on Directive amending Directive 93/75/EEC — Minimum requirements for vessels carrying dangerous and polluting goods, OJ C 133, 28.4.1997, p. 7; Opinion on Maritime Safety, Opinion on Safety of Bulk Carriers.

⁽³⁾ OJ C 34, 2.2.1994, p. 47.

3.3. The situation has evolved over the past seven years since adoption of the above Communication. Some of the Member States' competences in the field of maritime safety have been transferred to the Community. The EU maritime safety legislation nowadays covers the key aspects of the IMO⁽¹⁾ conventions in force, its main objective being to ensure efficient and informed application of the international safety rules in the EU.

3.4. The ESC appreciates the reasoning of the Commission that the cost of failure to take action would be a confused legal situation and cumbersome administrative procedures owing to the co-existence of several committees operating in accordance with the rules laid down by Decision 87/373/EEC and new legislative measures involving a committee governed by Decision 1999/468/EC.

3.5. The ESC endorses the purpose of the proposed creation of a Committee on Safe Seas replacing the existing committees as well as its proposed tasks regarding the existing EU maritime safety legislation. It, however, wonders how the current proposal relates with the Communication on the Safety of Seaborne Oil Trade (15 March 2000) and the Communication on a second set of Community Measures on Maritime Safety following the sinking of the Oil Tanker 'Erika'⁽²⁾ whereby the creation of a European Maritime Safety Agency is proposed. Such a structure would support the Commission's and the Member States actions in applying and monitoring EU law and help in preparing its technical adjustments. More particularly, it would be entrusted with: evaluations or audit missions (e.g. of classification societies as per Directive 94/57/EC), inspections of conditions under which Member States carry out controls of ships, operation of Commission databases (e.g. database on inspection of passenger ships under Directive 1999/35/EC). However, application of the same Directives would also be the task of the proposed Committee on Safe Seas.

3.6. The ESC shares the Commission's view⁽³⁾ that 'these tasks should be performed exclusively by personnel highly qualified in the area of maritime safety who have both comprehensive technical knowledge and are fully familiar with European and international maritime safety and pollution prevention regulations'. However, the ESC believes that there

must be no overlapping between the role and competences of the proposed unified regulatory Committee on Safe Seas and the envisaged administrative European Maritime Safety Agency. Although an Agency institutionally cannot have any legislative or regulatory powers, there is a need to clearly define the role and competences of the European Maritime Safety Agency in order to avoid any risk of confusion or duplication of work with the Committee on Safe Seas.

3.6.1. The ESC acknowledges that the proposal addresses a thorny legal issue, namely, the relationship between the EU legal system and international law that arises when Member States implement regulations or directives in the field of maritime safety. Amendments to the current international conventions, resolutions or codes are adopted by the IMO frequently and rapidly enter into force worldwide.

3.6.2. According to the Commission, given the lengthy nature of the internal procedures, the updating of EU legislation generally takes effect after the entry into force of the amendments at international level. This slippage is even worse in the case of the time allowed for transposition of directives. There is, thus, a systematic time lag between entry into force at the international level and the date on which a provision becomes applicable in the EU. This creates confusion and legal uncertainty for national authorities and private individuals regarding the rules that should be applied. It also has adverse repercussions on maritime safety and environmental protection since the international amendments represent an improvement in safety standards yet are applied with delay by the Member States. The EU suffers an image loss as a region applying outdated or less rigorous standards.

The Commission, therefore, proposes the establishment of a procedure for advance conformity checking to ensure that an international amendment in direct conflict with the common policy on safe seas, or any lower safety standards, cannot be introduced at Community level. This procedure would involve calling an emergency meeting of the Committee on Safe Seas at the initiative of the Commission or a Member State to take the appropriate action. The emergency meeting will examine the disputed amendments and will issue an opinion on appropriate Community measures. As a precaution, the Commission can also ask Member States to suspend or delay any plans to accept or apply the international amendment concerned.

(1) International Maritime Organisation (IMO).

(2) COM(2000) 802 final of 6 December 2000.

(3) Communication on the Safety of Seaborne Oil Trade (15 March 2000).

3.6.3. The ESC shares the Commission's view that the current situation is unquestionably unsatisfactory since the inherent delays in the internal procedures leading to the adoption of a legislative act by the committee procedure are the main obstacle for speeding up the updating of Community legislation. The ESC, however, understands that the delay caused by the current committee procedure is insignificant compared to the subsequent time needed for the detailed examination of the international amendments to the final entry into force of the Community act and thereafter its transposition in national legislation. In any event, in most cases, the time required for the completion of the Community procedure would exceed the time normally required under the IMO tacit procedure for entry into force of amendments to legally binding instruments, i.e. 18 months from the date of adoption. Therefore, under the envisaged procedure which starts off after the adoption of the amendment even with the proposed new structure, there will be an unavoidable time lag between entry into force at the international level and the date on which a provision becomes applicable in the Community. Consequently, there is a need to establish a mechanism and procedures which would ensure legal harmony and order.

3.6.4. The ESC notes the originality of the proposed approach compared with the normal practice. It believes that power could only be delegated to the Commission strictly within the framework of Article 202 of the Treaty, third indent (former Article 145). According to the Commission the power conferred to it is 'strictly limited to maritime safety where international standards are essentially technical in nature'. Nevertheless, the ESC observes that the wording of the defined objectives seems to widen the limited scope of the proposal and the limited powers to be conferred to the Committee.

3.6.5. The ESC observes that a distinction should be made regarding the negotiating phase of an amendment to an international Convention in IMO and the phase following its adoption. Regarding the negotiating phase, according to the

jurisprudence of the European Court of Justice⁽¹⁾ a distinction should be made between matters for which the EU has exclusive competence and cases of mixed competence of the EU and Member States. The EU has exclusive competence on matters that are covered by acts of secondary EU law. In such cases, Member States are not entitled to take up international commitments and the EU has to decide how these competences will be exercised. Where no acts of secondary EU law have been adopted and in cases of mixed competence of the EU and Member States, Member States can continue to take up international commitments while being bound by Article 5 of the Treaty which imposes the duty of abstaining from any measure which could jeopardise the attainment of the objectives of the Treaty⁽²⁾. In essence, therefore, the EU and Member States have a duty to cooperate⁽³⁾ with a view to reaching a common position vis-à-vis a proposed amendment in IMO. Current practice indicates that the EU and Member States do cooperate in all instances in the negotiating phase. Moreover, the ESC does not share the fear of the Commission that the incorporation of international legislation on maritime safety in the national legislation of EU Member States may result in EU law differing from Member State law and to a fall in EU

⁽¹⁾ This issue is inevitably linked to the legal problem of the EU's external competence. The European Court of Justice has already given a series of rulings on the subject. Despite these rulings, the dividing line between exclusive competence of the EU, competence shared with the Member States and exclusive competence of the Member States continues to be indistinct. However, there is no doubt that in all the above cases the Member States and the Commission should cooperate closely to define their positions. In Case No 22/70 ERTA (Commission v. Council, 31 March 1971, European Court Reports 1971, p. 263) the ECJ decided that insofar as the EC lays down common internal rules, it is also competent in the field of external negotiations which can influence those common rules.

In Opinion No 1/76 (on the Draft Agreement establishing a European laying-up fund for inland waterway vessels, European Court Reports 1977, p. 741), it ruled that if the EC has internal competence to achieve a specific objective, it consequently has exclusive external competence for the matter in question, insofar as such external competence is necessary for achieving that objective. The ECJ's opinion 1/94 (Agreement establishing the WTO 15 November 1994, European Court Reports, p. I-5267) tends in the same direction, stating that in the event of shared competence for external negotiations there is an obligation to cooperate closely with the Member States in order to define their position. (cf. Judgement of the Court of 9 July 1987, in joint cases 281, 283, 284, 285, 287/85, European Court Reports 1987, p. 3203). ESC Opinion on relations between EU/ILO (OJ C 102, 24.4.1995).

⁽²⁾ Doc. 10201/97 MAR 52/29.7.1997.

⁽³⁾ ESC Opinion for a Council Decision setting up a consultation procedure on relations between Member States and third countries in shipping matters and on action relating to such matters in international organizations (OJ C 355, 21.11.1997, p. 25).

safety standards. The Commission acknowledges⁽¹⁾ that the proposed conformity checking procedure will be very rarely initiated and that the likelihood of a lowering of existing safety levels (resulting from a change of international safety standards) is remote in practice. Indeed, whenever international maritime safety rules have been amended or added to in the past, the aim has been to improve safety standards in international shipping.

3.6.6. Regarding the phase following the adoption of an amendment by IMO, under the tacit procedure it is appropriate that following prior consultation any objections are lodged at the time of adoption. In this regard it is noted that on very few occasions have IMO members expressed reservations at the time of adoption, or subsequent objections after the adoption. Therefore, it would be inconsistent, untimely and embarrassing for both IMO and the EU, if EU Member States were subsequently forced to lodge formal objections with very limited practical effect, if any.

3.6.7. All EU Member States are parties to the relevant IMO conventions and are bound by their terms. All EU Member States, and the EU itself, are parties to the United Nations Convention on the Law of the Sea. Under the terms of the latter convention (e.g. Article 211) they have the increased legal obligation to ensure that ships flying the flags of EU Member States comply with the maritime safety and environmental protection provisions laid down under the authority of the competent international organisation, i.e. IMO. Therefore, the objective of the proposed measures should be to ensure timely and full implementation of the international standards, with the understanding that wherever these may be deemed to be lower or incompatible with the EU corresponding standards, proper action at EU level may be taken.

3.6.8. Moreover, the ESC notes that whilst the current proposal refers to Decisions 1999/468/EC and 87/373/EEC regarding committee procedures, there is no mention of Decision 77/587/EEC⁽²⁾. This Decision set up a consultation procedure on relations between Member States and third countries in shipping matters and an action relating to such matters in international organizations. It is precisely this consultation mechanism that the current proposal seems to amend without making the slightest reference to it. The ESC also notes that in 1997 a new Decision was proposed⁽³⁾ to repeal Decision 77/587/EEC but it was not progressed.

The ESC, in its relevant opinion, whilst endorsing the proposed ex ante consultation mechanism, stated its preference for a committee operating as a Council body instead of a Committee under the authority of the European Commission, in view of the fact that it would cover a wide range of subjects which do not come under the exclusive competence of the EU.

3.6.9. In the light of the above considerations, whilst acknowledging the purpose of the measures to be applied in extremely rare cases, the ESC firmly believes that the scope and the timing of the proposed advance conformity checking procedure need to be adjusted in order to avoid undesirable legal conflicts and complications with international law.

4. Specific Comments

4.1. Article 1 of the proposed Regulation

4.1.1. In order to be more specific in terms of the intent and scope it would be appropriate to rephrase in Article 1, b) the definition of 'international instruments' as 'the international instruments referred to in the Community maritime legislation, as defined in Article 2, paragraph 2'.

4.2. Article 4.1 of the proposed Regulation

4.2.1. The Commission acknowledges that the delayed application of amendments to international standards, which generally represent an improvement in safety standards, has adverse repercussions on maritime safety and environmental protection. In contrast, in paragraph 1 of Article 4 it cites as one of the cases of possible amendments to Community legislation the inconceivable manifest risk that the international amendments will lower the standards of maritime safety or protection of the environment.

4.3. Article 4.2 and 4.3 of the proposed Regulation

4.3.1. In the opinion of the ESC, the relevant Community legislation in force conferring powers to the corresponding existing Committees does not preclude ex ante consultation. In any event, the proposed measures provide the opportunity to expand the role of the Committee on Safe Seas from reactive to pro-active. The benefits of the necessary change are obvious. Amendments to IMO international instruments are normally considered by its Sub-Committees and Committees long before they are approved and eventually adopted. EU Member States have ample opportunities individually, or in consultation and under co-ordination, to influence the outcome. Therefore, the Committee on Safe Seas should be

(1) Explanatory Memorandum § 19.

(2) OJ L 239, 17.9.1977.

(3) COM(96) 707 final of 14.3.1997, OJ C 355, 21.11.1997, p. 25.

consulted regularly during the various stages of the development of the amendments to allow Member States to formulate a common position or approach, in particular in cases of amendments adopted by IMO under the tacit procedure. In such cases, and where warranted, it is appropriate that any objections are formally lodged at the time of the adoption.

4.3.2. The ESC believes that in the light of Council Decision 1999/468/EC and for the purpose of expediting the internal procedures, a parallel consultation mechanism with the European Parliament could be established before an amendment is adopted in IMO, so as to involve it from the very early stages in the development of the EU legislation. The added value of such a mechanism would be that it will minimise the case of different opinions on specific issues and the need for conciliation.

Brussels, 28 February 2001.

5. Conclusions

5.1. The ESC endorses the purpose of the proposed creation of a Committee on Safe Seas replacing the existing committees as well as its proposed tasks regarding the existing EU maritime safety legislation. However, these tasks should be clearly defined in order to avoid overlapping and duplication of work with the proposed creation of the European Maritime Safety Agency.

5.2. Regarding the proposed advance conformity checking procedure, whilst acknowledging the purpose of the measures to be applied in extremely rare cases the ESC firmly believes that its scope and timing need to be adjusted in order to avoid undesirable legal conflicts and complications with international law.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on the 'Proposal for a Council Decision establishing a Community mechanism for the coordination of Civil Protection intervention in the event of emergencies'

(2001/C 139/07)

On 24 October 2000 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 Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 February 2001. The rapporteur was Mrs zu Eulenburg.

At its 379th plenary session of 28 February and 1 March 2001 (meeting of 28 February 2001), the Economic and Social Committee adopted the following opinion unanimously.

1. Gist of the Commission proposal

1.1. The proposal provides for more effective coordination of the individual interventions of national Civil Protection teams in the event of a disaster, and so supplements the existing Community Action Programme for Civil Protection.

1.2. The plan to improve the effectiveness of Community Civil Protection procedures is the outcome of calls for urgent improvement of Civil Protection action at Community level prompted by all the recent disasters that have caused serious damage in several Member States and neighbouring countries.

1.3. The measures proposed — such as early notification, identification of operational teams, setting up of assessment and coordination teams and establishment of common rules for joint interventions — are not provided for in the above-mentioned action programme. The proposal for a more effective Community mechanism thus goes beyond the existing action programme, also by providing for a training programme to improve mutual intervention capability.

1.4. The present system for dealing with emergencies is based on the Resolution of 8 July 1991 on improving mutual aid between Member States in the event of natural or technological disaster.

2. General comments

2.1. Basic position

The ESC welcomes the Commission proposal: introducing a Community mechanism for Civil Protection measures in serious emergencies, or imminent threat of emergency, which may require urgent response action, will enhance the existing Community action programme on Civil Protection.

2.2. Planned measures

2.2.1. The proposed measures for strengthening the mechanism seem in principle to be appropriate for improving cooperation and coordination in disaster situations. They include:

- identification of resources available for coordinated assistance intervention in the event of emergencies;
- setting-up of a training programme;
- establishment of assessment and coordination teams;
- establishment of an emergency communication system.

2.2.2. However, it will be impossible to avoid difficulties when implementing the proposal because in many cases the situation varies widely between the Member States. Details of this aspect are discussed in the specific comments on the various articles and the Annex (point 3 below).

2.2.3. The Commission should also vigorously promote the development of preventive systems in the applicant countries.

2.2.4. The ESC shares the Commission's view that the strengthened Civil Protection mechanism could also contribute to the Union's overall non-military response to crises in third countries under the Common Foreign and Security Policy.

3. Specific comments

3.1. Notification (Article 2)

Mutual and extensive notification between the Member States and to the Commission in the case of serious emergencies and disasters should be welcomed. However, the channels of communication must be clearly and bindingly specified in advance, in order to avoid unnecessary work and to ensure effective procedures.

3.2. Capability (Article 3)

3.2.1. The wording ‘... intervention teams which are available or could be established for intervening abroad at very short notice’ has been kept very vague. In order to improve the quality of information and to facilitate the information-gathering procedure, the ESC recommends that a standard system be developed in the context of the management committee provided for in Article 8. Standardised information, e.g. on the size of the team and the objectives of assistance, will make it possible to compare and thus assess efficiency.

3.2.2. Existing transnational information and databases — in particular the resources of non-governmental organisations — should as far as possible be used and integrated into the information system in an appropriate way. The Member States will thus be asked to improve the usefulness of information-gathering by contributing themselves.

3.3. Coordination of intervention (Article 4)

3.3.1. Developing a training programme inevitably raises the question of precise objectives. A training objective should be defined in agreement with the Member States which is as concrete and realisable as possible.

3.3.2. We welcome the setting-up of a programme for the evaluation and dissemination of lessons learned.

3.4. Requests for assistance (Article 5)

3.4.1. The ESC notes that the options described for requesting assistance complement — as far as necessary — existing bilateral agreements between certain Member States and the transnational civil protection or assistance provided under mutual aid arrangements. A reference to such existing arrangements would be useful.

3.4.2. The phrase ‘where an emergency occurs within the Community’ in Article 5(1) should be followed by ‘or if a Member State is threatened by an external emergency’.

3.5. Involvement of third countries (Article 6)

We very much welcome the involvement of the candidate countries of Central and Eastern Europe, and Cyprus, Malta and Turkey.

3.6. Specific comments on the Annex — Fundamental principles of assistance intervention within the Community

3.6.1. It is difficult to ensure logistical independence in situ for 48 hours, but the aim should be to achieve this. Since the intervention teams have to be incorporated into existing structures anyway, it should be adequate to request logistical independence for the first 24 hours.

3.6.2. Point 3 of the fundamental principles (direction according to tasks) seems to make sense. However, the limits of the tasks entrusted to the intervention team should always be specified in order to avoid misunderstandings.

3.6.3. Point 5 of the fundamental principles (provision of means of assistance and communications by the Member State requesting assistance) could be problematic in practice. Cooperation must be agreed prior to intervention and communications problems resolved in advance.

3.6.4. We welcome points 6 and 7 of the fundamental principles (support and simplification of administrative procedures).

Brussels, 28 February 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on:

- the 'Proposal for a Council Regulation amending Regulation (EC) No 1260/1999 laying down general provisions on the Structural Funds',
- the 'Proposal for a Council Regulation amending Regulation (EEC) No 3763/91 introducing specific measures in respect of certain agricultural products for the benefit of the French overseas departments as regards the structural measures',
- the 'Proposal for a Council Regulation amending Regulation (EEC) No 1600/92 concerning specific measures for the Azores and Madeira relating to certain agricultural products as regards the structural measures',
- the 'Proposal for a Council Regulation amending Regulation (EEC) No 1601/92 concerning specific measures for the Canary Islands with regard to certain agricultural products as regards the structural measures', and
- the 'Proposal for a Council Regulation amending Regulation (EC) No 2792/1999 laying down the detailed rules and arrangements regarding Community structural assistance in the fisheries sector'

(2001/C 139/08)

On 18 December 2000 the Council decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the above-mentioned proposals.

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 8 February 2001. The rapporteur was Mr Mengozzi.

At its 379th plenary session (meeting of 28 February 2001) the Economic and Social Committee adopted the following opinion with 112 votes in favour, no dissenting votes and one abstention.

1. The Committee approves the Commission proposals.

1.1. The Committee considers that the proposals should be viewed as an initial response to the need to take due account of the special nature of the EU's seven outermost regions, as recognised by Article 299(2) of the Amsterdam Treaty and reiterated by the Cologne and Feira European Councils.

1.2. The proposed measures are limited in scope, as they simply increase the maximum rates of Community aid for investment in SMEs, agriculture, forestry and the fisheries sector, and the initial processing and marketing of agricultural products.

1.3. The Committee is pleased to see that the measures are in keeping with opinions it has expressed on a number of occasions, highlighting the special problems faced by all the EU's outermost regions and calling for specially modulated measures to bring the socio-economic development of these regions into line with that of the rest of the Union.

2. Lastly, the Committee appreciates the Commission's commitment to issue a codified version of the proposed amendments to the agricultural strand of the POSEI regulations⁽¹⁾. This measure, too, meets the Committee's repeatedly voiced call for Community regulations to be simplified and made more accessible to the public.

⁽¹⁾ Programme of specific options for remote island regions.

Brussels, 28 February 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on the 'Proposal for a Decision of the European Parliament and of the Council on Community incentive measures in the field of employment'

(2001/C 139/09)

On 3 November 2000 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 Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 31 January 2001. The rapporteur was Mr Vinay.

At its 379th plenary session (meeting of 28 February 2001), the Economic and Social Committee unanimously adopted the following opinion.

1. Introduction

1.1. The draft decision which has been referred to the Committee concerns the establishment of an instrument to support the European employment strategy.

1.2. To make this strategy increasingly effective, it is vital that results be shared and that best practice be passed on. This point was strongly underscored in the Council proposal on guidelines for Member States' employment policies for the year 2001.

1.2.1. The proposed instrument complements the guidelines. It is to run for five years and is designed principally to boost coordination of Member States' policies, as envisaged in the Employment Title of the Treaty.

1.2.2. More specifically, the aim is to increase information-swapping and cooperation in research activities, exchanges and monitoring. It is emphasised that the employment incentive measures (EIM) are devoted to transnational activities offering significant scope for transferral.

1.3. The legal basis for the proposal is Article 129 of the EC Treaty, which allows the Council to adopt incentive measures designed to encourage cooperation between Member States in the abovementioned areas. Although Article 129 also mentions pilot projects, these are not covered by the present proposal as they are already funded by the ESF.

1.4. The Commission points out that the proposal is designed to ensure continuation of the analysis, research and cooperation which the Community has been conducting under Decision 98/171/EC. This decision, which expired on

31 December 2000, was taken under Article 235 of the EC Treaty on the basis of the Essen Council.

1.4.1. The present proposal takes a more strategically targeted approach, in light of the increasing importance given to employment policies since their inclusion in the EC Treaty with the Luxembourg process (1997) and the legal 'mainstreaming' of employment policy (Article 127(2) of the EC Treaty). In particular, the proposal is in keeping with the political and strategic guidelines from the recent Lisbon European Council.

1.5. Eligible activities, which may be focused on the pillars or on the individual guidelines, must all have 'a strong forward-looking emphasis'.

1.5.1. These activities include support for Member States in evaluating their national action plans, partly in view of the fact that a special evaluation exercise is to be completed by the five-year anniversary of the Luxembourg summit. The proposal also mentions the monitoring of the European employment strategy in the Member States, the development of common indicators, forward analysis of strategic sectors, and events of international importance. Research findings are to be circulated as widely as possible, in paper form, at meetings or through web publishing and internet chats and seminars.

1.6. The activities are open to EEA countries, the CEEC, Cyprus, Malta, Turkey and other Mediterranean countries, in the context of existing relations.

1.7. The activities are to be implemented by the Commission, assisted by a committee composed of representatives of the Member States. A total of EUR 55 million is earmarked for the proposal over its five-year span.

2. General comments

2.1. The Committee welcomes the Commission proposal. The input which cooperation between Member States can provide in terms of analysis, information and assessment is vital for a long-term economic and employment strategy of the type adopted by the Union at the Lisbon European Council.

2.2. In a host of opinions spanning all fields of activity, the Committee has repeatedly called for the establishment of common indicators (standardised in both quantitative and qualitative terms) and comparable assessment criteria, as well as the dissemination of good practice. This need is particularly great in the case of employment policies, which are vital for consolidating the Community economy and boosting social cohesion.

2.3. While noting that activities are to have a 'forward-looking emphasis', the Committee points out that they must also fit in with the guidelines established each year by the Council.

2.3.1. The activities relating to the pillars would also benefit if research were distributed in such a way as to improve consistency. For instance, special attention should be paid in 2001 to the question of gender equality, particularly as regards pay, including the various forms of social protection, and to policies for regularising undeclared work and for assessing and regularising the many atypical jobs created by the economic, employment and social changes brought by the growth of the information society⁽¹⁾.

2.4. Article 8 of the proposal mentions the role of the social partners. This is consistent with the position taken by the Council at Santa Maria da Feira on 19-20 June 2000, which invited the social partners to play a more prominent role in defining, implementing and evaluating the employment guidelines.

2.4.1. Moreover, in the guidelines for 2001⁽²⁾, points C and E of the annex on Horizontal objectives — Building conditions for full employment in a knowledge-based society call on the social partners to take part in monitoring and to draw up common indicators and databases. These activities

could flesh out those covered by the present proposal. Formulas should therefore be devised for financing at various levels.

2.4.2. After defining links with the social partners as being 'necessary', Article 8 goes on to state that the Commission will only inform the social partners of the results of its implementing activities if they so request. The Committee thinks that such information should be offered spontaneously and on a regular basis.

2.5. Article 5 of the proposal stresses that the measures must be consistent and complementary with other relevant Community programmes and initiatives, such as the social inclusion programme and the framework research programme. The Committee appreciates this requirement, and recommends that careful attention be given to ensuring that the activities to be financed do not overlap in any way. The Committee would nevertheless stress that the range of 'relevant' programmes and initiatives is somewhat wide. Article 7(5) explains how the Commission is to ensure that all the various measures are mutually consistent and complementary; however, given the wide range of measures, a rather more precise method would be desirable.

2.6. The Committee also thinks that, with regard to the possible interplay which the proposal envisages between the various programmes, steps should be taken to ensure that the various indicators are consistent. This is necessary both in the context of mainstreaming and with regard to the open coordination decided at the recent Lisbon European Council.

3. Specific comments

3.1. The preceding instrument also included provision for the committee referred to in Article 7, although its duties were much more extensive. In particular, it issued general guidelines for the activities. Also, its opinion on the measures proposed by the Commission was authoritative enough to ensure that, if the opinion was negative, the Council would be informed and implementation would be blocked.

3.1.1. As already noted, this wording pre-dated the Luxembourg process and the development of EU employment policies. Although the decision was published in the EC's official journal of 23 February 1998, the ESC and COR opinions date back to 26 October and 8 November 1995 respectively⁽³⁾.

⁽¹⁾ Own-initiative opinion on *New knowledge — new jobs* OJ C 14, 16.1.2001.

⁽²⁾ Proposal for a Council Decision on Guidelines for Member States' employment policies for the year 2001 (OJ C 29, 30.1.2001).

⁽³⁾ Opinion on the Commission communication and proposal for a Council decision on the Commission's activities of analysis, cooperation and action in the field of employment (OJ C 18, 22.1.1996).

3.1.2. The Committee therefore does not consider that it is necessary to retain a committee which no longer has any practical role. The Employment Committee — which represents all Member States — appears to be more specifically suited to take on these duties, possibly by means of an ad hoc working party, with closer and more clearly defined links with the social partners.

3.2. The Committee is pleased that the activities are now open to third countries, while previously they were only potentially so. However, the Committee thinks that the involvement of such countries, and especially the CEEC, should be funded from existing Community budget headings, in the light of those activities which are consistent with existing relations. Involvement should not be left to individual countries, because the future of the European employment strategy will depend partly on the candidate countries' level of preparedness and familiarity with these measures. It is no coincidence that the recent Nice Council stressed the need to 'help the applicant countries to take on board the European employment strategy'.

3.2.1. In particular, as regards practical activities, the Committee suggests that cooperation with the CEEC focus not only on broad analyses of employment issues but also on comparative sectoral monitoring, as this is especially useful in the run-up to enlargement.

3.2.2. For the Mediterranean countries, one particularly useful focus for activity would be schemes for gaining a clearer picture of migratory flows and the related employment problems.

3.3. The Committee wonders whether the scheduled budget for the proposal is sufficient for the objectives being pursued. Except for 2001, the funding is the same as that for the preceding instrument (EUR 10 million per year). However, as already noted, the preceding instrument was approved under the Essen decisions, not the Luxembourg process, so its level of priority and attention was lower and its range of activities

was more limited than is now required for the European employment strategy.

3.3.1. It would have been possible to make a more informed decision about the suitability of the proposed budget if documentation had been available regarding the activities undertaken for the preceding instrument. In the absence of an activity report, it is not possible to evaluate the results or ascertain whether the expenditure capacity is consistent with the desired objectives. However, given the instrument's important role in supporting EU employment policies, the Committee considers that the budget should be reviewed each year by the European Parliament, on the basis of an objective assessment of aims and of the resources needed to achieve them.

3.3.2. The Committee points out that it is no longer possible for the instrument to become fully operational at the beginning of 2001. This makes it even more important that not only in the first year of operation (despite the late start) but throughout the life of the instrument, care is taken to ensure maximum effectiveness, with maximum spending capacity.

3.4. The proposal makes only passing reference to local development (fifth indent of point 6 of the explanatory memorandum). However, both the 2001 guidelines and a recent Commission communication have stressed the importance of giving the European employment strategy a local dimension. The Committee supported this. More especially, in its opinion on the Commission communication⁽¹⁾, the Committee endorsed the need to involve local players in the circulation of procedural information, benchmarking and exchange of good practice.

3.4.1. The Committee considers that such activities at local level are fully consistent with the intentions of the proposed instrument and should be explicitly recognised as relevant for the purposes of Treaty Article 129. They should therefore be given a higher profile in the earmarking of the incentives mentioned in the decision.

⁽¹⁾ Opinion on the Commission communication on Acting locally for employment: A local dimension for the European employment strategy (OJ C 14, 16.1.2001).

Brussels, 28 February 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on 'The mid-term review of the three processes that underpin the European Employment Strategy'

(2001/C 139/10)

At its plenary session of 2 March 2000, the Economic and Social Committee, acting under Rule 23(3) of its Rules of Procedure, decided to draw up an opinion on 'The mid-term review of the European Employment Strategy'.

Pursuant to Rules 11(4) and 19(1) of its Rules of Procedure, the Committee appointed a subcommittee to prepare its work on the subject.

The subcommittee adopted its draft opinion on 14 February 2001. The rapporteur was Mr Olsson and the co-rapporteur Mrs Engelen-Kefer.

At its 379th plenary session on 28 February to 1 March 2001 (meeting of 28 February 2001), the Economic and Social Committee adopted the following opinion by 93 votes to one, with two abstentions.

1. Background for the review

1.1. The scope of this opinion is to:

- review the different processes (Luxembourg, Cardiff, Cologne) within a global approach;
- target the Spring Council in Stockholm 2001 as the first follow-up to the Lisbon summit, which confirmed the need to coordinate the three processes and bring in new elements.

Bearing in mind that the Committee represents different actors of organised civil society, the review is based on the following criteria:

- the participation of organised civil society in preparing and implementing the three processes and the follow-up of the Lisbon strategy;
- the respective role and responsibility of the different actors with regard to the need to strike a suitable balance between legislation and non-legislative measures, while meeting the objectives of fostering a knowledge-based economy within a framework combining social cohesion, increased employment and sustainable development with justice and equal opportunities for everyone.

The structural indicators presented by the Commission to follow up the Lisbon Summit are assessed in another Committee opinion⁽¹⁾.

1.1.1. The Luxembourg process

The Luxembourg process (November 1997), aims at strengthening co-ordination of national employment policies. The essence of the process is to commit the Member States to an integrated set of common objectives and targets grouped under the four pillars of employability, entrepreneurship, adaptability and equal opportunities. A process of regular programming, reporting, peer review, assessment and adjustment of the objectives has been established. Its main expression at EU level are the Employment guidelines which are adopted each year and then transposed into National Action Plans for Employment in each Member State.

With a view to boosting the impact of the Luxembourg process, the Lisbon European Council called for a mid-term review, the conclusions of which are reflected in the employment guidelines for 2001.

The medium-term review⁽²⁾ finds that the process has helped to focus attention on employment and that several actors have been mobilised as part of an integrated approach. It also observes a steady accentuation of regional discrepancies, along with an increasing shortage of skilled labour in particular. In addition, an imbalance is apparent in implementation of the various guidelines, especially as regards the adaptability pillar. Gender mainstreaming too has only partly been achieved. Proposals for the future included fewer guidelines, more effective coordination with other processes, definition of indicators, better monitoring and the dissemination of good practice. A more clearcut division of responsibilities among the actors was recommended, particularly with a view to involving the social partners more closely. Lastly, the review advocates that the process should be more visible to the general public.

⁽¹⁾ Structural indicators.

⁽²⁾ Internal Commission document: Mid-term review of the Luxembourg process.

The Committee endorses the medium-term review's conclusions, above all, the stress on key issues, clearer quantitative and qualitative aims, the need to foster a spirit of entrepreneurship and the involvement and role of the social partners in the guidelines most relevant to them at all levels. The Committee also emphasises that the Luxembourg process must have widespread roots in the Member States, both locally and among all the various business and social organisations. At the end of the five year period, a one year pause should therefore be considered so that all actors concerned can be truly mobilised. Further, in order to be able to focus on and finetune objectives, the process should be streamlined.

1.1.2. The Cardiff process

The Cardiff process (June 1998) aims at economic reform to make the single market a motor for new jobs and to promote entrepreneurship and competitiveness.

