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## I

*(Resolutions, recommendations and opinions)*

## RESOLUTIONS

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

## 436th PLENARY SESSION HELD ON 30 AND 31 MAY 2007

**Resolution of the European Economic and Social Committee on the 'Contribution to the European Council of 21 and 22 June 2007 — Roadmap for the constitutional process'**

(2007/C 256/01)

At its meeting of 29 May 2007, the Bureau of the European Economic and Social Committee decided to present to the plenary assembly a resolution on the roadmap for the constitutional process as a contribution to the European Council of 21 and 22 June 2007.

At its plenary session of 30 and 31 May 2007 (meeting of 30 May 2007), the European Economic and Social Committee adopted this resolution by 171 votes to 18 with 16 abstentions.

1. The EESC emphatically confirms its opinions on the Constitutional Treaty of 24 September 2003 <sup>(1)</sup>, 28 October 2004 <sup>(2)</sup> and 17 May 2006 <sup>(3)</sup>, as well as its resolution of 14 March 2007 to commemorate the 50th anniversary of the signing of the Treaties of Rome <sup>(4)</sup>. In all these opinions, the EESC unreservedly declared its support for the Convention method as well as the outcome.

2. The EESC continues to support the Constitutional Treaty, which differs fundamentally and positively from all the institutional texts hitherto produced by the various Intergovernmental Conferences revising the Treaties of Rome in the following ways: it came about with the participation of national and European parliamentarians in free and public debate; it systematically summarises in one single text the entire political and institutional arrangements as they have evolved since the establishment of the European Communities; it contains the provisions for the necessary institutional and procedural reforms of the European Union's decision-making system, describes the objectives that the EU must pursue, states the values which should form the foundation of its policies, and codifies the fundamental rights that it must respect and protect.

3. All this has justified calling the Convention's draft a 'Treaty establishing a Constitution for Europe'. Owing to

numerous misunderstandings, the term 'constitution' has, however, met with rejection in some Member States. The EESC is not opposed to the new treaty being given a new name. The substance is more important than the name.

4. The following reasons, which contribute to the strengthening of the EU's democratic legitimacy, are of decisive importance to the EESC, as the institutional representation of organised civil society, for its continued support for the Constitutional Treaty:

— The increase in the European Parliament's competences by extending co-decision rights to new areas

— An increased involvement of the National Parliaments in the work of the European Union by granting them the right to monitor compliance with the principle of subsidiarity

— The improved transparency of the proceedings of the Council of the European Union

— The strengthening of the role of autonomous social dialogue and the recognition of the social partners as players in European integration

<sup>(1)</sup> Opinion addressed to the Intergovernmental Conference (CESE 1171/2003) (OJ C 10, 14.1.2004).

<sup>(2)</sup> Opinion on the Treaty establishing a Constitution for Europe (OJ C 120, 20.5.2005).

<sup>(3)</sup> Opinion of 17 May 2006 'Contribution to the European Council of 15-16 June 2006 — Period of reflection' (OJ C 195, 18.8.2006).

<sup>(4)</sup> OJ C 161, 13.7.2007.

— The recognition of the importance of participatory democracy, in particular by requiring the European institutions to maintain a transparent and regular dialogue with civil society organisations and EU citizens

— To the same end, the granting of a right of initiative to EU citizens.

5. The EESC points out that the Heads of State or Government of all the Member States approved the Constitutional Treaty at a meeting of the European Council and formally signed it at a ceremony in Rome on 29 October 2004. Since then the Constitutional Treaty has also been ratified by a two-thirds majority of the Member States with a population representing a clear majority of the citizens of the European Union. The EESC therefore insists that the Constitutional Treaty must remain the basis for further discussions to solve the present crisis.

6. The EESC supports the German Presidency in its intention to present a roadmap for future endeavours to solve the crisis on the occasion of the meeting of the European Council on 21 and 22 June 2007, and welcomes the fact that in the Berlin Declaration of 25 March 2007 the European Parliament elections of 2009 were set as a deadline for the entry into force of the new Constitution.

7. This means that by the end of 2007 an Intergovernmental Conference of short duration must adopt the changes to the existing draft that are necessary in order to forge a new consensus. The mandate for this Intergovernmental Conference will accordingly have to list precisely the few provisions on which discussions can be reopened. The outcome would have to be ratified by all Member States during the course of 2008.

8. The fresh discussions on the Treaty must preserve the substance of what was decided at the European Convention and afterwards unanimously approved by the Heads of State and Government. These include, first and foremost, the institutional

and procedural innovations as well as the binding nature of the Charter of Fundamental Rights. This means: Part I (Objectives, Institutions, Framework of the Union), Part II (The Charter of Fundamental Rights of the Union) and Part IV (General and Final Provisions) must remain as they are; Part III in essence contains the provisions of the current Treaties which relate to the policies of the European Union which need not necessarily form part of the new Treaty; the institutional and procedural provisions of Part III should, where they go further than existing law, be incorporated into Part I.

9. The EESC will follow the work of the Intergovernmental Conference in a constructive way. However, it also stresses that, despite the expected short duration of the Intergovernmental Conference and despite its limited mandate, civil society organisations should be given the opportunity for consultative involvement. The EESC is prepared, in cooperation with the Council Presidency, to organise the appropriate information and consultation meetings; here it can draw on its positive experience of cooperation with the Praesidium as well as with the European Parliament during the work of the European Convention.

10. There is an urgent need for a speedy resolution of the present crisis by the adoption of a treaty that meets the requirements of a Union of 27 Member States. For new challenges make it essential that the European Union reaches agreements on new policies and takes far-reaching decisions, above all with regard to the further development of the European social model, of which services of general interest (SGIs) are a component, and the strengthening of the social dimension of European integration; tackling the negative effects which have been brought about by the globalisation of all economic, social and cultural relations; promoting economic growth and strengthening competitiveness; tackling climate change; ensuring energy supply; dealing with problems relating to immigration; and combating poverty and social exclusion.

Brussels, 30 May 2007

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

## III

(Preparatory Acts)

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

## 437th PLENARY SESSION HELD ON 11 AND 12 JULY 2007

**Opinion of the European Economic and Social Committee on the 'Proposal for a European Parliament and Council Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights'**

COM(2005) 276 final — 2005/0127 (COD)

(2007/C 256/02)

On 21 September 2005, the Council decided to consult the European Economic and Social Committee, under Article 95 of the Treaty establishing the European Community, on the abovementioned 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 4 June 2007. The rapporteur was Mr Retureau.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 12 July), the European Economic and Social Committee adopted the following opinion by 76 votes to three.

## 1. Conclusions

1.1 The Committee will continue to monitor the coordinated implementation of the 2004 Directive, the amended proposal for a Directive under consideration, and the relevant supplementing Framework Decisions in order to assess the long-term effectiveness of the fight against counterfeiting and its international repercussions, also outside the Community.

1.2 Although the Committee supports the general approach adopted in the proposed provisions, it nevertheless calls on the Commission to consider the comments made in this opinion, which recommends placing the main emphasis on judicial and customs cooperation and efforts to combat large-scale counterfeiting and counterfeiting by criminal organisations or where the offence involves risk to people's health or safety.

1.3 In particular, the Committee believes that the Directive should cover industrial property rights as a whole, and that, as a

result, invention patents, which are the most important area for European industry, should not be excluded.

1.4 The EESC notes that certain legal concepts are unclear, such as 'on a commercial scale' or 'commercial activities' in relation to the criminal practices referred to in the proposal for a Directive, which conflicts with the basic principles of criminal law that require a clear and precisely defined, objective substantiation of a crime. The EESC also criticises the way in which crimes covered by Article 2 of the proposal are defined, since it believes that only one general framework should be provided for criminal sanctions (imprisonment or financial penalties and fines), so that responsibility for defining the punishments remains exclusively within the national jurisdictions.

## 2. Introduction

2.1 In MEMO/05/437 of 23 November 2005 summarising its Communication of the same date, the Commission welcomed the Court of Justice judgment recognising the competences of the Community to adopt dissuasive and proportionate criminal law measures to ensure the application of TEC provisions on Community policies.

2.2 In its communication, the Commission sets out its interpretation of the judgment of 13 September 2005 by which the Court of Justice annulled a Framework Decision on the protection of the environment through criminal law. In the Commission's opinion, the Court held that the Community had sole competence to take the criminal law measures needed to ensure the effectiveness of Community law. The scope of this judgment exceeds by far the field of the environment, taking in the whole range of Community policies and the fundamental freedoms recognised by the Treaty. The insertion of criminal penalties in Community law must be based on a duly justified need and respect the overall consistency of the construction of the criminal law of the Union.

2.3 This broad interpretation of a judgement concerning the environment was not unanimously endorsed by Member States and legal doctrine. Several believe that criminal charges and the corresponding level of criminal penalties are essentially subject to subsidiarity and that their possible harmonisation at EU level should be achieved through judicial cooperation between States, as provided for in the TEU.

2.4 It should be noted that this interpretation is very widely shared by the European Parliament since the areas liable to be covered by Community criminal law measures are no longer exclusively subject to the unanimity of Member States in Council, but to a qualified majority and co-decision procedures involving the European Parliament, whose competences as co-legislator are thus extended <sup>(1)</sup>.

2.5 However, this constitutes a substantial broadening of Community competences, resulting from a court decision, and the risk of divergences of interpretation among the institutions could, *inter alia*, delay the adoption of legislation entailing criminal law measures, or subsequently restrict their scope through, for instance, further court cases or compromises. In the case of this proposal for a Directive, the question of whether or not to protect invention patents under criminal law remains open since the European Parliament considers that only Community law is affected by the court judgement, whereas the Commission's intention is to include all legislation, be it Community or national, on intellectual property rights.

### 3. Commission proposals

3.1 The amended proposal for a Directive (COM(2006) 168 final), seeks to establish a harmonised, horizontal criminal-law framework to ensure the enforcement of industrial, literary and artistic property rights and other similar incorporeal rights (grouped under the term 'intellectual property rights'). It

<sup>(1)</sup> The UK and Irish opt-ins and the Danish exemption would no longer prevail against the legislation, as is the case for relevant actions under the third pillar.

concerns the internal market and was prompted by the clear need for European-level action in this field, in accordance with the principles of subsidiarity and proportionality. The legal basis for these measures is Article 95 TEC.

3.2 It sets out a general criminal-law framework defining protected intellectual property rights (IPR), infringements of these rights and maximum criminal penalties to ensure the uniform application throughout the internal market of measures to combat the counterfeiting of material goods, services and intellectual and artistic property protected under substantive European and national law as well as the relevant international Conventions including the TRIPS Agreement <sup>(2)</sup>, signed in 1994 under the auspices of the WTO, which sets out the provisions for criminal procedures <sup>(3)</sup> to be applied in cases of infringement of specific protected rights.

3.3 A Directive adopted in 2004 already provides a framework for safeguarding against reproduction, piracy or counterfeiting for commercial purposes <sup>(4)</sup>. A detailed list of rights protected under Article 2 of this Directive is set out in a Statement by the Commission <sup>(5)</sup>. These rights apply to industrial property (invention patents and supplementary protection certificates, utility certificates, trademarks, designations of origin, designs and models, and plant varieties) and copyright and related rights, as well as the *sui generis* rights established under Community law to cover integrated circuit topographies and databases. They are exclusive rights, considered by the law as incorporeal property rights. Some of these rights are included in the *acquis communautaire*, or even covered by specific forms of Community protection (designs and models, trade marks, plant varieties) <sup>(6)</sup>. Others, such as patents, remain entirely subject to national law, pending the European patent so much awaited by all industrial sectors. Thus, the term 'intellectual property' actually covers a very heterogeneous field of incorporeal rights with widely differing characteristics and legal statuses.

3.4 Member States are subject to the terms of the TRIPS Agreement, which requires the implementation of appropriate domestic legislation on criminal procedures and penalties for counterfeiting for commercial purposes. However, States are granted some leeway for interpretation. Furthermore, some States have not yet adopted proportionate criminal measures for IPR infringements occurring within their jurisdiction, and this includes EU Member States. The 2004 Directive enables the victims of such infringements to obtain compensation by compelling the Member States to investigate, initiate procedures, confiscate <sup>(7)</sup> and compensate, with a view to bringing the

<sup>(2)</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights.

<sup>(3)</sup> TRIPS Agreement, Article 61.

<sup>(4)</sup> Directive 2004/48/EC on the enforcement of intellectual property rights.

<sup>(5)</sup> Statement by the Commission concerning Article 2 of the abovementioned Directive 2004/48/EC (2005/295/EC).

<sup>(6)</sup> With the significant exception of the Community Patent, which is still in limbo (NDA).

<sup>(7)</sup> Council Framework Decision 2005/212/JHA on Confiscation of Crime-Related Proceeds, Instrumentalities and Property (counterfeiting, piracy) OJ L 68, 15.3.2005.

applicable law into line in the fight against organised crime <sup>(8)</sup>, a context where counterfeiting is rife. However, the Directive only covers civil, commercial and administrative procedures and penalties that consist primarily in obtaining damages for owners of rights who have instituted anti-counterfeiting proceedings. Moreover, some Member States have yet to transpose the Directive.

3.5 The protection of intellectual property rights is enshrined in the Universal Declaration of Human Rights as well as the EU Charter of Fundamental Rights, a solemn declaration adopted in Nice in December 2000. International protection is also provided and safeguarded by Conventions concluded under the auspices of the relevant United Nations specialised agencies (WIPO, UNESCO) or at regional level (Munich Convention (1973) establishing the European Patent Office and the European patent). So far, only the TRIPS Agreement makes provision for minimum criminal penalties. The Commission proposal seeks to achieve a degree of uniformity at EU level by obliging Member States to include criminal penalties in their domestic laws and define offences and a common standard for penalties.

3.6 The amended proposal for a Directive therefore aims to approximate the level of penalties for IPR infringements such as imprisonment, criminal fines and confiscation. It seeks to establish jurisdiction rules to centralise legal proceedings in a single Member State, wherever possible, if the offence concerns several Member States, and to facilitate investigations. It further proposes involving the victims or their legal representatives in the investigations.

3.7 The main amendment vis-à-vis the previous proposals consists in setting the level and nature of penalties applicable to persons convicted of any infringement of intellectual property rights, also defined in the proposal.

3.8 Natural persons convicted of the offences referred to in Article 3 of the Directive will be liable to a maximum sentence of at least four years' imprisonment when they are acting under the aegis of a criminal organisation or when the offence carries a health or safety risk. (Article 2(1)).

3.9 Natural or legal persons convicted of offences under Article 3 of the Directive will be liable to effective, proportionate and dissuasive penalties, including criminal and non criminal fines to a maximum of at least EUR 100 000 (EUR 300 000 for the serious cases referred to in Article 2(1), without prejudice to the application of more serious sentences in the case of risk of death or infirmity).

3.10 Domestic law should provide for the confiscation of crime-related counterfeit goods, property and instrumentalities, at least in serious cases (organised crime, health or safety risks) (Article 3).

<sup>(8)</sup> Proposal for a Council Framework Decision on the fight against organised crime. Counterfeiting can also contribute to financing terrorist networks; money laundering and counterfeiting are also criminal acts that should be rigorously combated.

3.11 The amended proposal permits Member States to apply more stringent provisions.

3.12 Following the withdrawal of the proposal for a Council Framework Decision accompanying the initial proposal, the Commission intends to apply a horizontal approach to the criminal procedures adopted on 23.12.2005, which are aimed at supporting mutual judicial assistance and aligning the levels of penalties in different countries in order to be able to involve Eurojust <sup>(9)</sup>.

3.13 Member States are responsible for initiating investigations and proceedings, which should not depend solely on a complaint by a victim.

#### 4. The Committee's general comments

4.1 The Committee notes the growing use of an ambiguous term: intellectual property. The term merges distinct legal concepts and diverse methods of protection and use. Nevertheless, the term has gained currency in European and international law. The nature, duration and scope of each of the relevant incorporeal rights vary considerably. Each has its own specific legal framework, different territorial validity and specific institutions for the registration and protection of patents. Moreover, the interpretation of infringements of these rights may vary from one country to another and is changing rapidly in some cases.

4.2 The analysis of the composition of medicines (without using or publishing the results), or the inverse engineering of software or electronic components for the purpose of interoperability or exercising a legitimate right such as the right to private copying by circumventing a protection tool (generally quite weak) could constitute counterfeiting or illicit copying in several Member States, where the penalties might also be very high, even in the absence of commercial or criminal intent.

4.2.1 The Committee has already argued in favour of Community-level coordination to combat all forms of commercial counterfeiting affecting the European economy and to clamp down on crimes against industrial property rights and copy-right <sup>(10)</sup> that do serious damage to the European economy. Large-scale counterfeiting is often carried out by criminal organisations or organised gangs and may endanger health, safety or life. The latter instances should be treated as aggravating circumstances in determining criminal penalties. The proposal for a Directive should set out the principle of increased penalties in all aggravating circumstances.

<sup>(9)</sup> COM(2005) 696 final.

<sup>(10)</sup> See Mr Malosse's opinion (OJ C 221, 7.8.2001).



4.2.2 As in the case of the 2004 Directive, the Committee approves of the fact that the proposed harmonisation is restricted to infringements committed on a commercial scale and therefore liable to impact substantially on the single market. It would also be useful to define the term 'commercial' more clearly, for instance, by relating it to counterfeit goods or services which are intended to be sold in quantities large enough to result in significant financial loss or which are dangerous irrespective of the quantities sold, or in any case where those committing such offences do so with a view to obtaining an unlawful economic gain. The application of criminal penalties presupposes a clear threat to law and order, the intensity and gravity of which might vary. The offence and the penalty must be proportionate to the risk. However, one may question whether the distinctions between 'infringements of an intellectual property right on a commercial scale' and 'serious offences' are clear and whether the severity of the penalties corresponds to the principle of proportionality inherent to criminal law. Furthermore, private file sharing on the Internet or reproduction (or music remixes), or the representation of material or intellectual works amongst family members or private individuals for educational or experimental purposes are implicitly excluded from the proposed Directive's scope of application. It would be appropriate to spell out this exclusion.