The process covers measures that will dismantle impediments to trade between Member States, increase performance of the service sector, make the environment for small and medium size business more conducive to growth and employment, lead to efficient capital markets and an adequate supply of risk capital, further an effective competition policy and reduce state aids.

In response to the mandate from the Cardiff European Council, the Member States and the Commission produce annual reports on matters relating to reform of the production and capital markets.

In the second Cardiff report⁽¹⁾, the Commission called on the EU and the Member States to introduce economic reforms compatible with economic and social cohesion, to ensure participation of all stakeholders and to call on public authorities to guarantee actual impact on competitiveness and improving consumer welfare as well as to ensure a simple and high quality regulatory environment.

The Committee supports this challenge but would stress the need for more systematic, coordinated follow-up so that the Cardiff process be implemented with more active commitment from the social partners and other business and social organisations.

1.1.3. The Cologne process

The Cologne process (June 1999) complements the Luxembourg and Cardiff processes within a comprehensive overall approach — the European Employment Pact — bringing

together all the Union's employment measures. The process entails coordination of economic policy and improvement of mutually supportive interaction between wage developments and monetary, budget and fiscal policy and which, through macro-economic dialogue, aims to preserve a sustained non-inflationary growth and the lasting success of Economic and Monetary Union.

The Broad Economic Policy Guidelines (BEPG) are a central element in the economic policy co-ordination process. They provide the interface between economic policy and the Luxembourg and Cardiff processes and are to be discussed from 2000 onwards in other Council constellations — not just the Finance Ministers.

The Council, the Commission, the ECB and the social partners take part in the macro-economic dialogue. Meetings are held twice yearly since 1999 and are chaired by the president of the Ecofin Council.

The Committee observes that the Cologne Process has got off the ground but draws attention to the European labour organisations' joint recommendations regarding effective participation of the Finance Ministers and that the dialogue must also encompass relations between macro-economic policy and structural reforms⁽²⁾.

2. The Lisbon Summit — The new open method of coordination

2.1. Following on from the European Councils in Cologne and in Helsinki, the Lisbon European Council focused on the consistency between, and improved articulation of, the various coordination processes.

However instead of launching a new process, the Council introduced a new political method, the so-called new open method of coordination in order to implement the new strategic goal adopted at the Lisbon Summit.

2.2. The new method involves fixing guidelines and specific timetables to achieve the goals, establishing quantitative and qualitative indicators, benchmarks against the best in the world, comparing best practice. The European guidelines should be transposed into national and regional policies by setting specific targets and adopting measures taking into account national and regional differences.

⁽¹⁾ COM(1999) 61 final. Economic and structural reforms in the EU (Cardiff II).

⁽²⁾ Common UNICE/CEEP/ETUC position before the high-level forum in June 2000 (Union of industrial and employers' confederations of Europe; European centre of enterprises with public participation and enterprises of general economic interest; European Trade Union Confederation).

2.3. In line with subsidiarity and a decentralised approach the Council suggested that the European Union, the Member States, regional and local authorities as well as 'social partners and civil society' should be actively involved. The strategy thereby relies primarily on the private sector as well as on public-private partnerships.

2.4. The Committee notes that the new method implies the whole of organised civil society to implement the strategy. The European project shall progress not by a 'top-down' approach, but by 'bottom-up' co-ordination of policies of public and private actors.

2.5. The Committee has on various occasions suggested that social and economic organisations should be involved in defining, implementing and monitoring EU policies, both at EU and national level as regards, for instance the broad economic policy guidelines, the employment guidelines, enterprise policy, the single market, social protection, financial markets' regulation, the social exclusion action programme, etc. The Committee notes that the Lisbon strategy has paved the way for the introduction of new 'processes' in other policy areas, such as policy for combating social exclusion and poverty.

2.6. As a next step, European policies on transport, energy and environment should be integrated into the Lisbon strategy.

2.7. The new open method of coordination corresponds to the diversity of Europe in culture, life-styles and economic and social conditions. Diversity has increased over the years. Diversity needs a variety of instruments — legislative and non-legislative — and the creation of a culture in which everyone participates: enterprises in both the 'new' and the 'old' economy, trade union organisations, social protection institutions, other social and economic players, formal and non-formal educational bodies, private associations and authorities. The policy's territorial dimension, based on a broad partnership, is also crucial in order to tackle diversity.

However, the Committee also wishes to highlight the common values that underpin the European model and stress that the new open method of coordination requires that the monitoring and assessment of the policy (which can operate differently from one Member State to another), on the basis of common criteria, must encompass all EU countries.

2.8. The private sector's co-responsibility is a challenge for organised civil society and hence to the Committee as a mouthpiece of a wide spectrum of representative organisations in business and the community.

The Committee has therefore a responsibility to mobilise these actors, thus providing value added to the process.

2.9. The Committee points to the need for the applicant countries to prepare themselves as speedily as possible for participation in the new method of coordination since accession to the EU does not merely involve technical adjustment to the existing *acquis communautaire* and establishing the requisite official machinery for its implementation. It is equally important for business and social organisations to play an active part so that the enlargement process is as broadly based as possible. Within its own remit the Committee will follow this development closely so as to involve organised civil society organisations.

2.10. The new method of coordination should also be seen in the context of the upcoming White Paper on the new governance for Europe which is to be published after the Stockholm European Council.

3. Are civil society organisations involved? — An enquiry

3.1. A questionnaire was sent out to the members of the Committee, European organisations and national economic and social councils. The questions related to the extent they were actively involved in different areas of policy (macro-economic dialogue, employment guidelines, enterprise policy, single market, financial services, social security schemes, action plans to combat social exclusion and regional/local development programmes).

The replies received from Committee members covered 13 out of the 15 Member States. Around 20 European organisations and eight national ESCs answered.

Though the number of replies was relatively low, the following preliminary conclusions can be drawn: The social partners are fairly closely involved at both European/national and at regional/local level, especially in those areas which are of particular concern to them. Organisations representing specific interests (e.g. financial services or social exclusion) also indicate a high rate of involvement. However, in some Member States the answers show that the partners play no part in, for instance, framing employment policy. On single market issues, the answers show that participation is relatively low. The 'various interest groups' (Group III) record a consistently lower rate of participation (except as regards enterprise policy and social exclusion at national level) than workers' and employers' organisations. The answers show that national ESCs are not always involved (six out of the eight which replied indicated participation in only a few, if any, of the specified areas of policy) even at national level.

3.2. In order to increase participation in the process, the Committee urges that the socio-economic organisations of civil society make themselves heard at national, regional and local level, and the authorities at the same level to establish public-private partnerships based on openness, mutual confidence and equality.

At the Stockholm Summit the Council should reiterate the importance of involving civil society organisations.

However, the Committee feels that it is important for both the Commission and national governments to leave the social partners to play their roles and not to intervene unsuitably or with excessive haste; instead they should be allowed to assume full responsibility within their area of competence.

4. Public-private partnerships and the role of government

4.1. Within the shared responsibilities between the public and private sectors underlying the Lisbon strategy, the role of government should be to provide a framework of provisions regarding organised civil society's contribution to achieving the objectives set by the various processes and in the Lisbon strategy. Here the Committee supports the Cardiff II report's recommendation of a simple, high-quality regulation⁽¹⁾.

4.2. Private-public partnership should be enhanced and a benchmarking process should be established in order to identify good practice of how responsibilities are shared.

4.3. A horizontal approach is needed by government in order to overcome segmentation, both to boost effectiveness and to match the integrated approach by organised civil society. This would be in line with the administrative reform called for as part of necessary economic reforms by the Lisbon Summit. In order to underpin administrative reform and guarantee high quality of services, measures must be taken to develop staff policy, increase staff participation and improve management. An active policy is also needed to provide greater opportunities for women and disadvantaged staff categories as well as to achieve 'internal modernisation', innovation and better performance in tandem with the dismantling of rigid hierarchies. In addition, account must be taken of the regional consequences of administrative reforms.

The Committee advocates that public authorities in the Member States be encouraged to exchange experiences of administrative reform so that, as in the case of organised civil society, good practices in other countries can serve as example.

5. The maintenance and improvement of services of general interest

5.1. EU measures to promote competitiveness increasingly affect public sector activities. Many sectors are no longer within the ambit of regulation by Member States, but under the rule of the free market.

This development is to be welcomed, insofar as it ensures higher quality of services and lower prices, as well as giving all users access to the services provided at reasonable cost.

5.2. However, government is responsible for improving services of general interest and they are a key element of the European social model. A lack of such services has negative consequences for citizens, for jobs and for the quality of the local environment.

5.3. The quality of the available services of general interest must be guaranteed. The aim should be a productive, efficient public sector which combines user participation, economic viability and good conditions for employees while offering citizens high-quality and reasonably priced services. These aims hold good regardless of whether the public or private sector are responsible for providing such services.

5.4. Innovation and increased productivity which lead to better service, a wider choice and lower costs are necessary, while at the same time new ways should be found to meet the growing demand for services of general interest, especially new socially-oriented and environment-friendly services. This is consistent with the employment guidelines' call for optimisation of the service sector's potential for job creation.

6. Employment

6.1. The Committee notes with satisfaction that full employment was fixed as a goal at the Lisbon Summit.

6.2. In order to achieve this goal, increased coordination of and coherence between all the processes are needed within the framework of the Lisbon strategy which is now the policy focus. Here the Committee would stress the importance of defining comparable indicators for the purpose of assessing employment trends.

⁽¹⁾ COM(1999) 61 final. Economic and structural reform in the EU (Cardiff II).

It is not sufficient, however, for Member States to seek only to reduce unemployment. They should also have as an objective an increase in overall employment levels, so as to achieve the average employment rates set out in 6.9.

6.3. The Committee calls for coordination to be established so as to generate synergies between independent actors, along the lines of the ECB in conducting monetary policy and the social partners in the framing of pay policy. Such coordination promotes better understanding of the respective aims and constraints of the various protagonists in economic policy.

A sustainable anti-cyclical budgetary policy, without compromising the medium-term balance of public finances, is necessary. With this in mind, the Committee feels that it is vital to pursue efforts to ensure sustainable public finances in the context of the growth and stability pact while taking care to ensure optimum structuring of public consumption and investment spending.

6.4. The ESC supports regular macro economic dialogue, involving the Finance Ministers and the ECB President, in order to help ensure that the economic climate is conducive to the need for social cohesion and that the social partners shoulder their responsibility for a job-oriented wages policy which promotes investment. Such dialogue is necessary to raise the citizens' trust in the euro as well as to face unforeseen risks that may cause economic instability and social problems. Whilst macro-economic dialogue and coordinated financial policy are needed in order to sustain economic growth, national diversity should be taken into consideration, and the choice of the actual measures of economic and fiscal policy should lie with Member States, within a coherent overall strategy.

6.5. The ESC would draw attention to the major ties which inextricably interlink macro-economic and structural policies. Efforts must therefore be made to achieve a policy mix, i.e. a coherent mix of macro-economic and structural measures tailored closely to the desired growth and employment objectives.

Such a policy mix must not be confined to macro-economic and structural policies but this permanent fine-tuning must also operate within each of the two policies. In other words, the best possible balance must be sought between monetary policy, budgetary policy and pay policy, which combine to constitute macro-economic policy. Similarly, technological innovation, research, competition, labour market, infrastructure and other reforms must all focus on the two core elements of structural policy.

6.6. The Committee notes that the High Level Forum organised in June 2000 was not considered a success. The Forum should be organised with greater attention to operational details and take place after the publication of the synthesis report and before the spring Summit in order to be more useful for all concerned.

6.7. The Committee urges Member State governments to build up close co-operation with the social partners in order to discuss and implement the Employment Strategy. To ensure the strategy's success, the social partners should, entirely independently, define their contribution in practical terms, to be heeded by governments.

The Committee calls on the Member States to invest substantially in knowledge and education since this is vital for the employment strategy's success. This point is reiterated in several ESC opinions⁽¹⁾.

The Committee is pleased to see that the Education Ministers have also been involved in the debate on the employment guidelines.

The Committee expects the Stockholm Summit to take a further step towards achieving an across-the-board 'knowledge leap' among the population at large.

6.8. The Committee suggests that the development towards an ageing European population and the need for quality of work should be particularly addressed by the employment strategy over the next years. In this context, the Committee notes that the demographic trend towards an ageing population, which can generate higher savings, must be channelled into investments in human resources, R&D and new knowledge technologies to bridge gaps in skills, age and gender participation rates, as well as between different groups and regions.

6.9. The major challenge will be to increase the average employment rates of all Member States so that the overall goals (60 % for women and 70 % for men) can be attained. This increase must be accompanied by appropriate measures to achieve social cohesion. In order to tackle this, the whole of organised civil society is needed.

6.10. In the Committee's view, this means that measures must be taken as part of a tax and incentive system designed to promote employment to:

⁽¹⁾ OJ C 14, 16.1.2001. New knowledge, new jobs. OJ C 117, 26.4.2000, p. 62. Employment, economic reforms and social cohesion. The European dimension of education: its nature, content and prospects. OJ C 168, 16.6.2000, p. 30. European cooperation: Quality evaluation in school education.

- increase older workers' participation in work: the Committee reiterates its proposal⁽¹⁾ for a Europe-wide information campaign to foster awareness of the role older workers can play, in addition to a social dialogue which could reinforce existing employment guidelines;
- achieve a higher female employment rate based on improved possibilities for combining family and working life. Organising care of children and of other non-working members of the household is a key factor, along with opportunities for switching careers, the introduction of new forms of working arrangements and achieving economic independence for women;
- integrate vulnerable groups into the labour market. Support policies involving the whole of organised civil society are needed to promote 'pathways' for all disadvantaged persons so as to avoid the poverty trap;
- promote equal opportunities and treatment of people with disabilities, on the labour market and in all employment-related areas (internal market, information society, etc.);
- improve the situation of third country nationals and other immigrants resident in the EU to enable them to find a job on the open labour market and receive proper social protection and basic rights;
- reconsider immigration policies from all aspects with a view to controlled immigration beneficial to both the EU and the country of origin concerned. The Committee is in the process of exploring this matter, along with policy on refugees, but would stress that the latter must be dealt with separately from general immigration policy.

6.11. The Committee considers that the Stockholm Council should be the launching pad for new initiatives to improve working life, for instance:

- improving educational standards through launching a Europe-wide campaign for lifelong learning which involves not only enterprises but also all players active in both formal and non-formal education and training. At the same time ways should be found of making fuller use of the knowhow already existing in the workforce;

- improving health and safety in the workplace by realising the commitment to a new programme provided for in the Social Agenda;
- making sure that the employment promotion policy and structural reforms on the labour market generate meaningful jobs and well defined forms of employment;
- introducing measures which stimulate innovative ways of organising work, good management and flexible workingtime arrangements that meet the needs both of enterprises and workers. Career changes and mobility must be encouraged;
- special consideration of ways to improve the situation of women and other groups that are paid less and have less access to career developments.

7. **Legislation on employment issues and social protection**

7.1. Pending EU legislation on social and employment matters should be reviewed, in order to strike a balance between legislative and non-legislative measures, in close cooperation with the social partners but also, where appropriate, with other socio-economic organisations concerned.

7.2. The Committee notes with satisfaction the establishment of the Social Protection Committee and its current focus on pensions and social exclusion. It also observes that the Social Protection Committee has two further tasks: aspects connected with ensuring that it is more profitable to work than not to work, and a sustainable health care system.

7.3. The viability of the pension system is inextricably linked to long-term sustainable economic development, irrespective of the way in which the pension insurance scheme is organised — public, collective or mutual schemes, supplementary pensions or private personal pensions.

7.4. The financial markets are fuelled by an increase in pension funds: on an individual basis, mutual and as an outcome of agreements between employees and employers. As funded pensions comprise withheld income, the beneficiaries' representatives should have influence over placement of the funds, provided that this does not have a detrimental impact on the beneficiaries returns. The Committee suggests that guidelines on the placement of pension funds should be established, either through agreements between social partners, or by codes of good conduct for the funds, aiming at long term growth and sustainability.

⁽¹⁾ OJ C 14, 16.1.2001; Older workers, points 5.3 and 5.5. OJ C 14, 16.1.2001; Employment guidelines 2001.

The Social Protection Committee should therefore also be assigned the task of examining developments in supplementary pension schemes, in close cooperation with the social partners.

Workers' mobility should not be impeded by differences between occupational pension schemes⁽¹⁾.

7.5. The Social Protection Committee should also urgently look into systems of social protection that combine flexibility and security, with particular emphasis on identifying good practice and potential solutions in this sphere.

7.6. Another area in which the Member States have committed themselves to modernise social protection is the provision of quality health services.

7.7. As regards the right of equal access to health care, the Committee considers that statutory and supplementary schemes can be combined, as long as both are based on the principle that this right is a universal service and that risk selection or genetic data must not be used for discriminatory insurance purposes. As pointed out in earlier opinions⁽²⁾, the Committee considers that guidelines are preferable to legislation in such an obviously complex area. The aim is that the Member States, in consultation and negotiation with private insurers, should determine contractual specifications, to serve as code of practice.

8. The role of the enterprise

8.1. The enterprise should be seen as an economic actor that promotes social cohesion. Member States should therefore further the culture of entrepreneurship in all sections of society.

8.2. Efforts aimed at facilitating the creation and transfer of enterprises are key factors in increasing the employment rate. Improved framework conditions for small enterprises and simplified administrative rules are of utmost importance to exploit new areas of growth and employment, especially in the service sector. The Committee reiterates its proposal⁽³⁾ that the 'European Charter for small enterprises' should become the benchmarking reference for progress.

8.3. It is important to ensure great diversity in entrepreneurship and not only focus on innovative and 'high tech' sectors. Most enterprises are small, local and labour-intensive, particularly in the service sector. There is a strong growth in new forms of enterprise, not least involving full time or part time self-employment and enterprises founded by non-traditional business creators, for instance women, young people and minority groups. Appropriate support structures are needed. Proper social protection of workers in the new forms of enterprise (both owners and employees) must also be found.

8.4. An important condition to foster a culture of entrepreneurship in all sections of society is the development of a culture of independence and responsibility at the workplace. Business creators come generally from employed work. Upgrading quality of work and greater participation of employees in defining work are prerequisites for creating such a culture of independence.

8.5. Worker ownership in different forms can also help strengthen enterprise culture as well as promoting social cohesion while upgrading quality of work. The Commission should follow up the Pepper reports by examining different models as a basis for exchange of good practice.

8.6. The social economy has an important role as model for enterprise with social and mutual aims, based on co-participation and targeting persons and their needs.

8.7. As most enterprises develop primarily at grass-roots level, the territorial dimension of the Employment Strategy should be more clearly highlighted. The Committee suggests that the EU Commission's proposed action plan for 2001 place strong focus on new and small enterprises and on the creation of 'skills development and innovation partnerships' between different actors (small and large enterprises, trade unions, social economy, NGOs, local authorities, public service providers)⁽³⁾ to boost competitiveness. The Territorial Employment Pacts and similar local action plans could serve as models for successful local partnership.

8.8. Now that the European Company Statute and the related directive have been approved, corresponding provisions must be speedily adopted for cooperative firms, voluntary organisations and mutual societies.

⁽¹⁾ OJ C 157, 25.5.1998; Supplementary pension rights of persons moving within the EU.

⁽²⁾ OJ C 204, 18.7.2000, section 3, point C, Supplementary health insurance.

⁽³⁾ OJ C 14, 16.1.2001.

8.9. The conclusions of Lisbon made a special appeal to companies' corporate sense of social responsibility, and a follow up is proposed in the Social Agenda.

8.10. In addition to the regulations introduced by the social partners or by lawmaking bodies, the Committee advocates that businesses assume social responsibility by taking account of the interests of all stakeholders. It feels that industry and commerce should strive for legitimacy by stating a long term commitment to society and sustainable development by promoting good practice in terms of integration in the local environment, in-depth social dialogue, attempts to achieve equality and equal treatment, integration of minorities, financing micro-enterprises, etc. Here, for instance, the recently adopted OECD guidelines for multinational companies, which encompass non-binding ethical, social and environmental commitments can serve as model.

9. Internal market rules should be simplified

9.1. The Lisbon Summit made commitments to complete the internal market so as to satisfy the interests of business and consumers.

9.2. The Committee recognises the urgent need to set in train a new simplification policy in order to ensure the proper functioning of the Single Market.

The Committee is in favour of framing rules in a balanced way, avoiding the introduction of new constraints which are out of proportion to the objective being pursued, yet at the same time taking care not to compromise the quality of goods or services. The Committee has itself undertaken to introduce a proposal for a code of good conduct for the EU players in the regulatory process.

9.3. Against this background, the Committee urges the European Council to adopt, by 2001, a multiannual simplification programme for the period up to 2005, setting out priorities and a timetable for action including resources for follow-up, monitoring and drawing up annual reports and scoreboards.

9.4. The multiannual plan should, among other things, make provision for:

- more effective use of impact statements;
- alternative courses of action such as codes of conduct, contractual arrangements as well as greater use of labels, certification and other self-regulation procedures involving enterprises, trade unions and consumers in the process.

9.5. The Committee also calls on the Council to propose special measures aiming to ensure that the single market also has a positive impact on the permanent specific problems of the disadvantaged islands and rural areas and on the outlying EU regions⁽¹⁾.

10. Financial markets and services should contribute to social cohesion

10.1. The Committee is in favour of rules that integrate the fragmented financial and banking markets in the EU but which take account of the interests of all major stakeholders (consumers, savers, enterprises and investors).

10.2. Financial markets and financial services should not only contribute to economic performance but also to social cohesion.

10.3. There is concern for that the development of financial markets and financial services will lead to exclusion of citizens with limited resources, peripheral regions and small enterprises. Against this background there should be an EU drive to ascertain how, without compromising banking secrecy, banks, insurance companies and other providers of financial services could be required to disclose how their services are distributed according to social and regional criteria.

10.4. The Committee considers that, subject to normal banking criteria,

- citizens should have the access right to a basic bank account and basic quality financial services that serve their needs including accessible consumer credit, protection from usury and other forms of exploitation as well as the possibility to save for ethical, social or ecological purposes;
- small enterprises should have access to credits.

In order to fulfil these commitments, financial institutions can make use of intermediaries that are set up by a small enterprise or citizens themselves.

⁽¹⁾ Articles 158 and 299 of the EU Treaty.

11. Research and innovation

11.1. The ESC has endorsed in various opinions the EU commitment to proceed towards a European Area of Research and Innovation to underpin the knowledge society⁽¹⁾.

11.2. To optimise research performance and use of financial resources, both coordination and decentralisation are needed. The Committee would stress the need also to make research accessible to sections of society which previously were disadvantaged.

11.3. Therefore the Committee suggests that the forthcoming 6th EU RTD programme should focus on a limited number of priorities under the direct control of the Com-

⁽¹⁾ OJ C 14, 16.1.2001; New knowledge, new jobs. OJ C 117, 26.4.2000, p. 62, Employment, economic reforms and social cohesion.

mission; provide for decentralised management at national and local level of small scale projects and for small Community financial participation in national projects that are within the Community priorities⁽²⁾.

11.4. The Committee also hopes that the Stockholm Summit endorses its proposal that a few 'networks of excellence' should be set up initially on a trial basis and for a limited period. It also approves of the establishment of a network of strategic intelligence systems for science and technology so as to disseminate results and organise exchanges⁽³⁾.

11.5. Finally, the Committee supports the setting up of an agency for information technology to promote a competitive European information society.

⁽²⁾ OJ C 367, 20.12.2000; Follow-up, evaluation and optimisation of the economic and social impact of RTD: from the Fifth Framework Programme towards the Sixth Framework Programme.

⁽³⁾ OJ C 14, 16.1.2001; New knowledge, new jobs. OJ C 204, 18.7.2000, p. 70; Towards a European research area.

Brussels, 28 February 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on the 'Northern Dimension: Action plan for the Northern Dimension in the external and cross-border policies of the European Union 2000-2003'

(2001/C 139/11)

At its plenary session of 1 and 2 March 2000, the Economic and Social Committee, acting under Rule 23(3) of its Rules of Procedure, decided to draw up an additional opinion on the 'Northern Dimension: Action plan for the Northern Dimension in the external and cross-border policies of the European Union 2000-2003'.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 February 2001. The rapporteur was Mr Uno Westerlund.

At its 379th plenary session of 28 February and 1 March 2001 (meeting of 28 February 2001), the Economic and Social Committee adopted the following opinion unanimously.

1. Background

1.1. *The EU's Northern Dimension and the Baltic Sea area*

1.1.1. As a political concept, the 'Northern Dimension' has been on the European Council's agenda since 1997. The Cologne European Council established the implementation guidelines in June 1999.

The initiative springs from the break-up of the Soviet Union; the fact that following German re-unification, the former GDR became part of the EU; Finland and Sweden became new EU Member States and have a tradition of close cooperation with Norway and Iceland; and the forthcoming enlargement includes Poland, Estonia, Latvia, and Lithuania, thereby extending the EU's common border with Russia.

The Baltic States and Poland have all made significant progress in preparing for EU membership, and the EU has stressed the importance of relations with Russia in various ways, inter alia by adopting a specific Russia strategy.

The events of the last decade have thus lead the EU increasingly to consider problems and development opportunities from a northern perspective. This is of common interest to the European Union as a whole. Commissioner Chris Patten and the Swedish Foreign Minister Anna Lindh stress this in a joint article⁽¹⁾: 'The Northern Dimension must be seen as an all-European commitment, just as much as the EU's policies towards the Mediterranean and the western Balkans'. They also create expectations when they say 'The Commission and the Swedish presidency must now guide the EU to move from words to action'.

1.1.2. The Cologne European Council defined the EU's Northern Dimension as being the geographic area covered by the Council of the Baltic Sea States (CBSS). These are the

Nordic countries (Finland, Sweden, Denmark, Norway and Iceland), Russia, the three Baltic States (Estonia, Lithuania and Latvia), Poland, Germany. The Northern Dimension initiative has therefore contributed towards the historically important Baltic Sea area's re-emergence as a regional entity in Europe. It has also drawn attention to the Barents Sea area and to the cooperation efforts in the most northerly part of Europe.

1.1.3. The Council of the Baltic Sea States is the Baltic Sea area's political cooperation body. It was established in 1992 and comprises the Foreign Ministers of the member countries plus a member of the Commission. Since 1995 Heads of Government-level meetings have been attended by the EU presidency. The latest summit was held in April 2000 in Kolding, Denmark. Cooperation is being built up step by step. Ministerial meetings have been held in ever more areas. There has been a permanent secretariat since autumn 1998, with its headquarters in Stockholm. A Business Advisory Council is attached to the Council.

1.1.4. There are also other Baltic Sea area and Barents Sea region forums for governmental cooperation in specialist areas:

— the Barents Euro-Arctic Council (BEAC), established in 1993, focusing chiefly on cooperation in the economic, social and environmental spheres, including nuclear safety in the Barents region. Member countries are Iceland, Norway, Sweden, Finland, Denmark and Russia. The European Commission also participates. The Netherlands, the United Kingdom, Italy, Japan, Canada, Poland, France, Germany and the United States have observer status.

— the Arctic Council, dealing chiefly with the analysis and research aspects of environmental issues. Canada, the United States, Russia, Sweden, Denmark, Finland, Norway and Iceland are Council members. The Council has also begun work on sustainable development in Arctic regions.

⁽¹⁾ Financial Times, 20 December 2000.

1.1.5. Other permanent cooperation structures have been set up:

- parliaments, have been cooperating since 1991. The ninth parliamentary conference on cooperation in the Baltic Sea area was held in Malmö in the summer of 2000, and most of the region's parliamentary bodies took part;
- the regions are cooperating in a comprehensive network (Baltic Sea States Subregional Cooperation — BSSSC) The thirteen counties and indigenous peoples of the Barents region have joined forces in the Barents Regional Council;
- some 100 towns and cities have been working together in a more formal organisation (the Union of Baltic Cities (UBC));
- chambers of commerce: as early as 1992, 52 Chambers of Commerce from the Baltic Sea area came together to form the Baltic Sea Chambers of Commerce Association (BCCA), with the aim of safeguarding their common business interests;
- trade unions: the area's main trade union organisations (21 in all, with 20 million members) set up the 'Baltic Sea Trade Union Network' in 1999, in conjunction with the European Trade Union Confederation (ETUC)'s conference in Helsinki. These organisations dialogue directly with the CBSS. In addition, there is a range of organisations — notably economic and social — which have built up cooperation on the basis of the Baltic Sea/Barents Sea geographic area.

1.1.6. Regional cross-border cooperation in the area covered by the Northern Dimension has been visibly boosted by the EU's Interreg programmes. A new generation of Interreg programmes (Interreg III) is being implemented during the financial period 2000-2006.

1.1.7. Although the focus tends to be on what is happening in the political structures, the steadily increasing direct contacts between people are the most important way of boosting a feeling of community and helping to ensure conflicts can be dealt with in a civilised manner. Contacts take place through trade, enterprise, tourism, exchanges between universities and, not least, cooperation between various types of organisation. English and Russian are the most useful languages here.

1.1.8 The ESC is particularly pleased to see that cross-border organisations for employers, trades unions and various economic and social interests are being set up within the region. The ESC too has played a part in this development.

1.2. Frameworks and instruments

1.2.1. The legal frameworks for the Northern Dimension are the Europe Agreements with the relevant applicant countries (entry into force in 1994 and 1995), the partnership and cooperation agreement with Russia (entry into force 1997), and the EEA agreement with Norway and Iceland (entry into force 1994).

1.2.2. The Community budget currently makes no specific provision for the Northern Dimension initiative. Activities are expected to be funded through coordinated use of Community funding, particularly under the Tacis programme (including Russia), and the Phare (democratic institutions), ISPA (environment and transport), Sapard (agriculture), and Interreg (border regions) pre-accession programmes. In addition, there are comprehensive national programmes, funded notably by the Scandinavian countries and Germany. International financial institutions, particularly the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the World Bank and the Nordic Investment Bank (NIB), give substantial loans on easy terms. However, the EIB has not yet been involved in Russia. These different forms of public funding play an important part in smoothing the way for and boosting private investment throughout the region.

1.3. Broad political backing

1.3.1. At a common conference of foreign ministers in Helsinki in November 1999, the EU and its partner countries stated their conviction that the Northern Dimension will help to foster strong, positive, mutual inter-dependence between the EU and its Member States, other Baltic Sea Region countries and north-west Russia, thus enhancing safety, stability, democratic reforms and sustainable development in the region. The US 'Northern European Initiative' (NEI), started in 1998, also aims to promote cooperation in the area covered by the Northern Dimension. Both the EU and the US, and the EU and Canada have made common declarations of their intention to promote the EU's Northern Dimension within the framework of the new trans-Atlantic agenda.

2. Previous ESC opinions

2.1. The ESC has addressed issues within the geographical scope of the Baltic Sea area and the concept of the Northern Dimension in a number of opinions, starting with the groundbreaking January 1997 Information Report on 'Relations between the European Union and the countries bordering the Baltic Sea' (Filip Hamro-Drotz). The October 1999 opinion on the 'EU's Northern Dimension and relations with Russia' (Filip Hamro-Drotz) highlighted the need for the EU, in accordance with the Cologne conclusions, to develop the Northern Dimension into an action programme for

Northern Europe. The ESC also made a number of recommendations on how such a programme could be carried forward and what the content should be. The ESC particularly stressed that 'within the context of the action programme, it must be ensured that civil society organisations can participate in development work'.

2.2. The ESC is therefore pleased to note that the 'Action plan for the Northern Dimension in external and cross-border policies of the European Union 2000-2003' was adopted at the Feira Summit on 19-20 June 2000. The rapid preparation of this action plan bears out the priority the Commission and the Member States give to further development of the Northern Dimension initiative. However, as can be seen below, that does not mean that the ESC is happy about all aspects of the action plan and the manner in which it took shape.

3. Action plan

3.1. In the introduction to the action plan it is stated that this plan will be a reference document for actions planned or implemented in the Northern Dimension during 2000-2003. It therefore serves as a political recommendation to be taken into account by relevant actors whenever appropriate. The aim is to achieve maximum added value from Community and national projects through coordination.

3.2. As the Northern Dimension is an ongoing process without a specific budgetary appropriation, it is pointed out that the action plan will require regular review as regards its frameworks and programmes and their respective priorities, as they are developed.

3.3. The actual action plan is in two parts: a horizontal part and an operational part.

3.3.1. Under the horizontal part, attention is drawn to the challenges facing Northern Europe — an area of particular significance to the EU. This region has great natural resources, with considerable human and economic potential. But it also faces big challenges in overcoming long distances, sparsely populated areas and a harsh climate, all of which require cross-border cooperation.

3.3.2. The operational part sets out aims and prospects for action during the period 2000-2003 in eight sectors in which most added value is expected.