4.2.3 The Committee would emphasise that the incorporeal rights affected by counterfeiting are not absolute rights. Each right has its own specificities and, in principle, grants exclusivity and a temporary monopoly on commercial use, which vary in duration and geographical validity. In other words, it constitutes a temporary protectionist measure (in exchange for the publication of inventions in the case of patents, and intellectual works in the case of copyright). Nevertheless, the licence holders and authorised or *bona fide* users of products and services or intellectual works also have rights, which are sometimes very extensive in the case of some licences<sup>(11)</sup>. Several domestic systems of law contain inconsistencies and place the rights of producers, distributors and industries before consumers' rights. The intention of incorporating heavy criminal penalties into domestic law would appear to contribute further to this bias in many countries. This leads to a paradox whereby the maximum penalty for a commercial-scale infringement set out in the proposal for a Directive could prove to be equal or lighter than the maximum penalty for a single infringement.

4.2.4 The Committee would like the Commission to initiate, perhaps by conducting an in-depth comparative study following transposition into domestic law, a thorough overhaul of domestic criminal law in the light of Community criminal law, in order to ensure genuine harmonisation throughout the EU. This is particularly important in the case of copyright and related rights, where ever more stringent lawmaking sometimes results in scales of sanctions and penalties that are disproportionate and serve no genuine purpose since the commercial models for the distribution of works are still in full development, with the projected elimination of DRM (protection against copying) in the short-term, and since, in some cases, the tax on

support tools largely compensates the right holders for unauthorised copying.

#### 4.3 Specific comments

4.3.1 The Committee would like the question of the nature of the offence of inciting acts of counterfeiting of products or services of intellectual property to be better clarified. A criminal offence must include an element of intent on the part of the perpetrator or his accomplices. The TRIPS Agreement refers to 'wilful trademark counterfeiting' and the Directive uses the words 'wilful', 'intentional' and 'deliberate'. There must also be a material element to the offence, i.e. commission of the offence or, at least, an attempt tantamount to initiation of the offence. These two elements are cumulative; mere intention does not constitute an offence (unless we set up a thought police). In general, incitement to commit a crime can only be established if the inciter supplies the tools (generally illicit) for the specific purpose of committing the crime. Furthermore, the Committee believes that the mere provision of widely used materials or software, or access to the Internet, cannot be equated with complicity or criminal incitement (generally present in only a limited number of criminal law situations, and difficult to prove) if counterfeiters use these means. The concept of complicity should be sufficient in Community law since shared responsibility is regulated in detail by domestic law. Otherwise, this could result in convictions in the absence of intent, which would create great legal uncertainty for many equipment and service providers.

4.3.2 The unlawful reproduction of works, models, procedures or inventions protected by a temporary monopoly constitutes the offence of counterfeiting. It is advisable to stick to this definition, without extending it to include piracy (which generally involves gaining fraudulent access to IT systems in order to gain control of them and steal data or use the bandwidth, generally for illegal ends). Piracy differs from counterfeiting in the strict sense and strict definitions should continue to apply to criminal offences. The unauthorised hacking into IT systems, data or bandwidth theft, and attacks on privacy should unquestionably be subject to appropriate criminal proceedings, but they do not directly constitute counterfeiting. Combating IT piracy should be addressed specifically, even if the terms are applied inaccurately in a number of policy declarations, which tend to use them interchangeably and cause a degree of confusion. IT piracy is used by terrorist organisations and should be the focus of special attention and appropriate international cooperation.

4.3.3 The term 'organised gangs' should be added to the terms 'criminal organisation' and 'organised crime' used in the explanatory memorandum, because the term already exists as an aggravating circumstance in some criminal law systems. Commercial counterfeiting committed by organised gangs or criminal organisations should constitute an aggravating circumstance justifying heavier penalties or fines.

<sup>(11)</sup> Creative Commons Licence, General Public Licence, BSD Licence, BBC Creative Archive Licence (free access to audiovisual material) etc.

4.3.4 The Commission states that Member States are free to adopt more severe penalties or to penalise other acts. This could be interpreted as encouragement to criminalise non-commercial acts or even extend the definition of criminal counterfeiting to acts that do not, strictly speaking, constitute the reproduction or copying of a product, procedure or intellectual work.

4.3.5 The Committee has reservations about the fact that Community law and certain other systems of national law are effectively equating copying software for circumventing or deactivating DRM systems <sup>(12)</sup> (copy-protection systems, equipment or software, often ineffective and non-encrypted) with the counterfeiting of DRM systems, whereas what is being defined as 'counterfeiting' does not constitute copying or reproducing the original system. Furthermore, DRM systems are not standard. They differ according to their platform or provider, and file formats may be proprietary, which impedes interoperability or is intended to create a captive market by eliminating competition. The creation and use of copying methods to enable consumers or companies holding software licences to exercise their rights (copying for personal use, backup copy for use on different equipment) should not be penalised *per se* in the absence of criminal intent and active commission of a criminal act on a commercial scale.

4.3.6 The Committee supports the principle of making the initiation of criminal proceedings independent of any civil action or criminal charges brought by the victim. Indeed, where mafia-type criminal organisations are involved, the victim might be reluctant to initiate proceedings to protect his rights. Moreover, commercial counterfeiting, especially when carried out by organised criminal gangs or criminal organisations, not to mention terrorists, affects the economy and social welfare. For this reason, it is the State's responsibility to clamp down on it.

Brussels, 12 July 2007.

4.3.7 The Committee hopes that effective cooperation between Member States will make it possible to combat international counterfeiting networks effectively, especially those connected with criminal organisations and money laundering activities. In this context, we should bear in mind that many of these networks operate from third countries, and that it is vital to extend action beyond the EU's borders through the resources offered by international law.

4.3.8 At Community level, the Committee believes that joint police investigation teams should work together with customs teams as well as with the victims of counterfeiting and their appointed experts. The EESC welcomes the fact that victims are to be involved in investigations but recommends limiting their role purely to providing information to the public authorities. It would be inappropriate for a company, following an accusation of commercial counterfeiting, to be involved in monitoring activities or confiscating the property of a competitor, who is presumed innocent until proved otherwise in Court. The Committee feels strongly that it is important to resist tendencies towards private justice or interference or intrusion in criminal proceedings by persons holding no public authority.

4.3.9 Finally, the Committee is concerned about the growing tendency for Internet networks to be taken over for commercial purposes and by calls for the extension of criminal law penalties provided under the TRIPS Agreement to this area, as clearly called for in the United States Department of Commerce's 2006 Special 301 and Super 301 Report <sup>(13)</sup>, in application of the WIPO treaties on intellectual property on the Internet, which is a free instrument in the public domain and a common universal good.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(12)</sup> Digital Rights Management (a euphemism for copy protection).

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<sup>(13)</sup> 2006 SPECIAL 301 REPORT USA.

## Opinion of the European Economic and Social Committee on 'Business potential, especially of SMEs (Lisbon Strategy)'

(2007/C 256/03)

On 14 September 2006, the European Economic and Social Committee, acting under Rule 31 of its Rules of Procedures, decided to instruct the Section for the Single Market, Production and Consumption to draw up an information report on *Business potential, especially of SMEs (Lisbon Strategy)*.

At the plenary session of 14 and 15 March 2007, it was decided to transform the information report into an own-initiative opinion (Rule 29(2) of the Rules of Procedure).

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 3 May 2007. The rapporteur was Ms Faes.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 12 July 2007), the European Economic and Social Committee adopted the following opinion by 123 votes to one with three abstentions.

### 1. Preface

1.1 The Presidency conclusions of the European Council of 23-24 March 2006 ask for summary reports by the European Economic and Social Committee in support of the Partnership for Growth and Employment in early 2008.

1.2 Furthermore the European Council proposed specific areas for priority actions for the period 2005-2008:

- i. investment in knowledge and innovation
- ii. business potential, especially of SMEs
- iii. employment of priority categories (...)
- iv. the definition of an Energy Policy for Europe (...)
- v. measures to be taken across the board in order to maintain the momentum under all pillars of the Partnership for growth and employment (...).

### 2. Summary and recommendations

2.1 Although the Lisbon Strategy has produced positive results, it has not fully delivered so far in particular in the areas of economic and industrial growth and the creation of more and better jobs. In terms of global competition, Europe is facing challenges from traditional and more recent competitors it cannot adequately deal with.

2.2 Europe's businesses face an incomplete single market to operate in, especially regarding harmonisation of tax rules, too slow implementation of directives by Member States, remaining administrative burdens, lack of labour mobility. SMEs, in particular, have difficulties in overcoming these obstacles.

2.3 Other challenges to overcome are the lack of entrepreneurship, the ageing of the population and its effect on entrepreneurship, labour supply and a greater need to focus on

transfer of business, access to finance in the start-up and growth phase, access to research results and thus of innovation opportunities.

2.4 Small and Medium-Sized Enterprises play a key role in attaining the Lisbon goals. Nevertheless, their necessary contribution has been neglected in the first years of implementation. Especially the involvement of the SME-organisations in the assessment of the progress should be better developed as well as their role in promoting the SME's on all policy levels. At the occasion of the next revision of the integrated guidelines for growth and jobs for the years 2008-2010, the EESC calls for better targeted and streamlined integrated guidelines on SMEs, especially for the chapter on micro-economic reforms. In order to implement them at large in the process, the EESC urges the Council to give the Charter for Small Enterprises a legal basis — as requested by the Parliament — in order to strengthen the base for more action. The following policy lines and actions are deemed crucial in order to develop the business potential of SMEs.

2.4.1 The EESC urges Commission and Council to make every effort to contribute to making the 'think small first' principle a guiding principle in all relevant legislation.

2.4.2 The EESC calls for a 'Year of the Entrepreneur' in 2009 to emphasise the key role entrepreneurs play for growth and welfare and to stimulate young people and others to consider entrepreneurship as a career.

2.4.3 The EESC calls for endeavours to assure an effective Competitiveness and Innovation Programme, providing efficient support and easy access to SMEs, and a 7th Research and Development Framework Programme and Structural Funds facilitating access to SMEs. The effectiveness and accessibility of these programmes as well as JEREMIE should be closely monitored.

2.4.4 The most valuable asset of a company is its human capital. Adequate support structures, tailor-made training offers and well designed financial incentives should help SMEs to up-grade competences and skills of workers as well as entrepreneurs by further investing in continuous training.

2.4.5 The EESC calls for the Commission to make an analysis of SME involvement in community programmes. If the participation is not deemed sufficient, a minimum percentage should be obligatory.

2.4.6 Public procurement is an important instrument in helping SMEs to develop their activities. SME involvement should be closely monitored, and measures to facilitate their access to P.P. should be developed. Exchange of best practices should be encouraged.

2.4.7 On the level of the Commission a coordinating structure should be created for a real, efficient and effective SME policy in all programmes, actions and legislative measures.

2.4.8 It is necessary to design special actions to promote and use best practices in the SMEs field and regarding the competitiveness growth, especially in those regions with a low degree of European development. This type of actions should be implemented through SMEs organisations.

### 3. General

3.1 The Lisbon Strategy is best known, in a reductive manner, as a commitment to make Europe into the world's most dynamic competitive, knowledge-based, economy by the year 2010. In addition to the general outline the Council adopted the Charter of Small Enterprises in June 2000 in Santa Maria da Feira.

3.2 The Committee recalls that from the outset, the Lisbon mandate of 24 March 2000:

- emphasised the need to actively involve the social partners and civil society with the strategy, using variable forms of partnership;
- specified that its success depends primarily on private sector and public-private partnerships and on the involvement of both Member States and the Union;
- aimed at a balanced development of its three strands, i.e. economic growth, social cohesion and environmental sustainability, by stimulating European competitiveness and job creation whilst at the same time building on appropriate environmental policies.

3.3 At the Spring European Council in March 2005, the Council proceeded to the mid-term review of the Lisbon Strategy and decided to relaunch the process by refocusing on growth and employment as Europe's political top priorities. An

agreement was reached on the integrated guidelines for growth and jobs <sup>(1)</sup> which should foster coherence of reform measures and provide a roadmap for the design of national reform programmes.

3.4 In the evolution of the Lisbon Strategy, the search for competitiveness and growth is a critical feature in generating improved economic well being, creating employment, protecting the quality of lifestyles as well as improving them. In turn, better quality of life, social improvements and environmental sustainability may also create growth. Where the Lisbon strategy has not delivered so far is particularly in the areas of economic and industrial growth and the creation of more and better jobs. In terms of global competition, Europe is facing difficulties. Since the take-off of the Lisbon process, the EU has been through a major enlargement from 15 to 25 and then 27 Member States.

3.5 The Committee would firstly note that the Lisbon Strategy has already enabled a number of positive developments including:

- an awareness of the need for reform that goes beyond traditional divisions;
- accelerated expansion of information technologies and innovation processes;
- increased support for starting up businesses and financing SMEs;
- greater concern for sustainable development designed to lower public deficits, restore stability to the social protection budget and protect the environment;
- initiatives on the part of social partners in social reform;
- measures to simplify legal and administrative procedures, albeit of limited impact until now.

3.6 Despite these positive points, the main observation is that Europe, caught between its great industrialised competitors and emerging low production cost economies that are making greater use of new technologies, is facing ever increasing competitive challenges. Several indicators give cause for concern, such as:

- weaker domestic demand, lower investment, productivity and growth rates in the European Union, that make it lose out compared to its main competitors and upcoming markets;

<sup>(1)</sup> Council Decision of 12 July 2005 on Guidelines for the employment policies of the Member States (2005/600/EC), OJ L 205, 6.8.2005, p. 21.

- globalisation that is leading to the integration of new countries into the international economic system;
  - the failure to achieve employment targets;
  - continuing public deficits in several Member States, albeit not always the same;
  - widely disparate taxation rules and tax rates for businesses;
  - remaining administrative burden for business and slow implementation of directives in Member States;
  - the ageing of Europe's population that will put an enormous strain on public finances and the labour supply;
  - the threat of increasing resource scarcity or price volatility, climate change and loss of biodiversity;
  - lack of labour mobility which is essential for realising the internal market;
  - shift of companies in Europe to emerging and fast growing markets;
  - the declining interest of European citizens in the European Union.
- high rates of unemployment, especially for some target groups;
  - high rate of early retirement, in spite of commitments;
  - non-adapted education and training systems, especially concerning entrepreneurial and ICT skills;
  - insufficient provision of lifelong learning possibilities;
  - research spending that has generally diminished further, rather than increasing to the Lisbon target of 3 % of GDP;
  - lack of innovation, although the most recent innovation scoreboard report shows better results;
  - lack of access to finance for SMEs, combined with a lack of knowledge about the possibilities, as well as on the EU level;
  - continuing budget deficits albeit not always in the same countries.

3.7 At the same time, the Lisbon Strategy reforms are lagging behind:

3.7.1 At European level, the Member States undertook to complete the single market in several areas (energy, services, public procurement, trans-European networks, adaptation of public services), but balk at implementing the necessary measures within the timeframe.

3.7.1.1 At European level, since the 1990s the Commission has undertaken a wealth of initiatives in order firstly to better understand the needs and functioning of SMEs and secondly to support their development and help to better exploit their potential of job creation. These actions have been reinforced in the past few years with the nomination of the SME envoy, the action plan for entrepreneurship adopted in 2004, and the efforts for a better legislation, better access to finance (EIF and EIB), the Competitiveness and Innovation Programme (CIP).

3.7.2 At national level, results vary, with shortcomings concerning mostly:

- the structural complexity of regulations and administrative procedures;

3.7.3 The new Member States must often overcome additional handicaps due to a development gap, for example in employment, technologies or the environment, although these handicaps are sometimes also offset by renewal measures which are more radical than in the EU-15.

3.8 Reference is made to the report drawn up by the European Economic and Social Committee (EESC) at the request of the European Council of March 2005, setting out the results of the EESC's consultation of its partners, throughout the Member States and at the European level, on the implementation of the Lisbon Strategy and the role of the social partners and other components of organised civil society<sup>(2)</sup>. Several reports on the Lisbon Strategy and specific aspects of it have been published by the Committee in recent years<sup>(3)</sup>.

#### 4. Improving business potential, especially SMEs

##### 4.1 Importance of SMEs in the European economy

4.1.1 The vast majority of enterprises (99,8 %) in Europe are SMEs. The typical European firm is a micro firm (91 %); 7 % are small enterprises. Not only are most enterprises in Europe small, but they also account for a significant amount of European work experience (two thirds of employment in the private sector) and economic activity (57 % of the GNP)<sup>(4)</sup>.

<sup>(2)</sup> Implementation of the Lisbon Strategy. Summary report for the European Council.

<sup>(3)</sup> OJ C 185, 8.8.2006 + CCMI/032.

<sup>(4)</sup> Data available for 2003. Eurostat's Pocket book 2006.

4.1.2 In order to improve the monitoring of the economic performances of SME's the EESC calls on the European Commission for relaunching the activities of the European Observatory for SMEs.

4.1.3 SMEs are the main generators of jobs, representing one of the main sources for the state budget incomes (taxes, VAT, etc.), offering the chance of professional and social achievement for a large part of the population, especially of the most active and innovative segment, which pushes the economy forward. Furthermore they ensure the main component of an economic background favourable to the market economy, characterized by flexibility, innovativity and dynamism, and representing the seeds of the future large companies, especially in the new fields of economy, based on complex technologies.