3.4. The Feira European Council called on the Commission to play a leading role in implementing the action plan and proposing suitable follow-up measures in three areas: the environment (including nuclear safety), the fight against crime and the Kaliningrad situation. The Committee will comment on all these below.

3.5. The Heads of State and Government concluded by welcoming the future Swedish Presidency's intention to join forces with the Commission to prepare a full report to the Council on the Northern Dimension's political remit in preparation for the Gothenburg Summit in June 2001.

4. The ESC position

4.1. Development in the region

4.1.1. The ESC would first draw attention to positive trends in the region. These tend to be obscured since, for natural reasons, the region's problems tend to dominate both the political agenda and the image portrayed in the media.

4.1.2. The region's inhabitants, with their skills and determination to build a new and better future are the most important resource. The economy too is clearly thriving. The Baltic Sea area is indeed one of the fastest growing regions in the world. The knowledge-intensive sector, in particular, is flourishing. Finland and Sweden are amongst the world's top IT nations. Estonia is one of the countries in the region which are resolutely and successfully striving to speedily build up expertise and industrial activity in the IT sector. St. Petersburg university is considered to lead the world in training programmers. Scandinavian and German telecommunications companies are helping to rapidly expand modern telecommunications systems in the area. Facts such as these show its future potential.

4.1.3. In Russia GNP fell during most of the 1990's, but statistics are starting to show signs of improvement, especially in the industrial sector. In the St. Petersburg area and in north western Russia, the figures are 20 %-30 % for this sector. A 6.5 % growth rate is now forecast for 2000 and 3.5 % for 2001, with inflation being capped at 20 % and 17 % respectively⁽¹⁾.

⁽¹⁾ Emerging Europe Monitor No. 8, November 2000.

4.1.4. The applicant countries — Estonia, Latvia, Lithuania and Poland — have come far in their negotiations to join the EU. This means they have long complied with the Copenhagen political criteria on inter alia, human rights and respect for and protection of minorities. Estonia and Latvia have complied with OSCE recommendations on citizenship and naturalisation for their large Russian minorities. The 2000 Commission report emphasises, however, the need for further measures to integrate the Russian population in these countries, and the ESC would also stress this. The Commission is of the opinion that all four countries can be regarded as effective market economies. Estonia and Poland are expected to be able to cope with EU competitive pressure and market forces 'shortly'. Latvia and Lithuania are expected to reach the same level 'in the medium term'. The legal and practical pre-conditions for investment have been stabilised. There has been substantial investment in the Baltic States — not least in the banking sector — largely from countries on the other side of the Baltic. The banking sector is now operative in all the applicant countries of the region. Foreign banks are increasing their share of the banking sector in Russia. Twelve of the biggest fifty banks are now foreign-controlled.

4.1.5. Transparency is improving and civil society is expanding. One good example of the progress made by Russian civil society is the fact that some 30 million Russians are members of trade union organisations which are so democratic and independent that they were granted membership of the International Confederation of Free Trade Unions (ICFTU) in December 2000.

4.1.6. Economic growth and the beginnings of an effective market economy do not mean that problems have vanished. There is still a great gap between living standards in the transition economies of the region and in the Western countries. The gaps are also increasing within these countries. The EU's future eastern flank is threatening to be one of the poorest borders in the world. Unemployment and underemployment are still high. Corruption is a major problem and social scourge. Russia still lacks a legal framework for worker protection comparable to ILO standards⁽¹⁾.

4.2. *The action plan's perspective*

4.2.1. The ESC is not casting doubts on any of the areas of action listed in the plan, all of which are priorities. However, it does criticise the plan's limited perspective. The ESC has previously stressed that the 'objective of the northern dimension must be to reduce the political, economic and social divergencies between these societies' in the northern part of Europe. The ESC fears that because the Feira Summit's call to the Commission to propose further suitable follow-up measures is confined to the spheres of environmental and

nuclear safety, the fight against organised crime and the Kaliningrad situation, action plan activities could be constricted and social issues pushed further into the background.

4.2.2. The ESC believes that the sectoral and functional aspects of the action plan can be effective in getting activities off the ground quickly. However, a territorial, cross-border perspective will be needed to coordinate activities and to create synergies. The ESC would point to the positive experiences of the Interreg programme in the area, and recommend that the territorial perspective should be highlighted when implementing the action plan.

4.2.3. In the ESC's view, far greater priority should be given to reducing divergencies both between countries and internally than was done in the action plan. That would be in line with the new emphasis of the Phare and Tacis programme.

4.2.4. In the current Draft Communication on Phare⁽²⁾, emphasis is placed on Phare's role in beginning to address the wide development disparities that exist between the applicant countries and the existing Member States. One of the main messages is the Phare can begin to help the countries develop the structures, procedures and programmes they will need to use the Structural Funds efficiently and effectively after accession.

4.2.5. Similarly, the Tacis programme is being reshaped. The new Regulation (1999/2000) focuses on problems instead of on sectors such as energy, environment, etc. The new indicative programme 2000-2003 for Russia will prioritise three areas of economic and social relevance: 'support for institutional, legal and administrative reform', 'support to the private sector and assistance for economic development' and 'support in addressing the social consequences of transition'.

4.2.6. Both Phare and Tacis attach importance to involving civil society organisations. These actors' contribution in bringing about change is highlighted in a number of contexts. The Northern Dimension action plan makes no mention of them at all. That is regrettable and gives a totally distorted idea of the potential vested in the Northern Dimension initiative. The ESC would draw attention to the conclusions of the EU Foreign Ministers' meeting in Helsinki in November 1999, when the Council recommended that civil society organisations in the relevant countries should step up cooperation within the framework of the Northern Dimension.

⁽¹⁾ This is mentioned in the Tacis Regulation, 14199/99 Annex 3, point 5.

⁽²⁾ Communication from the Commission, Phare 2000 review, 27.10.2000, C(2000) 3103/2.

4.2.7. In this connection it is also important to point out that, following on from an initiative from the Baltic Sea summit in Kolding, the June 2000 CBSS meeting in Bergen called on the Baltic Sea States' employment ministers and on the social partners to launch a dialogue on labour market and related issues.

4.2.8. In this light, the ESC urges that the importance of involving civil society organisations, at both national and cross-border level, be highlighted in the implementation of the Northern Dimension and in future information and planning relating to its action. In the ESC's view, the close association of the Baltic Sea area organisations with the Northern Dimension initiative will ultimately generate the greatest added value.

4.3. *Specific sections of the action plan*

4.3.1. Infrastructure (energy systems, transport and telecommunications/information society)

4.3.1.1. This section of the action plan appears to be the best thought out. As regards energy, on 2 December 1999 the Council (energy ministers) endorsed a number of priority proposals (Strengthening the Northern Dimension of Energy Policy in Europe, Conclusions). The proposals were based on a proposal adopted by the area's energy ministers at a meeting in Helsinki on 25 October 1999.

4.3.1.2. Expansion of energy, transport, telecommunications and IT infrastructure is crucial to connecting up the north and north-eastern parts of Europe to the rest of the continent, including by expanding the trans-European networks eastwards, so that the region's economic potential can be exploited to the full. Reinforced cooperation between the EU and Russia in the field of energy was agreed at the Paris Summit on 30 October 2000, demonstrating that cooperation with Russia is important for the EU as a whole.

4.3.1.3. The ESC would emphasise that investment in infrastructure should also include expanding 'missing links' — including in trans-European networks — such as technical harmonisation, in order to facilitate economic integration in the region.

4.3.1.4. The region has a very high profile IT sector. The potential for further advances should be taken on board through reinforced cooperation. It is in this respect that the ESC welcomes a CBSS initiative from countries such as Finland and Estonia to frame specific proposals for inclusion in the Northern Dimension action plan.

4.3.2. Environment and natural resources, including nuclear safety

4.3.2.1. The action plan commendably highlights environmental issues and lists a large number of measures that should be taken. The ESC would particularly stress the need for immediate measures to update and expand the sewerage system in the St. Petersburg region. This is crucial to the whole Baltic region.

4.3.2.2. The emphasis on environmental issues has, however, meant that forestry has only been addressed from a conservation standpoint. The ESC regrets the lack of debate on how growth in the huge forest areas, particularly in north west Russia, could be exploited more fully to boost investment and trade, and consequently economic growth and employment in the area. The ESC would highlight the collective industrial, technical and scientific expertise which has been garnered in the regions as a result of the fact that most of Europe's natural forestry is to be found in northern Scandinavia, applicant country areas and Russia. Continued planning efforts should pay greater attention to this.

4.3.2.3. As regards nuclear power stations, nuclear vessels and nuclear waste in the area, not just the EU and the countries in the area, but also a number of other countries are involved technically, financially and personally in working out timely, sustainable solutions. Even so, this is not enough. Further efforts are needed, inter alia to deal with the enormous quantities of nuclear waste in north-west Russia. This will require closer cooperation with the Russian authorities.

4.3.2.4. The fact that the issue of closing certain power stations is dealt with separately from energy questions makes implementation discussions more difficult. As the action plan progresses, safety issues should be included in the substantive debate on measures to update the energy systems. This would make it possible to focus on future-oriented investment and employment issues.

4.3.2.5. The ESC would again point out that the European Council meeting in Helsinki called on the Commission to draw up a proposal for a long term strategy to dovetail programmes for economically, socially and ecologically sustainable development. It is to be submitted to the Stockholm Council in June 2001. The ESC believes that the strategy should address the need for sustainable modernisation of energy and production systems, including in the ecologically sensitive Baltic Sea area.

4.3.3. Public health

4.3.3.1. Health problems in the region are largely a result of social inequality and environmental impact. In both Russia and the applicant countries, infectious diseases such as tuberculosis, syphilis, jaundice and diphtheria have started to re-emerge. Alcohol- and drug abuse cause great problems in many areas, and high death rates, particularly for men. HIV/AIDS have grown to epidemic proportions. Women are reluctant to have children because they feel socially vulnerable. Healthcare standards and capacity vary considerably, particularly as regards preventive care. This also holds true for social services.

4.3.3.2. The action plan is rooted in the Treaty chapters on public health, and in Article 152 which states that the Community and the Member States must promote cooperation in this sphere with third countries and stakeholder international organisations. The proposed cooperation is therefore somewhat narrow. However, the bilateral initiatives are quite wide-ranging.

4.3.3.3. The ESC believes that there should be closer cooperation with the general aim of improving healthcare and welfare services, in order to narrow the gaps in social standards between different parts of the region. Accordingly, the ESC welcomes the fact that the programme provides for measures to support Russia in implementing health and welfare reforms. As with other transition economies, an overhaul of the legal and administrative systems is needed as a result of the privatisation of formerly state-owned companies. These measures must, however, be developed and put into practice. The ESC feels that civil society organisations in the region should be involved in this work.

4.3.4. Trade, business cooperation and investment promotion

4.3.4.1. Trade and investment flows between the EU and the applicant countries of Estonia, Latvia, Lithuania and Poland are increasing rapidly, while economic ties with Russia are becoming relatively less important. All except Lithuania are WTO members, although Lithuania does have an agreement with the WTO which is expected to be ratified in May 2001.

4.3.4.2. Trade and investment flows between the EU and Russia have not yet reached the proportions warranted by the economic strength, degree of development and proximity of the two areas. Dismantling barriers in this area would make for increased production and better standards of living, and speed up industrial modernisation and restructuring.

4.3.4.3. Efforts to assist Russia in preparing for WTO membership and in removing barriers to trade, e.g. as regards customs procedures and goods certification, should therefore be intensified, as a first step towards, in the longer term, a free trade agreement, in accordance with the objectives set out in the EU-Russia Partnership and Cooperation Agreement.

4.3.4.4. Furthermore, closer cooperation is needed to create a better legal and administrative climate for both domestic and foreign investment. This is essential if market players are to invest more proactively in, inter alia, industry and services, and agriculture and forestry.

4.3.4.5. It is essential to harness the investment arm of Phare's 'social and economic cohesion' priority area, and its Tacis and Interreg counterparts, so that small and medium-sized enterprises have better access to funding and quality development support.

4.3.5. Human resources development and research

4.3.5.1. The human resources and scientific know-how available in the region covered by the Northern Dimension must be taken on board and developed. Cooperation between the region's universities and other higher education institutions must be stepped up. Far too little use is made of student/researcher exchange programmes and research institute networking. The Committee believes that this area is very important to the democratic, economic and social development of the region.

4.3.5.2. The ESC welcomes the fact that the new Tempus programme for Russia addresses the development of non-academic public and private institutions, including those directly linked to the development of civil society.

4.3.5.3. Priority should be given to cooperation projects in the form of targeted educational initiatives which address how democracy and the market economy work. Such initiatives are best implemented through coordination between civil society organisations.

4.3.5.4. Foreign language instruction should be a priority, not least in order to facilitate cross-border contacts of various types. The ESC finds it natural to emphasise this point in 2001 — European Year of Languages.

4.3.6. Action to combat cross-border crime

4.3.6.1. Since 1996, the Council of the Baltic Sea States has had a special working group on the fight against organised crime. This means that all the Northern Dimension's partners take part. The group cooperates on questions relating to police, customs, coastguard and prosecution services. It is especially active in illegal immigration, money-laundering, stolen cars, smuggling, prostitution, drugs and corruption. Its mandate has been extended until the end of 2004.

4.3.6.2. The EU recently adopted a plan for common initiatives to combat organised crime together with Russia, which endorsed the plan.

4.3.6.3. The ESC takes a very positive view of current cooperation efforts, and believes the above-mentioned working group should be given permanent status. The Committee would highlight in particular the need for support to develop common investigation and reporting systems in the region, and for a review of the remit of the authorities concerned. However, when framing any measures, it is important to ensure that they cause the least possible disruption to legal trade, investment and mobility within the region. 'Green channels' could be introduced, for example, whereby firms which have passed quality assurance checks would benefit from simplified customs formalities.

4.3.7. Regional and cross-border cooperation

4.3.7.1. Cooperation in cross-border regions is of vital importance to the successful enlargement of the EU, and to the development of EU-Russia relations which can be beneficial to the whole region. The action plan lists a number of measures which aim to achieve this. At the Paris summit, the EU and Russia expressed their desire to step up regional and cross-border cooperation, particularly as part of the Northern Dimension.

4.3.7.2. The ESC would particularly stress that any concrete projects which are planned must focus on improving people-to-people contacts and facilitating mobility in cross-border regions. They should also help narrow the economic gaps in those regions and raise living standards in areas which lag behind. In this context, cooperation between civil society organisations is of crucial importance.

4.3.8. Kaliningrad

4.3.8.1. The ESC welcomes the fact that Kaliningrad Oblast has been given a specific heading. When the neighbouring countries of Lithuania and Poland have joined the EU, this area

— half the size of Belgium — will become a Russian enclave within the EU, 300 kilometres from its motherland. The economic and social situation in this Russian region is currently cause for some considerable concern. Development in Kaliningrad is of vital importance to the whole region, and to EU-Russia relations.

4.3.8.2. Special efforts should be made to facilitate economic cooperation and reduce the economic, social and environmental disparities between the Kaliningrad region and surrounding areas in Lithuania and Poland.

4.3.8.3. The ESC welcomes the fact that Russia and Lithuania have together applied for EU aid under the Tacis and Phare programmes, within the framework of the Northern Dimension, inter alia for modernisation of the road link via the Lithuanian capital Vilnius, gas pipes through Lithuania to Kaliningrad, environmental action and a 'Euro Faculty' at Kaliningrad University.

4.3.8.4. The ESC welcomes the Commission's special study of 17 January 2001⁽¹⁾ on Kaliningrad, whose purpose is to stimulate debate between the EU and Russia (including Kaliningrad) and the two neighbour countries which are to join the EU — Poland and Lithuania — on matters with an impact on their common future. It is intended to discuss the Kaliningrad issue at the EU-Russia Summit in Moscow in May 2001.

4.3.8.5. The study mentions that a local office to provide support for the Tacis programme was set up in December 2000. This office will encourage participation by local actors (e.g. education and training bodies, non-governmental organisations, trade unions, the media, sectoral organisations, enterprises, municipalities and the courts) in joint programmes with EU organisations. The ESC naturally welcomes this positive contribution to the practical application of the action plan for the EU's Northern Dimension.

4.4. Implementation

4.4.1. The ESC welcomes the Summit's call for the Commission to play a leading role in implementing the action plan. That is necessary to keep up momentum. The ESC understands that an inter-departmental group comprising representatives of all DGs affected by the action plan met in September 2000, and that there are ongoing bilateral contacts between the DGs affected by the three priority areas. The Commission also points out that there are many up-and-running projects with a Northern Dimension slant, and that common Northern Dimension measures are planned with the US and Canada, within the framework of the new Trans-Atlantic Agenda.

⁽¹⁾ Communication from the Commission to the Council on the EU and Kaliningrad, COM(2001) 26 final.

4.4.2. The fact that the Commission has a central role should not, however, lead to a reduced commitment from other parties. The ESC would strongly underline that a basic premise for a positive outcome is that Russia and other non-EU countries, i.e. applicant countries and EEA countries, can engage fully and work for the continued development of the Northern Dimension. The commitment of individual EU Member States is, of course, equally important.

4.4.3. With this in mind the ESC would draw attention to the CBSS's stated willingness to play an active role in the future development and implementation of key areas in the action plan. In the press release issued at its meeting in Bergen on 21-22 June 2000 the CBSS stated as follows: 'The CBSS is actively involved in regional co-operation in a number of areas covered by the action plan. The Council stands ready to come up with concrete proposals for inclusion in the evolving action plan. The Council furthermore stands ready to offer the resources of its working bodies for co-ordination and as possible instruments for implementation and concretisation of elements of the action plan in areas such as health, information technology, energy, trade and investment, environment and the combat against organised crime. The CBSS can also act as a channel of co-operation with sub-regional actors⁽¹⁾.'

4.4.4. The Council of the Baltic Sea States, the Barents Sea Council and the Arctic Council can play a decisive role by determining their common priorities and arranging for projects to be co-funded by regional and international financial institutions and by the private sector. It is of course an advantage that the Commission is involved in the work of these regional bodies, and also in their specialist sub-committees.

4.4.5. The ESC feels that it is important for the Nordic countries too to prioritise the practical achievement of the Northern Dimension in their cooperation efforts within the Nordic Council and the Nordic Council of Ministers.

4.5. *Implementation and continued development of the action plan*

4.5.1. Implementation of the action plan is an ongoing process which requires regular review. As will be clear from the above, the ESC feels that the plan needs to be reshaped in a number of major respects.

4.5.2. In the ESC's view, the necessary development would be facilitated by involving civil society organisations in Northern Europe much more closely than hitherto. Here the responsibility lies with the organisations themselves but also with all relevant authorities: at European, Baltic, Barents Sea, national and local level.

4.5.3. EU efforts under the Tacis programme need to be integrated with Phare, ISPA, Sapard and Interreg, in order to rapidly set up effective cross-border projects in northern Europe. However, there are currently significant bureaucratic obstacles to this. Tacis, for example, is highly centralised and focuses on large-scale projects, whilst Interreg is being increasingly devolved to the Member States. The ESC therefore feels that a separate budget heading for the implementation of the Northern Dimension action plan should be created as soon as possible. There would be no need for new funds: specific cooperation funds for the Northern Dimension could be set aside from the above programmes. The funds could be used to find a way through existing red tape, and also act as a catalyst to attract other forms of public and private funding. This is particularly important to make things easier for small and medium-sized enterprises, and to involve civil society to a greater degree.

4.5.4. The ESC would particularly stress the need for businesses and international financial institutions to work with governments on the continued planning arrangements. This is especially important to get planned large-scale infrastructure projects off the ground quickly.

4.6. *The ESC calls for further multilateral cooperation in the area*

4.6.1. The ESC has tried to mobilise representatives of employers, workers and other economic and social interests throughout the Baltic Sea area during the preparation of this opinion. For example, in liaison with the Swedish Presidency, it organised a conference in Umeå on 5-6 February 2001, where the ESC's REX section debated with invited representatives from relevant organisations in Russia, Estonia, Latvia, Lithuania, Poland, Norway and Iceland. The discussions were based largely on the replies received to the written questions sent to the relevant organisations in the Baltic Sea area.

4.6.2. The ESC's purpose in these contacts is also to help foster awareness of the Northern Dimension among organisations in the countries concerned and, in accordance with the Helsinki Foreign Ministers' Council recommendation, to explore the openings for closer cooperation in a multilateral forum.

(¹) On taking up the Presidency of the CBSS, in July 2000, Germany made immediate moves in this direction. In a letter (dated 27.7.2000) to various organisations in the Baltic Sea area, Ambassador Hans-Jürgen Heimsöth requested them to list existing and future projects in their respective areas and to reply by mid-November. The aim is to present the list to the Commission and the Swedish Presidency in March 2001.

5. Conclusions for the future

5.1. The EU's Northern Dimension is an effective instrument on which all Northern Europe can draw for the purpose of finding solutions to problems and stepping up positive development. The initiative will facilitate the successful accession of the applicant countries of Estonia, Latvia, Lithuania and Poland. It also helps to forge closer ties between the EU and Russia, underpinned by the EU-Russia partnership and cooperation agreement; the EU's strategy for Russia and Russia's corresponding programme for stepping up relations with the EU.

5.2. Despite its scope, the approach of the action plan for 2000-2003 is far too one-sided. Priority must be focused on bridging gaps between and within countries in the area. A sine qua non for narrowing these gaps is that business and labour relations must develop in accordance with European social market economy principles.

5.3. It is of fundamental importance that, in its cooperation with partner countries, the EU should be resolute in putting the action plan into practice and determine specific goals with set deadlines for the various components. A common Northern European strategy is needed for the successful implementation of the action plan. This will also require a common planning and follow-up forum for all stakeholders.

5.4. The ESC welcomes the willingness of the Council of the Baltic Sea States (CBSS) to cooperate in carrying through the action plan and to act as intermediary within the region. This will be a major asset in future efforts.

5.5. The ESC is keen that funding management should allow the action plan's individual projects to be implemented speedily and without unnecessary red tape. Such arrangements must also be framed so as to enable coordination between the various funders, including international financial institutions, to generate synergies. The ESC recommends creating a specific budget heading for the Northern Dimension.

5.6. The economic and social players of civil society organisations must be involved throughout the launching, implementation, monitoring and continued development of Northern Dimension-related activities. Authorities at all levels should cooperate to this end.

5.7. The ESC, for its part, intends to pursue dialogue in appropriate forms with the economic and social representatives of civil society organisations in the Baltic Sea area, including Russia. The experience of the first multilateral meeting in Umeå has shown that there is every reason to pursue this kind of dialogue.

5.8. The ESC suggests that the EU, as an institutional cooperation partner, should decide to establish regular multilateral contacts between the economic and social actors of civil society in the countries concerned. This is to promote a better understanding of the major issues relevant to the Northern Dimension and to improve mutual understanding of economic and social realities.

5.9. The ESC notes that, unlike the Europe Agreements and the EEA Agreement, the EU-Russia Cooperation Agreement contains no article referring to the possibility of establishing a forum to develop contacts between the economic and social partners. The ESC believes that EU-Russia relations have now progressed to a stage where a cooperation forum for the partner country players should be set up. Such a forum could be designed as a mixed committee, to which the ESC offers to contribute. This would help to develop the mutual contacts sought by both the EU and Russia. The ESC intends to draft a special opinion on EU-Russia relations.

5.10. The ESC intends to monitor continually developments in the Northern Dimension, and to produce a new opinion when the time is appropriate.

6. Follow-up

6.1. The ESC is pleased to note that EU foreign ministers are to hold a conference on the Northern Dimension on 9 April 2001 in Luxembourg. The ESC proposes that the present opinion be taken on board in the conference preparations.

6.2. The ESC welcomes the Swedish Presidency's intention of preparing, in liaison with the Commission, a detailed report to the Council on the Northern Dimension's political remit in preparation for the Gothenburg Summit in June 2001. The ESC would suggest that this opinion be borne in mind when that report is compiled.

Brussels, 28 February 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on 'Comparative macro-economic performance studies'

(2001/C 139/12)

On 2 March 2000, the Economic and Social Committee, acting under Rule 23(3) of its Rules of Procedure, decided to draw up an opinion on the 'Intensification of country-by-country comparative macro-economic performance studies focusing on the economy and employment'.

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 8 February 2001. The rapporteur was Mrs Konitzer.

At its 379th plenary session, held on 28 February and 1 March 2001 (meeting of 1 March 2001), the Economic and Social Committee adopted the following opinion by 91 votes to three with one abstention.

1. Starting point

1.1. The economic conditions for increased growth and employment in Europe have shown a clear improvement in recent years. On the one hand, this is due to the ongoing endeavours to make structural improvements to the operation of the markets in goods and services and the labour and capital markets. On the other hand, the macro-economic conditions for growth and employment, in particular, have also been decisively strengthened. The reduction of government deficits, the achievement of lower rates of inflation, and a macro-economic wage trend which has facilitated a reduction in the rate of inflation and a significant improvement in the profitability of job-creating investment, have all helped to create monetary conditions which are favourable to growth and employment. It is essential to sustain the progress achieved in the 1990s. Steps must therefore be taken to ensure that the slight and, in principle, temporary increase in the rate of inflation — brought about by the hike in the price of oil and exchange rate trends — does not have a spin-off effect on internal costs in the EU.

1.2. The achievement of economic and monetary union (EMU) has made a substantial contribution to progress in the above-mentioned fields. Those EU Member States which have not yet signed up to EMU have also benefited to some extent from this achievement as they, too, have successfully pursued the goal of attaining convergence. In the future, too, EMU will prevent international pressures from causing internal currency upheavals; over the last thirty years such currency upheavals have frequently disrupted or interrupted the process of growth. A major macro-economic obstacle to growth has thus been removed. EMU also helps to lessen the risk of conflict between budgetary policy, wage policy and monetary policy, and it creates the stable framework needed for healthy macro-economic policies and developments. In future it will thus be easier to avoid macro-economic errors which have in the past had a very damaging effect time and again on growth and employment. EMU thus provides a new opportunity to pursue a healthy macro-economic policy.

1.3. If this opportunity is to be fully exploited, however, all major economic and social groups will have to acquire a

greater understanding of macro-economic orders of magnitude and relationships so that they can engage in an objective dialogue more easily and thereby achieve a larger measure of agreement on the appropriate macro-economic action and policies. The learning process required for this purpose needs an economic policy approach on which agreement can be reached and an empirical survey based on as many data as possible.

A large number of Commission documents, in particular those drawn up in the wake of the White Paper on Growth, Competitiveness and Employment (and especially its chapter on macro-economic aspects) and many Council documents such as the annual 'Broad guidelines of the economic policies of the Member State and of the Community', provide a rich source of material for a basic approach to economic policy on which a large measure of agreement can be reached⁽¹⁾.

However, the empirical and as highly quantified as possible illustration of macro-economic variables is less developed. The best way to illustrate such variables is to compare different periods and different countries. An analysis of long series of figures and a comparison between the situation in the EU and the USA and between individual EU Member States does in fact reveal significant differences not only with regard to employment and unemployment but also in respect of major macro-economic parameters which determine growth and employment. In this context it can also be demonstrated how institutional factors influence macro-economic policy and macro-economic development in individual countries. A number of benefits can be achieved by comparing and analysing these factors: the issues can be more readily understood; objective dialogue can be promoted; and, under certain circumstances, reference or target variables can also be worked out (benchmarking).

1.4. Efforts to achieve a better understanding of macro-economic trends and a greater agreement on macro-economic policies are therefore important for ensuring that the improved basic conditions for increased growth and employment are fully exploited. It will only be possible to resolve the employment problem facing the EU in a reasonable medium to

⁽¹⁾ The ESC adopted an opinion in February 2001 on the 2000 broad economic policy guidelines (OJ C 14, 16.1.2001).

longer-term timeframe if the current cyclical upturn can be transformed into a sustained period of higher growth, despite increased oil prices. Such a development is also necessary if the ambitious goals set by the Lisbon European Council are to be achieved⁽¹⁾.

1.5. It is, of course, not possible for this opinion to be extended and made into a comprehensive study in which detailed country-by-country comparisons of macro-economic parameters are presented and assessed. However, the opinion can and will set out key macro-economic orders of magnitude and relationships (Chapter 2) and discuss the major contributions to be made by economic players (Chapter 3), thereby giving the Commission and the Committee the opportunity to reconsider these matters in greater detail at a later date in studies and opinions. The ESC has decided to draw up this opinion for two reasons: firstly, it wishes to promote an objective dialogue on macro-economic issues between all socio-economic groups which goes beyond the institutionalised macro-economic dialogue (Cologne Process); and secondly, it wishes to make its views on these crucial issues known to the Commission and the Council.

2. Key orders of magnitude and relationships

2.1. Framework and instruments

The purpose of the orders of magnitude and relationships set out in this chapter is to facilitate an objective dialogue on macro-economic matters between the various socio-economic groups. These data, which are largely based on earlier Commission analyses, should be reconsidered, taken further and examined in greater detail in future Commission studies and ESC opinions. (One example which may be quoted here is the appendix on Ireland accompanying the ESC's opinion on the economic situation in the EU in 1999⁽²⁾.)

2.2. Manpower reserve

2.2.1. Observations on employment and unemployment indices

The rate of unemployment is the simplest and most frequently used yardstick for gauging the employment situation in a given country. However, even if Eurostat's harmonised definition is used, this yardstick is of limited value for making comparisons over time and between countries. One of the reasons for this is the varying levels of undeclared work, part-time working and particular forms of subsidised employment. It is, therefore not only important to note the breakdown of unemployment

according to, for example, age, gender, level of education, duration, etc., but the analysis should also include the trend in the participation rate, employment rate and working time, in particular part-time work, and migratory movements. The trend in the employment rate expressed in full-time equivalents is a particularly important indication of the overall situation. If, for example, a fall in unemployment is accompanied by a marked increase in the employment rate, it may be assumed that the employment situation in the country concerned has undergone a healthy improvement and cannot be attributed either to a fall in the participation rate caused by the discouragement of potential workers or to a redistribution of work. In the 1990s such a positive trend was observed above all in Ireland and also, to a lesser extent, in countries like Denmark. More detailed analyses of the relations between these factors may be found, in particular, in the European Commission's employment reports.

2.2.2. Size of the manpower reserve

Closer analysis of the trend in the employment and unemployment indices clearly indicates that the EU's manpower reserve considerably exceeds the level of unemployment recorded in statistics. Whenever growth produces new jobs, this leads to a tremendous surge of people on to the labour market who were not previously included in the unemployment statistics. This means that the participation rate (the percentage of the population of employable age represented by economically active persons⁽³⁾) increases with the employment rate (percentage of the population of employable age represented by persons in gainful employment), and the incentive to immigrate is also increased.

On the basis of the above observations and taking account of plausible figures for the employment rates (broken down by age and gender), the Commission estimates the manpower reserve of the current EU-15 at some 30-35 million persons. This figure is approximately twice the number of unemployed persons and it is almost equivalent to the total employment in Germany at present. If jobs are to be created within ten years for the people making up this manpower reserve, employment will have to increase by between 1,8 % and 2 % per year; the corresponding increases for a fifteen-year period would still be between 1,2 % and 1,4 % per year. Whilst these orders of magnitude are considerable, it is perfectly possible for them to be achieved. The expected enlargement of the EU and the possibility of increased migration across the internal and external frontiers of the EU further underlines the need to create jobs for the persons making up the EU's extensive manpower reserve as quickly and as far as possible.

⁽¹⁾ Looking ahead to the Lisbon European Council, the ESC drew up an Opinion entitled 'Employment, economic reform and social cohesion — Towards a Europe of innovation and knowledge' (OJ C 117, 26.4.2000, p. 62).

⁽²⁾ OJ C 140, 18.5.2000, p. 44.

⁽³⁾ Economically active persons = persons in gainful employment plus unemployed persons.

2.2.3. Is this manpower reserve available for employment?

The objection is sometimes raised that, because the persons concerned are not sufficiently well trained, it will not be possible to create jobs for all the persons making up the manpower reserve. The skill level of the workforce, lifelong learning, together with the mobility of the workforce and its readiness to take up available jobs are all important issues of labour market policy. Tax systems and social security contributions may also have a bearing, either positive or negative, on the availability of manpower. The ESC has repeatedly given its views on all these matters⁽¹⁾. In the case of the present opinion, however, the primary consideration is to pinpoint the chief bottlenecks in the process of macro-economic growth. The following observations may be made in the light of a study published by the Commission back in 1995 (European Economy No. 59, Study No. 3 — see especially graph 3):

New entrants onto the labour market (young people and the 'latent' manpower reserve) generally have an adequate basic training which, however, will have to be built on once they take up employment. The chief bottleneck is not the level of skills but the shortage of new jobs, as a result of which many people cannot undergo further training at the workplace to keep abreast of economic and technical developments.

The majority of unemployed persons still clearly form part of the labour market. Here, too, the problem is not primarily one of 'employability' but rather the fact that there are not enough jobs available for everyone. This problem not only affects the relatively small number of cyclically unemployed who will be able to find jobs once there is an economic upturn: in this case, workers are available and jobs do physically exist. A shortage of jobs is also the problem facing a large proportion of the victims of 'non-cyclical' unemployment; many of these persons were in employment a few months ago; it would be possible for them to find lasting employment once again (perhaps after a small amount of retraining) if enough new jobs were to be created.

Even the approximately 4 to 5 % of economically active persons comprising the long-term unemployed in the EU must not necessarily be 'written off'. It is true that neither of the two criteria are met in this case: there are not enough actual jobs and some of the workers also do not have the requisite skills. Experience has, however, shown that if growth generates sufficient jobs, retraining and other measures can enable many long-term unemployed persons to find employment again.

⁽¹⁾ The ESC regularly sets out its views on issues relating to the labour market and EU employment strategy; attention may be drawn here to the following documents: in particular point 3.1.2.2; OJ C 29, 22.7.1999, p. 60; OJ C 368, 20.12.1999, p. 31; OJ C 19, 21.1.1998, p. 108 and OJ C 355, 21.11.1997, p. 64.

The abovementioned points do not set out a case against vocational training and further training, which is essential if the EU's human resources are to be strengthened over the next few years. These measures will improve not only overall economic productivity and competitiveness but also the career prospects of individuals. These measures — some of which are expensive — will, however, only achieve their full effect if the economy can generate, in the course of a prolonged period of economic growth, the number of jobs required to mop up the EU's employment potential. Training measures must therefore go hand in hand with the creation of jobs, as part of a long-term process.

2.2.4. Where can the new jobs be created?

It is also often argued that it is impossible for the EU to absorb its manpower reserve as jobs are constantly being lost as a result of technical progress and globalisation. This claim is too sweeping and not conducive to a constructive consideration of the issue.

What is right is that, within the growth process, technical progress and globalisation lead to ongoing structural change. Considerable pressure is brought to bear to step up competitiveness, increase productivity and reduce workforces. In sectors with high productivity gains, strong international and intra-Community competition is leading to a reduction in relative prices (and, in a number of cases, also in absolute prices). These sectors frequently shed labour, and employment is increasing only in (a) a number of particularly innovative areas which need to build up their workforces (e.g. the manufacture and distribution of new electronic products, such as computers and mobile phones) or (b) cases where aggregate growth is so strong that traditional industrial sectors, too, (e.g. motor vehicle manufacture) are able to employ more people. However, the fall in relative prices undoubtedly strengthens the competitiveness of these sectors and a large part of their productivity gains is passed on to the other sectors of the economy via the price mechanism. This extensive transfer of purchasing power brought about by market forces makes it possible for relative prices to increase in sectors where productivity gains are lower and there is less pressure of competition but where demand is rising as part of the growth process. As a result a large number of jobs become profitable and can thus be created in these sectors (e.g. a large number of personal services, restaurants, etc. and also services linked to new products and media).

This is a long-term, macro-structural process which can be statistically proven. The prerequisite is that the price mechanism works well. This condition is largely met as a result of the opening-up of markets. If the process is to provide sufficient jobs, a number of further conditions do, however, need to be fulfilled, namely:

- the process of structural change at sectoral level must be able to proceed as unhindered as possible and must be socially acceptable;

- overall economic growth must be high enough to ensure that more jobs are created than are destroyed at sectoral level and that the balance is sufficiently large to cut unemployment.

The two latter conditions are mutually dependent. The greater the number of jobs created through growth, the smaller the pain caused by structural change at sectoral level and the more palatable such change can be in social terms.

In the course of this process, new jobs are created both in areas using and applying new technologies in products and also, above all, in high-value and correspondingly well-paid service industries which are becoming profitable and finding markets as a result of both the operation of the relative price mechanism and also the growing employment and incomes in the economy as a whole (cf. the ESC's Opinion on New knowledge — new jobs)⁽¹⁾.

The more effectively the above mechanism based on growth and changes in relative prices operates, the less pressure will be exerted by market forces to open the wage scale downwards, which would result in jobs being created above all in service industries with low rates of productivity and low wage levels. This occurred on a large scale in the USA in the 1970s and 1980s (but to a lesser extent in the 1990s), and also explains the low growth in aggregate productivity in the USA in the 1970s and 1980s.

2.2.5. Possible social and economic effects of integrating the manpower reserve into the labour market

The manpower reserve could be integrated into the labour market as part of a medium to long-term process lasting about ten (to fifteen) years⁽²⁾. This process must, however, get under way during the current economic upturn.

Integration of the manpower reserve into the labour market would mean, by definition, a return to full employment (Lisbon European Council) or to the 'high level of employment' set as a goal in Article 2 of the EC Treaty. There would therefore be a low unemployment rate and a high employment rate.

Even though it may not be possible fully to achieve the low rates of unemployment of the period 1960 to 1973 (EUR 15: 2,4 %; Germany: 0,7 %) since we may now have a higher level of frictional unemployment, it would nonetheless seem legitimate to regard rates of the order of 3 % as achievable (Netherlands — 2000: 2,4 %!). The employment rate could gradually increase from the current level of between 61 % to 62 % to a level of 70 % to 75 %, which is comparable with the figure for the USA and Japan. This increase would be

mainly attributable to a higher number of women in gainful employment and to a general increase in the numbers of persons in gainful employment in the 50-55 and under 30 age groups.

Such an increase in the number of persons in gainful employment and in the possibility of finding a job would greatly reduce the threat of social exclusion facing large groups of the population. There would also be a marked improvement in the situation of social security schemes⁽³⁾:

- unemployment insurance: there would be an increase in the number of persons paying contributions and a sharp decline in the number of persons receiving benefits;
- sickness insurance: there would be an increase in the number of persons paying contributions, whilst the number of persons in receipt of benefits would probably remain unchanged;
- pensions insurance: an increase in the number of persons paying contributions would probably be accompanied by a slower increase in the number of persons receiving pensions (because of a drop in the number of persons taking early retirement).

It would be very interesting to carry out comparative studies, in particular, into the impact on pension-insurance schemes of a sharp increase in the employment rate.

Integration of the manpower reserve into the labour market will, of course, also have a decisive effect on growth and prosperity in the EU. If, against the background of a more or less stable overall population, employment increases by 30 to 35 million — i.e. well over 20 % of the current level of employment or almost 10 percentage points measured in terms of the overall population of the EU — this will result in a considerable jump in GDP, which would then probably be well above US GDP. Prosperity, measured in terms of per capita GDP, would also move closer towards the US figure⁽⁴⁾.

2.3. Macro-economic prerequisites for sustainable growth in GDP and employment

2.3.1. Simple relationships between growth, productivity and employment

The EU's manpower reserve is therefore a major potential source of growth and prosperity. In order to unlock this potential, GDP must, over a prolonged period, grow at a faster rate than productivity per gainfully employed person. Growth in employment implies a growth in GDP over and above the growth in productivity. If growth in employment is accompanied by a fall in the level of unemployment and an

⁽¹⁾ OJ C 14, 16.1.2001.

⁽²⁾ To simplify matters, this scenario applies to the present EU-15. It would also apply, *mutatis mutandis*, to an enlarged EU.

⁽³⁾ The ESC has recently expressed its views on the subject of demographic trends and older workers (OJ C 14, 16.1.2001).

⁽⁴⁾ The extent to which relative levels of prosperity can change as a result of sharp growth in GDP and employment is demonstrated by the example of Ireland: per capita GDP in purchasing power standard (PPS): 1986: 65.3; 2000: 114.3 (EU 15 = 100).

increase in the employment rate (measured in terms of the number of persons in full-time employment), per capita GDP will increase at a faster rate than productivity per gainfully employed person. A return to full employment would therefore enable the EU to tap into the major reserve of prosperity which the USA, for example, has already exhausted to a large extent. There are also significant differences within the EU in this respect which should be analysed (cf. the situation in countries such as Luxembourg, Ireland and Spain). The differences are even greater if the comparison is extended to the applicant states.

Productivity growth remains the source of competitiveness and prosperity. It is ultimately based on economically incorporated technical progress (together with the requisite training of the workforce) and on the substitution of capital for labour. The concept of 'productivity' is however extremely complex and is often used imprecisely. A distinction should be drawn between, for example, the level of productivity and the trend in productivity per gainfully employed person or man hour, etc. There are significant differences in this respect between the USA and the EU and between EU Member States. It would be interesting to investigate why levels of productivity differ and why productivity growth has speeded up in the USA in recent years and slowed down in the EU.

Whilst a faster increase in productivity would be welcome, it would only help to resolve the employment problem if it were matched by a still faster increase in GDP. High growth in employment is required if (1) there is a sharp rate of increase in the population of employable age (USA) and/or (2) there is a large manpower reserve which needs to be integrated into the economic process (EU). The economic determinants for growth in productivity and employment are different. Further analysis and information is required.

The provision of additional capital widening investment for creating jobs is particularly important for promoting growth in employment. If adequate investment is to be made, the rate of return needs to be sufficiently high and there needs to be a favourable trend in demand (without inflationary pressures). In this respect it should also be borne in mind that capital widening investment also incorporates technical progress; observations have clearly shown (EU: 1986-1990; IRL: 1994-2000) that capital widening investment speeds up the rate of growth of total factor productivity whilst, at the same time, reducing the substitution of capital for labour.

2.3.2. An illustrative reference scenario for the next five years (2001-2005)

Growth and employment cannot be brought about by decree. Politicians can and should, however, create favourable conditions. It would be useful, in this context, to have an idea about how growth could and should develop in order to enable the manpower reserve to be exploited gradually without giving rise to inflationary pressures.

Supply side: The current annual rate of growth in GDP in Euroland and the EU as a whole is approximately 3,5 %. Productive potential is growing at an annual rate of some 2,5 %, whilst spare productive capacity is decreasing by approximately 1 percentage point of GDP⁽¹⁾. A sustained annual growth rate of 3 %-3,5 % for GDP would nonetheless appear to be possible if investment in plant and machinery were to increase by some 7 %-8 % per year (EU-11 2000: 8,1 %). If this trend continues, the growth in productive potential will increase by some 0,2 to 0,3 percentage points per year; i.e. productive potential will grow by 3,5 % per year within five years at the latest. Sustained growth of 3,5 % can then be achieved without fuelling inflation. In the intervening period growth of between 3 % and 3,5 % per year is possible, provided that capacity margins can be exploited and provided that budgetary policy and wage policy does not result in a cost-driven increase in inflation. With productivity growing at about 2 % per year, the above scenario would lead to an annual increase in employment of some (1 % to 1,5 %) 1,3 % per year (perhaps rising later to 1,5 % or more per year). This would be a good start towards reintegrating the manpower reserve into the labour market over a period of ten to fifteen years.

Demand side: Such growth can of course only be achieved if it is supported by a corresponding increase in demand without this leading to inflationary pressures. Such a scenario appears to be perfectly possible and plausible. Following the international crisis in 1998 and 1999, export-driven demand in the year 2000 has stimulated the economy to a certain extent (rate of exchange for the euro, growth in non-EU countries); this stimulus was, however, in part blunted by the loss of purchasing power caused by the oil price hike. Over the next few years the impact on demand of net exports could however be neutral. Under these circumstances growth would be supported by an increase in consumer demand (as a result of the increase in real wages plus an increase in employment) and investment activity, which is itself an important factor in determining demand.

In this way a dynamic equilibrium could be achieved, based on an annual increase in GDP of between 3 % to 3,5 %, an annual increase in private consumption of between 2,7 % and 3 % and a 7 %-8 % annual increase in investment in plant and machinery.

In such a scenario government deficits would, other things being equal, be transformed into a moderate surplus, the investment ratio would rise appreciably and the external trade balance would be safeguarded (cf. developments in Ireland over the last ten to fifteen years). As long as the rate of inflation does not increase as a result of demand overheating or costs rising too rapidly, there would be no reason to introduce a restrictive monetary policy to stem the process of growth.

⁽¹⁾ It should also be pointed out in this context that it is very difficult to measure the growth in productive potential using statistics. Various observations (such as those made in the USA in the 1990s) and plausibility studies (relating to the 'new economy', the development of the service sector, improved level of adaptability of the economy, increased productivity of capital, etc.) point to the fact that the level of growth in productive potential is perhaps higher than has generally been assumed. This would allow for a higher rate of growth of GDP without inflationary pressures. It would, in the ESC's view, be particularly interesting to carry out comparative studies in this field.

2.3.3. Obstacles to growth need to be overcome or, where possible, avoided

Whilst the reference scenario outlined above borders on the minimum requirements for resolving the unemployment problem in the EU, it would, however, appear to be somewhat optimistic, bearing in mind the results obtained in the Community in the 1990s. Despite this, there are a number of reasons for considering that it would be plausible to achieve such a scenario, assuming that an appropriate economic policy is pursued and that the key players, and in particular the social partners, behave accordingly. At the beginning of this opinion attention was drawn to the sharp improvement in the economic conditions for increased growth and employment in Europe. The analysis of past figures, however, also support the hypothesis that the European economy could spontaneously grow by more than 3 % per year if certain obstacles to growth were overcome.

A growth rate of GDP (3,3 % per year), employment (1,3 % per year) and investment in equipment (7,3 % per year) bordering on the figures set out in the reference scenario was achieved in the period 1986-1990. In the periods of economic recovery in 1994/95, 1997/98 and 1999/2000, too, investment in plant and machinery grew by 7 %, 8 % or 9 % per year in response to an increased growth rate for GDP of the order of 3 % per annum or above.

It was mainly macro-economic events which interrupted the periods of growth and recovery, namely:

- inadequate growth in productive potential in comparison to the trend in productivity, aggravated by mistakes in macro-economic policy, led to capacity bottlenecks and higher rates of inflation (1989-1991);
- a stability conflict (1988-1992) between monetary policy, budgetary policy (1989-1991 — method of financing German reunification) and wage trends (1990-1992) brought on a recession (1992/1993);
- a lack of confidence in budgetary consolidation in a number of countries aggravated or caused intra-community currency upheavals (in 1995 and also in the 1970s and 1980s).

Growth and employment in the EU have also recently been curbed, however, by other events outside the EU, such as the Asian crisis in 1999 and (perhaps) the oil price hike in 2000.

The opportunities for either avoiding or overcoming macro-economic obstacles to growth have increased considerably as a result of EMU in Europe (see points 1.1 and 1.2 above).

The important thing for the future is:

- to avoid bottlenecks in productive capacity with their attendant inflationary pressures (corporate investment, profitability, public investment);

- to avoid skill shortages on the labour market (need to promote the training of human resources: wherever possible this training should be market-oriented and bad investments should be avoided);
- to monitor the way in which balance is achieved between savings and investment (higher rate of investment — higher rate of savings; a stable level of private savings makes it necessary to increase the level of public savings and public capital formation); stability pact; the need to avoid pressure on the current account balance and long-term interest rates;
- to reconcile employment, growth and protection of the environment;
- to avoid new threats to stability which trigger new monetary policy restrictions (short-term objective: to prevent the oil price trend from having knock-on effects; ongoing tasks: to secure an appropriate wage trend in the EMU, stability and employment pact, macro-economic dialogue).

Difficult problems remain to be solved in all of the above areas but the requisite conditions needed for finding solutions have showed a marked improvement.

3. The contributions to be made by economic players

3.1. *Macro-economic conditions for growth and employment and macro-economic policy players*

The question of whether the macro-economic policy-mix pursued in the monetary union as a whole is conducive to growth and employment basically depends on the interaction between, on the one hand, the common monetary policy and, on the other hand, the average budget and wage trends in the monetary union's member countries. Three separate groups of players are generally identified on the basis of their responsibility for these three major policymaking variables.

1. the Central Bank, and the European System of Central Banks, which are responsible for monetary policy;
2. the governments of the countries participating in monetary union, which are responsible for budgetary policy;
3. the social partners, which are responsible for wage/incomes policy.

The EU-level dialogue being held under the 'Cologne Process' between these three groups of players (together with the Commission, in its capacity as the representative of the interests of the EU) builds on the successful efforts made in a number of Member States to achieve consensus between the social partners and the government on key economic policy issues (e.g. the economic miracle being experienced in Ireland since the mid-1980s would have been inconceivable without such a consensus!).

This EU-level macro-economic dialogue is designed above all to help improve the interaction between the three major macro-economic policy-making variables.

Generally speaking, the more the stability objective of monetary policy is underpinned by an appropriate budgetary and wage policy, the more monetary conditions — including the exchange rate and long-term interest rate — can develop in support of growth and employment.

This, of course, considerably simplifies matters: inflation rates do not have to be the same in all countries and regions of the monetary union. On the contrary, market forces make differences necessary within particular limits. An appraisal of the impact of or need for divergencies between countries (and regions) of the monetary union provides considerable material for comparative country-by-country studies.

Putting the macro-economic players in three groups (which are not homogeneous) also represents a certain simplification. Although the three groups are responsible for trends in the three major macro-economic policymaking variables, the conditions for growth and employment also depend on the overall economic and social climate which is, in turn, shaped by all the economic and social groups concerned. This is particularly true when it comes to overcoming the deeply-rooted growth pessimism in the EU (a pessimism which has existed for 25 years and which can virtually be regarded as a barrier to growth and employment in itself). As the representative of all of these groups, the ESC could play a special role in this field.

Consequently, this chapter will contain proposals for more detailed country-by-country comparative studies in respect of the three major macro-economic policy variables and the problem of growth pessimism.

3.2. *The classic areas of macro-economic policy*

The three sub-sections below (3.2.1 to 3.2.3) suggest a number of aspects which could be addressed in the comparative studies and the public debate.

3.2.1. Monetary policy and trends

Studies in this field should, of course, respect the independence of the Central Bank. There is, however, no conflict between respecting this independent status and conducting an objective and well-informed debate on how the Central Bank can best ensure stability and how it can best support the general economic objectives of the EU (see Article 105(1) of the EC Treaty), without prejudice to the objective of ensuring stability.

Examples of possible subjects for study and discussion:

- a) Comparison between EU and US monetary policy in the pre- and post-EMU introduction phases in the economic cycle;
- b) Has an appropriate reference value been set for the development of the euro money supply, in the light of the development in productive potential and surplus productive capacity?
- c) How are overall monetary conditions developing and what divergent trends are apparent in the countries participating in monetary union; how should these trends be assessed?
- d) How is the Central Bank to react to budgetary or wage trends in the EMU as a whole and in individual countries? Should and could the Bank seek to bring its influence to bear on the way in which the oil price hike impacts upon wage and budgetary trends?
- e) What differences in inflation rates occur between EMU member countries and which criteria can be used to assess whether such differences are the result of necessary developments in the market economy (cf. for example, Ireland and the Netherlands)?

3.2.2. Budgetary policy and developments in the field of public finance

This field provides ample scope for comparative macro-economic studies. Both studies setting out straightforward factual information on trends and orders of magnitude and studies describing policy options and the quantitative implications of such options would make a major contribution towards bringing objectivity to the economic policy dialogue.

Examples of possible subjects for study and discussion are set out below:

- a) How have the budgetary deficits in the individual countries been reduced since the early 1990s: cuts in expenditure; increases in taxes and duties; mechanical effects such as reduction in the interest burden brought about by EMU itself; cyclical increases in tax revenue? How should these developments be assessed?
- b) In the course of the consolidation process there was a clear drop in the proportion of GDP represented by public investment; what are the statistical problems in this field? How should public investment develop if the EU embarks on a period of sustained growth which is sufficient to resolve the employment problem in the medium to long-term?
- c) The Stability and Growth Pact provides for almost zero budget deficits or slight surpluses in the Member States in the next few years. Will this target be sufficient in the medium to longer-term if the EU embarks on a period of much higher, investment-driven growth which will require a significant rise in the rate of investment (in the 1990s the rate of investment in the USA rose by 4 percentage points of GDP, whilst in Ireland it increased by 10 percentage points)?

It should be borne in mind in this context that (a) the proportion of GDP represented by private savings (private households and enterprises) is traditionally very stable in the EU (approximately 21 % of GDP) and (b) the EU is highly likely to avoid having a significant and lasting current account deficit (current account balance in the US in 2000: - 4,1 % of GDP; in the EU-15: + 0,1 % of GDP).

- d) What have been the reasons in the EU and in the Member States for the sharp increase in social insurance contributions and benefits, measured as a percentage of GDP, since the beginning of the 1970s: more generous benefits, a decline in the number of persons paying contributions or an increase in the number of persons receiving benefits in relation to the total number of persons of employable age? If the EU were to achieve, in the medium to longer term, the employment levels laid down by the Lisbon European Council as reference figures, what impact would this have, other things being equal, on the level of social insurance contributions and benefits, as a percentage of GDP?
- e) Reforms — some of which are extensive — are taking place in the field of public finance in virtually all EU Member States; these reforms concern the structure of income and expenditure and the proportion of GDP represented by the public sector. How can these reforms be summarised? Are they compatible with the 'broad economic policy guidelines'? What are the arguments for and against greater coordination of these reforms at EU level?

3.2.3. Wage policy and trends in wages and wage costs

Overall wage costs, as defined in national accounts, (i.e. including all social insurance contributions) in the EU make up some 50 % of GDP; as a macro-economic variable, overall wage costs are therefore approximately of the same order of importance as the budgets of public authorities. Wage trends are, however, also an important factor in determining aggregate demand and, in particular, private consumer demand. The trend in overall wage costs is essentially determined by independent social partners, albeit with differences between countries. It is in the general interest to monitor and assess the development of these variables in view of their macro-economic importance and the interdependence between these variables and monetary and budgetary policy, inflation, growth and employment. In the joint opinions which they have adopted over the last ten to fifteen years, the European social partners have reached a high level of agreement on how wages should develop in the overall economic context. The recommendations set out in the broad economic policy guidelines of the Community have also been generally respected, but the economic debate has often been marked by a lack of understanding of the facts, orders of magnitude and relationships and of the problems which exist.

Examples of possible subjects for fact sheets and specific analyses:

- a) Concise factual description of macro-economic wage adjustment in the EU and the Member States between the 1960s and the early 1980s (reaction to oil price hikes, the slow-down in productivity increases and currency upheavals); similar presentations in respect of: the adjustment to lower rates of inflation; the effect of higher ancillary wage costs on net wages; the increase in profit margins; and the sharp rise in profitability in the 1980s and 1990s. Measured as a percentage of GDP, the macro-economic wage adjustment was even more significant than the process of budgetary consolidation in the 1990s (EU-15: 5-10 percentage points of GDP; Ireland: 15-20 percentage points of GDP).
- b) Comparative analysis of the trend in profitability in the EU, the EU Member States, the USA and Japan in the period 1960-2000; analysis of the determining factors (real unit labour costs, capital productivity), and of convergence within the EU (exceptions: Ireland and Luxembourg) and vis-à-vis the US; discussion of the arguments for and against a further significant rise in profitability in the EU.
- c) Presentation, supported by figures, of a simple diagram for assessing macro-economic wage trends in the EMU (impact of per capita wages and nominal unit wage costs on prices, impact of changes in real wages (together with changes in the level of employment and the rate of savings) on consumer demand; impact of relative nominal unit wage costs on competitiveness; and impact of real unit wage costs on profitability).
- d) What divergences in macro-economic wage trends between the countries participating in monetary union are possible and economically justified? (Examples: differences in productivity; the need to adjust the level of prices and costs in some individual EMU countries; the need to catch up in real terms; and the relative price of services (IRL)). What are the possible consequences of unjustified divergences in wage trends?
- e) Investigation of the impact of wage bargaining systems and the way in which the social partners are organised (social partnership) on macro-economic wage trends; progress made in the discussion on the need for a greater wage differentiation according to regions, skills and, possibly, sectors. Examples from the EU and the USA.

3.3. *Overcoming the general pessimism as regards growth and employment*

In its capacity as the body representing all the key economic and social groups, the ESC could make an important contribution in its own right to resolving this problem. The origins of growth pessimism should be considered:

- a well-founded growth pessimism: until such time as this or that fundamental problem has been solved, adequate growth is not possible (Is this still true? — Hardly!);

- a naive growth pessimism: why should the EU be able to achieve over the next 10 years something that has been beyond its grasp over the previous 25 years? (Is this a rational attitude to take?);
- scepticism towards growth on environmental grounds.

How can this pessimism be overcome?

- by recognising that the most important obstacles have been overcome;
- by recognising the opportunities now present for society as a whole and for individual economic and social groups (tasks of the individual groups: SMEs, development of the service sector, etc.);
- If the scepticism towards growth on environmental grounds is to be overcome, it is particularly important that Agenda 21 (Rio) be implemented in a firm and credible way; furthermore, future growth, based on services and the use of new technology, will be less harmful to the environment than traditional growth based on industrial output.

4. Recommendations of the ESC

Within the EU setup, the ESC is the forum where the interests of the various economic and social groups are expressed and, wherever possible, reconciled to achieve a consensus. Since the ESC represents not only employers and workers but also, in its Group III, a broad range of civil society, it is in a position to play an extensive integrating role.

The ESC channels information in two directions: (1) it represents the interests of its members vis-à-vis the EU institutions, such as the Commission, Council and the European Parliament, and, at the same time, (2) it relays information to its own organisations and associations on issues, debates and joint ideas at EU level.

This opinion sets out a large number of proposals for 'comparative macro-economic performance studies' as part of the overall approach to economic policy. If such studies are carried out, this would generate a better understanding of macro-economic relationships and orders of magnitude, bring greater objectivity to the dialogue between and within the various groups and achieve a larger measure of agreement on the appropriate macro-economic action and policy (see point 1.3 above).

Progress in this direction would not only further enhance the quality and impact of ESC opinions but would also have a favourable effect on the overall climate for implementing a sound macro-economic policy in the EU.

The ESC will in future endeavour to take greater account of these aspects in its opinions on general economic policy and macro-economic policy. It urges the Commission to regularly seek the opinion of the ESC on all key economic policy documents in time for its opinion to be forwarded to the Council too.

The ESC plans to hold regular discussions with the Commission about which 'comparative macro-economic performance studies' are to be given special priority in the work programmes of the Commission departments concerned.

The ESC also intends to arrange hearings with experts and hold seminars on these matters which should be attended by not only representatives of the Commission, the European Parliament and the Council but also by high-ranking experts advising the social partners and top academics.

The ESC believes that, if macro-economic issues are debated both in public and by professional bodies, this will improve the chances of achieving lasting growth, greater prosperity and, ultimately full employment, within the stability framework provided by the EMU; this would in turn have a wide-ranging positive impact on both social policy and policy in general.

Brussels, 1 March 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on 'Coordination of economic policies as a consequence of EMU'

(2001/C 139/13)

On 2 March 2000 the Economic and Social Committee, acting under Rule 23(3) of its Rules of Procedure, decided to draw up an opinion on 'Coordination of economic policies as a consequence of EMU'.

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 12 December 2000. The rapporteur was Mr Nyberg.

At its 379th plenary session (meeting of 1 March 2001) the Economic and Social Committee adopted the following opinion by 87 votes to one.

1. Introduction

1.1. EU economic integration has made considerable progress, thanks to the single market and the introduction of the single currency. This has also created new opportunities for a successful economy. Now that the effects of those political decisions are starting to be felt, however, the outstanding problems become clearer. How can the single market and the single currency be best exploited for growth and employment?

1.2. Through its dedicated Observatory, the ESC regularly issues opinions on how the single market is progressing. Final completion of the single market is a pre-requisite for the success of all other policies. Several ESC opinions have also addressed various aspects of the single currency. They describe the difficulties which have arisen during the convergence process, including unemployment and missed growth targets, but also the achievements made in reining in inflation and the budget deficit. This now provides an excellent opportunity to achieve sustained growth and boost employment. The

continuous friction over fluctuating exchange rates has ceased for the euro 12 — to the benefit of cohesion — and been replaced by discussions of euro exchange rate trends. The present opinion attempts to complement earlier opinions by looking specifically at the need for further coordination of macro-economic policy as a consequence of the introduction of the euro.

1.3. In opinions from March 1998⁽¹⁾ and March 2000⁽²⁾, the Committee refers to the exchange rate fluctuations in the dollar and the yen: 'The fact that over the last 20 years the rate of the ecu against the dollar has fluctuated between 1,7 and 0,6 would suggest that recent trends are far from exceptional'. The following diagram illustrates the euro's fluctuation against the dollar thus far. Although the increases in the value of the dollar are not unique as far as size is concerned, they have happened very quickly. This, however, is not a matter for the present opinion.

⁽¹⁾ OJ C 157, 25.5.1998, p. 65.

⁽²⁾ OJ C 117, 26.4.2000, p. 23.

Figure 1: The value of the euro in relation to the US Dollar



Source: ECB Monthly Bulletin (October 2000).

1.3.1. Another aspect mentioned in the 1998 opinion was that a positive effect of monetary union was 'that the external dependence of the Member States will diminish greatly as the bulk of trade between the participating countries will be transacted in euros. The external value of the euro will therefore be much less significant than hitherto ...'. This was reiterated in an opinion on the economic situation 2000 (1): 'it must be remembered that one of the features of the euro zone is the strong dependence on domestic demand which accounts for 90 % of GDP'. This was developed further in an opinion on Europe as an economic entity — a political challenge (2).

1.3.2. The year 2000 opinion (3) also remarks that the ECB's current anti-inflation policy could 'slow down the economic turnaround that had only just begun in some countries'. This is the starting point for our discussion of the importance of economic policy coordination. The discussion is also underpinned by the fact that 'unemployment remains the Committee's overriding concern and it has previously expressed the view that the EU must have a medium-term growth objective of at least 3,5 % if a satisfactory reduction in unemployment is to be achieved' (4). The Committee considered it important to coordinate political processes (4) in 'an appropriate macroeconomic policy mix, embracing fiscal, monetary and wages policy, in order to create a climate of confidence to stimulate consumption and investment and thus to boost employment in a durable way' (5).

1.3.3. An opinion on EMU and cohesion (6) discussed how stronger competition resulting from EMU would yield productivity gains, but with a potential risk of job losses. 'However, if EU players manage to coordinate their economic policies, demand could be sufficiently healthy. Should this be the case, the net impact on employment could be positive'. One effect of EMU which makes it easier for the Member States to implement such an active policy is the lower interest rate, which reduces the interest payments on the national debt and thus improves the balance sheet.

(1) OJ C 140, 18.5.2000, p. 44.

(2) OJ C 284, 14.9.1998, p. 60.

(3) OJ C 117, 26.4.2000, p. 23.

(4) The Cardiff Process on structural policy, the Luxembourg Process on labour market policy, and the Cologne Process on macro-economic dialogue.

(5) OJ C 209, 22.7.1999, p. 53.

(6) OJ C 368, 20.12.1999, p. 87.

2. Background

2.1. We start from the premise that EMU is a reality. We do not intend to discuss possible constitutional changes such as the distribution of power between the ECB, the Council of Ministers and Parliament. On the basis of the Maastricht rules and convergence criteria, together with the pact for stability and growth, we will examine how economic and political coordination can enhance the benefits of EMU (7). The Amsterdam Treaty and the Lisbon Council are also important factors here.

2.2. In accordance with the provisions of the Treaty, the ECB conducts interest rate policy. In practice, it sets the short rate to meet its inflation targets, but it also takes account of growth and employment, in so far as the price stability objective is not affected (8).

2.2.1. The ESCB (9) controls the common currency reserves and, consequently, the euro exchange rate instrument. However, the (euro 12) Council of Ministers must be informed if the instrument is to be used. How this interplay actually works in practice perhaps warrants specific discussion.

2.2.2. In order to achieve the third stage of EMU — the introduction of the single currency (the euro) — convergence criteria were adopted for the Member States to follow. For those Member States which have not yet proceeded with the third stage, the criteria are, in the main, still valid.

2.3. For the 12 countries which have adopted the euro, however, interest rates and inflation are no longer just features of national policy objectives, since the ECB sets the targets according to average levels. For the ECB, inflation must be kept below 2 per cent. The Council requires the euro exchange rate to be monitored. National policies still have to respect the budgetary balance and national debt aspects of the convergence criteria. These are now enshrined in the Stability and Growth Pact. With regard to national debt, the upper level is still 60 % of GDP. The budgetary balance criterion has been tightened considerably. While the maximum permissible deficit remains unchanged (- 3 per cent of GDP), the Pact contains a

(7) The pact formally comprises the Amsterdam Council Resolution of June 1997, the Regulations on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (1466/96), and on the excessive deficit procedure (1467/97).

(8) Article 105 of the Treaty: 'The primary objective of the ESCB shall be to maintain price stability. Without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2.'