#### 4.2 Competitiveness

4.2.1 The emphasis on competitiveness acknowledges the need to achieve sustainable competitiveness in an open and global economy by enhancing our use of new technologies, identifying more effective vocational training, ensuring employees are well qualified and improving productivity. The concept of quality (quality of goods, services, regulation, governance, employment, social relations and the environment) is central to the strategy.

4.2.2 To secure economic stability, Member States should maintain their medium-term budgetary objectives over the economic cycle or take all the necessary corrective measures. Subject to this, Member States should avoid pro-cyclical fiscal policies. Member States posting current account deficits that risk being unsustainable should work towards correcting them by implementing structural reforms to boost external competitiveness and also contribute to their correction via fiscal policies. These measures are a minimum because of the ageing of the European population.

4.2.3 The EESC thinks that only by changing the basic thrust of economic policies and, in particular, macroeconomic policies will it be possible to eliminate within Europe the obstacles which are thwarting a sustained and more far-reaching economic recovery. The EU has to act from within if it is to steer the European economy back on the road to growth and full employment. This will require a balanced macroeconomic policy with the declared aim of: achieving the objectives of the Lisbon Strategy, in particular full employment; strengthening competitiveness; and giving real consideration to the obligation to pursue sustainable development, in line with the conclusions of the Gothenburg Summit.

4.2.4 The EESC recalls that the aim of monetary policy should be to strike a balance between price stability, economic growth and employment. It would make sense to urge the ECB to target stability in the wider sense, i.e. not only price stability

but also stability in terms of growth, full employment and social cohesion <sup>(5)</sup>. To achieve results it is important to have the national budgets in line with the ECB policies and to respect the Pact for Stability and Growth.

4.2.5 Moreover, the EESC points out the special relevance of business related services as part of SMEs for the success of the Lisbon process and the competitiveness of the EU. Following up the accordant communication of the Commission <sup>(6)</sup>, the EESC underlines the necessity to create a regulatory environment in which the concerned SMEs are able to fulfil the societal demands they are confronted with.

4.2.6 The EESC supports also the wide analysis of necessary support measures in 27 sectors of manufacturing industry in the Commission document on an integrated industrial policy but insists on the real implementation of the policy in coordination with the Member States. <sup>(7)</sup>

#### 4.3 Better regulation <sup>(8)</sup>

4.3.1 The EESC fully supports the recent proposal of the European Commission to cut the administrative burden for companies by 25 % by 2012 <sup>(9)</sup>. This can lead to an increase in the GDP of the EU of 1,5 %. The EESC urges the Commission to put forward a clear Strategy for the simplification of the regulatory environment in full in order to avoid failure to deliver <sup>(10)</sup>.

4.3.2 A lighter administrative burden can fuel economic dynamism. Curbing the weight of legal and regulatory obligations requires a global approach from the local, regional and national authorities as well as from the European Union. It is essential that regulations are well designed and proportionate.

<sup>(5)</sup> The EESC has itself demanded on several occasions that monetary policy should also strive to achieve the goals of full employment and growth.

<sup>(6)</sup> 'The competitiveness of business-related services and their contribution to the performance of the European enterprises' [COM(2003) 747 final] of 4 December 2003.

<sup>(7)</sup> Communication from the Commission — Implementing the Community Lisbon Programme: A policy framework to strengthen EU manufacturing — towards a more integrated approach for industrial policy COM(2005) 474 final; Modern Industrial Policy.

<sup>(8)</sup> The EESC has recently published several opinions on Simplification, Better Lawmaking:

OJ C 24, 31.1.2006, Better Lawmaking, exploratory opinion on the request of the UK Presidency, rapporteur Mr Retureau.

OJ C 24, 31.1.2006, How to improve the implementation and enforcement of EU legislation, own initiative opinion, rapporteur Mr van Iersel.

OJ C 112, 30.4.2004, Opinion on Updating and simplifying the acquis communautaire [COM(2003) 71 final], rapporteur Mr Retureau.

<sup>(9)</sup> COM(2006)689, 690 and 691 of 14 November 2006.

<sup>(10)</sup> Action Programme for Reducing Administrative Burdens in the European Union. COM(2007) 23 final of 24.1.2007.

4.3.3 The creation of the (Business) Impact Assessment Board, announced by the Commission in its strategic overview on 'Better Legislation' <sup>(11)</sup> and aimed at strengthening the quality and efficiency of impact analyses, gets the support of the EESC. Nevertheless, its scope of action must not be limited to simple coordination, but also take in consideration the quality of work considering SMEs and the analysis of the economic and social consequences of regulatory proposals. New regulations at national and Community level should be screened to assess their impact on SMEs.

4.3.4 The economic, social and environmental impacts of new or revised regulations have to be carefully assessed to identify the potential trade-offs and synergies between different policy objectives. Moreover, existing regulation is screened for simplification potential and its impact on competitiveness is assessed. Special attention should be paid to independent business impact assessments, including a specific target towards small enterprises, of all legislative and regulative proposals from the European Commission. Finally, a common approach to measuring the administrative costs of new and existing legislation is being developed. The 'think small first' principle should be the guiding principle when reviewing the existing legislation and conceiving new one. This means that legislation should take into account the particularities of SMEs.

4.3.5 The EESC points out that improvements are especially important for small and medium-sized enterprises (SMEs), which usually have only limited resources to deal with the administration imposed by both Community and national legislation.

4.3.6 The necessary steps should be taken to ensure that all Member States implement all directives in time and with a high level of quality, and to convince the national and regional governments and legislators to start their own simplification project targeting regulation, where 'gold-plating' has happened by implementing European law.

4.3.7 Most of policy actors at regional, national and European levels do not know enough about the reality in small enterprises and their real needs. Better involvement of representative SME associations <sup>(12)</sup> at all levels is a precondition to improve the quality of SME policy in Europe. Strengthening associations of small enterprises is also one of the key elements of the European Charter for Small Enterprises (2000). Representative SME associations should be involved as important stakeholders in the decision-making process at all levels.

<sup>(11)</sup> Communication of European Commission of 14 November 2006.

<sup>(12)</sup> With SME-organisation we refer to organisations representing SME's (European definition) in different fields of actions: crafts, industry, services, trade, liberal professions. Multisector as well as more sector related organisations are referred to.

4.3.8 CESE is strongly supporting the European Charter for Small Enterprises which proved to be a useful tool for monitoring progress and for identifying SMEs problems, as well as for determining member states to act aiming at improving coordination of entrepreneurial policies within the entire Europe. It is important to maintain a sustained rhythm in the process of integrating Charter implementation reports in the annual reports of the Lisbon Agenda. It is imperative to continuously bring it up to date and to complete it in respect of the revised Lisbon strategy and the EU major enlargement process.

#### 4.4 Entrepreneurial culture and Business Start-ups <sup>(13)</sup>

4.4.1 Entrepreneurship is a complex phenomenon that comprises elements of a sense of initiative, risk-taking and innovation. Small and new companies generate innovations, fill market niches, create employment and increase competition thereby promoting economic efficiency.

4.4.2 The European Union as a whole is suffering from low early stage entrepreneurial activity. The latest GEM (Global Entrepreneurship Monitor) report ranks no European Member State on the top 10 countries <sup>(14)</sup>. On the contrary, eight Member States figure among the 10 lowest levels of participation <sup>(15)</sup>.

4.4.3 Entrepreneurship is important to society as a whole. To promote and raise the awareness of the culture of entrepreneurial thinking as well as an understanding of the importance of entrepreneurship for a country's overall development, the Committee proposes that 2009 be declared European Year of Entrepreneurship. In this context the Committee notes that the mid-term review of several relevant Community programmes will take place in 2010. Positive public attitudes on entrepreneurship need to be established. The Year would also provide an opportunity to consolidate and reinforce existing exchanges of best practice.

4.4.4 Much need exists within the EU for changes in the education and training curricula — in particular in the higher education level — to place more emphasis on advanced entrepreneurship education, the strategic value of information management and ICT and networking. The role of schools and universities is an essential factor in fostering an entrepreneurial mindset among young people. Active participation of company representatives in education, for example, is recommended as well as an involvement from business organisations. Media activities and the image they convey of business are important.

<sup>(13)</sup> OJ C 309, 12.12.2006, Opinion of the European Economic and Social Committee on the Communication from the Commission: Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning COM(2006) 33 final.

<sup>(14)</sup> Ireland ranks 11th.

<sup>(15)</sup> Hungary, Belgium, Sweden, Slovenia, the Netherlands, Denmark, Italy and Finland.

4.4.5 Policies to assist businesses to start up and develop should be intensified including quicker, lower-cost start-ups, measures to improve access to risk capital, more entrepreneurial training programmes, measures to improve access to public networks and utility services and a denser network of support services for small enterprises. Moreover, political decisions in view of reforming tax systems, regulation, market access, rescue and restructuring proceedings as well as inheritance law are needed. A cultural change regarding the attitude on bankruptcy is needed.

4.4.6 The availability of early-stage financing is a crucial issue. In Belgium, initiatives have been taken by the government aiming at bridging the equity gap. An example is the ARKIMEDES fund that has raised EUR 110 million in the form of shares or bonds, guaranteed by the regional government of Flanders.

4.4.7 Equally essential is providing information and business support services, notably for young entrepreneurs. Mentorship programmes in Flanders (Belgium) have proved their worth.

4.4.8 Fear of failure has a powerful negative impact on potential start-ups. An adequate social framework has to be adopted for self-employed persons. The self-employed should also be given a second chance more easily.

#### 4.5 Internal market <sup>(16)</sup>

4.5.1 The potential of the Single Market should be unleashed. The European Union should now have the advantages of a market that is bigger than that of the USA or China but

- too many directives have not been fully transposed into national legislation;
- inadequate progress has been made in securing standardisation and mutual recognition for the supply of services;
- delays have taken place in liberalising markets, including those in the public sector;
- difficulties have arisen in agreeing workable European intellectual property rights;
- distortions are caused by forms of fiscal differences.

<sup>(16)</sup> OJ C 93, 27.4.2007, exploratory opinion on the Review of the Single Market.

4.5.2 The attractiveness of the European Union as an investment location depends on the size and openness of its markets, its regulatory environment and the quality of its infrastructure. Increased investment will make Europe more productive as labour productivity levels depend on investment in physical and human capital as well as in knowledge and infrastructure.

4.5.3 The ability of European producers to compete and survive in the internal market is key to their competitive strength in world markets. Whilst the internal market for goods is relatively well integrated, services markets remain, legally or de facto, rather fragmented. In order to promote growth and employment and to strengthen competitiveness, the internal market of services has to be fully operational while preserving the European social model. The elimination of tax obstacles to cross-border activities and the removal of remaining impediments to worker mobility would also bring important efficiency gains. Finally, the full integration of financial markets would raise output and employment by allowing more efficient allocation of capital and creating better conditions for business finance.

4.5.4 For SMEs, especially in the service sector, the internal market is still not fully realised. High administrative burdens for cross-border operations and non adapted European standards hinder small enterprises to profit from a larger market.

4.5.5 Standards play a major role in the access to markets. Current standardisation processes do not take sufficiently into account the specificities of craft and SMEs. Small businesses have to be better involved in the elaboration of European and international standards. Despite strong support given by the Commission to structures like NORMAPME <sup>(17)</sup>, further efforts in favour of SMEs are needed, in particular for small series and tailored made production, for lower standards costs, for a more balanced representation in technical committees, for the simplification of certification systems.

4.5.6 There is considerable scope for further improvements in public procurement practices. Such improvements would be reflected in an increase in the share of public procurement publicly advertised. Focus should be put on the possibilities for SMEs to participate in public procurement procedures. The EESC supports the composition by the Commission of a compendium of good practices in this field recorded by EU member states, and by the USA and Japan, which have resulted in the growth of SMEs' access to public procurement.

<sup>(17)</sup> NORMAPME: European Office for Crafts, Trades and SMEs for Standardisation — [www.normapme.com](http://www.normapme.com).



4.5.7 SMEs in Europe have to face 27 different taxation systems, which cause prohibitive compliance costs and create serious barriers to the internal market. Compliance costs for small companies are much higher than for large enterprises <sup>(18)</sup>. Simplification in favour of SMEs in particular is awaited.

#### 4.6 Human capital, development of competences and social dialogue

4.6.1 In a context of a globalised and knowledge-based economy, companies have to constantly adapt to change. Successful entrepreneurs need more than ever a solid basis of knowledge and qualifications in order to face increased competition and to be able to win the innovation race. Moreover technological developments require the constant development of new competencies, especially in the field of ICT and acquisition of updated skills for entrepreneurs and workers alike <sup>(19)</sup>.

4.6.2 Since 2000, with the Lisbon Strategy, training objectives and lifelong learning strategies have clearly been reinforced in Europe, but they still need further improvements as stated in the evaluation report 2006 of the 'Framework of actions for the lifelong development of competencies and qualifications' agreed by the European social partners (ETUC, BusinessEurope, CEEP, UEAPME) in 2002. In this context, the new Community 'Integrated action programme in lifelong learning' should also fully participate in this effort as its official aim is to contribute to the realisation of Lisbon goals namely 'the development of the European Union as an advanced knowledge society, with sustainable economic development, more and better jobs and greater social cohesion'.

4.6.3 As the EESC rightly pointed out <sup>(20)</sup>, 'the Union's educational programmes are among the very few Community actions addressed directly to its citizens. The new programme should therefore aim to promote democracy based on participation and active citizenship', and 'to promote employment and a versatile labour market'. Since it also integrates the main European mobility programmes, namely Leonardo da Vinci for apprentices and young people in initial vocational training and young workers, as well as Erasmus for students, they should be more easily accessible to individual mobility. Learning and working abroad for a certain time not only enriches skills and the know-how of an individual, but also increases the understanding of Europe and European citizenship. Additionally, it helps the individual to be pro-active and more open to take on responsibility for his or her own employability in the working life.

4.6.4 Moreover, the EESC stressed the 'particular importance to the possibility of SMEs having access to the programme' and 'proposes a special approach for SMEs, simplifying the relevant

procedures in order to make their participation in the programmes both feasible and effective'. In a services-driven economy, the most valuable asset of a company is its human capital. In order that enterprises, particularly SMEs, can pursue a strategy for competence development, customised support initiatives should be designed to help them to invest in continuous training such as tailor-made training offers, financial support, tax incentives.

4.6.5 Social dialogue is an important tool to overcome economic and social challenges. One of its main achievements is the improvement of the labour market functioning and the anticipation of change. Furthermore, social dialogue contributes to creating a climate of confidence in companies. It can also provide tailor-made answers for small enterprises as far as it takes into account the specificity and quality of the working environment and of the working relations as well as the particular situation in which craft and small enterprises are working and developing.

#### 4.7 Innovation

4.7.1 The Lisbon Agenda aimed at a 3 % target for R&D as related to the GDP of which two thirds must come from the private sector. Currently it is contributing just 56 %. Unfortunately we have to note that Europe devotes a much lower share of its GDP to R&D than the US and Japan (1,93 % as compared to 2,59 % in the US and 3,15 % in Japan). Furthermore, China is on track to match the research intensity of the EU by 2010. Research and development: in 2002, the private sector spent EUR 100 billion more on research and development in the United States than it did in Europe.

4.7.2 The future European Institute of Technology (EIT), whose aim it is to reach the highest possible of integration of education, research and innovation at the excellence level, should strongly recognise and valorise the SMEs potential. Cooperation between universities and research centres and businesses, in particular small businesses, should be strengthened. Researchers should be encouraged to have contacts with businesses. The importance of promoting technology transfers via technology centres and incubators cannot be underestimated. Measures to sustain innovation support service providers, clusters and networks should also be foreseen in the new State Aid Framework for Research, Development and Innovation (R&D&I). European researchers should be given more opportunities in each of the 27 EU Member States. A better promotion and dissemination of research results is imperative in order to improve access to these results for business and the economic impact of it.

<sup>(18)</sup> Refers to compliance costs on taxation in cross border activities.

<sup>(19)</sup> Even traditional professions like plumbers and carpenters have to take into account energy saving techniques.

<sup>(20)</sup> OJ C 221, 8.9.2005.

4.7.3 Europe should provide a harmonised regulatory environment across the EU favourable to innovation. New initiatives for a European Community Patent are needed to protect innovation and address the needs of European businesses. Such a system should foresee reduced fees for SMEs and a proper patent litigation insurance structure.

4.7.4 The European Commission has recognised in its latest communications the need to expand the definition of innovation to focus on SMEs and take account of non-technical innovation in all economic sectors. This new approach must now be implemented in all policy areas to become of use for small businesses.

4.7.5 It is essential for SMEs to upgrade their existing human capital and to introduce an academic work force into production and innovation. The 7th Framework Programme should give support to SMEs for introducing advanced technological research and production techniques, but also to other forms of innovation important in an SME structure.

4.7.6 The necessary resources at EU level are to come from the CIP programme, the Framework programme on research, the Structural Funds, and the education programmes, to mention the most important. Coordinating policies, including resources, will be a difficult and delicate task, particularly since the available European financial resources are relatively limited in relation to the needs and demands. To ensure the use of financial means from the structural funds to co-finance programmes for innovative SMEs, start-ups and business transfers (i.e. via the European Investment Funds — JEREMIE), appropriate measures must be adopted at Member State level and their effectiveness and accessibility should be closely monitored.

4.7.7 The introduction of advanced new production methods and machines, particularly in SMEs, will require credit on favourable terms. The EIB and the EIF should be involved closely in the work of the sectoral and inter-sectoral planning groups.

4.7.8 SMEs have to be guided more to ICT applications, which can lower their costs, increase their productivity and enhance their competitiveness.

#### 4.8 Business Transfer <sup>(21)</sup>

4.8.1 European studies show that about one third of Europe's entrepreneurs, mainly family business owners, will depart within the next 10 years. It is estimated that this will affect some

690 000 enterprises, providing 2.8 million jobs. Transfers should be promoted as valuable alternatives to starting up a business.