(9) European System of Central Banks.

reference to the desirability of a balanced budget or a budget surplus. The reason is stated clearly — so that there will be sufficient resources to stimulate the economy during an economic downturn without risking reaching the — 3 per cent threshold. In reality, the EU does not set any budgetary balance target as such; the objective is to create sufficient resources to stimulate the economy during an economic downturn.

2.4. Article 99 of the Treaty formally requires the Member States to coordinate their economic policies: 'Member States shall regard their economic policies as a matter of common concern and shall coordinate them within the Council'. With regard to Member States' anti-recession policy, there is in fact only one lower threshold (- 3 % of GDP), with the possibility of sanctions as long as it is not just a temporary blip in GDP. With regard to the budget surplus, the aim is to build up the necessary financial reserves as soon as the economic situation allows. Here neither the Treaty nor the Pact set any fixed criteria or sanctions. The desired trend for the coming year is worked out using the Broad Economic Policy Guidelines (BEPG). These are not formally binding rules, but they have already proved to be a strong influence over economic policy.

3. The players and what they can achieve

3.1. With the entry into force of the Maastricht Treaty, the Ecofin Council became the most important player in EU economic policy. The convergence criteria laid down requirements for both these areas. The instruments used are the BEPG, and the corresponding convergence and stability programmes. National governments have control of economic policy instruments such as national income and expenditure. But these do not only impact on economic developments; they are also affected by them in turn. This means that a policy which is intended to dovetail with these programmes can both overshoot and undershoot the target, depending on economic trends.

3.2. On 1 January 1999, the ECB assumed sole responsibility for monetary policy, which formally became a common monetary policy. The principal instrument is the short-term interest rate. However, shared responsibility for the exchange rate remains. We will return later to the ECB's 'control' over interest rates and economic trends.

3.3. Incomes policy is the third strand of broad economic policy. This is the prerogative of the national labour market partners, sometimes in cooperation with governments. There are several examples at national level showing how social pacts, for example, have been used to achieve a solid basis for employment and growth. The first signs of de facto coordination between the social partners can also be seen at EU level.

Although incomes policy is framed at national level, the European organisations have an important role to play in discussions with the ECB, the Ecofin Council and the European Parliament. The Cologne process formally recognised discussions — covering both technical and political dialogue — between governments, the ECB and the social partners.

3.4. Wage trends in neighbouring countries have become more important than was previously the case. It is no longer enough to ensure proper coordination of wage bargaining between the national partners. Attention must also be paid to what is happening at European level.

3.4.1. With the common monetary policy, more flexible wage bargaining procedures are needed when one country's economic cycle is out of step with the rest. There are examples of the social partners agreeing on funds to deal with such situations, whereby money is set aside from wage settlements during good times for use when times are bad. When government finances are healthy, there is a further opportunity: the State can temporarily top up social insurance contributions for the social partners, to help prop up wage levels during a downturn.

3.4.2. Countries used to be able to resort to devaluation to deal with more long-term changes in competitiveness. Now that this is no longer possible, new methods need to be developed. Another option could be lower wage increases than in other countries. In a common currency area, however, this has the same negative effect as devaluation, i.e. the onus to adapt is partly offloaded onto other countries. If several countries engage in a wage-cut battle to regain competitiveness, we would be back to the situation caused when devaluation was used for the same purpose. This must be avoided at all costs.

3.5. On the contrary, incomes policy must be both responsible and dynamic, if it is to help achieve continued growth. Consequently, productivity is the only appropriate criterion for wage bargaining. Productivity gains which are higher than the eurozone average provide grounds for better wage settlements. Conversely, weaker productivity gains in the long term must be reflected in national wage settlements. Policies to boost productivity would, of course, be desirable here. Training policy and increased investment are key planks in such a policy. Given the greater degree of policy coordination required as the EU economies knit together, it would be wrong to embark on more decentralised wage bargaining procedures.

4. EMU and interest rate policy

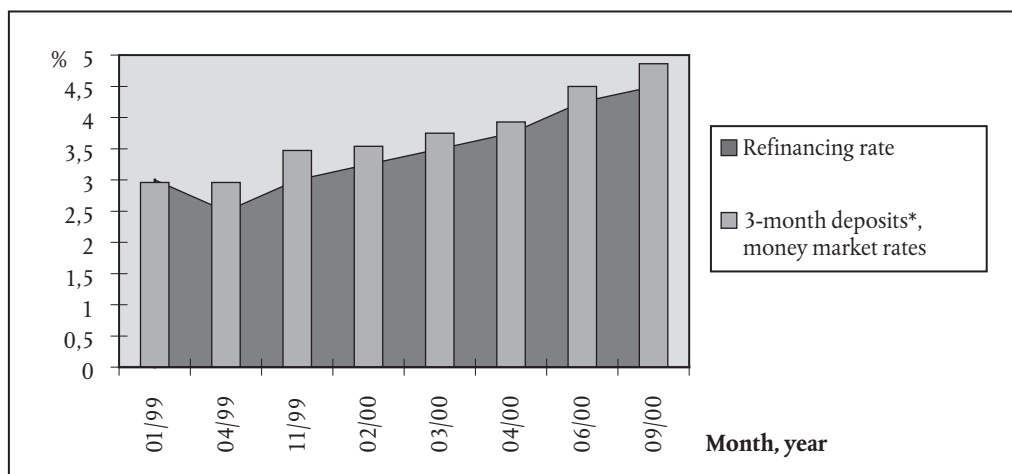
4.1. Interest rates and the money supply affect demand in the economy. The Central Bank controls these by varying the interest rate. The higher the interest rate, the weaker the demand, and vice versa. The ECB's main yardstick for economic activity is the inflation rate. This year's large oil price rises pose a dilemma for the ECB, as the overall inflation rate is no longer an indication of domestic activity.

4.2. Apart from the direct domestic impact of interest rate changes, foreign financial investors can also be tempted by the high interest rates, and consequently high yield. In order to achieve this, they buy euros. The result is that the exchange

rate rises. The reverse occurs when interest rates fall in comparison with other currency areas. Thus, the exchange rate is also linked to interest rates and the money supply. An excessive money supply results in inflationary pressure; market players will then try to dispose of their holdings in euros, and the exchange rate drops. Labour, goods and services become cheaper for the outside world, but at the same time, import prices rise.

4.3. In the short term, nominal price and wage movement will be sluggish. On the other hand, the ECB refi rate can be used effectively to stimulate or limit demand in the economy, as it directly affects short-term interest rates. As the table below shows, there is a strong correlation between refi and short-term rates.

Figure 2: The short-term rate and the ECB's refi-rate

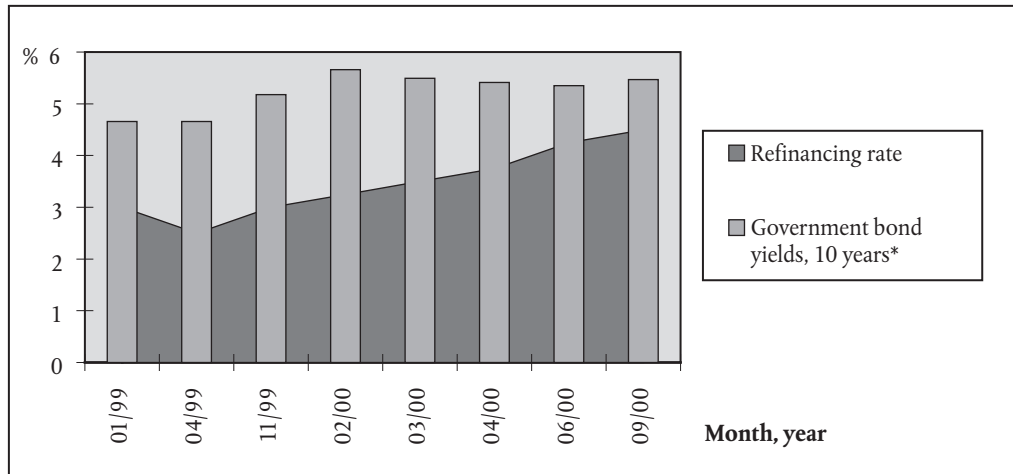


* The money market rate for 01/99 and 04/99 is a yearly average. The figures for 09/00 refer to the refi rate as of 6 September and the market rate as of 8 September.

Source: ECB Monthly Bulletin (September 2000).

4.4. Long-term rates are affected by the short-term rate and economic policy expectations. As the diagram below illustrates, the relationship between the refi and long-term interest rates is not the same as that above. On the contrary, in some months long-term rates have fallen as the refi rate has risen. This shows

that the financial markets believe that monetary policy will be tightened, in order to avoid inflationary pressure. The risk premium and interest rates are therefore lower than they would have been if monetary policy was expected to be loosened up, with greater risks of inflation and overheating.

Figure 3: The long-term rate and the ECB's refi rate

* The money market rate for 01/99 and 04/99 is a yearly average. The figures for 09/00 refer to the refi rate as of 6 September and the market rate as of 8 September.

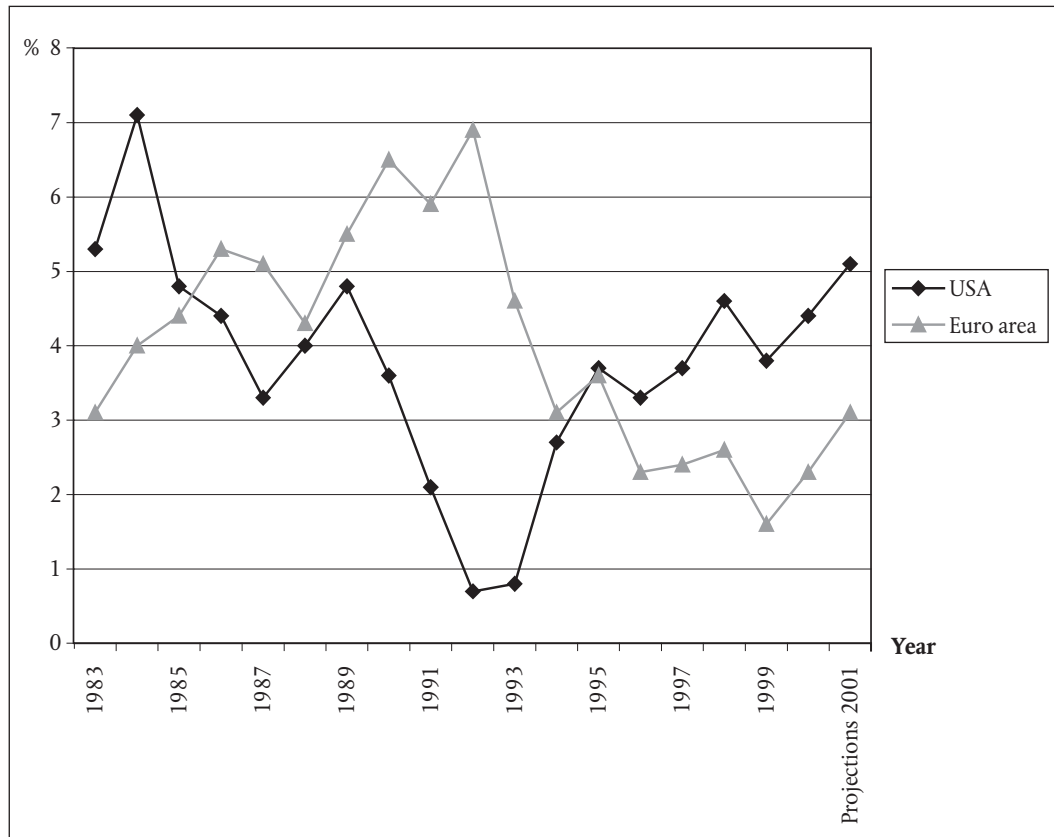
Source: ECB Monthly Bulletin (September 2000).

4.5. Although the ECB is officially independent, in practice it is not able to dictate policy alone. World exchange markets are dominated by the US dollar, and international capital can be transferred immediately. Different investment yields in Europe and the US impact directly on capital flows. The ECB cannot therefore merely take account of the demands of the economic situation in the EU when setting interest rates. Lower interest rates and capital yields in the EU lead to flights of capital to the USA⁽¹⁾. Figure 4 shows the different real rate

trends in the USA and in the eurozone recently. The impact of the financial market's heavy international dependence has to be balanced out against the desire to boost the economy through low interest rates, given that investment capital is needed to achieve that stimulation.

⁽¹⁾ Cf. ESC Opinion on Challenges posed by EMU to financial markets, OJ C 367, 20.12.2000.

Figure 4: Real rate trends in the euro-area and in the USA



Source: Economic Outlook 67, OECD 2000.

4.5.1. What seems to give most cause for concern in the current statistics is the impact on the exchange rate, which affects both overall competitiveness and inflation through higher import prices. If we look at earlier fluctuations between the US dollar and European currencies, we see that they have been even greater than those seen in 1999 and 2000. This means, on the one hand, that fluctuations are normally large and often change direction fast and, on the other, that the impact on inflation can be appreciable.

4.5.2. Thus the ECB's ability to manage the economy is affected by the economic situation and economic policy in other countries, the USA in particular. In other words, there are not three, but at least four, players — the ECB, the Ecofin Council, the social partners and their counterparts in the USA. There are increasingly calls for measures to make economies less vulnerable to the violent fluctuations of the international financial market.

4.6. However, the interest rate is not only decisive for future inflation trends — it also crucially affects economic activity within the economy. There is a strong link between

inflation and the economic cycle. If all the Member States had the same inflation rates and were at the same stage of the economic cycle, then an interest rate policy to keep inflation at the desired level would also suit the prevailing economic policy in all those countries.

4.6.1. This is not the case. The difference in economic cycle and rates of inflation in the various Member States is the main reason why EMU and a common monetary policy cannot work properly unless it goes hand in hand with economic policy coordination. Economic policy is needed as a short-term correction to the common monetary policy. The kind of policy this coordination should lead to depends entirely on the current differences between the countries.

4.6.2. The big difference compared to the previous situation, now that there is a common monetary policy, is that, instead of being based on the national inflation rate, it is now based on the average inflation rate (calculated according to individual countries' GDP).

4.6.3. The worst possible way to coordinate would be to establish a single common economic policy for all participating countries. Any such harmonisation would exacerbate the problems which the common monetary policy causes where there are differing inflation rates and economic cycles.

4.6.4. On the contrary, coordination must mean agreeing on the domestic economic policy differences which can best counteract the negative impact of a common monetary policy on countries which deviate. If each country were simply left to act as it sees fit in a given common monetary policy, then conflict can be expected since, given the close economic ties in the EU, one country's policies affect all the other countries. Coordination efforts must therefore allow recommendations to be made for each country, and factor in the likely effects of the policy on the other countries. The policy must go one step beyond wholly voluntary cooperation, and embrace proper coordination.

5. The great significance of the single market

5.1. The Commission, the Council and the ESC have pointed out that EU GDP is circa 90 % domestic. With enlargement, the EU's external trade as a percentage of GDP

will fall even further. In the long term, relations with the rest of the world in terms of international competitiveness trends — which are decisive for the 10 % of trade with the rest of the world — will be of vital importance. In the shorter term, the other 90 % provide scope for economic policy coordination to compensate for some of the common monetary policy's impact.

5.1.1. For the eurozone, the Commission has produced figures (1999 Annual Economic Report) to shed light on the degree of openness towards the rest of the world and on the interdependence of the then 11 countries. Here, the four countries which were not in the euro-area in 1999 are included in the 'rest of the world'. Trade with the rest of the world accounts for 13 % of the collective GDP of the euro-area countries. Trade between the 11 countries — which from a euro-perspective should be seen as internal trade — accounts for a similar percentage of GDP. There are, however, significant differences from country to country. Dependence on internal trade is, then, much more an EU than a euro phenomenon.

5.2. There is considerable dependence on EU internal trade as a whole. Internal cross-border trade makes up approx. 16 % (export) and 15 % (import) of the EU area's GDP. The share varies widely from country to country, with the smaller countries quite naturally having the largest share.

Table 1: EU domestic trade as a percentage of GDP

% of GDP, 1999	B/L	DK	D	EL	E	F	IRL	I	NL	A	P	FIN	S	UK	EU-15
Export	48,6	15,9	14,4	4,4	13,2	12,8	50,4	11	37,6	18,3	17,7	18,3	19,9	10,5	15,7
Import	43,8	17,7	12,3	14	15,5	12,3	28,6	11	24,4	22,9	26,8	16,3	19,4	11,5	14,7

Source: European Economy No 69.

5.3. The combination of external independence and internal dependence means that the economic policy of an EU country affects the rest of the world to a very small degree. With regard to trade patterns, for most countries external influence is also slight. On the other hand, one country's economic policy has a major impact on the other EU countries.

5.4. We asked the Danish 'Erhvervsrådet'⁽¹⁾ to use its highly respected econometric model for the euro area to help us to appreciate the scale of the interaction. The table below thus calculates the impact of a 1 % GDP increase in public investment.

⁽¹⁾ Economic Council of the Labour Movement.

Table 2: Increase in public investment*The total effect in the third year (2000-2002)*

(Austria, Ireland, Portugal and Luxembourg are not included in the model)

	Increase in each country separately of inv. (1 % of GDP)				A co-ordinated increase of inv. (1 % of GDP)	
	A Effect on the country itself		B Effect on the other 6 countries		C Effect on each country	
	GDP (percentage points)	Employment (1 000 persons)	GDP (percentage points)	Employment (1 000 persons)	GDP (percentage points)	Employment (1 000 persons)
Germany	1,2	256	0,2	125	2	429
Finland	1,6	26	0	10	2,7	43
Belgium	0,9	29	0	31	2	69
Netherlands	0,9	75	0	38	2,1	168
France	1,1	252	0,2	123	1,7	374
Italy	1,6	157	0,1	93	2,4	224
Spain	1	125	0,1	55	1,7	220
SUM		920				1 527
Euro-countries total					2	1 676

Source: Economic Council of the Labour Movement, Denmark.

The figures show the impact on GDP and employment after three years. Unfortunately, it was only possible to include 7 of the 12 euro countries in the survey. Had all 12 been included, the effect would have been greater. Part A of the table shows the effect of unilateral action on the country itself. Part B shows the effect of increased investment in all 6 of the other countries surveyed. Increased investment in Germany, for example, boosts GDP in the other countries by an average 0,2 %. Finally, part C gives the figures for coordinated expansion, when all 7 countries increase their public investment together. The impact on GDP is thus roughly twice as great as when a country acts in isolation.

5.5. The table gives a clear picture — without attaching too much importance to the accuracy of the figures — of how coordinated action enhances policy effectiveness. It also shows that one country's economic policy can benefit other countries at the same stage of the economic cycle, whilst making things more difficult for countries which are at a different stage of the cycle.

6. Coordination is increasing rapidly

6.1. The European Council has on a number of occasions argued for closer coordination of economic policy. Since the Community budget as a share of collective GDP is very limited, there is virtually no scope for it to provide economic stability. However, there are circumstances in which the EU can help countries which are experiencing considerable economic difficulties⁽¹⁾.

6.2. Since the Helsinki Council (December 1999), the basic principles for coordination of national policies have been: 1) Subsidiarity — while budget policy must be governed by the Treaty and the stability and growth pact, there is scope for national political choices. 2) The various players — ECB, the social partners and governments — are independent. 3) The Member States have a duty to consider economic policy as a common concern (Article 99).

⁽¹⁾ Article 100(2): 'Where a Member State is in difficulties or is seriously threatened with severe difficulties caused by exceptional occurrences beyond its control, the Council may, acting unanimously on a proposal from the Commission, grant, under certain conditions, Community financial assistance to the Member State concerned'.

6.3. Coordination is restricted to the policy's general framework, and this includes the requirement to avoid damaging competition. On the other hand, 'best practice' is an important part of the process of learning from each other's achievements and failures.

6.4. There is already a raft of coordination methods: exchanges of information, 'best practice' discussions, basic common policy rules, 'peer review' and joint actions. The specific policy area will decide which options are available. What is lacking is a common policy orientation to provide a better grip on this package of measures.

6.5. The economic guidelines provided for in Article 99 of the Treaty are the current starting point for coordination. The guidelines must also take on board other processes (Luxembourg, Cardiff and Cologne) and they both round off one year's political proceedings and start the next. Over the years, the Broad Economic Policy Guidelines (BEPG) have become more specific and have focused more on structural issues. The reports presented by the Commission, among others, in connection with all these processes, in particular prior to the introduction of the BEPG, provide a blueprint for how economic policy coordination can be implemented. In order to put this policy on a sounder footing, there will have to be better, quicker input of data from the Member States.

6.6. In addition to the formal Treaty and pact provisions, the Euro-12 ministers regularly discuss their opinions of budget policy. The ESC believes it is important that the role of the Euro-12 ministers — i.e. those responsible for guiding that policy — should be clarified further.

6.7. The results of the Cardiff process are being incorporated into the BEPG, and since 2000, coordination of the employment ministers' work provided for under the Luxembourg process has been taken further, so that the ministers now discuss the BEPG. Macroeconomic dialogue has created opportunities for discussion to improve coordination of monetary, economic and wage-related policies. In addition to this, the Lisbon Summit provided fresh impetus when it launched annual summits to discuss employment and the information society in particular.

6.8. A report from the Ecofin Council to the Helsinki European Council describes various steps to improve coordination, including by means of indicators and benchmarks. The

first step involves devoting more time to reaching a consensus on the cyclical and structural aspects of budget policy. More reliable statistics are needed to achieve this.

6.9. More specific BEPG are the next step. Moreover, they should focus more on long-term objectives and pay greater attention to implementation. The specific plans for each country must be detailed and comparable, so that it is possible to monitor the way they are put into practice. When the presentation of national budgets does not coincide with the submission of convergence and stability plans, it should be ensured that they tie in as closely as possible with these plans. The consequences of an ageing population must also be factored into these plans and budgets. Effective coordination must also be underpinned by openness and a willingness to take advice and change policies.

6.10. These recommendations will be essential in ensuring the Member States can implement the policy effectively.

7. Differences in the economic cycle

7.1. Discussions of the problems which might arise within a common currency area have been dominated by the 'asymmetric shocks' issue⁽¹⁾. These are certainly possible, but the experience of recent decades shows rather that the shocks (e.g. oil price rises) which occur affect most countries, i.e. they are symmetric, with impact varying only to a small degree. Finland's loss of trade with Russia is perhaps the nearest we have to an asymmetric shock. A safeguard in the form of EU assistance provided for under the above-mentioned Article 100(2) is available for extreme situations in which only one or a couple of the Member States are affected.

7.2. While asymmetric shocks are unusual, discrepancies between national economic cycles are of considerable consequence. This is the crux of the common monetary policy's need for economic and political coordination. In order to decide the type of coordination needed, and which is likely to be most effective, more information is needed about the actual variations in economic cycles.

⁽¹⁾ OJ C 368, 20.12.1999.

7.3. We have studied the economic cycle variations between EU Member States over the last few years. On the one hand, we can look into how big the variations are normally, and whether they are sometimes large and sometimes small; and on the other, how the variations in one country compare to the others. Is it always the same countries which lead the economic cycle, and others which always deviate most? There are several ways of measuring the economic cycle in a country. We chose the simplest: variations in GDP.

7.4. The diagram below is based on OECD figures, and shows that economic cycles in the euro-area countries have tended to converge in recent years. However, some countries do deviate from this pattern, e.g. Ireland, Finland and, in the wake of re-unification, Germany. Convergence is probably a consequence of the single market and the convergence criteria, and this shows their importance for a future economic policy, where economic policy and coordination can generate higher growth and employment.

Figure 5a: Real GDP changes

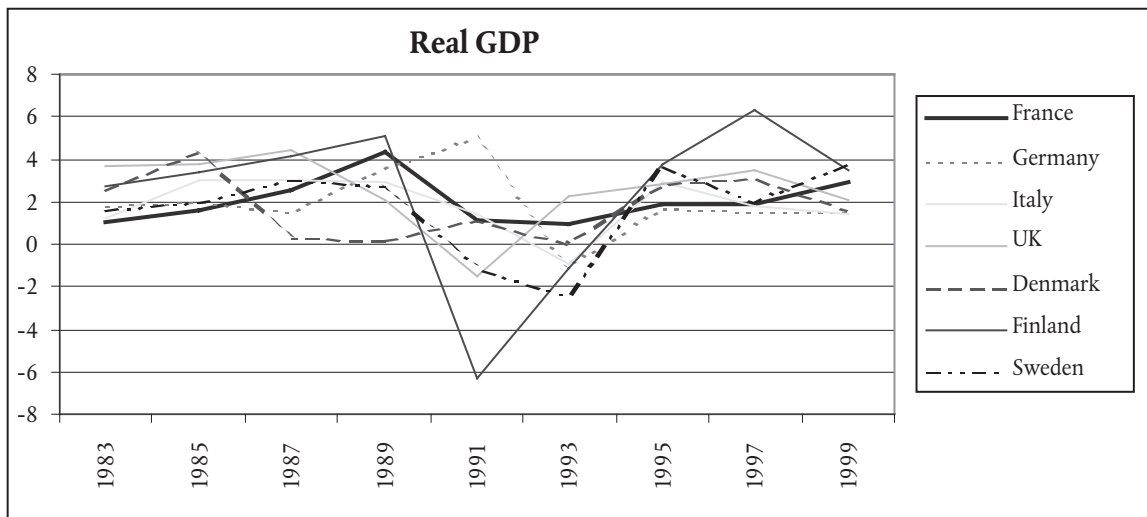
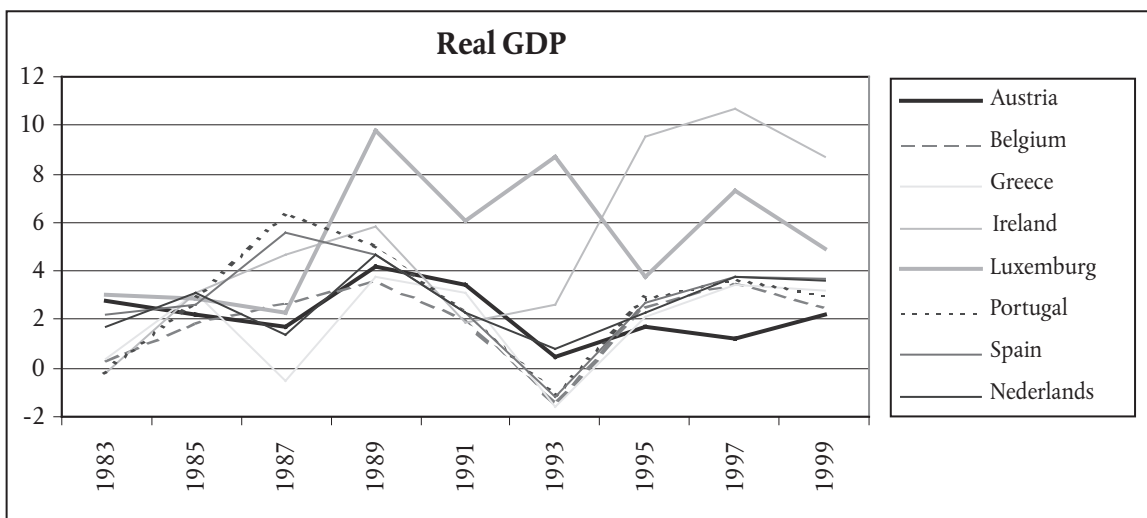


Figure 5b: Real GDP changes



8. Automatic stabilisers

8.1. If there are no new policy decisions to deal with a national economy that is out of step, that economy will anyway eventually catch up with the others via an inbuilt adjustment mechanism. The problem is that it takes too long, and the process has negative side effects. When the economy is doing well, higher levels of economic activity lead to inflation. Owing to dependence on international markets, competitiveness is compromised, and this eventually causes a reduction in economic activity. For the EU countries, the bulk of this adjustment comes through the single market. Moreover, a price-led adjustment in the eurozone would be accompanied by a tighter monetary policy, which would constrain economic activity in general.

8.2. Since this sort of price mechanism works through negative effects on employment and growth, and since these largely come via other countries, this type of adjustment is not acceptable. Instead, increases and cuts in public sector revenue and expenditure have traditionally been used to speed up the process and bring the economic cycle back to 'normal'. However, our economic systems have been designed to include various inbuilt mechanisms which, if exploited to the full, automatically cope with the adjustment needed where there are minor variations in the economic cycle. These include the following important examples:

- Unemployment benefit. The fact that the unemployed can maintain part of their previous disposable income during a period of unemployment, softens the negative impact on demand when unemployment rises.
- Labour market programmes to encourage the unemployed to maintain their skills compensate for the negative impact on the market during times of unemployment. The labour supply and employment rates are basic preconditions for growth; hence the need to ensure there is a sufficient labour supply at the ready when the economic cycle changes.
- Progressive taxation and welfare safety net. These limit exclusion and, consequently, any fall in purchasing power. They depress demand during an economic upturn by transferring resources to the public sector.
- Income-related allowances and, for example, inexpensive childcare, likewise help to maintain purchasing power during an economic downturn, and reduce state expenditure during an upturn.
- Skills levels. In times of structural change, skilled workers find it easier to retrain in jobs where there is a shortage of manpower, with the result that there is a good supply of skilled labour for when the economy improves.

- The purpose of buffer funds — as used in Finland (and for which the social partners are responsible) — is that they are amassed when times are good, and used when they are less good. This is done by setting aside part of a wage settlement when the economic cycle is good, and using it to cover a share of labour costs when there is a downturn. The advantage with this kind of system is that real wage increases are more even over time, and it does not result in inflationary pressure.

9. The right economic solution is not always politically viable

9.1. With EMU, interest rate policy is not affected by upcoming general elections. Conversely, interest rate policy is not independent of day-to-day political considerations — particularly in the run-up to a general election — then it will seldom be the correct policy for the economic cycle. When the economy is strong in the run-up to a general election, the government has little scope to use economic policy to introduce the economic restrictions the situation requires. Politicians prefer to win the election rather than manage the economy properly and lose. It is difficult to find an opposition which would not be prepared to exploit the situation to criticise a restrictive economic policy. If all elections took place when there was a downward trend in the economy, then the politically desirable would also be the best solution from an economic point of view. But the reality is quite different. When several EU countries now have a balanced budget or even a budget surplus, cutting taxes in the run-up to an election regardless of the general state of the economy could be a good political tactic. The Council should therefore provide greater incentive for what is currently a desirable political development.

9.2. After the Lisbon European Council, the Commission presented a number of possible economic policy rules appropriate to the current situation. Previously, there had long been talk of the need for tax cuts. In these rules the Commission says that the current economic situation is not conducive to such changes, but that if any are nevertheless planned, certain Commission guidelines should be respected. The current strong economic performance means that the different economies can scarcely cope with any further stimulation without leading to inflation. The Commission points out that the current situation provides ample reason to work for the long-term objective of boosting the treasury so that the economy can be stimulated in a later economic downturn. Even given a different economic situation, income tax cuts in particular must be considered in relation to the national debt and future demographic trends. Such tax changes can only be part of a package of social security system reforms. All this is contained in the Commission's report on public finances, which, at the time of writing, has not yet been formally addressed by the Council.

10. Coordination guidelines

10.1. There are then, many reasons for stepping up economic policy coordination, and all coordination options should be based on a common core of principles. The ESC believes that this coordination should take the following direction:

10.2. Firstly, 'direction' is the important thing here, and whether it is restrictive or expansionary, rather than exactly what measures should be taken. Given the same economic cycle, a change in revenue could be the correct measure both economically and politically in one country, while in another, changes to government expenditure in the opposite direction could be more appropriate. If tax cuts are preferred in two countries, then it might be more appropriate to cut income tax in one country, and cut VAT in the other. Direction, then, is the key factor, whereas the actual measures takes second place.

10.3. Secondly, in addition to direction, a further joint assessment must be carried out before specific measures are launched. The assessment should focus on the extent to which various measures affect all the Member States. The particular economic cycle will decide whether to select those which have a considerable impact on the others, or those which have little impact. If most countries are in the same situation, coordination should involve choosing measures which have a big impact on other countries. A different VAT rate, for example, could be more effective in such a situation since this impacts directly on private consumption (as it affects disposable incomes) and consequently also impacts on imports. Large-scale adjustments to public expenditure, however, only impacts indirectly and to a lesser degree on private consumption and imports. If, on the other hand, a country is 'out of step' with the others then it can decide to review this type of expenditure which only impacts on other countries to a modest extent

10.4. Thirdly, in view of these considerations, it should be left to the Member States to discuss their choice of measures. The absence of joint decisions need not, however, mean there is an absence of joint discussions at Council level. Such discussions should be central to efforts to frame a coordinated economic policy. Since, politically, it is considerably more difficult to enshrine this in the Treaty, it should be possible to achieve it via the existing structure. The formal arrangements are less important than the actual form coordination takes. Moreover, a knowledge base must be compiled to illustrate the effectiveness of various measures in different economic cycles, thus enabling Council of Ministers discussions to be informed by the good and bad experiences of individual countries.

10.4.1. It is consequently very important to bear in mind that an instrument can be effective in one country, without necessarily being so in all the others. Because of factors such

as the structure of the industrial economy, the size and shape of the welfare system, and the extent of economic inequality, a measure can be effective in one economic context but not in another.

10.5. Fourthly, the main concern is the impact on the economic cycle itself, since the aim of economic policy coordination is to boost the joint impact of economic and monetary policy on stability, growth and employment. While there may be other reasons for wanting more similar economic systems, the rules for the annual coordination of economic policy should not make these a priority. The reasons may be levels of taxation and expenditure, and the allocation of different forms of taxation and expenditure. Such changes can only be part of the fixed coordination structure we are recommending here if they have direct bearing on economic policy itself.

10.6. Such connections do exist. If, for example, the intention is to narrow the variations in VAT rates, and consequently reduce the scope for VAT fraud, this can be done gradually by exploiting the fact that different countries are at different stages of the economic cycle. An individual country experiencing a period of prosperity and with a lower than average VAT rate should therefore opt for a higher rate. A country experiencing an economic downturn and with a high VAT rate should likewise take the opportunity to cut it. This and other examples show that a coordinated economic policy can also have a long-term impact on overall economic coordination, and help reduce the discrepancies which can also lead to problems for the single market.

10.6.1. One area where economic variations should particularly be harnessed to iron out differences is taxes where the tax base can move easily between countries. A country with a booming economy and low taxation on income from capital, low corporation tax and also low taxes on environmentally hazardous activities, should exploit this to iron out the tax discrepancies. Conversely, a country with high levels of taxation in these areas, and with a deflated economy should take the opportunity to lower them. The positive side effects of this type of policy shift will in future be a more level playing field and more similar fluctuations in the economic cycle.

10.7. Finally, it is worth reiterating the fact that all these discussions about coordination of economic policy take for granted that restraint will be exercised when times are good. In the absence of restraint, we would be back to the situation of the 1990s when the need to restore some order to the public finances made it impossible to spend aggressively during a recession. Restraint should not, however, be practised to excess. The growth opportunities provided by an economic boom must be exploited. A balance must be struck between exploiting the scope for expansion and avoiding the emergence of bottlenecks which give rise to inflationary pressures.

10.8. We would call on all economic policy players — governments, the ECB, the Commission and the social partners — to draw on the above analyses and recommendations to

develop economic policy coordination in the EU, and allow the favourable climate created by EMU to achieve its full potential for growth and employment.

Brussels, 1 March 2001.

*The President
of the Economic and Social Committee*
Göke FRERICHS

Opinion of the Economic and Social Committee on the ‘2000 Broad Economic Policy Guidelines’

(2001/C 139/14)

On 13 July 2000 the Economic and Social Committee decided, under Rule 23(3) of its Rules of Procedure, to draw up opinion on the 2000 Broad Economic Policy Guidelines.

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 8 February 2001. The rapporteur was Mr Putzhammer.

At its 379th plenary session of 28 February and 1 March 2001 (meeting of 1 March 2001) the Economic and Social Committee adopted the following opinion by 81 votes to one, with one abstention.

1. Introduction: the growing importance of the economic policy guidelines for the EU

1.1. The Economic and Social Committee recognises that the broad guidelines of the economic policies of the Member States and of the Community are of fundamental and paramount importance for a growth- and stability-orientated economic policy within the EU that is aimed at restoring full employment while at the same time preserving price stability and social coherence. The guidelines clearly tie in the issues they address with the three employment processes (Luxembourg, Cardiff and Cologne) which operate side by side.

1.2. The guidelines have acquired increased significance this year in view of the Council report on economic policy coordination adopted by the Helsinki European Council and against the backdrop of the Lisbon European Council conclusions, under which the European Council of the EU is in future to hold an annual spring meeting devoted to the issues of employment, economic reform and social cohesion. At the Lisbon European Council, the Union set itself a new strategic goal for the next decade, namely to replace the USA as the world’s most dynamic region, to boost competitiveness and to realise the potential for sustainable economic growth — with

more and better jobs — by securing the transition to the information and communication society. This was to be achieved by, among other things, creating a friendly environment for starting up and developing innovative businesses, especially SMEs, stepping up the process of structural reform and completing the internal market. In Lisbon, the heads of state and government officially announced the target of full employment in the EU; the Economic and Social Committee will take this as an opportunity to judge them by their actions.

1.3. In this connection, the Economic and Social Committee welcomes the new inclusive procedure adopted this year for the drafting and delivery of the guidelines. This procedure involves the Commission, the European Parliament, the various Council formations (i.e. for the first time not only Ecofin), the spring meeting of the European Council and a number of different hearings of the social partners. This enables a comprehensive, transparent, democratic and coordinated procedure to be set in place as a kind of ‘rolling consultation mechanism’ for the Ecofin Council to draw on when adopting the broad economic policy guidelines in line with Articles 98 and 99 of the Treaty.

1.4. The guidelines are divided into two main parts. The first part addresses general economic policy guidelines, the second contains country-specific guidelines and recommendations for the Member States. In this opinion, the Economic and Social Committee focuses solely on the overall guidelines and recommendations which apply across the Union. This part is in turn subdivided into sections. Sections 1 and 2 (Introduction and Main priorities and policy requirements) adopt a more general, analytical and diagnostic approach, while Section 3 sets out economic policy recommendations.

The Committee adopted several other opinions in February 2001 which are relevant in this context:

- an own-initiative opinion on the highly topical subject coordination of economic policies as a consequence of EMU;
- an own-initiative opinion on comparative macro-economic performance studies with the aim of putting forward a framework for macro-economic benchmarking;
- an opinion (referral) on the Commission's communication on structural indicators;
- an own-initiative opinion on the mid-term review of the three processes that underpin the European Employment Strategy, which was submitted just ahead of the Stockholm summit in March 2001.

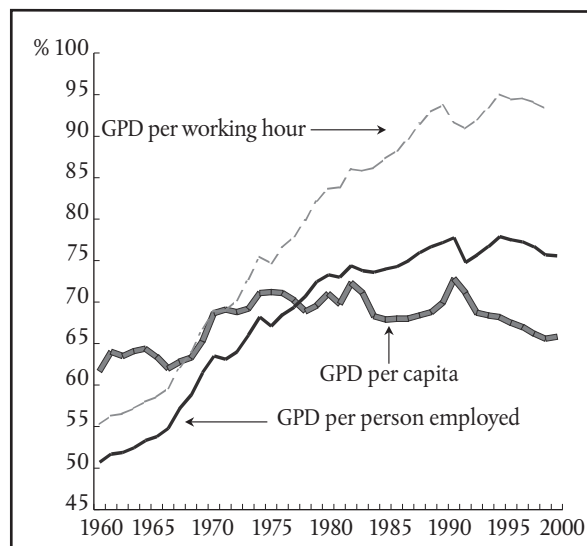
Furthermore, the Committee recently adopted an opinion entitled new knowledge, new jobs⁽¹⁾. The intention was to make a major contribution to this key objective of the French presidency and to bring an influence to bear on the EU work programme in this field.

2. Key priorities and policy requirements

2.1. Reviewing the 1990s, the guidelines draw a number of comparisons between economic trends in the EU and USA. Economic growth in the EU fell considerably short of the US rate. After a decade of relative stagnation, average living standards are still 35 % lower than in the United States — despite further convergence in labour productivity over the same period (c.f. graph 1). The guidelines cite stagnant investment in the EU as one of the most serious weaknesses and note that, over the same period, real investment in the USA doubled.

Graph 1:

Trends in living standards and labour productivity, EU-15 (PPS; USA=100)



Source: Commission.

2.2. For the first time in a decade, however, a robust and broad-based economic recovery has taken hold in the Union since early summer 1999. Against a backdrop of (i) stable internal exchange rates following the launch of stage 3 of economic and monetary union in January 1999, (ii) non-inflationary annual growth of 3 % and more and (iii) continued price stability, this upswing will have an increasingly strong impact on jobs. A significant cut in unemployment is generally felt to be a possibility, provided there is effective coordination and linkage between an appropriate macro-economic policy mix and structural reforms.

2.3. In this context, the Economic and Social Committee welcomes the five key challenges for the Union over the next few years set out in the guidelines: (i) the return to full employment, (ii) the transition to a knowledge-based economy, (iii) a timely response to ageing societies, (iv) the improvement of social cohesion in the Union and (v) the continued pursuit of the reforms which will allow the Union to hold its own even more effectively in the globalised economy. Of course, when the Commission put forward these guidelines, there was no indication that energy and crude oil prices would continue to rise. Nonetheless, the key challenges remain valid and can still be met — albeit with a slight downward revision of growth forecasts. This will require all macro-economic players to take additional, coordinated action, but, as a matter of principle, the basic strategies themselves should not change.

2.4. The EU and its Member States are setting themselves clear, quantified targets as the benchmark of future progress. These include: (i) achieving medium-term growth of 3 % and more, (ii) raising the employment rate from around 61 % today to 70 % by 2010, and (iii) increasing the number of

⁽¹⁾ OJ C 14, 16.1.2001.

women in employment from 51 % today to more than 60 % over the same period. The European Commission has submitted scenarios for the development of the employment rate up to 2010, confirming that these employment objectives can be achieved under the conditions set out in point 2.3 above. The objectives involve a great challenge for economic

reforms in the Member States. The actual differences in employment rates are significant, being as much as almost 50 % (Spain compared to Denmark). These differences are supposed to be halved over the next ten years while, at the same time, the employment rate is to be increased, including in the countries with the highest rate.

Table 1: Employment, working population and employment rates to 2010

	Employment 15-64 (thousand)				Working population (thousand)				Employment rates 15-64			
	1991	1999	2005	2010	1991	1999	2005	2010	1991	1999	2005	2010
EU-15	150 350	153 463	166 223	174 500	242 020	247 298	248 877	249 794	62,1	62,1	66,8	69,9
B	3 703	3 955	4 288	4 534	6 625	6 711	6 786	6 874	55,9	58,9	63,2	66,0
DK	2 583	2 692	2 796	2 842	3 461	3 521	3 559	3 564	74,6	76,5	78,6	79,7
D	36 702	35 742	37 540	38 721	54 090	55 148	54 505	54 312	67,9	64,8	68,9	71,3
EL98	3 523	3 835	4 239	4 527	6 638	6 922	6 894	6 881	53,1	55,4	61,5	65,8
E	12 482	13 658	15 954	17 316	25 359	26 104	26 129	25 977	49,2	52,3	61,1	66,7
F	21 968	22 661	24 849	26 359	36 304	37 507	38 567	39 223	60,5	60,4	64,4	67,2
IRL	1 100	1 559	1 832	2 033	2 152	2 494	2 699	2 789	51,1	62,5	67,9	72,9
I	21 146	20 292	22 443	23 616	39 088	38 634	37 721	37 275	54,1	52,5	59,5	63,4
L	161	175	195	212	266	285	300	312	60,7	61,6	65,0	67,9
NL	6 351	7 552	8 190	8 778	10 234	10 646	10 947	11 130	62,1	70,9	74,8	78,9
A	3 600	3 644	3 833	3 953	5 218	5 344	5 374	5 400	69,0	68,2	71,3	73,2
P	4 609	4 566	4 877	5 101	6 814	6 771	6 766	6 809	67,6	67,4	72,1	74,9
FIN	2 333	2 237	2 461	2 570	3 305	3 438	3 487	3 493	70,6	65,0	70,6	73,6
S	4 321	3 998	4 280	4 388	5 434	5 665	5 839	5 876	79,5	70,6	73,3	74,7
UK	25 768	26 898	28 448	29 549	37 033	38 106	39 305	39 880	69,6	70,6	72,4	74,1

Source: EU Commission, DG Employment, Employment in Europe 2000.

2.4.1. European GDP is forecast to grow by more than 3 % over the next two years. This is encouraging and — coupled with the 'kick-off' effect of the EU — will provide a necessary platform for a self-sustaining economic recovery and durably higher growth. Thus, at long last, Europe too is rediscovering an almost forgotten fact — that sustainable economic growth is a key prerequisite for full employment. This is particularly

true of major economic areas such as the European monetary union.

2.4.2. Another aspect which has been neglected in the past is the investment ratio which, at 19 % of GDP, is still way below the 24 % which Europe averaged during the full

employment period in the early 1970s and which must become the vehicle of future growth. A large single market must, as a matter of priority, be able to generate prosperity from within. It ought not to be dependent on export earnings from third countries. Together with private investments, public investments will have to play a considerable part in boosting the investment ratio. According to a 1998 Commission report, public investments fell significantly in the preceding decade, causing a shortfall in economic growth of between half and one percentage point. The Lisbon European Council decisions on fostering innovation, research and development for the transition towards a knowledge-based economy thus point the way forward. The expansion of physical infrastructure investments will continue to be of major importance.

2.4.3. The transformation of the European economy into one that is knowledge-based will be the driving force behind productivity, growth and jobs. Increased investment in human resources and information and communication infrastructure must be accompanied by further liberalisation and flexibility of the goods and services markets. Training and career profiles must be better adapted to realising the full potential of the knowledge-based economy. The same is true of innovative departures in lifelong learning and the consequent interchange between working life and training.

2.4.4. Pension systems face future problems as a result of the shift in the European age pyramid. These problems can be resolved by cutting current unemployment levels, successfully pursuing a controlled EU immigration policy and raising the employment rate, both of women and of older people of working age. In this way, it can be ensured that the difficulties facing pension systems are not passed on to public finances. The Economic and Social Committee thus expressly welcomes the Lisbon European Council's call for enhanced coordination between Member States in the future development of social protection.

2.5. The completion of the single market, i.e. integrated goods, services and capital markets across Europe, is essential to attain the strong economic performance desired. Over the past few years, the Economic and Social Committee has played its part in bringing the completion of the single market a decisive step closer through the work of its Single Market Observatory, which very much draws on practical experience. With the globalisation of the world economy, however, the Union cannot allow itself to become isolated. The single market is complemented by the Union's common external

policy, the aim of which is to secure an open world economy with a fair, rules-based system of trade and investment under the auspices of the WTO.

3. Economic policy recommendations

3.1. The main purpose of the economic policy recommendations is to transpose the new strategic goal for the EU for the next decade — as set by the Lisbon European Council — into practical EU and Member State policies. The heads of state and government set themselves the goal in Lisbon of becoming 'the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion⁽¹⁾.' Seen in terms of this ambitious goal, the economic policy recommendations set out in the guidelines fall short of ESC expectations. Thus it is not always easy to understand how the regurgitation of recommendations from earlier years can be reconciled with a new strategy for the Union. Moreover, the guidelines provide no indication as to how the restoration of high investment rates is to be sustained beyond 2001. Private investment is not mentioned at all. As for public investment, the recommendations set out in the guidelines make no distinction between the overall requirement to consolidate public finances and the need to boost investment spending. A further discrepancy between the new strategic goal and the economic policy recommendations stems from the underestimation of the role played by monetary policy in providing sustainable and stability-orientated growth.

3.2. The current concern about the exchange rate and external value of the euro prompts the Economic and Social Committee to make the following points. Given the sound economic fundamentals in the EU and the existence of clearly oriented, stable growth, the single European currency is plainly undervalued externally in spite of a high degree of stability. A look at exchange rates between European currencies prior to stage 3 of EMU — when they were still independent — and the US dollar also shows that it is not primarily the euro that is weak, but rather the dollar that is extremely strong. This is because of the significant differences in growth and interest rates between the United States and the EU — persisting into the second quarter of 2000. The European Central Bank must be required not only to pursue the stability target but also to contribute to the Union's economic growth. The Committee feels that the single currency's future credibility will depend even more on the Union's capacity to speak with one voice on currency issues as well.

⁽¹⁾ Presidency Conclusions, Lisbon European Council, 23-24 March 2000, point 5.

3.3. The Economic and Social Committee agrees with the Commission and the Council that the current recovery can put the European economy on course for self-sustaining, higher and non-inflationary growth. This requires a monetary policy which is committed to price stability and growth in line with the Treaty (Article 105). The further pursuit of the current policy of budget consolidation will contribute in the short- to-medium-term to a further improvement in supply and demand, if the reduction of budget deficits and public sector debt is accompanied by efforts to improve the quality of spending by investing in the future. High growth and employment rates are the swiftest and most painless way of achieving balanced budgets though a balanced budget is not a goal per se in all circumstances and economic conditions. The guidelines recognise that the social partners behaved responsibly in the past on the wage front, and the Committee also expects a future wage policy to be geared to price stability and channelled towards productivity growth. The current fuel price crisis is not likely to have any secondary effects for the time being.

3.4. Budget policy must ensure that the consolidation targets laid down in Member States' updated stability programmes are strictly observed, with public expenditure being channelled into investment in infrastructure and education. Each new job created as a result will take some pressure off social security systems. The need for quality investment requires that such investment be guided by the demands of switching to a knowledge-based economy without the digital divide in society widening the social divide.

3.5. In order to improve the quality and sustainability of public finances, the Economic and Social Committee thinks

that, on the revenue side too, Member States' budgets have been improved through more efficient tax collection. Earlier Committee opinions repeatedly called for improved cooperation in EU tax policy and welcomed the first moves made to combat harmful tax competition between Member States. Further, more visible progress has to be made here just as much as in the further dismantling of tax barriers impeding the functioning of the single market.

3.6. To have a positive effect on stability and — in principle — employment, wage developments should be guided by productivity growth. At the same time, they should not be treated as being subordinate to the other main areas of macro-economic policy (monetary and financial policy). A wage policy that promotes stability and employment must receive support from the European Central Bank and budgetary policy within the framework of the new growth-orientated policy mix. However, there have been increasing signs recently that, because of the concern that the labour market situation may improve and drive up inflation, monetary policy wants to take pre-emptive action and force the parties to wage agreements to be extremely disciplined, although there is no reason to assume that inflationary bottlenecks will emerge on the supply side of the labour market in the foreseeable future. This is thanks in no small measure to the Union's common employment strategy set out in its employment guidelines drawn up under the Luxembourg process. The guidelines emphasise the importance of real wage developments in boosting employment, and this is in principle correct. However it is far removed from reality insofar as the parties to wage agreements can only influence nominal wage developments with their wage policies. A look at real unit labour costs in the EU also shows that the relative price of labour has fallen steadily in the last decade and thus, in principle, does not constitute an obstacle to employment growth.

Table 2: Labour productivity trends

	1961-1973	1974-1985	1986-1990	1991-1995	1996-2002
EU-15	4,4	2,0	1,8	1,9	1,4
Euro area	4,8	2,2	1,9	1,8	1,3
USA	2,3	0,9	1,0	1,3	2,4
JAP	7,9	2,7	3,6	0,7	1,3

Source: Commission.

Table 3: Real unit labour costs: a comparison

	D	E	F	I	UK	EU-15	EUR-11	US	JP
AVG.61-70	0,4	0,4	0,0	-0,2	0,1	0,0	0,1	0,1	-1,2
AVG.71-80	0,4	0,4	0,7	0,4	0,1	0,3	0,4	-0,1	1,2
AVG.81-90	-0,9	-1,4	-1,0	-0,6	0,0	-0,9	-1,1	-0,2	-1,0
1991	-0,6	0,9	0,3	0,5	0,6	0,2	0,4	0,3	0,1
1992	1,3	1,0	-0,1	-0,2	-0,7	0,3	0,6	-0,4	-0,4
1993	0,2	0,5	-0,2	-1,5	-2,3	-0,7	-0,3	-0,2	0,2
1994	-2,0	-3,8	-2,2	-3,5	-0,7	-2,3	-2,6	-1,1	1,1
1995	0,0	-2,6	-0,3	-3,6	-1,1	-1,4	-1,4	-0,6	0,6
1996	-0,4	-0,6	-0,1	0,0	-1,1	-0,5	-0,5	-1,1	-1,9
1997	-1,6	-0,5	-1,1	0,2	0,0	-0,9	-1,1	-0,1	0,4
1998	-1,4	0,3	-0,5	-4,7	1,2	-0,9	-1,5	1,0	1,8
1999	-0,3	-1,1	0,2	0,0	0,8	0,1	-0,1	0,4	-1,0
2000	-1,1	-0,8	-0,8	-1,1	-0,1	-0,7	-0,9	-0,1	-2,0
2001	-1,5	-0,6	-0,8	-1,0	0,1	-0,8	-1,1	0,7	-1,5

in % p. a., defined as nominal unit labour costs minus GDP deflator;

Source: Eurostat and DG ECOFIN (European Economy, Supplement A, No 10/11-2000).

3.7. The Economic and Social Committee agrees emphatically with the guidelines' recommendations for the development of a knowledge-based economy. The Cardiff reporting process has highlighted the need for further reform of the EU goods, services and capital markets. The Committee has given its views on this repeatedly in the past. Of particular importance at EU level are EU-wide efforts to strengthen cooperation in research and development, resulting in the establishment of a European area of research and innovation. The Committee therefore welcomes the timetable laid down by the Lisbon European Council and gives its express support to the monitoring procedure for the integrated structural report to be used for the first time in spring 2001. The transition to a knowledge-based economy depends not only on progress on product and capital markets; the people supporting and shaping such an economy also play a decisive part. Greater attention will therefore have to be paid to the acquisition of information society skills as part of a lifelong learning process. Here, too, both qualitative and quantitative targets in the recommendations provide guidance for future benchmarking processes. In connection with the development of human capital, greater attention must also be paid to ensuring that sections of the EU's population are not left behind by progress in the knowledge-based economy, thereby creating social tensions. A special effort has to be made here with regard to less skilled workers.

3.8. The recommendations for efficient product (goods and services) markets focus in particular on the services sector, which is less developed than in the USA and where progress hitherto has not been made at a satisfactory pace. The Economic and Social Committee looks forward with interest to the strategy for the removal of barriers to trade in services. Apart from this, the Committee agrees with the recommendations in general and would refer to its earlier opinions and work, especially the work of its Single Market Observatory.

3.9. An internal market with fifteen separate capital markets, each of which is governed by national rules, appears to be something of an anachronism in the face of large-scale progress made on the markets in goods. The Economic and Social Committee therefore welcomes the Lisbon European Council's call for full implementation of the action plans for integrating the financial markets by 2005, as an adjunct to the ongoing implementation of the action plans for financial services and risk capital. As far as the integration of the markets in pension funds is concerned, there is a need for clear rules governing transparency, investor and consumer protection and a solid legal framework for the activities of institutional investors. As regards cross-frontier payments, the Committee has repeatedly called for less costly procedures for

consumers. In the field of company law and accounting a considerable effort must be made to establish uniform and comparable company balance sheets. This will also speed up the integration of the markets in stocks and shares. Closer cooperation between EU capital market regulators and supervisors will be needed for this purpose.

3.10. The Committee expressly welcomes the fact that the guidelines address the need for more sustainable development in the EU. The Union must move towards a new pattern of sustainable development which brings together environmental, economic and social requirements within a common approach. The Amsterdam Treaty strengthened the legal bases for taking account of the sustainable development model within the EU⁽¹⁾. The recommendations set out in the guidelines build on that and rightly point to the need to further develop alternative energy sources and to separate economic growth from the environmentally damaging use of resources. The emphasis should thereby be on compliance with the Kyoto Protocol, to which the EU is a signatory, and on the measures put forward in the guidelines. In this connection, the Economic and Social Committee particularly regrets the prorogation of the Hague climate conference and calls on governments to resume negotiations without delay. Overall, the Community approach towards sustainable development must in future be brought to bear much more forcefully. From the Union's point of view, the current debate surrounding energy tax concessions and the

(1) The overall objectives set out in Article 2 of the EC Treaty now provide not only for the promotion of 'a harmonious, balanced and sustainable development of economic activities' but also for 'a high level of protection and improvement of the quality of the environment.' Article 6 stipulates that 'environmental protection requirements must be integrated into the definition and implementation of Community policies in particular with a view to promoting sustainable development.'

Brussels, 1 March 2001.

increasing race for subsidies in many Member States call — quite frankly — for a uniform energy taxation directive, as proposed by Commissioner Monti in 1997.

3.11. The guidelines' recommendations for labour markets draw on the strategy for full employment in Europe presented by the Lisbon European Council. The creation of more and better jobs without jeopardising greater social cohesion can be achieved most easily by applying the macro-economic policy mix described above. The Economic and Social Committee thinks that structural reforms, investments in people, the combating of social exclusion, a controlled European immigration policy combined with integration measures giving immigrants equal labour market opportunities, and the modernisation of the European model for society, on the one hand, and greater sustainable economic growth, on the other, are mutually dependent. Regional and sectoral differences in unemployment in the Union are considerable at a time when overall unemployment is still unacceptably high. Focusing on the employment guidelines, drawn up as part of the Luxembourg process, for strengthening labour markets has proved to be right and has the express support of the Committee. This is true in particular of the fight against long-term unemployment, the increase in the employment rate for women and older people of working age, the fight against youth unemployment, the transition from passive measures to an active labour market policy, the adjustment of tax and benefit systems so as to improve employability, the promotion of entrepreneurship, SMEs and mobility, the modernisation of the organisation of work in conjunction with the social partners (guideline 14 in the draft employment guidelines for 2001), and equal opportunities for women and men. The Economic and Social Committee also thinks that the closer coordination of the three parallel Luxembourg, Cardiff and Cologne processes will receive an additional impetus from the special meeting of the European Council on employment which is to be held each spring.

*The President
of the Economic and Social Committee*

Göke FRERICHS

Opinion of the Economic and Social Committee on 'Structural indicators'

(2001/C 139/15)

On 3 October 2000 the Commission decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on 'Structural indicators'.

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 8 February 2001. The rapporteur was Mrs Bulk.

At its 379th plenary session (meeting of 1 March 2001) the Economic and Social Committee adopted the following opinion by 87 votes to one, with two abstentions.

1. Introduction

1.1. At the Special European Council of Lisbon on 23 and 24 March 2000, the EU set itself a new strategic goal of promoting employment, economic reform and social cohesion as part of a knowledge-based economy: 'to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion' (paragraph 5 of the Council conclusions).

1.2. The European Council felt that the existing Broad Economic Policy Guidelines and the Luxembourg, Cardiff and Cologne processes offer the necessary instruments for this, in particular through the Broad Economic Policy Guidelines, which should focus increasingly on the medium and long-term implications of structural policies and on reforms aimed at promoting economic growth potential, employment and social cohesion, as well as the transition towards a knowledge-based economy (paragraph 35). The method of open coordination, with clearly defined targets, data and benchmarking was extended to areas of economic, structural and social policy.

1.2.1. Reform in the four policy areas strengthens each of them, since there are various interactions between them, as well as with the general economic context. In order to gain maximum benefit from the structural economic reforms, a clear and coherent approach is necessary, which takes account of the mutual relations between the various markets.

1.2.2. With this in mind, the European Council asked the Commission to draw up an annual synthesis report on progress on the basis of structural indicators to be agreed relating to employment, innovation and research, economic reform and social cohesion (paragraph 36 of the Council conclusions).

1.3. The European Council of Feira of 19 and 20 June 2000 asked the Commission to present a report by the end of September 2000 on the proposed approach for indicators and

benchmarks, both in specific policies and to be used in the synthesis report to the spring European Council, to ensure the necessary coherence and standard presentation (paragraph 38 of the conclusions). This communication is the Commission's response to the requests from the Lisbon and Feira European Councils.

1.4. In this communication, the Commission sets out 27 indicators to be used in its synthesis report intended for the Stockholm European Council in spring 2001. These indicators are an important tool for tracking and comparing progress and, at the same time, for assessing the effectiveness of the policies followed by the Member States in the above-mentioned fields. This assessment will also provide a basis for fixing guidelines in the short and medium term for economic and social policy.

2. General comments

2.1. The ESC would emphasise that an approach which would be common to all the Member States and in which a system of indicators and benchmarks would be agreed in order to give form to the machinery for mutual responsibility is helped by an annual structured report on the progress achieved in the political areas mentioned. So, the emphasis should be less on benchmarks and more on qualitative indicators and reports by country.

2.2. Hence, the Committee is particularly pleased with the Commission proposal. The proposed indicators must be considered as different pieces of the same puzzle. They are distributed among the four policy areas mentioned above. The use of general economic indicators delimits the overall economic context into which the structural reforms fit. So, evaluations and comparisons between the Member States and the other developed economies (such as the United States and Japan) are possible with the greatest transparency.

2.3. The open coordination procedure advocated by the Council and the Commission, the practice of 'peer pressure' and 'benchmarking' between the Member States, can benefit greatly from the availability of reliable facts serving as a basis for mutual coordination and comparison between national practices.

2.3.1. For this reason it must be borne in mind that indicators make it possible to draw comparisons between the performances of the Member States. Indicators which give only one picture of the whole European Union are insufficient to ensure coordination between the Member States. One must not only assess to what extent the Union as a whole is complying with the conclusions of the Lisbon Council; it is just as important to be able to judge how much the individual Member States are implementing the political agreements reached in Lisbon.

2.4. The ESC wishes to stress that indicators have to rest on a solid theoretical footing. In any event, the statistical sources on which indicators are based should be measurable without ambiguity or dispute. They will also have to meet the following criteria:

- the costs of collecting the data must be proportional to, or reasonable in relation to, the results;
- it should be possible to process the data and make them available rapidly;
- the quantitative data should be relatively easy to obtain from public sources;
- the series of indicators must be able to resist institutional changes on the markets;
- the procedures for carrying out new measurements in the future should be simple.

2.5. The reliability of the conclusions that the Commission will be able to draw in its synthesis report on the basis of the indicators will depend on the reliability, quality and topicality of the figures provided to Eurostat. The preferred option is that, as far as possible, the indicators should be provided by national statistical services, since often less is known about the collection and harmonisation methods used for data from other sources. It is very important that the figures be highly reliable and as up to date as possible. It is only under these conditions that an indicator can give a reliable and objective picture of the situation in the European Union.

2.5.1. One can also wonder whether the indicators proposed by the Commission can be adapted to the requirements of the synthesis report, which will have to be finished in at most six months. This is the first time that the Commission is to draw up a synthesis report using the proposed indicators. Hence, as the Commission communication itself notes, these

indicators are not limitative, but may well be added to or improved. The Committee would therefore urge that priority be given to the further development and fine-tuning of a reliable statistical information system. Given the complexity and importance of further developing the set of indicators, the Committee — subject to the comments below — will continue to follow closely the development of the statistical information system.

2.6. The ESC wishes to point out that any measuring instrument is at the service of the objective for which it is used, and this also applies to the structural indicators. The choice of certain indicators depends on the objective of the Commission's synthesis report, namely the evaluation of the progress achieved in the implementation of the strategic goals outlined in Lisbon, aimed at reforming the EU into the most competitive and dynamic knowledge-based economy in the world.

2.7. The Committee would also stress that, in addition to the high standards of reliability, topicality and uniformity required of each of the proposed indicators, it will be necessary to interpret the indicator-based figures in order to assess progress made in economic, social and structural policy. This can be done with the help of an underlying statistical information system, so that in interpreting the data account is taken of e.g. the economic and demographic characteristics of a Member State. A sound evaluation is needed if the objectives agreed at the Lisbon summit — namely a high level of employment in a competitive and dynamic economy — are to be achieved. Thus, the interpretation and assessment of indicator-based figures will also have to meet high standards of verifiability, efficiency and reliability.

2.8. The ESC notes that a large number of the proposed indicators are not new. They are already used inter alia to support the national accounts of the Member States, the Broad Economic Policy guidelines and the employment pact.

2.8.1. The ESC wishes to stress that the relationship between the annual synthesis report of the Commission and the existing processes of economic and social development of the European Union should be delimited clearly. The European Commission's synthesis report is clearly linked to existing processes and thus, in the Committee's view, will potentially be an excellent basis for directing policy in the above-mentioned areas, among other things, by assessing how far Member States have implemented the strategic goals outlined in Lisbon.

2.8.2. The value added of the list of indicators submitted by the Commission lies not so much in the separate indicators as in the integrated approach to the political sectors covered by the series of indicators. A clear, structuring basis such as that provided by the Commission's synthesis report is potentially of great benefit to the open coordination procedure advocated by the Council and the Commission, under which Member States coordinate their policy among themselves. The European Commission can draw on this synthesis report to establish a similar basis for the discussions required in the various meetings of the Council of Ministers.

2.9. Although the Commission stresses that the various indicators cannot be considered completely separately from each other, there is a risk that the separation into four policy areas will highlight less clearly the interdependence and direct interactions which exist between the different indicators, which may give a distorted picture. Moreover, there are considerable differences in the economic structure of the Member States, e.g. in their financial, tax and social security arrangements. In this respect, it is inappropriate to apply separate indicators. Moreover, a series of separate indicators can hardly give a detailed description of the interdependence between the various indicators. A more detailed structure where the indicators are, as far as possible, derived from a single underlying statistical information system may provide a clearer picture.