4.8.2 In contrast to the past, more and more business transfers take place outside the family, to third parties. Also there is a growing interest in taking over an established firm, rather than starting a business from scratch. Research showed that 96 % of business transfers survive the first five years in comparison with 75 % of start-ups.

4.8.3 So the first challenge is to set up a platform and to facilitate the matching of potential buyers and sellers of businesses. This marketplace should be transparent in order to increase the possibility of making contacts and ensuring the continuity of existing viable enterprises. High quality of services including matchmaking, consultancy and confidentiality are essential. In most of European countries there are governmental or government supported business transfer markets <sup>(22)</sup>. These initiatives should be developed in all EU Member States.

#### 4.9 Access to finance

4.9.1 SMEs and especially start-ups, business transfers and innovative companies should get better access to finance to fully realise their potential and create economic growth and more employment in Europe. Risk-sharing models such as mutual and public guarantee schemes have proven to be very effective instruments and must be further promoted both at EU and Member State level.

4.9.2 The availability of capital at a reasonable cost for new business, SMEs and fast-growing enterprises: this requires maintaining interest rates and risk premiums at reasonable levels as well as a rationalisation of government aid schemes.

4.9.3 Consultancy to SMEs by SME organisations should be strengthened and supported. It is also necessary to install financial instruments adapted to the needs and means of small businesses. The EESC invites the Commission and the EIB/EIF to finance innovation in small business in the form of risk capital and guarantee schemes.

4.9.4 Venture capitalists and business angels are important ways of access to finance for SMEs. Stimulating the networking between venture capitalists and business angels on the one hand and (starting) entrepreneurs on the other hand is important to lower the small equity gap.

<sup>(21)</sup> Implementing the Lisbon Community Programme for Growth and Jobs. Transfer of Businesses — Continuity through a new beginning. COM(2006) 117 final, 14/03/06.

<sup>(22)</sup> France, Italy, Luxembourg, the Netherlands, Austria, Finland and Belgium (which has a separate database for each region). The success rate for these countries is around 25 %, i.e. one in four businesses in the database has found a successor.

4.9.5 Guarantee systems prove to be a very effective and resources efficient way to support small business. The Caisse Mutuelle de Garantie de la Mécanique (CMGM) in France has over 45 years' experience in this field. This Caisse offers banks guarantees over the near totality of credits (investment credits, transfer of business, bank warrants, cash credits) that they accord to companies. Companies subscribe to its capital and guarantee fund. This system allows reducing the private warrants asked from the entrepreneurs, makes available larger credits and offers a safety net for the entrepreneur toward its banker. Exchanges of good practices among EU Member States, regarding access to finance and guarantee funds for SMEs, should be encouraged.

#### 4.10 *Internationalisation*

4.10.1 The EU must seize the opportunities provided by the opening up of rapidly growing markets in Asia, such as China and India. At the same time, the EU must deal with the resulting new international division of labour, particularly as China begins to specialise more in high value-added goods and as

India develops as a global hub for outsourcing. The EESC stresses that a common approach in dealing with third countries is essential so as to improve market access conditions for EU companies.

4.10.2 Even though the single market has been in place for over 14 years, a lot of firms still operate solely in their own country. Language barriers, remaining legislative and regulatory differences, and a lack of knowledge of other markets are the main obstacles. The EESC welcomes the creation of support services close to the entrepreneurs, comparable to the Passport to export in the UK <sup>(23)</sup>. Access to public procurement for SMEs should also be encouraged.

4.10.3 Adequate support systems should be developed to stimulate cross-border activities as well within the European Union and on other markets.

4.10.4 The EESC stresses that a special focus should be given to SMEs in the Commission documents on Trade Policy (Access Strategy, Defence Instruments, Global Europe).

Brussels, 12 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(23)</sup> For details about the single market see Flash Barometer 180 — TNS Sofres/EOS Gallup Group Europe, Internal Market Opinions and Experiences of Businesses in EU-15, published June 2006. For details on Passport to Export, a programme by UK Trade and Investment to support British exporters to overcome their weaknesses in international trade, see Charter of Small Business, Selection of good practices 2006, p. 9.

## Opinion of the European Economic and Social Committee on 'Investment in Knowledge and Innovation (Lisbon Strategy)'

(2007/C 256/04)

On 14 September 2006, the European Economic and Social Committee, acting under Rule 31 of its Rules of Procedure, decided to instruct its Section for the Single Market, Production and Consumption to draw up an information report on *Investment in Knowledge and Innovation*.

At the plenary session on 14-15 March 2007, it was decided to change the information report into an own-initiative opinion (Article 29(2) of the Rules of Procedure).

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 3 May 2007. The rapporteur was **Mr Wolf**.

At its 437th plenary session, held on 11-12 July 2007 (meeting of 12 July), the European Economic and Social Committee adopted the following opinion by 120 votes with one abstention.

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1. Introduction
2. Summary and recommendations
3. General observations
4. Education, initial and further training
5. Financial matters and procedures
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7. The human factor — Scientists, engineers and entrepreneurs

### 1. Introduction

1.1 Under the heading 'THE RELAUNCHED LISBON STRATEGY FOR JOBS AND GROWTH', the European Council, in its Presidency Conclusions of 23-24 March 2006 (point 12), welcomed the initiative taken up by the European Economic and Social Committee to increase ownership of the Lisbon Strategy at Community level. It encouraged the European Economic and Social Committee to continue its work and asked it for a summary report in support of the Partnership for growth and employment in early 2008.

1.2 In the meantime, on 15 February 2007, the Committee adopted a resolution on the implementation of the renewed Lisbon Strategy, to be presented to the Spring 2007 European Summit.

1.3 In preparation for the summary report requested by the European Council, four information reports on the following topics will be drawn up:

- Investment in Knowledge and Innovation;
- Business potential, especially of SMEs;
- Employment of priority categories;
- An Energy Policy for Europe.

These information reports will form the key points of the summary report.

1.4 The following text, which was drawn up in cooperation with representatives of the national economic and social councils of some Member States, deals solely with the subject of investment in knowledge and innovation.

### 2. Summary and recommendations

2.1 Europe's strength lies in the capabilities and performance of its citizens.

2.2 The free interaction of inventive craftsmanship and entrepreneurial initiative with scientific methods and systems and the technologies and industrial processes that developed out of them was the European recipe for success that brought about the progress that led to the living standard we enjoy today. This went hand in hand with historical socio-political developments, resulting in the free citizen in the modern state with separation of powers, democracy and fundamental rights.

2.3 The development and intensive use of energy-consuming industrial processes, machines and transport systems made a decisive contribution to this. Energy freed people from the burden of the heaviest physical labour, multiplied their productivity, provided heating and lighting, and made previously unimaginable mobility and communication possible. Energy became the food and fuel of modern economies.

2.3.1 In the light of the finite reserves of fossil fuels, the rapidly rising worldwide demand for energy, and the expected impact of energy consumption on climate change, it is unsurprising that securing sustainable and climate-friendly energy supplies is at the top of the political agenda. A key prerequisite to achieving this very difficult objective is a strong, wide-ranging and effective research and development programme for energy.

2.4 However, above and beyond this, there are a great many more problems and tasks that can only be solved by research, development and innovation. These include, for example, combating physical and mental illness, making life and participation in society easier for people with disabilities, the effects of demographic change (including gerontology), protecting the environment, and, more generally, protecting and developing our way of life, our European values system and our social model. All things considered, however, research and development also serve the fundamental aim of bringing about greater and new knowledge. Increased knowledge not only helps us to solve problems, but also broadens our world view, objectifies conflict situations, and enriches our culture.

2.5 Moreover, the European Union faces the challenge of increasing global competition, the challenge being to maintain European jobs, prosperity and social and environmental standards. This is true not just because of the economic power of the USA and Japan, but above all because of the increasingly strong industrial and research performance of countries such as China, India and Brazil, and in view of the significantly lower wages and social and environmental standards in those countries.

2.6 The only way to deal with this is to continue in the future to stay ahead in research, technological development and innovation, rooted in a socio-cultural environment of democracy, the rule of law, political stability, free enterprise, planning security, motivation, the recognition of achievements, and social security.

2.7 Top performances in the scientific and technical field, and their entrepreneurial conversion into a competitive, economic force, are essential preconditions to safeguarding our future (not least with regard to energy and climate issues), preserving and improving our current global position, and developing rather than jeopardising the European social model.

2.8 The basic prerequisite for achieving this goal is a social climate that is open to progress and innovation, in which society fully understands this and all its implications, so that politicians at all levels create the necessary conditions and take decisions that are conducive to such progress, and so that enough business confidence and optimism is built up for the necessary investments to be made in Europe and new jobs to be created. This also includes raising awareness of the fundamental significance of basic research, as this lays the necessary foundations for future innovations. An entrepreneurial spirit that is willing to innovate and take risks is particularly needed, as are political leadership, dependability and a sense of reality.

2.9 In particular, the Barcelona target set for the purpose of implementing the Lisbon strategy must be taken very seriously

by all the relevant stakeholders if Europe is not to fall further behind its global competitors in terms of R&D investment. This target states that total R&D expenditure in the EU should be increased such that it reaches around 3 % of GDP by 2010. Two thirds of the required investment is to come from the private sector.

2.10 In December 2006, the Council adopted the Seventh R&D framework programme (FP7) for 2007-2013. The budget for this programme, at around EUR 50 billion, was significantly higher than for the previous one. This is another significant European policy success, which the Committee has substantially supported. However, the Community will still only be providing about 2 % (in other words, only one fiftieth) of the total investment in research and development aimed for by the Barcelona target. As the Committee has repeatedly stressed, this is insufficient to maximise the intended multiplier and integrating effects that EU funding has on Member States' research funding and the willingness of industry to invest.

2.11 Therefore, the Committee reiterates its recommendation that this part of EU funding should, as a first step, be increased by half, i.e. to around 3 % of the total investment aimed for by the Barcelona target, as part of the revision of the EU budget planned for 2008. This is especially relevant in the light of the future European Technology Institute (ETI) and the urgent need for more R&D into climate-friendly sustainable energy supply.

2.12 Equally, however, the willingness of industry, and in particular small and medium-sized enterprises, to invest in research and development needs to be promoted and made more attractive and profitable through appropriate legal (including laws on liability), administrative, fiscal and financial framework conditions. EU law on state aid also has an important role to play here; it should enable the Member States to provide more effective and less bureaucratic support than in the past for the research and development plans of universities, research organisations and industry, and help them to establish networks. Careful consideration should therefore be given to the question of whether the Community framework for state aid to research, development and innovation really is conducive to these goals.

2.13 Knowledge is based on two equally important and inter-dependent pillars: education and research. New knowledge must be attained through research and development. The starting point is existing knowledge. This must be consolidated and passed on through education, training and lifelong learning. Both the methods and the content should be assessed as to whether they are conducive to the specified aims. Both these pillars also need significantly increased financial investment and suitable framework conditions.

2.14 Europe's strength lies in the capabilities and performance of its citizens. Doing more to promote and develop these capabilities must therefore be a priority. Accordingly, the Committee calls on the Member States to strengthen and improve their educational establishments and to put in the considerable investment necessary to achieve this. Sound education and training for the masses is just as important as the education of the academic elite. With this in mind, a wide range and sufficient number of sound and appropriate educational establishments, from primary schools to universities, are necessary. Only then will European society as a whole be receptive to education and science.

2.15 In addition, the Committee repeats its recommendation that a common European knowledge area be developed to complement the European Research Area, through closer supra-national cooperation in the areas of learning, innovation and research. Any incentives and measures in support of lifelong learning have an important role to play here. Lifelong learning is the key to the knowledge society. Obstacles to the single market that are obstructing the transition to the European knowledge society must be removed as quickly as possible.

2.16 This includes still greater support from Member States for personal mobility, and strengthening relevant, effective EU programmes (Erasmus, Marie Curie). Mobility is conducive to attaining and transferring skills. Free movement of workers, researchers and students across Europe must be guaranteed, and rewarded by means of incentives; it must go hand in hand with decent income, working conditions and support for families. Public bodies across Europe also need to improve access to information in this area.

2.17 As regards the significance and promotion of innovation, the Committee refers not only to its detailed recommendations set out below, but especially to the excellent Aho Report, which it endorses. This particularly concerns the legal and social environment for innovative entrepreneurship and an innovation-friendly market. The Committee also refers to its more detailed opinion on *Unlocking and strengthening Europe's potential for research, development and innovation*.

2.18 Progress and innovation take place when new knowledge is turned into new and better processes and products (including ongoing improvement of existing ones), new societal models, and the requisite management methods; thus, the key is an innovative entrepreneurial spirit and entrepreneurial initiatives. That said, progress and innovation also depend on new kinds of services, on developing healthcare services, and in general on better solutions to social problems within the economic constraints that exist.

2.19 Thus, innovation means devising and implementing new technologies, processes, organisational methods, business models, educational models etc. that previously had not been, or could not be, considered. It is therefore important that relevant legislation offers sufficient room for manoeuvre to give new ideas that were not previously thought of the chance to be

put into practice and not to wither away before they even take root simply because they do not fit into the framework of excessively detailed regulation. Over-restrictive regulation is a brake on innovation. The Committee therefore supports all efforts to simplify regulations and to check them for superfluous, excessively detailed and/or unnecessarily restrictive requirements.

2.20 Innovation means accepting a certain level of risk of failure and indeed of losses; generally speaking, the effectiveness, or indeed the disadvantages or side-effects, of a new approach or idea is only recognised when it has proven itself in practice and in competition with other processes. Even failure provides lessons. Opportunity and risk are two sides of the same coin. As a rule, the expected benefit of an innovation should outweigh the possible risks associated with it. Potential risks to society require a special assessment. Consideration could also be given to whether — at least for small and medium-sized enterprises — a risk fund (for example at the EIB) should be set up to help cover possible losses.

2.21 The Committee has repeatedly pointed out that human capital is the most delicate and most valuable resource for knowledge and innovation. Requisite training bodies that are sufficient in number, resources and quality are therefore key prerequisites for meeting the demand for good scientists, engineers and teachers.

2.22 By virtue of the investment carried out by society on the one hand, and by individual researchers on the other, with a view to acquiring broadly-based and not readily accessible fundamental knowledge and high-level specialised knowledge, society — as represented by politicians — assumes responsibility for making optimal use of this investment. This responsibility must be reflected in a concern to ensure that trained research workers and engineers are able to start families and are provided with appropriate job opportunities and suitable career paths, with attractive options for branching out into other fields, without running the risk of being professionally sidelined or sent down dead ends. If qualified scientists and engineers are unemployed, underpaid or underemployed (*inter alia* through excessive administration and committee work), this represents a waste of economic investment and serves as a deterrent for the next generation of top-level scientists and engineers, with the result that they opt for non-scientific and non-technological careers or emigrate from Europe.

2.23 This does not rule out the need to involve experienced experts and scientific and technical achievers more than hitherto in relevant decision-making processes and administrative dossiers relating to research policy, entrepreneurial and innovation policy matters. The establishment of the European Research Council (ERC) is a very encouraging first step in this direction. However, sufficient relevant expertise also needs to be attracted to and retained in EU (including the Commission) and Member State bodies that provide funding for research and innovation. Administration alone is not enough.

2.24 Turning research and innovation into industrial products and processes raises a particular set of issues. The Lisbon target of two-thirds of R&D investment coming from industry is not without reason. It is therefore particularly important to enhance the professional image of entrepreneurs and to raise public awareness of their key role in innovation, economic progress and prosperity in general. For this reason, the Committee, as the bridge to organised civil society, has put entrepreneurship with a human face at the centre of its forthcoming work programme. Only through responsible, energetic and imaginative entrepreneurship that is able to develop freely will the Lisbon goals be achieved.

2.25 Many further aspects and details are dealt with in the more comprehensive comments below, and also in the Committee opinions on *The road to the European knowledge-based society — the contribution of organised civil society to the Lisbon Strategy* <sup>(1)</sup> and *Unlocking and strengthening Europe's potential for research, development and innovation* <sup>(2)</sup>.

### 3. General observations

3.1 *Development of science and technology.* Europe is the cradle of ever-evolving modern science and research. If the Greek/Egyptian cultural area is taken into consideration, along with the cross-fertilisation with the Indian-Arabic <sup>(3)</sup> cultural area that has taken place from time to time, then it can be said to be the cradle of science generally. Despite various ups and downs over time and some interruptions caused by war, science and research were linked right across Europe, irrespective of national borders. Their methods and way of thinking were decisive in paving the way to our contemporary European society, its values, its way of life and its standard of living; they were a defining characteristic of the European cultural area <sup>(4)</sup>. The recipe for success of the resulting achievements was the free interaction of inventive craftsmanship and entrepreneurial initiative with scientific methods and systems and the technologies and industrial processes that developed out of that.

3.2 *Development of society.* The key social developments that led to free citizens in the modern state with separation of powers, democracy, fundamental rights and social welfare legislation went almost hand in hand with scientific and technological progress.

3.3 *Development of living conditions.* As a consequence of these parallel processes, the living conditions of people in the countries and regions involved have changed and improved as

<sup>(1)</sup> OJ C 65, 17.3.2006.

<sup>(2)</sup> OJ C 325, 30.12.2006.

<sup>(3)</sup> Possibly also with the Chinese cultural area.

<sup>(4)</sup> A very comprehensive and detailed description of these processes can be found in the Committee's own-initiative opinion on *Science, society and the citizen in Europe* (OJ C 221, 7.8.2001).

never before in human history. In the last 135 years, the average life expectancy of the population <sup>(5)</sup> has more than doubled <sup>(6)</sup>. In the last 50 years, agricultural yield in terms of surface area has almost trebled. In the successful industrialised countries, the talk is now of obesity rather than malnutrition, of information overload rather than a lack of information, and of an ageing population rather than child mortality. The capabilities and achievements of modern, mobile industrial society that have come about through research, science and innovation touch every area of human development and quality of life.