2.9.1. Such an information system and the underlying indicators derived from it can be targeted at the various sectors of the economy and a country's overall economic structure. The indicators proposed by the Commission are clearly defined and delimited in a similar way. As a result, they are indeed able to measure the same thing in the various economic structures of the Member States. Only when this condition is fulfilled can genuine conclusions actually be drawn from the synthesis report on the progress made in implementing the strategic aims of Lisbon.

2.9.2. The Committee feels that account must naturally be taken of EU enlargement. After all, following accession, the new Member States' statistical services will also be required to submit to Eurostat the figures needed to determine the indicators proposed by the Commission. Consideration must therefore be given to how far these figures already exist.

3. Specific comments

3.1. The Commission proposes five general economic indicators to delimit the general economic context within which the structural reforms on the labour, product and capital markets take place, namely: GDP per capita and the real GDP growth rate, the energy intensity of the economy, labour productivity (per person employed and per hour worked), the inflation rate and the cyclically adjusted budget balance.

3.1.1. The Treaty of Amsterdam lays down that environmental protection should be integrated into Community policy in order to achieve sustainable development. The overall guidelines for economic policy must ensure that consistent policy measures are proposed for the various sectors of the economy.

3.1.1.1. The integration strategies currently being developed by the Council have already provided various indicators which are of sectoral and general importance. Indicators such as the level of energy efficiency, environmental investment and emission of greenhouse gases or other pollutants — both in absolute terms and per unit of GDP — should be used in any general assessment. The Committee also wonders why an environmental indicator of this kind is lacking; it points out once again that the indicators should be related to the economic structures in the Member States and the various sectors. Only in this way can there be a true comparison between the Member States. This presupposes that the indicators are derived from a consistent information system for the economy and the environment. The NAMEA system currently being developed by Eurostat (and already applied in 14 Member States) is eminently suitable for this purpose.

3.1.1.2. The Commission's proposed general economic background indicator 'energy intensity of the economy' is difficult to assess because it depends on the economic structure of a country. A possible alternative is the aforementioned measurement of energy efficiency, which can be defined as the weighted sum of energy consumption in each industrial sector in relation to the European average for that sector.

3.2. Employment indicators

3.2.1. One of the key objectives of the new strategy adopted by the European Union at the Special European Council of Lisbon is to boost employment as part of a knowledge-based economy. The European Union has to endeavour to achieve an employment rate of 70 % by 2010. The average number of women in employment should then be more than 60 %. For that, an active employment policy is necessary. The proposed indicators should first of all cover the two strategic employment goals set for 2010. For employment, seven indicators are proposed: employment rate, female employment rate, employment rate of older workers, unemployment rate, long-term unemployment rate, tax rate on low-wage earners and lifelong learning adult participation in education and training.

3.2.2. In addition to the specific position of older workers, the ESC feels that account should also be taken of that of younger workers. It is also worth noting that there are no indicators of the relative percentages of men and women or of younger and older workers in the workforce.

3.2.3. The Committee would note that the 'female employment rate' indicator is an important one, but that it is equally important to measure the male employment rate so that the two can be compared. Furthermore, the Committee would recommend that the unemployment rate should also be broken down into male and female rates.

3.2.4. The Committee wonders whether the indicator 'tax rate on low-wage earners' really measures something which is relevant to policy. The Commission's intention is to measure the extent of the poverty trap among the lowest-income groups; the point at issue therefore is not so much the tax rate as the income gap. Secondly, it notes that the data for this indicator are sourced from the OECD and are model-based. A somewhat different definition is employed by Eurostat, whose data are survey-based. The Committee prefers the latter approach.

3.2.5. With regard to 'lifelong learning', the Committee would stress once again that this aspect of employment policy is very important for the citizen, as it enables him to acquire the necessary skills and knowledge to maintain and if possible improve his position on the labour market. However, the Committee wishes to point out the minor differences in the definitions used in the various Member States. Moreover, this indicator centres on the input side. Consideration should also be given to output. In addition, the Committee thinks it highly important, in this context also, for not only quantitative but also qualitative indicators to be developed, such as length and relevance of the education undertaken.

3.3. *Innovation and research indicators*

3.3.1. Technological progress and improvements in the quality of work and of capital flows in the production process are responsible for a major part of economic growth and constitute an important engine for competitiveness and employment. This explains why the strengthening of the capacity for innovation is an essential element of the EU's new strategic objective. The transition to a knowledge-based economy must be backed up by a better policy as regards R&D, education and the information society.

3.3.1.1. The information society has assumed a much higher profile over the years, and technological developments are becoming increasingly rapid. The use of information and communications technology (ICT) for the transfer of funds, commercial transactions and communications has become widespread. The new possibilities offered by ICT can make the market sector more competitive. The exponential growth of the possibilities offered for the rapid mutual exchange of information between the various players involves (often pro-

found) changes to organisational structures and work processes. The new ICT increases the mobility of knowledge. This will certainly affect the possibility of transferring work across borders.

3.3.1.2. There are seven proposed innovation and research indicators: public expenditure on education, R&D expenditure, ICT expenditure, level of Internet access, patents in high-tech areas, exports of high-technology products and venture capital.

3.3.2. However, older people and the low-skilled usually have difficulty in accessing ICT. In addition to the importance of lifelong learning in this policy area, attention should also be paid to the access of the (long-term) unemployed and their dependants to the new knowledge-based society. An integrated approach is necessary, but it is not clear how much the individual indicators contribute to this. A further division in society should be avoided. That in turn is an indication of how important it is to establish an underlying information system which can be used to assess which sections of the population benefit directly or indirectly from the knowledge-based economy. Mere aggregated indicators do not therefore suffice.

3.3.3. The Committee notes that 'public expenditure on education' is an input indicator which fails to provide adequate information on changes in the quality of education. This difficulty could be overcome by adding the national accounting indicator on growth trends in the education sector — an indicator which does take quality issues into account. Harmonised data on this front will be available from Eurostat shortly.

3.3.4. The Committee would point out that 'R&D expenditure' is also an input indicator and that consideration should also be given here to growth trends as opposed to value trends alone.

3.3.5. With regard to the indicator 'patents in high-tech areas', the Committee notes that it is better to include all patents, not only those in the high-tech sector. After all, the competitiveness of the Member States is also influenced by technological developments in sectors other than the high-tech industries.

3.3.6. With regard to the indicator 'exports of high-technology products', the Committee notes that it is important for high-tech products processed into other exports to be assessed. However, a marginal note should be made to the effect that a country's competitive position is determined not so much by major high-tech production but rather by the high-value production of as many goods and services as possible.

3.4. *Indicators of economic reform*

3.4.1. With the establishment of EMU and the introduction of the euro important steps have been taken towards an integrated European internal market. Technological progress and globalisation have given an additional spur to these integration processes relating to the goods and capital markets. For economic reform policy indicators are proposed in the fields of market integration and market efficiency. There are seven proposed indicators: trade integration, relative price levels and price convergence, prices in network industries, public procurement, sectoral and ad hoc State aids, cross-border banking penetration and capital raised on stock markets.

3.4.2. The Committee would point out that a 'trade integration' indicator makes little sense. At most, a change in this indicator can provide information.

3.4.3. With regard to the indicator 'relative price levels and price convergence', the Committee notes that this is complicated by the fact that a comparable basket of goods must be found that is relevant to all the countries concerned. Within the EU we try to solve this by using purchasing power parities, but to date the quality of such data leaves much to be desired.

3.4.4. In the case of the 'cross-border banking penetration' indicator, the Committee wonders whether the very detailed information required is available in all the Member States. In addition the Committee points out that the 'cost of capital' indicator which the Commission proposes to develop would probably be better suited to the goal which the indicator purports to measure: integration of the financial markets.

3.4.5. The Committee wonders whether the 'public procurement' indicator really measures the openness and transparency of the public procurement market in the European Union. For example, the indicator takes no account of the differences in scale between the Member States' economies. Probably a better indicator would be the value of public procurement divided by GDP. But even that indicator still gives little information on stimulating the internal market, since it does not measure the value of public procurement contracts which are finally awarded to enterprises from other Member States.

3.5. *Indicators of social cohesion*

3.5.1. The structure of the workforce is changing. As the labour market is tightening, it is important to have a workforce that is employable, well-trained and always learning throughout life. Combating poverty and making sure that people can still be part of the work process remain major challenges. The

traditional tasks of social and economic policy are therefore more valid than ever: to promote participation in society through work, to have a labour market that functions smoothly, to have a balanced distribution of incomes, to guarantee an income for persons who are unable to provide one for themselves, and to combat benefit dependency and premature exclusion from the work process.

3.5.2. Six indicators are proposed for social cohesion: distribution of income (income quintile ratio), poverty rate before and after social transfers, persistence of poverty, jobless households, regional cohesion (variation in GDP per capita in PPS across regions) and early school-leavers not in further education or training.

3.5.3. The exalted aim of becoming the most competitive and dynamic knowledge-based economy in the world means, among other things, that poverty must be combated. Combating poverty and social exclusion means encouraging access to careers of quality and the access of all to resources, rights, goods and services. Account must be taken of the proposal submitted by the Commission at the Lisbon European Council to bring down the percentage of persons living below the poverty line from 18 % today to 15 % in 2005 and 10 % in 2010, and to halve the number of children living in poverty by 2010. The Committee would point out that the proposed poverty indicator is based on a relative poverty threshold which is adjusted automatically in line with any change in the income level in the Member State concerned. The Committee considers it very important that the persistence of poverty also be measured. Households living for several years below the poverty threshold are in an even more vulnerable position than households living temporarily below the threshold.

3.5.3.1. It is essential here to try and establish a clear link between the indicators which reflect the various aspects of employment policy and those which measure social cohesion. To this end, excellent use can be made of the Social Accounting System currently being tested in a pilot project by eight Member States and Eurostat.

3.5.3.1.1. The fixing of qualitative and quantitative common indicators can serve as a basis for the development of an open coordination method between the Member States, like that which already exists in the field of employment and for the development of national programmes to study and combat poverty and social exclusion, in accordance with the conclusions of the Lisbon European Council.

3.5.4. With regard to the 'distribution of income' indicator the Commission proposes that income distribution be measured using the quintile ratio of incomes (which compares the share of a country's income received by the highest-earning 20 % of a country's population with that received by the lowest-earning 20 %). The Committee takes the view that the decile ratio (comparing the income of the highest-earning 10 % with that of the lowest-earning 10 %) is a better indicator of income inequality in a Member State since it better reflects the extremes in the income distribution.

3.5.5. The Committee would point out that the 'jobless households' indicator is heavily influenced by differences in the size of households.

3.5.6. The strengthening of economic and social cohesion, with the view to a harmonious development of the various regions within the Union, is one of the EU's political priorities under the terms of the Treaty of Amsterdam. The 15 Member States are composed of 150 regions. The figures for per capita GDP, which is the basis for determining whether the level of development of a given region is higher or lower than the Community average, date from 1995 and are therefore no longer up to date, but they do show that there are still big differences between the regions. Owing to the lack of data, it is not clear if this gap between the different regions is getting smaller over the years and/or if convergence is really taking place. Furthermore, regional per capita GDP figures are sometimes not the best indicators of regional prosperity, e.g. in regions where many residents commute out of the region, where often little is produced, but the incomes (of employees working elsewhere) are relatively high. For this reason the disposable per capita income of the population would seem a better indicator.

3.5.6.1. In this connection the Committee would also recommend that at a later stage the standards now being tested at national level be tested at regional level too.

3.5.7. With regard to the still to be developed 'company registration' indicator, the Committee would recommend that account be taken of the fact that while there is agreement on the definitions, they are used in practice in different ways by

the Member States, e.g. the founding and dissolving of companies are not registered in the same way throughout the EU.

4. Conclusions

4.1. The Committee is very pleased with the Commission proposal to establish a set of indicators to be used as a basis for the annual synthesis report. The Committee would stress the importance of further developing and fine-tuning a reliable statistical information system and therefore hopes that in the process the Commission will draw on the comments in this opinion. Given the complexity and importance of further development of the set of indicators, the Committee will continue to follow the development of the statistical information system closely.

4.2. The Committee strongly recommends that account be taken of the fact that the application of separate indicators does not make possible any real synthesis and cannot do justice to the differences between the Member States in their overall economic structure. A more detailed structure, with the indicators being based as far as possible on a single underlying statistical information system, will provide a clearer picture.

4.3. The Committee wishes to stress that the figures provided by the indicators will need to be interpreted to make it possible to assess progress in the policy areas of employment, innovation and research, economic reform and social cohesion. The interpretation of these figures as a basis for policy will have to meet high requirements of appropriateness, verifiability and reliability; it should also be borne in mind that the figures alone can never give a fully accurate picture of social reality.

4.4. The Committee thinks that an open coordination method as applied in the field of economic, social and structural policy can benefit greatly from a clear, structuring basis, as can be provided by the Commission's synthesis report. The European Commission can draw on this synthesis report to establish a similar basis for the further discussions required in the various meetings of the Council of Ministers.

Brussels, 1 March 2001.

*The President
of the Economic and Social Committee*
Göke FRERICHS

Opinion of the Economic and Social Committee on 'The European dimension of education: its nature, content and prospects'

(2001/C 139/16)

On 2 March 2000 the Economic and Social Committee, acting under the third paragraph of Rule 23 of its Rules of Procedure, decided to draw up an opinion⁽¹⁾ on 'The European dimension of education: its nature, content and prospects'.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 31 January 2001. The rapporteur was Mr Koryfidis and the co-rapporteur was Mr Rupp.

At its 379th plenary session (meeting of 1 March 2001), the Economic and Social Committee adopted the following opinion by 100 votes to four with five abstentions.

1. Introduction

1.1. The information report entitled 'The European dimension of education: its nature, content and prospects' is now part of the ESC's body of work completed. The Committee's influence on the evolution of European education will be evaluated in due course, as will the quality of its contribution. But the above-mentioned report already provides a store of facts and the perspectives of civil society organisations on the subject of education. This report has already made an important contribution, helping, however modestly, to bring education to the forefront of political, economic and social dialogue, which was one of its stated goals.

1.2. Obviously, the information report largely determines the content of this opinion. However, owing to circumstances, the opinion clearly is not as extensive and does not cover all the elements of the report. Both the information report and its appendix will therefore be attached to the opinion and should be seen as part and parcel of it.

1.3. While the information report was being prepared, and during the Portuguese presidency (first half of 2000), there has been intense activity on matters of education in all EU bodies (European Parliament, Council and Commission). This activity

was basically prompted by the realisation that education is not just a means of fostering development but an essential component of development and at the same time one of its most important objectives⁽²⁾. The following decisions were taken at the special meeting of the European Council (23 and 24 March 2000) and in the framework of the new strategic objective of the EU for the coming decade 'to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion'⁽³⁾:

- a new approach to education and training: an approach that emphasises the need for Europe's education and training policies to adapt to the demands of the knowledge society, and the need for 'an improved level and quality of employment'; an approach which essentially changes the relationship between education and the citizen, offering 'learning and training opportunities tailored to target groups at different stages of their lives'; an approach resting on three basic pillars: 'the development of local learning centres, the promotion of new basic skills, in particular in the information technologies, and increased transparency of qualifications'⁽⁴⁾. As part of this approach the European Council calls upon the Member States, in line with their constitutional rules, the Council and the Commission to take the necessary steps within their areas of competence to meet the following targets:

- a substantial annual increase in per capita investment in human resources;
- the number of 18 to 24 year olds with only lower-secondary level education who are not in further education and training should be halved by 2010;

⁽¹⁾ On 27.5.1999 the Bureau of the Economic and Social Committee, acting under Rule 26 of its Rules of Procedure, decided to draw up an information report on: The European dimension of education: its nature, content and prospects.

On 13.6.2000, after a debate, the Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, unanimously adopted the information report drafted by the study group. The rapporteur was Mr Koryfidis and the co-rapporteur was Mr Rupp. The Section's decision was approved at the plenary session of 13.7.2000, and it was decided to forward the information report to the other EU institutions.

⁽²⁾ UNESCO report 'Education for the 21st century', Introduction by Jacques Delors.

⁽³⁾ European Council in Lisbon (23 and 24.3.2000), Presidency conclusions (<http://europa.eu.int/council/off/conclu/mar2000/index.htm>), point 5. See also the ESC opinion OJ C 117, 26.4.2000 on the Lisbon summit.

⁽⁴⁾ Idem, point 25.

- schools and training centres, all linked to the Internet, should be developed into multi-purpose local learning centres accessible to all, using the most appropriate methods to address a wide range of target groups; learning partnerships should be established between schools, training centres, firms and research facilities for their mutual benefit;
 - a European framework should define the new basic skills to be provided through lifelong learning: IT skills, foreign languages, technological culture, entrepreneurship and social skills; a European diploma for basic IT skills, with decentralised certification procedures, should be established in order to promote digital literacy throughout the Union;
 - define, by the end of 2000, the means for fostering the mobility of students, teachers and training and research staff both through making the best use of existing Community programmes (Socrates, Leonardo, Youth), by removing obstacles and through greater transparency in the recognition of qualifications and periods of study and training; to take steps to remove obstacles to teachers' mobility by 2002 and to attract high-quality teachers.
 - a common European format should be developed for *curricula vitae*, to be used on a voluntary basis, in order to facilitate mobility by helping the assessment of knowledge acquired, both by education and training establishments and by employers⁽¹⁾.
- creation of a European Area of Research and Innovation with, *inter alia*, the following objectives⁽³⁾:
 - to develop appropriate mechanisms for networking national and joint research programmes on a voluntary basis around freely chosen objectives;
 - to catalogue and identify excellence in research;
 - to improve the environment for private research investment and R&D partnerships;
 - to take steps to remove obstacles to the mobility of researchers and to attract and retain high-quality research talent in Europe;
 - to ensure that a Community patent is available by the end of 2001, including the utility model.

Similarly, the European Council 'asks the Council (Education) to undertake a general reflection on the concrete future objectives of education systems, focusing on common concerns and priorities while respecting national diversity, with a view to contributing to the Luxembourg and Cardiff processes and presenting a broader report to the European Council in the Spring of 2001'⁽²⁾.

- designing an integrated action programme for an electronic Europe (e-Europe Action Plan). As part of this programme, all schools in the EU are to have access to the Internet by the end of 2001 and all the necessary teaching staff are to be proficient in the use of the Internet and multimedia resources by the end of 2002;

1.3.1. The Council of Education Ministers (at its meeting on 8 June 2000) then said that it was prepared to carry out the mandate given to it by the (above-mentioned) European Council⁽⁴⁾. More specifically, it is prepared to go ahead with drawing up a report on future challenges and objectives of education systems, which according to the Lisbon conclusions should be submitted to the extraordinary meeting of the European Council in Stockholm next spring.

1.3.2. The Education Council welcomed the Commission communication of 24 May 2000 on the e-learning initiative 'designing tomorrow's education'. The initiative contains certain basic elements from the conclusions of the European Council summit in Lisbon in relation to developing the knowledge society, its aim being to give specific form to the e-Europe initiative in the sphere of education and training, i.e. to specify the role of education in disseminating digital technologies in Europe so that all Europeans have the skills needed to use them. The same Council, having listened to the European report on the quality of school education: sixteen quality indicators and an account of developments in cooperation on quality evaluation in school education, called on the Commission to support these activities and 'to establish a data base to disseminate effective tools and instruments for evaluating the quality of individual schools'⁽⁵⁾.

⁽¹⁾ *Idem*, point 26.

⁽²⁾ *Idem*, point 27.

⁽³⁾ For more details, see *idem*, point 13.

⁽⁴⁾ *Idem*, point 27, and Education Council of 8.6.2000.

⁽⁵⁾ See Press Release of the 2270th Council meeting (Education) on 8.6.2000.

1.3.3. Finally, the Santa Maria da Feira European Council of 19 and 20 June 2000 adopted the guidelines of the Council of Education Ministers for future challenges and objectives facing education systems in the knowledge society⁽¹⁾, identifying lifelong learning as a crucial policy for the development of citizenship, social cohesion and employment.

1.3.4. It is worth noting that the trend described above is set to continue during the French Presidency⁽²⁾ with work to implement the above decisions and to elaborate and flesh them out in the European Parliament and the Commission. Specifically, the French Presidency is promoting, inter alia:

- the incorporation of education in the employment guidelines;
- the promotion of lifelong learning and its role in employment;
- the implementation of the eEurope action plan;
- the removal of the obstacles hampering the mobility of students, teachers and researchers (meeting of education ministers 30.9.2000);
- completion of work on amending and simplifying the directives concerning the recognition of qualifications;
- measures to enable young Europeans to acquire common cultural references, from school age upward, by teaching them two languages in addition to their mother tongue and by introducing the European dimension into history syllabi;
- the joint implementation at European level of a programme of 'electronic learning'.

1.3.4.1. An important development towards promoting the European dimension in education during the French Presidency were the positions adopted by the Council of Education Ministers on 9 November 2000 concerning:

- mobility and the associated action plan (42 indicative measures to increase mobility and remove obstacles to it);

- the future objectives of European education systems (quality enhancement, easier access to education for all EU citizens);
- promotion of the open method of coordination in line with the conclusions of the Lisbon European Council;
- definition of the scope of education with regard to employability.

1.3.4.2. With regard to mobility in particular, a crucially important step was the resolution of the Nice European Council (7 and 8 December 2000) which established 'increasing the mobility of young people, school children, students, researchers, all those being educated and their teachers' as a major political objective to which the leaders of the 15 Member States have now committed.

1.3.4.3. Another important development is the fleshing out of the concept of lifelong learning and of the means of implementing it undertaken in a Memorandum drawn up by the Commission⁽³⁾. According to this Memorandum, lifelong learning should serve the following two objectives, which are equally important:

- fostering active participation in the evolution of society, and
- increasing employability.

1.4. The ESC feels that the Lisbon European Council's response to the current requirements in the field of education in Europe is of particular importance and potentially crucial to the entire future of Europe. It has created the preconditions necessary for the establishment in future of a European education domain able to function in a complementary role and filling any gaps in existing national and regional education systems. It also has the potential to rally large sections of European society to share in the shaping of the new reality which is anyway emerging day by day thanks to global developments on the technological, economic, social and political levels.

1.4.1. Against this background, the ESC is reorienting its work on education and training on the basis of the above, focusing considerable attention on both the general philosophy underlying the Council's approach and each specific proposal for action.

⁽¹⁾ European Council in Santa Maria da Feira (19 and 20.6.2000), point 32 (<http://ue.eu.int/en/info/eurocouncil/index.htm>).

⁽²⁾ Cf. 'The Priorities of the French Presidency', point 1, second indent (<http://presidence-europe.fr/pfue/static/acces3.htm>).

⁽³⁾ See SEC (2000) 1832.

1.4.2. The ESC is pleased to note that the decisions of the Lisbon European Council have confirmed the concerns that it has been expressing for some time with regard to education in Europe and the future thereof. It is also pleased to note that many of the positions it has taken to date have been adopted and promoted by these decisions. That is why, drawing on its expertise and the relevant work done, it is glad to express its views both on the procedure and the substance of what was decided in Lisbon. These views are obviously intended to fill any gaps, to clarify any unclear points and to flesh out others.

2. General comments and observations

2.1. The future of education in Europe, and its role in European integration, have on occasion been a subject of intense discussion and disagreement in the EU. These differences of opinion have made it difficult to frame a European education strategy, which has been detrimental to the EU's position. To date, European involvement in the evolution of education has been limited largely to specific European programmes for individual areas and purposes. Many Member States' education systems have only a limited European perspective and, of course, very little European content⁽¹⁾.

2.2. The ESC accepts and endorses the view that 'education systems in the Member States, with their differences and idiosyncrasies, are certainly a priceless resource that must not be lost, but rather harnessed'⁽¹⁾. It also understands the obstacles and difficulties faced in framing an education policy with a European perspective and content. However, it would also stress the importance and necessity of developing a policy to modernise education substantially in terms of both quality and quantity, as well as infrastructure⁽²⁾. Modernisation means seeking a new balance between the traditional European system, the needs created by the current situation in Europe and in particular future needs arising from the European perspective. This modernisation should be based on the principle that education does not serve the needs of the economy alone, but also the wider goal of producing well-

rounded individuals, both culturally and socially. It requires new approaches in defining the duration, domains, conditions and means of learning and education, and, ultimately, the setting-up of a new type of school with⁽²⁾:

- broader objectives than at present (in response to the requirements created by the information and knowledge societies and diversity as well as the new situation in Europe and economic globalisation);
- a different structure (in response to the new circumstances created by thinking in terms of lifelong learning);
- broader field of learning (in response to the need for compulsory education for a broader age range, and for lifelong learning);
- modern resources, methods and curricula (application and utilisation of new technologies, especially IT, in educational procedures and practice).

2.3. The ESC regards as very important and welcomes the developments that took place at the extraordinary European Council of Lisbon, the European Councils of Santa Maria da Feira and Nice, and the Councils of Education Ministers of 17 December 1999, 8 June 2000⁽³⁾ and 9 November 2000. It particularly welcomes the political importance attached to lifelong learning, which has been effective in some Member States for many years. Development of lifelong learning 'as a basic component of the European social model' — in cooperation with the social partners and within a European framework defining the skills to be provided⁽⁴⁾ — can certainly be described as a major step forward. The same can be said for the calls of the above-mentioned European Council upon the Member States, the Council of Ministers and the Commission to take the necessary measures within their spheres of competence to achieve, among others, the following goals:

- a substantial annual increase in per capita investment in human resources;
- conversion of schools and training centres into multipurpose local learning centres connected to the Internet, accessible to all and using the most appropriate methods to address a wide range of target groups⁽⁵⁾.

⁽¹⁾ http://www.ces.eu.int/en/org/fr_org_6_sections.htm.

⁽²⁾ Idem, point 3.1.

⁽³⁾ See Introduction above, points .3, 1.3.1 and 1.3.2.

⁽⁴⁾ Presidency conclusions (European Council of Lisbon), 23 and 24.3.2000, points 26 and 29.

⁽⁵⁾ Idem, point 26.

2.4. Despite the progress made in creating mobility and a dynamic for change in education (at all levels and in all respects), the ESC calls for faster implementation of the positions adopted by the extraordinary European Council in Lisbon. It also feels that an overall effort is required to clarify terms and to define more clearly the responsibilities and roles which will fall to the various levels involved in education. Lastly, it would propose continuous monitoring and evaluation of all measures at all levels, an exercise which the ESC is willing to take part in.

2.4.1. With this in mind, the ESC offers the following comments and suggestions, based on its information report on the European dimension in education, as well as other recent documents⁽¹⁾:

2.4.1.1. Formal education is a process based primarily on the values of humanism. Any education planning option must be compatible with these values. Especially today, when the balance is tipped dangerously in favour of rushing to adapt to the new technological and economic circumstances, the humanistic dimension of education must be afforded particular attention. The new technological and economic situation becomes comprehensible and acceptable in as far as it serves mankind and society. The 15 leaders of the Member States and the European Council are the guarantors for European society that education in Europe will not lose sight of its key objectives and its humanistic identity.

2.4.1.2. Adapting education to the new circumstances and increasing its effectiveness may be achieved by reinforcing its humanistic identity and choosing options like those advocated by the Lisbon European Council, options which will build bridges of communication and cooperation between national and regional education systems, forming a European education domain where required while respecting the diversity and variety of national systems and creating the conditions for effectively overcoming the obstacles which arise in the process of transition towards the information society and a Europe of knowledge.

2.4.1.3. The vast majority of civil society organisations consider education to be both a European and a national issue. This means, among other things, reinforcing the relevant European dialogue and strengthening consultation mechanisms between the European institutions and the Member States on all matters relating to education. The ESC feels that the all the candidate countries should take part in the process of consultation and social dialogue.

2.4.1.4. The ESC also considers that this new approach to education, this new type of school as described above should be imbued from within with a uniform rationale and able to meet the needs of the European, national and local dimensions of education. In particular, it must be able to meet:

- Europe's multicultural and multilingual needs (those arising from migration, enlargement and economic globalisation);
- the needs created by free movement of Europe's citizens (e.g. recognition of qualifications);
- the needs arising from the institution of lifelong learning.

2.4.1.5. The areas of education relating to European integration and the shaping of the European citizen (pro-active, multicultural, multilingual) should be areas of shared responsibility, as well any other areas which, with the consent of the Member States, can be managed in concert.

2.4.1.6. An open method of coordination should be used for planning and developing lifelong learning and matters relating to the information and knowledge-based society (new spheres) and for developing a modern European scientific institute for educational research. The European institute should be concerned with statistical trends in education, providing Member States with valuable European data and thereby helping to make the debate more objective. It is worth noting that European action on education is more readily accepted by local communities when it has to do with new areas of education and is based on scientific findings. Conversely, action which concerns the traditional areas of education is not accepted, and even less so if it is not backed up by scientific evidence.

⁽¹⁾ 'Employment, Economic Reform and Social Cohesion' — OJ C 117 of 26.4.2000. 'European cooperation in quality evaluation in school education' — OJ C 168 of 16.6.2000.

2.5. The ESC is particularly interested in the question of creating a European education domain, which, in the light of recent developments, is taking on a broader scope to become a European domain of learning and education. The ESC includes within this domain not only the European dimension of education, but also any other current learning-related challenge or procedure of concern to the European citizen. This domain therefore comprises lifelong learning and familiarising Europeans — regardless of their age — with the thinking and mechanisms of the information society. It also includes enabling every European citizen to assimilate and be aware of the new circumstances created by globalisation whatever form they take, as well as the difficult process of adapting to the new pace of operation and the rapid changes which modern technology has imposed. Lastly, it includes mapping out the new education of the European citizen, the education of European integration, which, without being removed from its historical roots, will define Europe and its citizens in the new millennium.

2.5.1. The relationship between the European domain of learning and education and the corresponding national and regional domains must not be a competitive one. It must be one of cooperation, complementarity and mutual enrichment. The setting of common goals and the methods for achieving them, exchanges of good practice, teacher and student mobility, networking, quality reports and comparative statistics, electronic communication inter alia provide the basis for the interface of national education policies and the forum for common European-level and European-dimension choices and actions on education (content).

2.5.2. Against this background the ESC feels that the time is ripe for the EU to take measures of a strategic nature on education (defining the nature and content of the European domain of learning and education). But this requires a carefully prepared and substantive dialogue between all the levels and parties, a dialogue which in any case has already been opened up by the Lisbon decisions and which the ESC is ready to take part in.

3. Specific comments

3.1. As part of this dialogue, the ESC would also make the following proposals in particular, on the basis of relevant

recent developments in the European Council, and of its own work:

3.1.1. A concerted effort must be made without delay to attain the objectives and implement the decisions of the European Councils of Lisbon, Santa Maria da Feira and Nice. The most important issue here is basically that of informing those involved in national education systems and the general public. The ESC believes that primary responsibility for a well-planned and integrated information campaign should be assigned to the Commission. Players in the existing education system (teachers, parents, pupils/students) can play an important role in this campaign, as well, of course, as the social partners and civil society organisations in general.

3.1.2. Certain objectives, roles and responsibilities should be defined in more specific terms. In particular, there is an urgent need to identify, clarify and publicise:

- the objectives of lifelong learning;
- new basic skills;
- aptitude testing methods;
- the role that the new type of school in the wider sense must play as a multipurpose local learning centre⁽¹⁾;
- the new role of further education and the general context in which the various facets of education will develop in the future.

3.1.2.1. The ESC has a particular position on lifelong learning, which it sees as the key to familiarising the general public with the rationale behind the information society⁽²⁾, new technologies and the so-called new economy. The Committee would hope that it would cater to the need to adapt to the new entrepreneurial spirit and to cultivate new social skills. It also considers this to be the intelligent response to the new rhythms, speeds and approaches imposed by the above challenges, a response through which today's pro-active Europeans can join in shaping the new global political, economic, social and technological landscape.

3.1.2.2. The ESC proposes the development of a series of pioneering European pilot actions outside the scope of existing models concerned with networking for the exchange of experience, software, summer exchange programmes, making the most of existing European educational establishments etc.

⁽¹⁾ Cf. Presidency conclusions (European Council in Lisbon), 23 and 24.3.2000, point 26, third indent.

⁽²⁾ OJ C 117, 26.4.2000.