3.4 *Use of energy.* The development and intensive use of energy-consuming industrial processes, machines and transport systems made a significant contribution to the progress that has been made. Energy freed people from the burden of the heaviest physical labour, multiplied their productivity, provided heat and light, and made previously unimaginable mobility, communication and cultural development possible. Energy became the food and fuel of modern economies.

3.5 *The climate issue and energy supply.* However, this significant development brings with it new problems and challenges. Global warming, its possible consequences, and strategies for reducing it are the subject of far-reaching political decisions <sup>(7)</sup> and a large number of studies <sup>(8)</sup>, some of which have controversial conclusions. The Stern Review <sup>(9)</sup>, entitled *The Economics of Climate Change* and published at the end of October 2006, has established that reducing global warming caused by greenhouse gases will cost around 1 % of GDP, which in particular includes further R&D activities that are necessary for this purpose. However, even leaving aside the problem of climate change, the issue of safe, sustainable energy supply for Europe (and indeed the world) is one of the central political challenges which significantly increased research and development will play a very important role in resolving <sup>(10)</sup>.

3.6 *Further problems and challenges* <sup>(11)</sup> However, climate change and energy supply are not the only problem. Further examples of important areas of research on which the Committee has made detailed recommendations in earlier

<sup>(5)</sup> In Germany.

<sup>(6)</sup> Not least thanks to a reduction in child mortality.

<sup>(7)</sup> European Council, 23-24 March 2007 — Presidency Conclusions (Sustainable Energy).

<sup>(8)</sup> For example:

1) WMO/UNEP Intergovernmental Panel on Climate Change — 'Climate Change 2007: The Physical Science Basis — Summary for Policy Makers', or

2) Open letter by 61 Scientists to the Canadian Prime Minister (<http://www.lavoisier.com.au/papers/articles/canadianPMLetter06.html>).

<sup>(9)</sup> [http://www.hm-treasury.gov.uk/independent\\_reviews/stern\\_review\\_economics\\_climate\\_change/sternreview\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/sternreview_index.cfm).

<sup>(10)</sup> OJ C 241, 7.10.2002: *Research requirements for security and safety of energy supplies*. See also the more recently published: *Transition to a sustainable energy system for Europe — The R&D perspective* (ISBN 92-79-02688-7), and *Nature*, Vol. 444, Issue no. 7119, page 519 (Nov. 2006) 'Our emperors have no clothes'.

<sup>(11)</sup> See also OJ C 185, 8.8.2006.

opinions such as that on the Seventh R&D framework programme<sup>(12)</sup> and that on its Specific Programmes<sup>(13)</sup> include combating physical and mental illness, making life easier for disabled or otherwise disadvantaged people with the aim of improving their professional development and participation in the knowledge society; the effects of demographic change (plus gerontology); a better understanding of complex economic, social and cultural issues, how they are related, and their impact on each other; protecting the environment; and, more generally, protecting and developing our way of life, our European values system and our social model.

**3.7 Global competition.** Moreover, the European Union faces the very serious challenge of increasing global competition. A particular challenge for the EU is to maintain European jobs, prosperity and social and environmental standards. This is true not just because of the economic power of the USA and Japan, but more particularly because of the significant and increasingly strong industrial and research performance of countries such as China (which wants to overtake the United States as the most technologically advanced country in the world by 2050<sup>(14)</sup>), India and Brazil, and of the significantly lower wages and social and environmental standards in those countries. It is precisely against this background of global competition and of the global race for increased investment in research and development, including global competition for the best scientists and engineers, that the European Union needs to optimise its policies in this area. Thus, we are talking primarily about global competition, not that within Europe.

**3.8 Staying ahead in research, development and innovation.** Europe's competitive position can thus only be maintained if it continues in the future to maintain its lead in research, technological development and constant innovation, rooted in a socio-cultural environment of democracy, the rule of law, political stability and dependability, free enterprise, planning security, motivation and the recognition of achievements. The European Research Area must be strengthened and expanded. Whilst this is now generally recognised in political statements of intent, the reality in terms of action and specific priority-setting (e.g. research budgets) and the relevant regulatory frameworks (e.g. collective agreements<sup>(15)</sup> and tax laws<sup>(16)</sup>) shows up significant and regrettable deficiencies, both at Community level and in most of the Member States. Just how dramatic this state of affairs is should not be underestimated, even if some Member States show an encouraging trend towards catching up<sup>(17)</sup>.

<sup>(12)</sup> OJ C 65, 17.3.2006.

<sup>(13)</sup> OJ C 185, 8.8.2006.

<sup>(14)</sup> *Bild der Wissenschaft* 9/2006, p. 109.

<sup>(15)</sup> In particular the income and contractual status of young scientists and engineers.

<sup>(16)</sup> On this subject, see also the Communication from the Commission COM(2006) 728 final: *Towards a more effective use of tax incentives in favour of R&D*.

<sup>(17)</sup> *Frankfurter Allgemeine Zeitung*, number 49, p. 17, 27 February 2007: *Zwischen Fortschritt und Stillstand* (between progress and stagnation).

**3.9 Top performances in the scientific and technical field.** Top performances in the scientific and technical field, and their entrepreneurial conversion into innovations and a competitive, economic force, are essential preconditions to safeguarding our future, for example with regard to energy and climate issues, preserving and improving our current global position, and developing rather than jeopardising the European social model. All things considered, however, research and development also serve the fundamental aim of bringing about greater and new knowledge. However, increased knowledge not only helps us to solve problems, but also broadens our world view, objectifies conflict situations, and enriches our culture.

**3.10 Reviving tradition.** Europe must now, therefore, become aware that it was once the leading area for research and innovation and aim to revive that tradition. Europe's strength lies in the capabilities and performance of its citizens. More must therefore be done to promote and develop these capabilities than has hitherto been the case. However, this also means investing significantly more in research and development, increasing their efficiency, strengthening the willingness and ability of industry, commerce and government to innovate, promoting and recognising effort, and reducing any obstacles that stand in the way.

**3.11 Increasing investment.** In particular, this means that the EU and the Member States must invest significantly more in research and development, in general education that reflects this, and in educating the required scientists and engineers (of both sexes). Above all, however, it means that the willingness of industry, and in particular small and medium-sized enterprises, to invest in research and development needs to be promoted and made more attractive and profitable through appropriate legal, administrative, fiscal<sup>(18)</sup> and financial framework conditions.

**3.12 A social climate that favours progress.** The most important prerequisite for achieving this goal is a social climate that is open to progress, innovation and entrepreneurship, in which society fully understands this and all its implications, so that politicians at all levels create the necessary conditions and take decisions that are conducive to such progress, but also so that jobs are created and enough confidence and optimism is built up in industry for the necessary investments to be made. This includes ensuring that the public is made more familiar with the achievements and significance of science and technology and the pioneering work of entrepreneurs than is currently the case. This also means recognising that basic research<sup>(19)</sup>, in particular, lays the necessary foundations for future knowledge and innovations.

<sup>(18)</sup> On this subject, see also the Communication from the Commission COM(2006) 728 final: *Towards a more effective use of tax incentives in favour of R&D*. The Committee will draw up a separate opinion on this.

<sup>(19)</sup> See in particular OJ C 110, 30.4.2004. From a historical perspective, it was proposals for basic research that benefited from the first scientific cooperation initiatives in (Western) Europe. They arose out of the need to build centres for large-scale equipment and to create a critical mass that would have been too expensive for any individual Member State.



3.13 *Recognising achievements.* The decisive impact of these achievements on our current way of life, the conditions in which they came about, and the scientific, technological, entrepreneurial and cultural achievements associated with them, must be recognised by society, taught in schools and accorded the significance they deserve.

3.14 *Further prerequisites.* However, progress and continuous innovation do not depend exclusively on science and technology, but also on the motivation, the skills and the willingness to work of all those involved, as well as on innovative business models, the right management methods, and on a legal framework that is conducive to all of the above.

3.15 *Acceptance of risk.* If promoting new approaches to research, innovative technologies, business practices and business models is to be a success, one must accept that success involves a certain amount of risk, including the risk of losses. Generally speaking, the advantages and effectiveness, or indeed the disadvantages, risks and side-effects of a new approach are only recognised with it has proven itself in practice and in competition with other processes. Even failure provides lessons. Opportunity and risk are two sides of the same coin. As a rule, the expected benefit of an innovation should outweigh the possible risks associated with it. Potential risks to society require a special assessment. Consideration could also be given to whether — at least for small and medium-sized enterprises — a risk fund (for example at the EIB) should be set up to help cover possible losses.

#### 4. Education, training and lifelong learning

4.1 *Knowledge base.* Knowledge is based on two equally important pillars: education and research. New knowledge can only be attained through research and development. For this to happen, existing knowledge is required as a starting point: this must be consolidated and passed on through education, training and lifelong learning. The aims of this are as follows:

4.1.1 *Basic knowledge.* The first aim is to ensure that every citizen has a sound basic knowledge of science, technology and the economy, how they work and their significant basic principles, as part of his or her education. This is essential if, for example, citizens are to be able to make judgements about the often complicated interrelations that need to be understood in order to arrive at an informed political opinion. Accordingly, the curricula and available teaching time at all levels of education should be oriented towards gradually introducing children and young people to a scientific, technical and economic way of

thinking and to the store of knowledge <sup>(20)</sup> that exists, by using concrete examples and clear and stimulating explanations and teaching materials. They should also raise awareness of the significance of science, technological development, innovative socio-economic arrangements and the knowledge society in general to their future and life opportunities. If this is to happen, significantly more emphasis needs to be placed on this part of the curriculum. The Committee welcomes and supports the recommendations of the Rocard report, which addresses this concern <sup>(21)</sup>.

4.1.2 *Incentives for choosing a profession.* At the same time, those who show talent for science and technology should be encouraged to pursue a — notoriously tough — course of study in this area and, with this in mind, be given a solid basis of knowledge with which to start a career in this field. This, too, means that school curricula, especially in grammar schools, should provide extensive, high-quality teaching.

4.1.3 *Regaining lost ground in terms of breadth and depth.* Thus, there is significant ground to be made up in terms of teaching in science and technology. Of course, this does not change the fact that all talents across the spectrum need to be nurtured, including the social sciences, economics, the humanities and the arts. Sound education and training for the masses — which also means that pupils need to be willing to work and self-disciplined — is just as important as the education of the academic elite. High-quality educational establishments, from primary schools to universities, are the fundamental prerequisite for society as a whole to be receptive to education and science.

4.1.4 *The European Knowledge Area.* The Committee repeats its recommendation that a common European knowledge area be developed to complement the European Research Area, through closer supranational cooperation in the areas of learning, innovation and research. Obstacles to the single market that are obstructing the transition to the European knowledge society must therefore be removed as quickly as possible. On this subject, the Committee refers to its opinion on *The road to the European knowledge-based society — the contribution of organised civil society to the Lisbon Strategy* <sup>(22)</sup>.

4.1.5 *Lifelong learning and mobility.* Incentives and measures in support of lifelong learning have an important role to play here. Lifelong learning is the key to the knowledge society. This includes still greater support from Member States for personal mobility, and strengthening the relevant, effective EU programmes (Erasmus, Marie Curie). Mobility networks

<sup>(20)</sup> This is not so much a matter of learning and understanding a large number of formulae, but rather of a basic understanding of technology and the fundamental laws of nature, and also of the significance of quantitative connections and the usefulness of mathematics.

<sup>(21)</sup> *A Renewed Pedagogy for the Future of Europe*, Directorate-General for Research 2007 Science, EUR 22845, High Level Group on Science Education, Michel Rocard (Chair), Peter Csermely, Doris Jorde, Dieter Lenzen, Harriet Walberg-Henriksson, Valerie Hemmo (rapporteur).

<sup>(22)</sup> OJ C 65, 17.3.2006.

Europe and is conducive to attaining and transferring knowledge. Free movement of workers, researchers and students must be guaranteed and go hand in hand with decent income, working conditions and support for families. Public bodies across Europe also need to improve access to information in this area.

4.2 *Standard of skills training.* This also means that scientific and technological training in universities and technical colleges must, at the very least, match the highest international standards. The most important capital for research and innovation are highly qualified and motivated scientists and engineers of both sexes who maintain and develop their skills through life-long learning throughout their careers and a sufficient number of whom are capable of taking on leading roles and carrying out pioneering work in the most difficult areas.

4.3 *Opportunities for all.* In the future, progress and success will, more than ever, be the result of structured team work involving division of labour where all those involved have the best possible opportunities to develop and take initiatives in accordance with their talents, skills and creativity. This also means that there needs to be sufficient interchangeability of school systems so that people of all abilities, including, for example, late developers, are given the opportunity of the best possible education. It is also essential to have high-quality training institutions for the whole spectrum of specialists that is and will be needed for the wide range of tasks in technology, science and business.

4.4 *Networking.* Especially for the purposes of vocational training, even closer networking of the training, research and industrial application pillars is needed. There is a clear link here to the subject of lifelong learning and mobility (see point 4.1.5). There is also a need for better cross-border networking of universities and higher education colleges. With this in mind, the Committee welcomes the plans for the European Technology Institute (ETI) <sup>(23)</sup>, which is aimed at further developing the innovation capacity of the EU and its Member States by connecting training, research and innovation activities at the highest level. However, above and beyond education and training, this also applies to all the pre-competitive research and development <sup>(24)</sup> of industrial firms, such as the joint development of improved engine technology in the car industry.

## 5. Financial matters and procedures

5.1 *Investment is a matter for all stakeholders.* The EU, the Member States and the private sector must do their best — i.e. considerably more than they do now — to provide the necessary investment for education, research and development.

<sup>(23)</sup> OJ C 93, 27.4.2007.

<sup>(24)</sup> See also chapter 7 of OJ C 204, 18.7.2000.

5.2 *Barcelona target.* The Barcelona target set for the purpose of implementing the Lisbon strategy must be taken very seriously and strenuously pursued by all the relevant stakeholders if Europe is not to fall further behind its global competitors in terms of R&D investment. This target states that total R&D expenditure in the EU should be increased such that it reaches around 3 % of GDP by 2010. Two thirds of the required investment is to come from the private sector.

5.3 *Multiplier effect of the Seventh R&D framework programme.* In December 2006, the Council adopted the Seventh R&D framework programme (FP7) for 2007-2013. The budget for this programme, at around EUR 50 billion, was significantly higher than for the previous one. This is another very significant European policy success, which the Committee has substantially supported. However, the total budget for this is about EUR 50 billion, which means that the Community will still only be providing about 2 % (in other words, only one fiftieth) of the total investment in research and development aimed for by the Barcelona target. However, as the Committee has repeatedly stressed, this is insufficient to maximise the multiplier and integrating effects that EU funding has on Member States' research funding and much-needed industry investment, and thus bring about the considerable increase that is needed to reach the Barcelona target.

5.4 *Reiterated recommendation.* Therefore, not least in view of the planned establishment of the European Technology Institute (ETI) and the urgent need for more R&D work into climate-friendly, sustainable energy supply, the Committee reiterates its recommendation <sup>(25)</sup> that this part of EU funding should, as a first step, be increased by half, i.e. to around 3 % of the total investment aimed for by the Barcelona target, as part of the revision of the EU budget planned for 2008. This would be a particularly effective step by the EU towards reaching the increasingly important Lisbon and Barcelona goals more quickly than can be expected at present, and towards solving the above-mentioned problems more effectively and more quickly.

5.4.1 *Competition with China.* The equivalent research efforts being made by China, for example, are increasing rapidly, and Europe must make every effort so as not to lose markets in globally important and essential technologies to international competitors. However, it is not politically credible to demand that the private sector provide the necessary investment when the EU and the Member States have not provided their share of funding for the Barcelona target which they themselves set.

5.4.2 *Core funding by Member States.* At the very least, the Member States should ensure that their universities and research institutes have sufficient core funding to be able to receive the expected level of co-financing from the Seventh R&D framework programme.

<sup>(25)</sup> OJ C 325, 30.12.2006.

5.5 *EU framework for state aid.* EU law on state aid should therefore be framed in such a way as to encourage the Member States and enable them to provide greater, more effective and less bureaucratic support than in the past, for the research and development plans of universities, research organisations and industry, and help them establish networks between them. Careful consideration should therefore be given to whether the *Community framework for state aid to research and development and innovation* <sup>(26)</sup> really is conducive to these goals.

5.6 *Member States' budget rules.* Individual Member States' budget rules should allow for a more flexible drawing/flow of funds for R&D measures. These should be adapted to the cycle of each project. For instance, it should be possible to transfer allocated funds to the following calendar or budgetary year.

5.7 *Development of scientific infrastructure.* The EESC has also recommended on several occasions <sup>(27)</sup> that a much greater part of the resources of the EU's Structural Funds be used for the development of scientific infrastructure. The use of funding from the European Investment Bank for this purpose could also be highly beneficial.

5.8 *Potential of SMEs.* It is also important to further strengthen the potential of SMEs, and especially of start-up companies, for innovation and, more generally, to provide stronger incentives for industry to invest in this area. The Committee also refers to its recommendations <sup>(28)</sup> on the *EU multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs)* and to the support for the knowledge-based economy that is especially important in this context. The fact that 98 % of all firms in the EU are SMEs makes it particularly clear how important it is to strengthen the capacity for innovation of this category of enterprise. The Committee therefore welcomes the fact that EUR 1,3 billion are set aside for R&D by and on behalf of SMEs within FP7. Existing regulations that make life difficult for SMEs should be reviewed and, where possible, red tape should be cut; the authorities could also, through business angels, provide help with access to funding opportunities. Europe can also draw inspiration from the funding policies of other countries in this area.