3.1.2.3. The ESC would emphasise the limited effectiveness of the school and its multifunctional dimension in its present role. It points out that, while schools cannot solve all of society's problems, they can certainly help to address them. This being so, the ESC proposes that schools should be:

- democratic, inclusive and progressive in the way they are designed and function;
- effective in the way plans are implemented;
- inclusive and multifunctional, in the sense of being accessible to everybody in their catchment area (and especially sensitive to particularity and diversity) throughout their life, by helping to meet their needs in terms of personal self-fulfilment and employment;
- flexibly and actively adapted to the rhythms and speeds of all types of change;
- innovative in research and in problem-solving;
- enterprising in their cooperative aspects, in order to solve labour market and employment problems and to promote the spirit of enterprise;
- attractive, in the sense of attracting the citizens around them (especially people with special needs), but also in the sense of attracting and keeping talented individuals as educators;
- communicative, in the sense of seeking ever more exchanges, contacts and networking opportunities within Europe; discerning, in the sense of adopting a rationale and mechanisms for constantly seeking and checking the validity of knowledge; informative, in the sense of being able to inform citizens continually and reliably;
- local and regional, in the sense of having direct links to the local community and citizens;
- national, in the sense of protecting, cultivating and developing particular national cultural features;
- European, in the sense not just of being part of and helping to shape the modern European landscape, but also of cultivating, developing and defending European

values, European culture, Europe's social acquis and the history of the European project (the reasons which gave rise to the project, the functioning of the EU, its policy, the position of its citizens, and their rights and obligations).

3.1.2.4. The ESC would point out the following on the terms and content of the various forms and dimensions of education:

- Lifelong learning must be closely integrated with formal education. Among other things, this means that formal education should now acquire a long-term dimension and that lifelong learning should be identified as a political obligation. It also means that the interface between compulsory education and lifelong learning should be seamless and well-established and that each should draw on the other.
- Pre-school education is the first — and a very important — part of compulsory education and the length of compulsory formal education — excluding pre-school education — should comply with the new objectives. The curriculum for this period should be expanded to include the skills and basic syllabus required by the new challenges (information society, the new economy, new situation in Europe, etc.). It is during this period too that action should be taken to tackle the problems of functional and technical illiteracy to allow lifelong learning to take place unhindered.
- Educational care for boys and girls with special educational needs should start as soon as circumstances giving rise to such care become apparent, whatever the age of the child, or as soon the risk of a specific learning difficulty is detected.

4. Recommendations

Following the recent decisions of major importance for European education and on the basis of:

- the views expressed by the economic and social interest groups it represents and
- its work to date on education and training,

the ESC would make the following recommendations to the European Parliament, the Council and the Commission:

4.1. That efforts to construct a genuine European domain of education and learning be continued and intensified. This domain will turn our diversity to account, transforming it into complementarity, shaping the common European political consciousness which is now required. It will function in collaboration with and as a complement to national and regional domains, with each drawing on the other. Such an educational domain is clearly a prerequisite for the further growth of our economic output and results. As part of an

open method of coordination and clearly defined comparative assessment, the ESC recommends that the European domain should encompass:

- areas relating to European integration and the shaping of the consciousness of the modern European citizen;
- new areas of education, such as lifelong learning and those relating to the information society and the new economy.

4.2. That particular attention be paid to how this European domain of learning and education is constructed, taking account of the scale of the change required in the thinking of individuals and local communities. It should be clear that the process of achieving the Europe of knowledge and the new economy should be a conscious and consensual one. It should also be made clear that modernisation of schools means primarily adapting them to meet the needs of today's citizens and society, such as those created by European integration, globalisation, modern technologies and employability.

4.3. That priority be given to mobility of all kinds in education: electronic and physical mobility, the mobility of educators, pupils and students, and the mobility of new ideas and best practice. The action plan on this subject and the resolution of the Nice European Council are extremely positive steps in this respect, which may serve to strengthen or build new bridges between national education systems. For the ESC, the ultimate goal of all efforts to remove obstacles to mobility in education must be every European citizen having the opportunity to study — even for a short period — in an EU country other than his or her own. In the ESC's view, this should be a right for European citizens.

4.4. For the ESC, lifelong learning is the key to familiarising European citizens with the information society, new technologies and the new economy. It therefore recommends that as much as possible be made of the Commission Memorandum

on lifelong learning, in cooperation with the social partners. It also recommends that local multipurpose learning centres be developed as soon as possible to provide this service amongst others.

4.5. The ESC sees the eLearning initiative as the cornerstone of Europe's effort to bring its citizens into the digital age, and more specifically to promote Internet use, the networking of educational establishments and the development of virtual mobility. It therefore recommends removal as soon as possible of the obstacles standing in the way of effective development of the initiative, foremost among which are the cost and quality of the relevant electronic infrastructure, connection costs, digital content and the linguistic reality of the Internet.

4.6. The ESC feels that the proposed method of open coordination, based on comparative assessment, will work well, promoting the construction of a dynamic European domain of learning and education. It therefore recommends that particular care be taken to ensure the reliability and comparability of the data in question.

4.7. Beyond the European dimension in education and the European domain of learning and education, the ESC would stress the need for education to continue to be based on the global values of humanity. It therefore recommends that all educational planning options be compatible with these values.

4.8. Recognising and emphasising the major role of education in the future of European integration, the ESC recommends that every effort be made to keep it at the forefront of European political, economic and social life. This can be achieved by developing an open, continuous and substantive dialogue on what is to become of education in Europe in the 21st century involving all parties: the European institutions, Member States and the applicant countries; the social partners and all other types of economic and social organisations; experts on education and all committed European citizens. The ESC is prepared to participate in this dialogue.

Brussels, 1 March 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

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

(2001/C 139/17)

On 21 February 2001, 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 Economic and Social Committee decided to appoint Mrs M. Lopez Almendariz as rapporteur-general.

At its 379th plenary session of 28 February and 1 March 2001 (meeting of 1 March 2001), the Economic and Social Committee adopted the following opinion by 66 votes to one.

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⁾.

1.2. In accordance with Articles 5 and 6 of Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands, the transitional period for the introduction of the Common Customs Tariff (CCT) and the transitional period during which the Spanish authorities are authorised to impose a tax on production and imports (APIM) on all products entering or produced in the Canary Islands both expire on 31 December 2000.

1.3. In October and November 2000, the Spanish authorities requested that these transitional periods and the measures introduced be extended in accordance with Council Regulation (EEC) No 1911/91.

1.4. The request was supported by documentation showing that, although the economic situation in the Canary Islands has improved during the transitional period, the complete integration of the region would lead to a decline in industrial and commercial activity and an increase in unemployment in the various sectors concerned.

1.5. However, in the limited amount of time available, it was not possible to determine what impact ending or changing existing measures would have on the economic and social situation in the Canary Islands.

1.6. To ensure that the economic players concerned enjoy a degree of continuity in the legal framework in which they operate, it is therefore necessary to extend the transitional periods by one year. This also gives the parties involved in the decision-making process sufficient time to find a solution that

is satisfactory for Spain and the Canary Islands and takes account of the objectives of Article 299(2) of the Treaty.

1.7. As stipulated in Article 25(4) of the Act of Accession of Spain and Portugal, the legal basis of the proposal, this amendment must be approved unanimously by the Council.

2. Special provisions applicable to the Canary Islands: a gradual and tailor-made integration

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⁽²⁾. In recognition of these particular difficulties, the Canary Islands were initially excluded from the Community customs area, the common commercial policy, and the common agricultural and fisheries policies.

2.3. By virtue of the first paragraph of Article 25(4) of the Act of Accession, at the request of Spain, the Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, may decide to include the Canary Islands in the customs territory of the Community and define appropriate measures aimed at extending to these islands the provisions of Community law in force. On 7 March 1990, Spain submitted such a request in accordance with this article.

2.4. The integration of the Canary Islands into all the common policies must be a gradual process spanning an appropriate transitional period and must not undermine the special measures that take account of the remote and insular nature of the Canaries and historical economic and taxation arrangements. On 26 June 1991 the Council therefore adopted

⁽¹⁾ OJ L 171, 29.6.1991, p. 1.

⁽²⁾ Act of Accession, Protocol No 2.

Regulation (EEC) No 1911/91 on the application of the provisions of Community law to the Canary Islands.

2.5. In application of Regulation (EEC) No 1911/91, these special measures were developed via a programme of options specific to the remote and insular nature of the Canary Islands (Council Decision establishing a programme of options specific to the remote and insular nature of the Canary Islands (Poseican) [91/314/EEC]).

2.6. Since then, and prior to the introduction in the Treaty establishing the European Community of Article 299(2) which recognises the specific situation of the outermost regions and the need to adopt specific measures, many Community provisions have been adopted in response to the specific problems in the Canaries.

2.7. Article 299(2) of the Amsterdam Treaty 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 European Parliament, shall adopt specific measures aimed at laying down the conditions for the application of the Treaty to those regions taking account of their structural social and economic situation which is compounded by their remoteness, insularity, small size, difficult topography and climate, and economic dependence on a few products. 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 supply of raw materials and essential consumer goods, State aids and conditions of access to structural funds and to horizontal Community programmes.

2.8. To further refine the scope of Article 299(2) TEC, on 14 March 2000 the Commission adopted a report on measures aimed at its implementation.

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

3.1. Article 5(1) of Council Regulation (EEC) No 1911/91 of 26 June 1991 provides that the tax on production and imports ['arbitrio sobre la producción y sobre las importaciones' (APIM)], which has gradually been reduced since 31 December 1996 in application of Article 5(2) and Council Decision No 96/34/EC of 20 December 1995⁽¹⁾, is limited to a period ending on 31 December 2000.

3.2. Council Regulation (EC) No 2674/1999 of 13 December 1999⁽²⁾, amending Regulation (EEC) No 1911/91, stipulated that the phasing-out of the tax should be suspended

between 1 January and 30 June 2000 in the case of certain sensitive products, as this phasing-out could lead to the practical disappearance of the sectors concerned.

3.3. In addition, the aforementioned Commission report of 14 March 2000 pointed out that, where taxation is concerned, Article 299(2) authorises specific measures for the outermost regions, providing requests continue to be justified by the disadvantages suffered by these regions. The future of tax measures that are applicable to the outermost regions will also depend on requests made by the Member States concerned. In each case, the most appropriate instruments must be found to meet the objectives of regional development and aid to these regions, making use of exceptional tax measures which could even be applied over an extended period of time.

3.4. The memorandum submitted by Spain to the Commission on 23 November 1999 provides, as an alternative, for the application of a neutral tax that would take account of the need to see the production of goods in the Canary Islands rise to a certain level.

3.5. By letter of 25 July 2000 Spain provided the Commission with data on the socio-economic conditions in the Canary Islands and a new tax called the 'Arbitrio sobre los Importaciones y Entregas de Mercancías en las islas Canarias (AIEM)'. This tax would implement Article 299(2) TEC and replace the APIM, due to expire on 31 December 2000. On 25 October 2000 Spain forwarded further information to the Commission on the proposed rates of this future tax. The Commission has begun its discussion and assessment on the basis of this information. Its evaluation considers the impact of tax measures on sensitive products in the most vulnerable sectors and is based on the criteria of necessity, proportionality and the exact nature of the measures. Its aim is to identify the most appropriate specific measures which can be taken to offset the handicaps referred to in Article 299(2).

3.6. By letter of 31 October 2000, the Spanish authorities applied for the transitional period provided for in Article 5 of Regulation (EEC) No 1911/91 to be extended to allow the Spanish proposal to be examined in greater depth.

Such an extension is necessary to safeguard economic activities in the Canary Islands and to ensure a smooth transition up to the introduction of the new tax measures for the Canary Islands under Article 299(2).

3.7. In the aforementioned report of 14 March 2000, the Commission undertook to ensure continuity with existing measures. This implies that, throughout 2001, the rates and

⁽¹⁾ OJ L 10, 13.1.1996, p. 38.

⁽²⁾ OJ L 326, 18.12.1999, p. 3.

exemptions relating to the APIM tax would be maintained at the level applying at 31 December 2000.

4. Tariff suspensions

4.1. Council Regulation (EEC) No 3621/92 of 14 December 1992 temporarily suspending the autonomous Common Customs Tariff duties on imports of certain fishery products into the Canary Islands and Council Regulation (EC) No 527/96 of 25 March 1996 temporarily suspending the autonomous Common Customs Tariff duties and progressively introducing the Common Customs Tariff duties on imports of certain industrial products into the Canary Islands both expire on 31 December 2000. The validity of both regulations is based on the transitional period established in Article 6(1) of Regulation (EEC) No 1911/91.

4.2. In October and November 2000, the Spanish authorities requested that suspensions be maintained in the Canary Islands beyond 2000. Supporting documents were provided.

4.3. Because there has not been sufficient time to assess the documentation submitted and decide whether maintaining the measures is justified or not, it would seem appropriate to respond to this request by the Spanish authorities by extending the application of Council Regulations (EEC) No 3621/92 and (EEC) No 527/96 until 31 December 2001, so as to ensure continuity of treatment.

4.4. Before either of these regulations can be extended, it is a legal requirement that Article 6(1) of Council Regulation (EEC) No 1911/91 be amended and the transitional period extended.

5. Conclusions and recommendations

5.1. The Economic and Social Committee welcomes this opportunity to comment on the proposed amendment to Regulation (EEC) No 1911/91 on the application of the provisions of Community law to the Canary Islands.

5.2. Once again, the Committee recognises that the outermost regions of the European Union merit special consideration in the application of Community policy.

5.3. Developments in recent years show that the economic situation in the Canary Islands has improved in both absolute and relative terms. However, it must be remembered that the disadvantages suffered by the Canaries and the other outermost regions are structural and permanent. Efforts to consolidate the specific arrangements for these regions and enable them to participate on an equal footing in the Community to which they belong must therefore continue.

5.4. The ESC therefore welcomes the agreement reached by the Commission with the Spanish authorities to ensure continuity with existing measures.

5.5. Given that the Commission undertook to ensure continuity with existing measures in order to safeguard economic activities in the Canary Islands, the Committee recommends that in the interests of greater legal certainty, the Commission specify which rates relating to the APIM tax would apply during the extended transitional period. It also recommends maintaining throughout 2001 the rates applying at 31 December 2000.

5.6. The Committee points out that the rates for the APIM tax are currently between 0 and 1,15 %, compared to initial rates of between 0,1 and 5 %. This level is insignificant and means the tax fails to meet its intended objective of protecting the vulnerable sectors of the Canary Islands' economy. The Committee therefore stresses the urgency of adopting an alternative to the phasing-out and total disappearance of the AIPM.

5.7. The ESC therefore trusts that negotiations between the Commission and the Spanish authorities concerning both the new tax (AIEM) and the maintenance of tariff suspensions in the Canary Islands beyond 2000 will progress favourably and lead to the swift adoption of both measures, the legal basis and justification of which is the new Article 299(2).

5.8. The ESC therefore accepts the arguments made for amending Regulation (EEC) No 1911/91 to extend the transitional period established in this regulation for one year.

Brussels, 1 March 2001.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on the 'Common Fisheries Policy'

(2001/C 139/18)

On 13 July 2000 the Economic and Social Committee, acting under Rule 23(2) of its Rules of Procedure, decided to draw up an additional opinion on the 'Common Fisheries Policy'.

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 1 February 2001. The rapporteur was Mr Chagas.

At its 379th plenary session held on 28 February and 1 March 2001 (meeting of 1 March 2001), the Economic and Social Committee adopted the following opinion, by 57 votes to five, with one abstention.

1. Introduction

1.1. It is worth reiterating that the success of the Common Fisheries Policy (CFP) depends on a number of factors: the balance struck between resources and fishing effort; considerable transparency in devising and implementing policies; a certain amount of flexibility in applying measures; more effective monitoring and controls; effective involvement of interested parties; and finding solutions to the social problems associated with restructuring the sector and reducing capacity.

1.2. It must be remembered that the main aim of the CFP is to ensure the sustainability of the sector and boost the incomes of those employed in it; this will only become possible if measures are taken to secure the long-term future of fishing activities.

2. A rational and sustained policy for resource conservation and management

a) Given the current general state of fishery resources, faced with overfishing and the need to protect the most endangered species, the idea of conserving fishery resources in EU Member States' waters is no longer merely an objective; it has become an absolute priority. This priority should therefore be taken on board by all parties — Community institutions, Member States and the whole fisheries sector — as a starting point for stabilising fishing activities and placing them on a permanent footing and for ensuring the survival of an economic activity which is vital to numerous regions in the Community.

b) In referring to the poor state of fishery resources, the Committee would also mention the sizeable sector whose catch is not geared to human consumption: more than one third of worldwide catches (30 million tonnes of fish) is used for fishmeal. This sector is also responsible for the current general depletion of stocks. Although the impact of this

activity within the EU varies and is relatively minor, as it is concentrated in one area, it nevertheless raises legitimate questions about its impact on other species in the region concerned. The Commission should give thought to this matter, and seek advice on it from the scientific community.

2.1. The twelve-mile limit

2.1.1. This is a core issue in the reform of the CFP and must be clarified in order to outline the legal framework and parameters which will mark out how the sector develops. As the Committee has pointed out⁽¹⁾, the derogation from free access to the (12-mile) coastal band was introduced in 1972 and has since been extended. It has been widely supported both by the Member States and the sector itself.

2.1.2. Application of the principle of equal access from 2002 would be highly disruptive, and would have unforeseeable consequences not only politically but also from an economic and social standpoint.

2.1.3. Given the disruption which the adoption of such a measure could inflict on the economic and social fabric of the EU's coastal regions, mainly in the regions most dependent on fisheries, the Committee advocates maintaining access restriction to the twelve-mile zone and making the current derogation permanent, as a protection zone for the traditional fishing activities of coastal populations.

2.2. The North Sea

Under the terms of the accession agreements, access restrictions are to be lifted on 31 December 2002. As access to most stocks is regulated, fishing vessels from Spain, Finland, Portugal and Sweden will then have access to the North Sea on an equal footing with the other EU Member States.

⁽¹⁾ OJ C 268, 19.9.2000, pp. 39-41.

2.3. TACs and quotas

2.3.1. Despite its limitations, there is no credible alternative to the current system for managing fishing effort by setting total allowable catches (TACs) which are then distributed between Member States in the form of quotas.

2.3.2. The Committee confirms its stance on maintaining the TACs and quotas system, albeit with improvements, as a way of rounding off the policy for matching fishery capacities with the resources available. Compliance with the established TACs and quotas should be ensured.

2.3.3. In this context, the setting of TACs for several years at a time could provide more stable management of fishing effort, although — as is clear from the Commission's TACs and quota proposals for 2001 — a closer watch should be kept on the state of resources so as to avert the need for sharp cuts in TACs and their ensuing socio-economic consequences.

2.3.4. An accurate picture of the levels and development of stocks fished in Community waters is an essential part of any policy commitment to manage fishery resources.

2.3.5. The opinions of the Scientific, Technical and Economic Committee for Fisheries (STECF) and the recommendations of international bodies can certainly benefit from adopting a highly rigorous scientific approach and taking into account the analysis of biological, economic and social aspects, since these constitute the basis for establishing the TACs. Conversely, STECF opinions will always be limited in scope if the Council introduces 'improvements and adjustments' or other 'considerations' aimed at altering the parameters.

2.3.6. Under these circumstances, the level of TACs will reflect concerns which are more political than scientific in nature.

2.3.7. The Committee disagrees with this way of proceeding. It feels that the resources allocated to research to improve knowledge in this area should be increased in line with the important role which research plays in ensuring the sustainability of Community fisheries.

2.3.8. Proper, rational resource management ought also to provide for measures which anticipate the possibility of fishing effort being redirected to fish species not subject to quotas, by restricting overfishing of such species.

2.4. Relative stability

2.4.1. The principle which ensures rational distribution of the available resources, aimed at securing a balanced exploitation of resources and stability in the fishing activities of each Member State, must be guaranteed.

2.4.2. The Committee reiterates the need to maintain this principle with any adaptations and adjustments which might be warranted in overall terms by changes in the situation since 1983.

2.5. Structural measures

2.5.1. The series of measures which make up structural policy do not seem to have been very successful, judging by the still manifest over-capacity.

2.5.2. Efforts should continue, without losing sight of the need to continue to renew and modernise the Community's fleet. There should be a firm commitment to achieving high-quality conditions for processing the raw material, improving the quality of life on board, and enhancing safety for crews. The concept of capacity should be redefined so that instead of only taking into account total fleet tonnage and engine power, a distinction can be drawn between an active capacity which generates fishing effort and a passive capacity which does not have any impact on this⁽¹⁾. Such a step would do much to improve safety and living conditions on board.

2.6. Multiannual guidance programmes (MAGPs)

2.6.1. Alongside TACs and quotas, MAGPs are part of a series of measures aimed at limiting the impact of overfishing and the risks of depleting the stocks of certain species. Steps to cut back fishing effort do not appear to have been very successful under the current programme, as can be inferred from the Commission's interim report⁽²⁾. The main reason seems to be that actual capacity reduction under the current (fourth) MAGP has proved insufficient in some Member States.

⁽¹⁾ An increase in the tonnage of a vessel does not necessarily mean an increase in its fishing capacity. Increases in tonnage which merely improve work and safety conditions, without affecting fishing capacity, should not be penalised.

⁽²⁾ COM(2000) 272 final.

The most suitable ways should be found and an unambiguous reference framework devised for coherent measures which can be applied by everyone, so that the MAGP can become a truly effective management instrument. Provision must be made for the institutionalisation of genuinely deterrent sanctions for non-compliance.

2.6.2. No-one disputes the fact that resources are heavily fished and that this is likely to cause substantial losses for both shipowners and fishermen. Thus, socio-economic support measures are fully warranted in the event of fleet reductions or adjustments.

2.7. *Technical measures*

2.7.1. Despite regulatory difficulties in this field, there is still scope for progress if there is the political will and support for research geared to improving the selectivity of fishing tackle, for example.

2.7.2. Professionals in the sector, particularly long-standing ones, with in-depth knowledge of the sector and of fishing techniques, can be most helpful here.

2.8. *Monitoring*

2.8.1. As good as the institutional and legislative framework may be, one eye has to be kept on its practical application. The fact of having legal instruments to deal with fisheries problems will be of no use whatsoever if they are not actually used. The monitoring of regulated activities is the key to securing a suitable resource conservation policy. As long as no solution is found to the inconsistency of a system which has Community rules and a Community legal framework but leaves monitoring in the hands of national authorities, then the CFP will always have its limitations.

2.8.2. Indeed, despite efforts to date, there are still disparities between Member States in terms of both legislation and monitoring. The old problem of differences between Member States remains in relation not only to sanctions but also to their application.

2.8.3. The Commission's monitoring powers are still too limited to make Community rules more effective and to prevent discrimination in their application.

2.8.4. It is difficult to implement the monitoring policy without Community legislation to standardise sanctions and application criteria. The Committee thinks that the Commission should be given the means to remedy this situation.

2.9. *Research and development*

2.9.1. A resource management policy can only be effective if it is backed up by in-depth knowledge of the levels of and changes to the species fished in Community waters.

2.9.2. The global research and development policy should facilitate a rational, more efficient and more consistent harvesting of the sea's resources.

2.9.3. Resources allocated to research should therefore be increased to match the importance of research for the CFP's future, viability and sustainability.

2.10. *Conservation of the marine environment*

2.10.1. There is increasing awareness of the fact that the sea is vulnerable and that the quality of the marine environment is fundamental to the stability not only of fishing activities, but also of all other economic activities for which the sea is a key input.

2.10.2. Fisheries depend on biological conditions which are heavily influenced by environmental factors. As far as fishing is concerned, it is nowadays accepted that the quality of the environment has a direct impact on the capacity of living organisms to develop and on their suitability as a foodstuff for human consumption. Dissolved oxygen levels and the nutritive content of the water, the presence of chemical pollutants, high levels of radioactive waste residue and pathogenic micro-organisms, together with a number of practices inconducive to the environmental management of the coastline, all have an enormous influence on the ecosystem and water quality. Regrettably, there are frequent instances of the sea being treated as a dumping ground for rubbish and all kinds of pollutants. Even within the EU, people continue to adopt attitudes and practices which damage the marine environment and the species which live in it. The 'polluter pays' principle should also be applied, and compensation should be paid to the injured parties.

2.10.3. Studies and research into the effects of pollution, climate and air quality on the marine environment will have to be more focused and substantial progress must be made towards integrated management of coastal zones, so that ecological and environmental best practice becomes a reality.

3. Economic sustainability

3.1. Economic and social cohesion

3.1.1. New approaches for boosting productivity, improving fishermen's living conditions and addressing other fisheries-related aspects will only succeed if steps are taken to redress the current imbalance between fishing capacity and resources.

3.1.2. For the regions concerned, the importance of fisheries and all ancillary activities, both upstream and downstream, extends far beyond their contribution to GDP.

3.1.3. Fishing constitutes a hub around which a whole series of communities revolve, and these play a key role in maintaining social balance and ensuring regional management; this role is difficult to quantify in economic terms.

3.1.4. Any revisions or proposed adjustments to the CFP should be based on detailed studies and analyses that take account of the impact on the sector in each Member State, and especially in those regions which are particularly dependent on fisheries. The worst affected regions should be helped to create new job opportunities or to restructure the sector.

3.1.5. The CFP must play a full part in the drive for economic and social cohesion, by preparing for the adjustments necessary to safeguard these cradles of employment, boost local production and living standards and guarantee supplies.

3.1.6. Coastal fishing, which is after all a more clearly community-oriented type of fishing guaranteeing the development of local economies and coastal areas and binding them together, should be given more support from the CFP.

3.2. Social policy

3.2.1. There should be an active social policy to back up the restructuring which is going to be necessary and the sacrifices which will have to be agreed to in all Member States in order to cut back fishing fleets in line with current levels of fishery resources.

3.2.2. Socio-economic measures will be needed to cushion the effects of withdrawing boats from service and fishermen leaving the sector, but steps will also have to be taken to prepare for new, younger fishermen who can replace those who have taken early retirement.

3.2.3. The Pesca programme was not a great practical success. Nonetheless, the Committee thinks it important to continue to have a specific instrument for social policy in the sector.

3.3. Health and safety

3.3.1. Working conditions

3.3.1.1. Only a small proportion of Community legislation on working conditions and the working environment applies to the fisheries sector, despite the fact that this is one of the most dangerous occupations in Europe.

3.3.1.2. The Committee thinks that minimum standards must be laid down for working and living conditions on fishing vessels. These standards should cover such factors as noise, vibrations, accommodation facilities and proper handling of fishing gear and equipment.

3.3.2. Construction and equipment of fishing vessels

The introduction of basic safety standards for all fishing vessels, and of minimum standards for safety equipment, will do much to reduce the number of accidents in the fishing industry. The Committee calls on all Member States to ratify the 1997 Torremolinos Protocol. The protocol should also be used as a basis for Community legislation applying to all vessels irrespective of their size.

3.3.3. Training and certification

3.3.3.1. The large number of accidents is partly due to the absence of minimum safety training standards for all fishing crew. Accidents could be avoided if crew were better trained in safety methods and procedures.

3.3.3.2. The Committee considers that safety training should be introduced in the EU as a matter of urgency. Ratification and implementation, by all Member States, of the 1995 STCW-F Convention⁽¹⁾ on minimum training standards should be a priority.

3.3.4. Recruitment and employment

3.3.4.1. In many regions which depend on fisheries and have a long tradition in the sector, it is becoming increasingly difficult to recruit young fishermen. The Committee considers that, aside from the question of pay, the sector would attract more young people if it was able to invest more in safety and compliance with international standards, and offer better living and working conditions on board. Support and incentives for modernising the fleet should help here.

3.3.4.2. The recent crisis sparked by the sharp increase in fuel prices also highlighted the need to rethink some of the remuneration systems in the fisheries sector, as these too can deter new entrants. In some widely used remuneration systems, increases in fuel costs are directly factored into pay, and this seriously affects the income of many fishermen.

3.3.4.3. The Committee calls on the social partners, especially at national level, to explore ways of resolving this problem and improving income stability. This would also make the sector more attractive to new entrants.

3.4. Common market organisation

3.4.1. The common market organisation is an instrument of the CFP and has to evolve in a way which is consistent with developments in other aspects of the policy, with a view to the integrated development of the whole sector.

3.4.2. As the Committee has repeatedly pointed out, this sector is fundamental to the economy and dynamism of a number of regions and local populations. For the sector to be viable, fisheries production must remain competitive and in good shape, bearing in mind that the nutritional qualities of fish are increasingly recommended for a balanced, healthy diet.

3.4.3. Greater attention should be paid to making market mechanisms more dynamic, and to investing in a quality-based policy and in factors which could create real value added for fisheries products.

3.4.4. The best conditions must be secured for supplies entering the Community market to plug the deficit in fisheries products, otherwise consumers and a major part of the fishing industry could seriously suffer.

3.4.5. Nevertheless, guaranteeing supplies by recourse to external sources and imports must not mean contravening Community legislation or international rules and good practices in this sector.

3.4.6. Products from third countries competing on the Community market do not always comply with legal provisions. The Committee reiterates the need for stricter monitoring throughout the Union of the application of these legal provisions regarding imports and fish landed from third country vessels or vessels flying flags of convenience.

3.4.7. The official introduction of labelling for fisheries products, indicative of good practice in fisheries and compliance with health and hygiene legislation, could offer consumers a valuable guarantee that a product is wholesome and was fished in keeping with the rules.

4. The international dimension

4.1. Fishing agreements with third countries

4.1.1. These agreements enable the EU to reduce its chronic deficit in marine products, whilst preserving the traditional fishing activities of Community fleets.

⁽¹⁾ International convention on standards of training, certification and watchkeeping for fishing vessel personnel (STCW-F), 1995.

4.1.2. It has thus been generally possible to secure a balance in the single market and, to a certain extent, to obtain vital stability in fishermen's incomes.

4.1.3. This issue should nevertheless be carefully reviewed in the light of recent developments in renewing the agreements. Existing agreements, such as the one with Morocco, should be renewed, and new agreements should be concluded to flesh out the existing arrangements.

4.1.4. In any case, in terms of both employment and supplying the Community market, priority should be given wherever possible to the 'first generation' agreements.

4.1.5. Moreover, the EU should ensure that agreements with third countries, particularly the 'second generation' agreements, are favourable to the economic and social development of the fishermen and general population in these countries. The ILO Convention on basic trade union rights should form an integral part of all new agreements.

4.2. *Illegal, unregulated and undeclared fishing*

4.2.1. Several international organisations have been turning their attention to illegal, unregulated and undeclared fishing activities. This work has led to the approval of a number of international agreements and codes by the United Nations and the FAO.

4.2.2. The Committee considers that implementation of these agreements is a fundamental step towards proper management of fishery resources. It calls on the Commission to promote their adoption at all levels.

4.2.3. The Committee also thinks that inspection activity should extend to all aspects of safety and training as defined in the 1999 Torremolinos Protocol and the STWC-F Convention. Inspections should also cover compliance with Community legislation on resource management, and with international agreements and codes.

4.3. *EU representation in regional fisheries organisations*

4.3.1. The Commission should be given a greater role and more resources in this sphere.

4.3.2. Fishing sector professionals and the socio-economic partners could be allowed greater involvement in such representation, particularly by involving them in the preparations for these meetings.

4.4. *EU enlargement*

4.4.1. It is vitally important that the social partners be involved in the various aspects of negotiations, watching over the impact on all strands of the CFP and on resource exploitation and the labour market in particular.

4.4.2. In this sector, as in others, it is essential that the new Member States have fully adopted the Community acquis by the time of accession, guaranteeing the safety and quality standards of the EU.

5. **Making the CFP more dynamic**

Two further steps seem to be crucial for making all strands of the CFP more dynamic. The first is to boost the role and powers of the Commission, since it is best placed to promote the Union's interest. The second, as part of moves to enhance the role of local fishing communities, is to facilitate more decentralised and/or regionalised management of some aspects of the CFP.

6. **Conclusions**

6.1. A study of the CFP inevitably leads us to take stock of this policy, possibly to criticise its shortcomings and limitations and above all to trace out guidelines that will prepare it for the challenges it will have to face over the next few years.

6.2. In order to meet these challenges and remedy these shortcomings as effectively as possible, it will be necessary for everyone concerned — fisheries professionals, socio-economic partners, Member States and Community institutions — to use their powers of imagination and adaptability to find the best solutions for the problems which arise.

6.3. At all events, more information is needed about the situation in the sector, and the role of professionals and their organisations must be bolstered, since the success of any fisheries policy depends on shipowners' and fishermen's support for its objectives.

6.4. The prospects of success will be all the greater if the CFP helps full use to be made of Community resources by

turning these to best advantage, making businesses viable and securing fair pay and up-to-date social conditions.

6.5. The Committee eagerly awaits the Commission's promised green paper containing ideas and suggestions for reforming the CFP. As in the past, the Committee will keep a close watch on this important debate for the sector's future, and will be sure to give its views on the subject.

Brussels, 1 March 2001.

The President
of the Economic and Social Committee
Göke FRERICHS