## 6. Structural aspects and basic conditions

6.1 *Reference to other and previous reports.* On this subject, the Committee refers first of all to the two recently-published Commission Communications <sup>(29)</sup> on innovation and

to the excellent Aho report <sup>(30)</sup>. It also refers to its own opinion <sup>(31)</sup> on *Unlocking and strengthening Europe's potential for research, development and innovation*, which in many places overlaps with this document, but also goes into much more detail on several of the issues dealt with herein.

6.2 *Innovation is more.* Reaffirming and complementary to the above-mentioned reports, the Committee also reiterates that progress and innovation do not depend exclusively on science and technology, but also on applying such knowledge through new and better products and processes, innovative business models, and the right management methods; thus, an innovative entrepreneurial spirit and entrepreneurial initiatives are also key. Progress and innovation also depend on new kinds of services, on developing healthcare services, and in general on better solutions to social problems — an example of this is the concept of 'flexicurity', which the Committee has discussed <sup>(32)</sup>.

6.3 *Innovation — a step into uncharted territory.* Thus, innovation means devising and implementing new technologies, processes, organisational methods, business models, educational models etc. that had not previously been considered. Therefore, their effectiveness can usually only be proven once it has stood the test of real competition.

6.4 *Flexible regulatory frameworks.* At the same time, regulations are drawn up on the basis of existing knowledge. It is therefore very important that such regulations offer sufficient room for manoeuvre — i.e. enough plurality and variability — to give new ideas that were not previously thought of the chance to be put into practice and not to be suffocated at birth or allowed to wither away slowly simply because they do not fit into the framework of existing regulation. When drafting legislation, it is therefore important to ensure that fundamental issues are dealt with and regulated, but that excessively detailed regulations are avoided. Overregulation and excessively restrictive rules, however well-intentioned they may be, stifle and hinder innovation. The Committee therefore supports all efforts to simplify regulations and to check them for superfluous and/or unnecessarily restrictive requirements. This also serves the purpose of releasing experts (see below) from unnecessary red tape. Moreover, the mistakes of individuals should not lead to the overregulation of everyone.

6.5 *Freedom of research.* Once again: Innovation requires sufficient entrepreneurial freedom. Scientific freedom — *inter alia* freedom from restrictive <sup>(33)</sup> or indeed ideological requirements — is a fundamental prerequisite for creative research and

<sup>(26)</sup> OJ C 323/I, 30.12.2006.

<sup>(27)</sup> For example in OJ C 65, 17.3.2006.

<sup>(28)</sup> OJ C 234, 22.9.2005.

<sup>(29)</sup> COM(2006) 502 final, 13.9.2006: *Putting knowledge into practice: A broad-based innovation strategy for the EU*; COM(2006) 589 final, 12.10.2006: *An innovation-friendly, modern Europe*.

<sup>(30)</sup> EUR 22005 *Creating an Innovative Europe* ISBN 92-79-00964-8.

<sup>(31)</sup> OJ C 325, 30.12.2006.

<sup>(32)</sup> See for example *Flexicurity: the case of Denmark* (OJ C 195, 18.8.2006).

<sup>(33)</sup> See also OJ C 65, 17.3.2006, point 4.13.2 on the Charter and footnote.

new discoveries and inventions, without prejudice to a) the limits placed by legislative answers to ethical problems and b) the proper use of allocated funds.

6.6 *Reiteration of CESE 1566/2006.* Reference is made to further important observations in the opinion<sup>(34)</sup> referred to under point 5.1. The statements contained therein are strongly supported. Points 4.7 to 4.11 of that opinion make recommendation on the following topics, which are relevant to this opinion: *Moving from enhancing our knowledge of nature to the creation of innovative products, processes and services. Mobility between academia and industry. Publicly accessible information systems. Clusters. Start-ups. Basic research. The innovative product. Public procurement. Intellectual property and necessary Community patent. Period of grace prior to publication which does not infringe novelty status. The language problem. Particular situation of the new Member States.*

6.6.1 *Protection of intellectual property — European Community patent.* The particular emphasis is thereby again placed on securing adequate protection for intellectual property<sup>(35)</sup>: it must be worthwhile for businesses to invest in research, development and innovation, and the financial, legal and administrative outlay required to secure and retain property rights must not adversely impact Europe's economic strength vis-à-vis global competitors. This also shows the urgent need for a Community patent (with a grace period enshrined in it).

## 7. The human factor

7.1 *Most valuable resource.* First of all, the Committee refers to its specific opinion<sup>(36)</sup> on this subject and once again reaffirms and underscores the statements contained therein. As it had already done on earlier occasions, the EESC pointed out in the abovementioned opinion that human capital is the most delicate and most valuable resource for knowledge and innovation. The most important task is therefore to motivate talented young people to embark upon a scientific or technical education and to provide them with the best possible such education.

7.2 *Quality of training bodies (See chapter 4).* The number, resources and quality of the requisite training bodies are therefore key prerequisites for meeting the demand for good scientists, engineers and entrepreneurs. It is therefore essential to establish and maintain — working in liaison with research and teaching bodies<sup>(37)</sup> — an adequate number of properly equipped, top-quality attractive universities and, above all, institutes of technology, possessing excellent teaching staff. These universities and institutes of technology must be able to stand up to competition with the best universities in the USA or other

<sup>(34)</sup> OJ C 325, 30.12.2006.

<sup>(35)</sup> On this subject, see also Commissioner Günter Verheugen, SPEECH/07/236 on *Intellectual property — a driving force for innovation in Europe*, 19 April 2007.

<sup>(36)</sup> *Researchers in the European Research Area: one profession, multiple careers.* (OJ C 110, 30.4.2004).

<sup>(37)</sup> With this aim in view, the achievement of even better networking between universities and non-university research bodies could be helpful, particularly in order to include in such networking the equipment and infrastructure of such research and teaching bodies, but also to allow the latest knowledge to be taught.

non-European states. They must consequently also be sufficiently attractive to draw the best students from non-European countries.

7.3 *Society's responsibility.* By virtue of the investment carried out by society on the one hand, and by individual researchers on the other, with a view to acquiring the desired broadly-based and not readily accessible fundamental knowledge and high-level specialised knowledge, society — as represented by politicians — assumes responsibility for making optimal use of this investment. This responsibility must be reflected in a concern to ensure that trained research workers are provided with appropriate job and professional development opportunities and suitable career paths, with attractive options for branching out into other fields, without running the risk of being professionally sidelined or sent down dead ends. If qualified scientists and engineers are unemployed, underemployed or underpaid, this represents a waste of economic investment and deters the next generation of top-level scientists and engineers, with the result that they decide against scientific or technological careers or emigrate from Europe. Excessive bureaucracy (see point 7.7) is also a form of underemployment.

7.4 *Developing talent.* People, including all employees in firms, universities and research institutes, must be provided with the best possible opportunities — in the light of their talents, capabilities and levels of creativity — to develop their gifts and display initiative. We also need to bring about a social climate that makes it possible to start a family and is conducive to and promotes their creativity. At the same time, this also means that the young people who benefit from this training and support, for their part, are driven by a sense of duty and by commitment to make every effort to make the best possible use of the talents and the skills they have learned. These are important issues of social policy, family policy, the academic discipline of business management, and management culture in general. This latter has now recognised the impact of a sensible work-life balance on creativity and productivity<sup>(38)</sup>.

7.5 *Identifying and assessing high achievers<sup>(39)</sup>.* Outstanding skills and achievements cannot properly be assessed by quantitative indicators, which are in any case subject to abuse. For example, a problem is posed by those scientific authors who like to quote each other in their publications, thus forming quotation cartels and gaining advantage in assessments based on quantitative indicators. As evaluation criteria, neither the number of publications nor that of quotations, patents or other key figures are sufficient or stand up to scrutiny; quality, novelty value and significance are more important. Moreover, it has sometimes been the case that the most groundbreaking discoveries or inventions were recognised, acknowledged, used or quoted only after a certain delay. Therefore, in order to assess personalities and achievements, with all their characteristics and facets, we need the wealth of experience and personal judgement (though even then misjudgements cannot be totally avoided) of the key representatives of the relevant area of expertise in which the achievements have been made or are expected.

<sup>(38)</sup> See *Frankfurter Allgemeine Zeitung*, No 257, 4 November 2005, p. C1.

<sup>(39)</sup> See also OJ C 110, 30.4.2004.

7.6 *Involvement in decision-making processes.* It is also necessary to involve experienced experts and scientific and technical achievers more than hitherto in relevant decision-making processes and administrative dossiers relating to research policy, entrepreneurial and innovation policy matters. The establishment of the European Research Council (ERC) is a very encouraging first step in this direction, which the Committee has strongly supported<sup>(40)</sup>. However, sufficient relevant expertise also needs to be attracted to, and retained for, the administration of EU (i.e. the Commission in particular) and Member State bodies that provide funding for research and innovation. In particular, this should involve successful young engineers and researchers. Support for research and innovation needs to go beyond mere administration.

7.7 *Freedom from the burden of too many non-core tasks.* Research, development and inventing are activities that require a lot of time in terms of mental effort and laboratory work, as are consolidating and passing on knowledge. These activities need time for undisturbed concentration and reflection. Since 2000, the Committee has repeatedly pointed out<sup>(41)</sup> that the ever increasing and excessive amount of committee work, application and approval procedures, report writing, bureaucracy in general, etc. now takes up the greater part of many experts' time. It thus takes them away from what they should really be doing and is detrimental to the ability to innovate and the effectiveness of the very people who are outstanding in their field. This undesirable state of affairs is now increasingly being criticised in the media, too<sup>(42)</sup>. The Committee welcomes the Commission's stated intention to address this issue and to join with the Member States in seeking ways to relieve this burden. The call for experts to be involved in decision-making processes relating to research policy does not contradict the need to unburden them from bureaucracy; it may even help achieve this end. A specific goal should be to harmonise and consolidate the numerous application, reporting

and monitoring procedures for the various grant-awarding bodies, partner institutions, networks, and monitoring and approval bodies. This would also bring benefits in terms of significantly greater transparency.

7.8 *Brain drain and mobility.* There are good reasons (see also point 4.1.5) for engineers and scientists needing professional mobility and flexibility. However, this should not be at the expense of personal and family life or of social security<sup>(43)</sup>. Moreover, it must not lead to net emigration of the best people from Europe. Therefore, working conditions within Europe must be sufficiently attractive to prevent this and, at the very least, to lead to an overall balance in the mobility of highly-qualified achievers. At the same time, some Member States are concerned that a one-way brain drain could take place within the European Union. Therefore, as the Committee has repeatedly recommended (see also point 5.7), a significantly larger proportion of the EU's Structural Funds should be used for developing scientific infrastructure so as to create attractive research locations in all Member States that will then attract people back to their home countries and, at the same time, be able to partner within networks.

7.9 *Professional image of entrepreneurs.* Turning research and development into industrial products and processes raises a particular set of issues. The Lisbon target of two-thirds of research funding coming from industry is not without reason. It is therefore particularly important to enhance the professional image of entrepreneurs and to raise public awareness of their key role in innovation, economic progress and prosperity in general. For this reason, the Committee, as the bridge to organised civil society, has put entrepreneurship with a human face at the centre of its forthcoming work programme. Only through responsible and energetic entrepreneurship that is able to develop freely will the Lisbon goals be achieved.

Brussels, 12 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

<sup>(40)</sup> See also OJ C 110, 30.4.2004.

<sup>(41)</sup> In particular, see point 9.8 and sub-points of OJ C 204, 18.7.2000; for example, this states in point 9.8.2: 'Consequently any successful scientist has only a limited capacity for interaction — and a limited period of time — available to use and interpret contacts with other people, groups, bodies, committees, etc. without reducing his or her scientific productivity. Too many and too costly application and approval procedures — particularly if they are unsuccessful — deprive research of input from the people it needs. This is particularly the case given that there are many funding instruments and evaluation procedures, which often overlap, for a given project.'

<sup>(42)</sup> See, for example, *Frankfurter Allgemeine Zeitung*, No 60, 12 March 2007, *Ein Forscher geht*; and also No 67, 20 March 2007, Interview with Harald Uhlig.

<sup>(43)</sup> See also OJ C 110, 30.4.2004.

## Opinion of the European Economic and Social Committee on the 'Green Paper on the Review of the Consumer Acquis'

COM(2006) 744 *final*

(2007/C 256/05)

On 8 February 2007, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the *Green Paper on the Review of the Consumer Acquis*.

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 4 June 2007. The rapporteur was Mr Adams.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 12 July), the European Economic and Social Committee adopted the following opinion by 55 votes with 2 abstentions.

### 1. Conclusions and Recommendations

1.1 The EESC takes note of the Green Paper but has doubts that the approach put forward can lead to a high and uniform level of consumer protection across the EU. Ensuring such protection through a simplified, consistent and enforced consumer acquis has been a repeated theme of EESC opinions on consumer safeguards but there are indications in this review process that this may be difficult to achieve. The review of the acquis is therefore a real attempt to implement the 'Better lawmaking' initiative. The foundations and objectives for this should be clear and agreed, in advance, by the parties involved.

1.2 Genuine democratic legitimisation of the revised consumer acquis is necessary together with a clear legal and conceptual basis.

1.3 The EESC would particularly welcome the application of the principles of the acquis to the rapidly growing and poorly regulated digital environment.

1.4 Consumer policy is considered by the EESC not only as an integral part of the EU internal market strategy but also as an important and affirming element of citizenship. The EESC supports implementation of the better regulation principles in consumer legislation. Any proposals for harmonised rules in this field should be backed by a proper impact assessment, and pursue simplification and clarification of existing rules.

1.5 Better enforcement measures and strengthening or introducing clear and simple processes for achieving redress should be emphasised as a priority.

1.6 The Committee encourages the Commission to take account of its Opinion of April 2006 on *The legal framework for consumer policy* <sup>(1)</sup> which proposed making it possible to adopt

consumer policy measures in their own right and not only as a by-product of the establishment of the internal market.

1.7 Harmonisation of consumer legislation across the EU must take, as a guiding principle, the adoption of the best and highest level of consumer protection to be found in the Member States. Any 'horizontal instrument' should be based on the highest standards while necessary 'vertical integration' would concentrate on clarifying technical issues. A horizontal instrument could however contain fully harmonised rules in specific fields, such as the right of withdrawal and the definition of consumer as well as abusive clauses, delivery or consumers' right of redress, whereas minimum harmonisation would apply elsewhere. It is to be hoped that this would be a preferred approach, both by the Commission and all Member States.

### 2. Introduction

2.1 The Commission adopted their long-awaited **Green Paper on the Review of the Consumer Acquis** (consumer rights legislation) at the beginning of February 2007. This concluded what they term the 'diagnostic phase' of the Review. They are seeking views on options to simplify, modernise and harmonise the existing Community legislation on consumer protection. It is argued that by analysing the strengths and weaknesses of the existing legislation and making appropriate revisions both consumers and business can benefit. The Commission also considers the Review to be an opportunity to obtain consistency across Member States and generally improve EU consumer protection legislation, some of which dates back 20 years, particularly by identifying where regulatory differences exist and if they produce internal market barriers to consumers and business — while respecting the principle of subsidiarity. This Opinion, therefore, concentrates on how the underlying themes of the Consumer Acquis are being perceived and presented. As yet only options for changes have been put forward.

(1) OJ C 185 of 8.8.2006.

2.2 Consumer spending represents 58 % of EU GDP but is still largely fragmented into 27 national markets. The internal market could be the largest in the world and the Commission has described its strategy as awakening 'a sleeping giant, the retail side of the Single Market' <sup>(2)</sup>. The Commission currently defines its consumer policy as 'ensuring a common high level of protection for all EU consumers, wherever they live, travel to or buy from in the EU, from risk and threats to their safety and economic interests and increasing consumers' capacity to promote their own interests' <sup>(3)</sup>.

2.3 The objective of ensuring the consistent application of a common framework for consumer rights in the EU is widely supported. Such a framework would provide clear and equitable rights and protection for all consumers whilst simultaneously creating a level playing field for the providers of goods and services. The Green Paper on Consumer Rights explicitly recognises that progress towards such an objective has been slow, inconsistent and obstructed by a wide range of varying national priorities and exceptions. The welcome inclusion of new Member States has further complicated a common understanding of consumer protection. This Review of the Consumer Acquis presents the Commission's view of a process which could lead to greater clarity, consistency and application of existing Directives. But many consumer organisations argue that it also introduces questions about the direction of consumer policy as a whole.

2.4 The Directives that are included within this Review cover a wide range of consumer contract law issues including doorstep selling, timeshare, package travel, distance-selling, sale of goods and unfair contract terms. However, not all Directives dealing with consumer protection are considered in the Review as some are considered too recent to be included, or fall within areas being considered elsewhere by the Commission. The Timeshare Directive has been highlighted in the Green Paper as requiring urgent revision and a revised Directive is expected shortly. A significant new area which is singled-out as requiring inclusion in the principles of the acquis is the digital 'environment' which presents the global challenges of e-commerce.

2.5 The Commission has reviewed the Directives through:

- a comparative analysis of their implementation into national law,
- research into the perceptions of consumers and business,
- workshops with Member State experts and contract law stakeholders.

<sup>(2)</sup> <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/320&format=HTML&aged=0&language=EN&guiLanguage=en>.

<sup>(3)</sup> [http://ec.europa.eu/consumers/overview/cons\\_policy/index\\_en.htm](http://ec.europa.eu/consumers/overview/cons_policy/index_en.htm).

2.6 The well-established terminology used by those engaged on consumer protection issues has the potential to create confusion, hence an early explanation of some of the key concepts is included here. 'Minimum harmonisation' is where a Directive imposes a set of minimum requirements to be enforced by the Member State. This leaves open the possibility that stricter requirements than those specified in the Directive can be imposed by the Member State. 'Maximum (or' Full') harmonisation' means that Member States must apply the rules in the Directive and may not go further ('floor and ceiling harmonisation'). Thus many consumer organisations have come to regard full harmonisation as synonymous with a minimum level of consumer protection and minimum harmonisation as offering the possibility of a much greater level of protection.

2.7 The publication of the Green Paper marks the end of the Commission's exploratory phase of the Review. The Commission asked for views on the Green Paper by 15 May 2007. The Commission is now analysing the consultation responses, will produce a summary of views and decide whether there is a need for a legislative instrument, though this will take some months. Any such proposal will be accompanied by an impact assessment. 'At the end of the exercise it should, ideally, be possible to say to EU consumers "wherever you are in the EU or wherever you buy from it makes no difference: your essential rights are the same"' <sup>(4)</sup>.

### 3. Summary of the Green Paper

3.1 The Green Paper sets out to provide a context in which views from interested parties can be collected on the policy options for the Consumer Acquis and some other specific issues. It defines the main issues as:

- New Market Developments: the majority of directives comprising the Consumer Acquis fail to meet 'the requirements of today's rapidly evolving markets'. Music downloads and on-line auctions are cited as examples as is the exclusion of software and data from the Consumer Sales Directive.
- Fragmentation of Rules: current directives allow Member States to adopt a higher level of consumer protection in national law. On a number of issues, such as the length of a contract 'cooling off' period, there is a lack of coherence between national legislations.
- Lack of Confidence: the majority of consumers believe that businesses in another Member State are less likely to respect consumer protection laws.

<sup>(4)</sup> [http://ec.europa.eu/consumers/cons\\_int/safe\\_shop/acquis/green-paper\\_cons\\_acquis\\_en.pdf](http://ec.europa.eu/consumers/cons_int/safe_shop/acquis/green-paper_cons_acquis_en.pdf).

3.2 Based on earlier work the Commission then outlines two positive strategies for revision of the Consumer Acquis.

— Option I: the vertical approach, would involve the amendment of existing directives separately and, over time, they would be brought into conformity with each other.

— Option II: the mixed approach, would require identifying and extracting issues common to all directives and regulating them consistently in a 'horizontal instrument'. Some specific 'vertical' adjustment of particular directives would also be required.

3.3 A third strategy, that of 'no legislative action', is briefly mentioned, though it is pointed out that existing problems would not be resolved and inconsistencies between Member States may be increased.

3.4 The Green Paper then deals with the possible scope of a Horizontal Instrument. Three options are suggested.

I. A framework instrument applicable to both domestic and cross-border transactions but which does not supersede existing sector-specific rules, which would remain in force. Financial services and insurance are given as examples.

II. An instrument applying only to cross-border contracts. This would provide greater security and confidence for consumers buying goods and services outside their own country but could lead to different standards between domestic and cross-border protection.

III. A horizontal instrument which only applied to distance shopping — cross-border or domestic. This would replace the Distance Selling Directive but could also lead to fragmentation between distance and face-to-face selling protection.

3.5 The next topic of the Green Paper will, for many, be seen as the pivotal issue in the revision of the Consumer Acquis — **the degree of harmonisation**. At present, Member States can provide for higher levels of consumer protection than is allowed for by the directives. This is known as 'minimum harmonisation'. The focus and priority of consumer protection issues varies considerably between Member States, sometimes with the result of confusing consumers and deterring businesses from cross-border marketing. Two possible options are presented for consideration.

1. Revised and fully harmonised legislation. On issues where full harmonisation would not be possible a mutual recognition clause would apply, 'for certain aspects covered by the proposed legislation but not fully harmonised'.

2. Revised legislation that would be based on minimum harmonisation combined with a mutual recognition clause or with the country of origin principle <sup>(5)</sup>.

### 3.6 Annex I — The Consultation

The majority of the Green Paper contains the detailed and highly structured consultation exercise in which respondents are invited to state their views on a wide range of issues involving general policy questions, matters of definition, matters of contract law, issues of principle, and also questions of scope and detail. The consultation begins with the three 'policy' issues outlined above.

— The general legislative approach.

— The scope of a horizontal instrument.

— The degree of harmonisation.

For each issue the Commission poses a key question and suggests three or four possible ways of response. There then follows 27 specific questions relating to the directives under consideration. The format again is to provide a short introduction to the issue, pose the main question — for example, 'To what extent should the discipline of unfair contract terms also cover individually negotiated terms?' or 'Should the length of the cooling-off periods be harmonised across the consumer acquis?' and suggest three or four possible options where a response could be made.

## 4. General Comments

4.1 Over many years the EESC has supported, through its work and Opinions, the primary objective of the EU's consumer policy — that a high, uniform and consistent level of protection is available to all. The Committee also supports the secondary objective of enabling consumers to be informed and to make an informed choice in a barrier-free marketplace. The structure of the Green Paper makes it inevitable that the underlying tensions in fully achieving these two objectives are brought to the surface.

<sup>(5)</sup> Mutual recognition would mean that Member States would retain the possibility to introduce stricter consumer protection rules in their national laws, but they would not be entitled to impose their own stricter requirements on businesses established in other Member States in a way which would create unjustified restrictions to the free movement of goods or to the freedom to provide services. Application of the country of origin principle would mean that a Member State would retain the possibility to introduce stricter consumer protection rules in its national law, but businesses established in other Member States would only have to comply with the rules applicable in their home country.



4.2 It is already clear that continuing with the Consumer Acquis in its present form should not be regarded as a long-term option. Variation in law between Member States, inconsistency in definition, the considerable discrepancy in the way existing consumer legislation is applied and enforced and lack of clarity in — or even the existence of — complaints and redress procedures all have some effect in creating barriers to the single market.

4.3 It is also apparent that the Commission see the Review as an opportunity to look at some aspects of consumer policy hitherto regarded as fundamental and explore whether they are consistent with a vibrant single market, particularly one which is competitive in terms of globalisation. In this respect, there are similarities with other reviews being stimulated as a result of implementing the Lisbon Agenda. A high, uniform level of consumer protection is seen by some as an integral part of the European social model and a shift in emphasis to *'redefine EU Consumer policy so it most effectively contributes to two central EU goals — creating economic growth and employment as well as reconnecting Europe to its citizens'* might be regarded as challenging this concept <sup>(6)</sup>.

4.4 Although the task will be difficult, the EESC welcomes the Review of the Consumer Acquis and supports the Commission in its stated aims of reducing internal market barriers whilst maintaining a high level of consumer protection. The Committee considers, however, that such efforts should not be confined solely to the eight directives currently under consideration; they should instead cover, in the future, at least the 22 directives set out on the list drawn up by the Commission in May 2003.

4.5 The EESC wishes to participate in this debate actively with the aim of strengthening the internal market for the benefit of all stakeholders — consumers, professionals, companies and citizens.

## 5. Specific Comments

5.1 Complex issues of policy, principle and law are raised in the Green Paper. Member States have themselves developed a corpus of consumer law which, though often consistent between countries in its broad principles, varies in detail and application. The systematic and extended consultation process

annexed to the document reflects this complexity. This detailed framework solicits responses from the many hundreds of organisational stakeholders who wish to make their views known. In this Opinion, however, the EESC confines its comments to the underlying major policy issues, because it considers that each directive to be reviewed should be commented on separately, as in its Opinion on the directive on distance contracts [Opinion INT/334 on the Commission Communication COM(2006) 514 final, of 21 September 2006].

5.2 The main priority should be in making good the deficits in the existing Directives and co-ordinating them with each other.

5.3 'Minimum harmonisation' combined with a positive approach by Member States to adopt consistently higher standards on consumer protection is likely to form the basis for the major part of the consumer acquis for the foreseeable future. For various (and varying) social and economic reasons Member States will either wish to retain the level of consumer protection they already enjoy or move in a measured way, at a pace of their own choosing, towards a different level of protection. This position respects and is much easier to reconcile with the principle of subsidiarity. Nevertheless, it also recognises the view that various categories of consumers throughout the EU are disadvantaged in their current level of protection or capacity to seek redress and action is needed at both EU and Member State level.

5.3.1 This does not mean that, in a case-by-case examination, in very specific areas in which completion of the internal market is the prime concern, the possibility of maximum harmonisation should not be considered, provided that a higher level of consumer protection is ensured, possibly through regulation.

5.4 The stated aim of putting the consumer in the driving seat — in terms of knowledge of consumer rights, their capacity to take action against suppliers and obtain redress — should not be seen as an alternative to clear and proactively enforced protection through a combination of EU and national law. Information is a very different thing from protection. Indeed, the balance of power in most market transactions normally lies with the supplier and the majority of consumer law is designed to maintain the rights of the purchaser.

Brussels, 12 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(6)</sup> Ms Meglena Kuneva, Commissioner for consumer protection policy  
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/256&format=HTML&aged=0&language=EN&guiLanguage=en>.

**Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council on rear-view mirrors for wheeled agricultural or forestry tractors (Codified version)'**

COM(2007) 236 final — 2007/0081 (COD)

(2007/C 256/06)

On 29 May 2007 the Council decided to consult the European Economic and Social Committee, under Article 95 of the Treaty establishing the European Community, on the abovementioned proposal.

Since the Committee unreservedly endorses the proposal and feels that it requires no comment on its part, it decided, at its 437th plenary session of 11 and 12 July 2007 (meeting of 11 July), by 145 votes to two and four abstentions, to issue an opinion endorsing the proposed text.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

**Opinion of the European Economic and Social Committee on 'The definition of an energy policy for Europe (Lisbon strategy)'**

(2007/C 256/07)

On 14 September 2006 (confirmed on 26 October 2006) the European Economic and Social Committee acting under Rule 31 of its Rules of Procedure decided to draw up an information report on *The definition of an energy policy for Europe*.

At the plenary session of 14 and 15 March 2007, it was decided to transform the information report into an own-initiative opinion (Article 29(2) of the Rules of Procedure).

The Section for Transport, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 19 June 2007. The rapporteur was **Ms Sirkeinen**.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 12 July 2007), the European Economic and Social Committee adopted the following opinion by 126 votes with four abstentions.

**1. Recommendations**

in external energy relations as well as other potential measures.

1.1 Energy has become a central political issue with strong links to the Lisbon strategy for growth and jobs.

— Energy exercises a growing influence on the European economy. To meet the energy policy challenges of climate change, security of supply and competitiveness, EU needs to change into a highly efficient, low carbon energy economy.

— To this end, what is needed is a global approach and a Union-level debate about: how to curb Europe's demand for energy; ways of securing energy supplies by sources which are highly diversified, access to networks and a unified voice

— The creation and uptake of innovations, which will make this shift possible, require certain conditions and some specific measures at EU, Member State, regional and local levels.

1.2 More and better jobs are at the heart of the Lisbon strategy. When market conditions change, some jobs are lost in the energy sector. At the same time new energy solutions can be strong drivers for creating high quality jobs. Education and training are key facilitators.

1.2.1 In addition to employment, also other aspects of the social dimension of energy are central in the Lisbon context. This includes, in particular, a high quality public service at affordable prices. Civil society, including the social partners, need to be actively involved in energy policy development.

1.3 The EESC together with national Economic and Social Councils present the following recommendations on energy policy in the framework of the Lisbon Strategy, 'Energy Policy for a Knowledge Society':

- Scrutinise energy policies and other relevant framework conditions against the EU goals of an efficient, low carbon economy.
- Provide for a skilled and well motivated labour force by ensuring a high class system of education.
- Provide for sufficient public R&D, comparable with main competitors, and stimulate growth of private R&D funding.
- Develop international co-operation in the energy technology field, in particular with other big players. Monitor systematically energy technology policies and measures by main competitors and partners.
- Ensure availability of risk financing in the development and business start up stages of SMEs as well as for investments in new technologies.
- Ensure open and healthy competition in the energy markets in order to force enterprises to innovate. In the case of renewable energy network access may be crucial to successful innovation.
- Erase obstacles to investments which are needed to take new technologies into use. Planning and authorisation requirements slow down and even hinder investments. To decrease the risks of investment the regulatory framework needs to be predictable and stable.
- Ensure access of new technology to EU and global markets.
- Ensure a global level playing field, for instance a global price on CO<sub>2</sub> all the while ensuring that it does not become a commodity like any other, since a genuine reduction in CO<sub>2</sub> levels will influence the very survival of the planet.
- Ambitious targets can help to develop a strong position for EU on the global markets in energy efficient and renewable energy technologies. Targets and their deadlines need, however, to be carefully set, so that there are realistic possibilities to meet them.

— The choice of measures to actively support innovation has to be made with great care amongst the following, in order to render results cost-effectively:

- Funding of R&D
- Education and training
- Public awareness
- Price mechanisms, taxation
- Subsidies
- Binding targets and obligations
- Regulation and binding norms
- Voluntary standards, voluntary agreements
- Public procurements.

1.4 In order to achieve the urgent transformation of the energy sector which is needed, the pace of innovation needs to be accelerated. The Committee urges that particular attention be given to:

- measures to set a proper global economic price for carbon emissions,
- expanding public and private R&D to support new forms of energy and energy efficiency,
- using regulation (or other measures when more cost-effective) to drive faster progress in improving energy efficiency of products of all kinds,
- using public procurement much more proactively to drive higher energy efficiency standards, particularly in building.

## 2. Introduction

2.1 The EESC in collaboration with national Economic and Social Councils is to produce 'a summary report' in early 2008 on the Lisbon strategy for growth and jobs priorities. This Opinion on energy policy forms part of this Summary Report. It has been produced in collaboration with national Economic and Social Councils, with active contributions in particular from the French, Italian and Maltese Councils.

2.2 This Opinion has bearing on Section B — microeconomic reforms to raise Europe's growth potential of the Integrated Guidelines for Growth and Jobs 2005-2008. In particular it relates to guidelines 8 on strengthening competitiveness, 12 on R&D, 13 on innovation and ICT and 14 on sustainable use of resources<sup>(1)</sup>.

<sup>(1)</sup> COM(2005) 141 final., Integrated guidelines for growth and jobs.

*The European Council in March 2006*

2.3 The European Council in the conclusions of its meeting in Brussels on 23-24 March 2006 welcomed 'the initiatives taken up by the European Parliament, the Committee of the Regions and the European Economic and Social Committee to increase ownership (of the relaunched Lisbon strategy for jobs and growth) at Community level. It encourages the European Economic and Social Committee and the Committee of the Regions to continue their work and asks for summary reports in support of the Partnership for growth and employment in early 2008' (Point 12 of the Presidency conclusions).

2.4 The European Council notes that 'the background in Europe is characterised by intensified competition from abroad, an ageing population, higher energy prices and the need to safeguard energy security' (Point 7 of the Presidency conclusions). It further 'confirms that the Integrated Guidelines 2005-2008 for jobs and growth remain valid. Within that framework it agrees on specific areas for priority actions concerning investment in knowledge and innovation, business potential, especially of SMEs, and employment of priority categories; as well as the definition of an Energy Policy for Europe' (Point 16).

2.5 On the issue of energy the European Council notes that Europe is facing a number of challenges in the energy field: the ongoing difficult situation on the oil and gas markets, the increasing import dependency and limited diversification achieved so far, high and volatile energy prices, growing global energy demand, security risks affecting producing and transit countries as well as transport routes, the growing threats of climate change, slow progress in energy efficiency and the use of renewables, the need for increased transparency on energy markets and further integration and interconnection of national energy markets with the energy market liberalisation nearing completion (July 2007), the limited coordination between energy players while large investments are required in energy infrastructure (Point 43).

2.6 In response to these challenges and on the basis of the Commission Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy' the European Council called for an Energy Policy for Europe, aiming at effective Community policy, coherence between Member States and consistency between actions in different policy areas and fulfilling in a balanced way the three objectives of security of supply, competitiveness and environmental sustainability (Point 44).

2.7 The European Council underlined that, to achieve this consistency both in internal and external EU policies, energy policy has to satisfy the demands of many policy areas. As part of a growth strategy and through open and competitive markets, it prompts investment, technological development, domestic and foreign trade. It is strongly linked with environment policy and is closely connected with employment, regional

policy and particularly transport policy. In addition foreign and development policy aspects are gaining increasing importance to promote the energy policy objectives with other countries (Point 45).

2.8 The Energy Policy for Europe (EPE) should be based on shared perspectives on long term supply and demand and an objective, transparent assessment of the advantages and drawbacks of all energy sources and contribute in a balanced way to its three main objectives: (Point 46 + 47).

- Increasing security of supply.
- Ensuring the competitiveness of European economies and the affordability of energy supply to the benefit of both businesses and consumers, in a stable regulatory framework.
- Promoting environmental sustainability.

2.9 In fulfilling these main objectives the EPE should:

- ensure transparency and non-discrimination on markets;
- be consistent with competition rules;
- be consistent with public service obligations;
- fully respect Member States' sovereignty over primary energy sources and choice of energy mix.

*The 'Energy Package' 2007*

2.10 The Commission is to present a Strategic Energy Review on a regular basis, starting in 2007. On 10 January 2007 the Commission published its first Review and a communication to the European Council and the European Parliament 'An Energy Policy for Europe' — the 'energy package'.

2.11 The point of departure of the Commission for a European energy policy is threefold: combating climate change, promoting jobs and growth, and limiting the EU's external vulnerability to gas and oil imports.

2.12 The Commission presents as the core energy objective for Europe that the EU should reduce greenhouse gas emissions by 20 % by 2020. The EU target needs to be seen in the context of the need for international action of industrial nations on climate change. When such a commitment exists, the EU will need to do more. The aim should therefore be to increase the target to a 30 % reduction by 2020 and 60-80 % by 2050.

2.13 The concern is not only about climate change, it is also about Europe's security of energy supply, economy and the well-being of its citizens. The Commission sees that achieving the objective also can limit the EU's growing exposure to increased volatility and prices for oil and gas, bring about a more competitive EU energy market, and stimulate technology and jobs.

2.14 In energy specific terms, meeting this overall greenhouse gas target will require the EU to reduce the amount of CO<sub>2</sub> from its energy use by at least 20 %, and probably more, within the next 13 years. It will mean the EU taking global leadership in catalysing a new industrial revolution.

2.15 To achieve this objective, the Commission also proposes to focus on a number of energy related measures: improving energy efficiency; raising the share of renewable energy in the energy mix, as well as new measures to ensure that the benefits of the internal energy market reach everyone; reinforcing solidarity among Member States, with a more long term vision for energy technology development, a renewed focus on nuclear safety and security, and determined efforts for the EU to 'speak with one voice' with its international partners, including energy producers, energy importers and developing countries.

2.16 The Review includes a ten-point energy Action Plan with a timetable of measures. A first package of concrete measures is presented with the Action Plan. This includes:

- a report on the implementation by the Member States of the internal market of gas and electricity as well as the results of an enquiry of the state of competition in these two sectors;
- a Plan for Priority Interconnections in the electricity and gas networks of the Member States so that a European grid becomes a reality;
- proposals to promote sustainable power generation from fossil fuels;
- a roadmap and other initiatives to promote renewables, notably biofuels for transport;
- an analysis of the situation of nuclear energy in Europe;
- a work sheet for a future European Energy Strategic Technology Plan.

2.17 The Energy Efficiency Action Plan which the Commission adopted on 19 October 2006 also forms part of the Action Plan. The Commission's Communication *'Limiting Climate Change to 2° — Policy Options for the EU and the world for*

*2020 and beyond'* and the Strategic Review complement and reinforce each other.

2.18 The European Council endorsed fully the Commission's proposals at its Spring Summit on 8-9 March 2007. The Commission proceeds to draft detailed legislative and other relevant proposals in line with the Summit conclusions. A second Strategic Energy Review in two years' time will report on progress as Heads of State and Government have committed themselves to regularly discuss energy matters.

*Previous Opinions on energy policy of the European Economic and Social Committee*

2.19 The EESC prepared during its mandate 2002-2006 several Opinions on energy policy issues, in particular on the features and role of different energy sources and technologies. At its Plenary session in September 2006 the EESC finally adopted an Exploratory Opinion, based largely on these previous Opinions, on *'The energy supply of the EU: a strategy for an optimal energy mix'* (?). This Opinion covered many of the issues brought up by the European Council in March 2006. The main conclusions of the Opinion were:

2.20 The EESC found that Europe needs to set a strategic goal of a diversified energy mix, meeting optimally economic, security of supply and climate policy objectives. All energy sources and technologies have, in relation to these objectives, benefits and drawbacks, which have to be taken into account in an open and balanced way.

2.21 Increased use of renewable energy sources has a potential that needs to be tapped. But even when the target for 2020 of 20 % renewables would be met, it was not seen likely that renewables can substitute fully the traditional energy sources in the foreseeable future.

2.22 All options have to be kept open. The scenarios for EU-25 referred to in the Opinion clearly support this conclusion. Even a scenario based on assumptions of the strongest developments of energy efficiency and increase of renewables did not render any energy technology obsolete without negative impacts on either environment or economy.

2.23 The present mix should be developed by political strategies towards less external dependence and more non-emitting sources available in Europe, bearing in mind that market actors make decisions on investments in various technologies.

(?) OJ C 318 of 23.12.2006, p. 185.

2.24 The EESC recommended developing a strategy for an optimal energy mix. In this context it is important to clarify the roles of the EU, Member States, independent authorities and market actors.

The strategy for an optimal energy mix was proposed to consist of the following elements:

- energy efficiency, including combined heat and power production;
- renewable energy sources including the use of biofuels for transport;
- energy efficiency in transports;
- even better nuclear safety and a solution to the question of spent fuel;
- clean coal technologies and preparing for re-increased use of domestic EU coal reserves;
- encouragement of investments in liquefied natural gas terminals;
- the right framework for sufficient investments in energy production and transmission;
- EU to speak with one voice as one of the strongest actors on the international scene;
- assessment of the impact of present and future climate and environmental policy measures on the other energy policy objectives;
- a global solution to post Kyoto climate policies, involving at least all major emitters;
- increased R&D efforts and EU support to energy R&D, both short and long term.

### 3. EESC comments on an energy policy for Europe in the context of the Lisbon Strategy

3.1 Energy is a necessity in a modern society. To meet our needs of food, heating in cold climate, lighting, transport, commodities and consumer goods as well as — increasingly nowadays — telecommunications and information processing — we need a secured supply of energy. But the way in which we fulfil these needs can and has to be changed. In face of the present challenges, in particular that of climate change, we need a paradigm change as a matter of urgency towards a highly efficient, low carbon energy economy.

3.2 Energy has a strong link to the Lisbon strategy for growth and jobs. To achieve the Lisbon goals we need sufficient energy at affordable and competitive prices. At the same time new energy solutions can, in particular if they are successful on global markets, be strong drivers for European competitiveness and creation of high quality jobs.

3.3 The general objectives of energy policy — competitiveness, security of supply and sustainability are and remain valid. The serious challenge of climate change requires curbing the growth of energy demand by much better energy efficiency and strongly increased shares of renewable and other low carbon energy technologies, like potentially in the future carbon capture and storage. Security of energy supply is also served by better energy efficiency as well as by diversification of sources and a unified EU voice in external relations. Competitiveness needs to be enhanced by an open market with well functioning and fair competition, including access to networks, while guaranteeing high quality public service.

3.4 Creating more and better jobs is central to the Lisbon strategy. As competition in the markets in general require better productivity, also enterprises in the energy market need to be more efficient. When jobs are lost in the energy sector workers concerned need to be duly supported. At the same time jobs in energy using sectors may be prevailed and increased. In particular, the thrust towards better energy efficiency and renewable energy and other developing technologies will create numerous, mainly high quality jobs.

3.4.1 The social dimension of energy policy needs due attention in the Lisbon framework. It covers the questions of employment and jobs as well as the availability of energy for everyone at affordable prices, i.e. high quality public service. Civil society, including the social partners, need to be actively involved in energy policy development.

3.5 The EESC has presented its detailed views on the above mentioned key energy policy issues in recent Opinions and will in due course produce Opinions on the legislative and other detailed proposals to be presented by the Commission based on the European Council's conclusions concerning the Energy Package.

3.6 In order to avoid duplicated work and to offer optimal added value to the energy debate, the EESC focuses in this Opinion on the relationship between energy policy and the underpinning vision of the Lisbon strategy of Europe as a knowledge society. In this Opinion we comment on the issues contained in the Energy package in relation to innovations.

#### *The role of technology and innovation in meeting the energy challenges of this century*

3.7 Politically set targets and measures set the framework, but technology and other innovation, including change in behaviour, are key to real progress. This is true for better energy efficiency, both in conversion and use. Innovation can play an important role in reducing dependence on external energy sources by enabling diversification of the energy mix. Innovation is definitely needed to decrease emissions of greenhouse gases by development and use of renewable energy sources, clean coal and other fossil fuels as well as safe nuclear power.

3.8 Innovation means renewal in a broad sense. It is about developing and taking new ideas into wide use, turning them into economic value. It covers technological innovation as well as new management and other organisational solutions. It takes place in industry, but also in services and the public sector. Research is often the source innovation, but certainly not always. Here the Committee would also refer to its Opinion on Research needs for a safe and sustainable energy supply <sup>(3)</sup>.

3.8.1 Energy technologies, like more efficient combustion, windmills, solar collectors, or future fuel cells, hydrogen technology and fusion, are in the centre of attention. Equally important are flanking technologies, like materials development or meteorology, providing for efficient optimisation by better forecasts.

3.8.2 For more efficient energy use the range of relevant technologies is almost limitless; better insulation, less consuming electrical appliances, lighter materials, better industrial product and process planning, more efficient machinery. In this context the role energy intensive industries are important — if they don't provide for demand by investments and expertise, innovation in large parts of energy efficient technology for industry will stifle in EU.

3.8.3 Information and communication technologies offer a big potential. Applied in production, conversion and distribution of energy ITC can, as in any processes, provide for more efficiency and higher productivity. The same is true for safe and secure operations, including in particular of transmission networks. ITC-technologies help users and consumers master their energy use. One example with multiple benefits could be cutting peak loads by facilitating users' immediate reactions to price signals. In a wider context, use of ITC-technologies could substitute transport needs by, for instance, teleworking and conferencing.

3.8.4 We also need new ways — innovations — in operation and management of energy and energy related systems. The goal here is to ensure high quality services to an affordable price. Examples are management of safe operation of production and transmission systems and maintenance as well as operating the market (exchanges), peak management and daylight adjustment. And last but not least — efficient logistics can add much to both energy demand and better fuel management.

3.8.5 Innovation in behaviour is also needed. The consumer is the key player — a more intelligent energy use is up to each one of us, and this requires new ideas and more knowledge. There is a big challenge of better awareness and adequate consumer information to guide choices. Regional and urban planning as well as architectural solutions and building requirements can do much to support citizens' choices vis-à-vis energy;

to this end, official information campaigns urging efficiency energy use and savings should be promoted.

3.9 There is a need to come up with radically new solutions to problems, and change is needed urgently. Radical change takes time, and therefore it is important to start and allocate resources immediately. Meanwhile, existing best technologies should be taken broadly into use, for example to decrease energy use in households.

3.10 In order to lead innovation and investments in a cost-effective direction, the cost efficiency of upstream technologies should be quantitatively evaluated. One important example is the cost of different technologies for avoiding 1 ton of CO<sub>2</sub> — for instance windmills are much costlier than isolation of houses.

#### *Conditions and political measures to enhance innovation*

3.11 The creation and uptake of innovations require certain conditions and some specific political measures, both at local, regional, national and EU levels. As EU has the ambition to become world leader in energy efficiency and low carbon technologies, it is of crucial importance to scrutinise energy policies and other relevant framework conditions against this goal.

3.12 The first prerequisite for successful innovation is a skilled and well motivated labour force, supported by a high class system of education. Development of new technologies requires sufficient R&D as well as risk financing in the development and business start up stages of SMEs. Healthy and open competition forces enterprises to innovate. Market access, including globally, is necessary. In the case of renewable energy network access may be crucial to successful innovation. The regulatory framework has to be designed to enhance innovation, for instance by rewarding innovators specifically (example: the ETS does not reward those who have taken early action to decrease emissions). Overregulation stifles innovation.

3.12.1 Investments are needed to take new technologies into use. Companies need to be profitable in order to be able to invest. This is the case also for investments in better energy efficiency, even if the pay back period may be short. The energy business has been very profitable during the last few years, but still investments are low. It is known that planning and authorisation requirements and permits slow down and even hinder investments. To decrease the risks of investment the regulatory framework needs to be predictable and stable. As investments in energy infrastructure often have long pay back periods, the possibility to use some forms of long term contracts would be beneficial.

<sup>(3)</sup> OJ C 241 of 7.10.2002, p. 13.

3.12.2 For a company to invest in development or use of new technology, it needs to be able to get return on the investment from sufficiently big markets. In most cases national markets are not big enough for this — increasingly access to global markets is a prerequisite for making the investment. Likewise important is global demand and a level playing field. Unilateral EU measures do not create demand elsewhere, although it may happen over time. For instance, a price on CO<sub>2</sub> can be an important incentive, but it would need to be global.

3.12.3 EU's strong position on the global markets in energy efficient and renewable energy technologies should be further developed and strengthened. EU's ambitions to be a frontrunner in climate policies by setting ambitious targets as well as in energy efficiency and renewable energy use can support this goal. This does, however, not work automatically. Targets and their deadlines need to be carefully set, so that there are realistic possibilities to meet them, otherwise the result may only be extra costs and possibly loss of jobs. For instance, relevant technologies need to be in the development pipeline close enough to be ready in time for target deadlines. Also investment cycles in different sectors need to be taken into account.

3.12.4 The EU seems to put emphasis on interference in the market as a means to enhance innovation, which may not be sufficiently effective. The US and some other countries rely more on public financing of R&D. Europe needs to increase public as well as private financing of energy R&D. Technology co-operation with the other big players should be developed, and their policies and measures should be systematically monitored. We also need much more cooperation between Member States and national and EU efforts need to be better coordinated, without eliminating competition. Closer cooperation between public research and enterprises needs to be fostered, both in planning and executing research agendas, in order to assure that research efforts lead to innovation. The proposed EIT could play a role here.

3.13 To actively support innovation, a combination of instruments is usually needed. Different phases of development and different market situations require different measures in order for them to be effective. In relation to measures needed to turn them into successful innovations on the market, technologies can be grouped into, for instance, three categories:

- 1) Far from the market, in the R&D phase: In these cases targeted support to R&D and demonstration is needed. Price signals, like a price on CO<sub>2</sub>, are not sufficient.
- 2) Close to the market, a functioning technology but still too expensive for the markets: a price on CO<sub>2</sub> may be the right

incentive, as well as special support to ensure a fast growth of demand and thereby big production volumes.

- 3) A good product on the market, but low demand (examples are to be found in energy efficient technologies): The key issue is to raise awareness, which can be supported by energy auditing schemes and the like.

3.14 A broad choice in measures and instruments are available at EU, national and regional levels. The choice of measures for given objectives has to be made with great care in order to render results cost-effectively. The speed of action should be critically evaluated in order to avoid waste of resources and unintended implications. Measures that clearly serve both direct and indirect goals — no regrets-measures — should be implemented as soon as possible. More complicated, often new kinds of measures, like ways to set a market price for CO<sub>2</sub>, should first be carefully studied. To avoid complication, unexpected side effects and sub-optimal solutions multiple measures for one objective should be avoided. When choosing measures to be used, it is also important to take into account the efficient functioning of the internal market — this has so far not always been the case.

3.14.1 Funding of R&D: Here the Committee would refer in particular to its Opinion on Investment in Knowledge and Innovation (Lisbon Strategy) INT/325. The EU, as a whole, lags clearly behind the US and some other major competitors. The 7th Framework Programme for R&D allocates altogether some EUR 4 billion over seven years to energy (except the construction of ITER), while the US Energy Bill proposes in the Federal budget \$4.4 billion for 2007 only, and increasing later. In addition to increasing public money to energy R&D, there should also be incentives for allocating more private funding to energy R&D, while fostering cooperation between EU-countries.

3.14.2 Education and training: In addition to efforts to upgrade the quality of education and training in Europe, energy needs to be made attractive as a career choice with positive perspectives for young people. As technologies change ever faster, lifelong learning is essential.

3.14.3 Public awareness: It is a big challenge to change the behaviour of each and every one of us towards smarter energy use. Schools and campaigns have their role to play. The education of our 'citizens of the future' on this topic could begin at primary school, since children are very receptive at this age to questions about the future of the planet and are eager to act. In professional spheres and companies, energy auditing based on, for instance, voluntary agreements have given good results.



3.14.4 Price mechanisms, taxation: Price signals can, if well designed, effectively support innovation by directing users' choices. As an instrument to decrease energy use in general, higher prices are not very effective — it is well known that price elasticity in energy is generally weak.

3.14.5 Subsidies: Well designed subsidies can effectively direct choices. In the early part of learning curves subsidies are often needed to counteract otherwise too high risks. In order not to distort competition, they can be used only in the framework of existing EU rules that is to address market failures. Subsidies need to be limited in time and gradually phased out. To boost energy efficiency, appropriate incentives need to be developed to help overcome the initial, up-front extra cost of energy efficient appliances with often short pay-back periods.

3.14.6 Politically set targets and obligations: These give a signal of a desired direction of development. As important for investment decisions are the actual political instruments implemented in order to reach the targets. When setting targets it has to be kept in mind that usually some parts of the economy gain while other loose, and overly ambitious targets may cause more harm than benefit. Presently there seems to be a tendency to set overall and in addition subtargets related to the same goal, for example targets on reducing CO<sub>2</sub> emissions and, in order to reach those, targets on increasing the use of renewable energy. This may lead to suboptimal solutions in reaching the overall goal. Both targets and especially chosen instruments need thorough impact assessments, like agreements with industry in Germany and Finland.

3.14.7 Emissions trading, green/white certificates: These are effective instruments, leading to the set targets if correctly designed. The costs are, however, difficult to estimate on beforehand and may vary very much. The larger the market and the number of market players for trading rights or certificates, the better. If applied to enterprises competing on a global market, the system would need to be global in order not to distort competition.

3.14.8 Regulation or binding norms: Carefully planned regulation may enhance innovation. In particular, regulation can be an effective way to get rid of outdated technologies. It can also stimulate innovation to impose energy efficiency in products by setting ambitious medium targets for raising efficiency standards. The risk of stifling innovation is, however, always present. In any case, it must be assured that regulation does not create market barriers.

3.14.9 Voluntary standards, voluntary agreements, certification: These are innovation-friendly policy instruments. They may not always lead to meeting their exact targets or objectives, but they facilitate big steps forward in innovation, practically without risk of negative side-effects.

3.14.10 Public procurement: Procurement can play a big role in enhancing energy innovation. Methods for this purpose should be developed and spread widely. Normally 'greener' procurement requires the use of life cycle analysis, and for this and other new methods the authorities often need further education. The EU rules for public procurement, which have to be respected, provide for 'greening' of procurement, by requiring state of the art solutions.

3.14.11 In order to achieve the urgent transformation of the energy sector which is needed, the pace of innovation needs to be accelerated. The Committee urges that particular attention be given to:

- measures to set a proper global economic price for carbon emissions,
- expanding public and private R&D to support new forms of energy and energy efficiency,
- using regulation (or other measures when more cost-effective) to drive faster progress in improving energy efficiency of products of all kinds,
- using public procurement much more proactively to drive higher energy efficiency standards, particularly in building.

Brussels, 12 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

### Opinion of the European Economic and Social Committee on the

- ‘Proposal for a Directive of the European Parliament and of the Council on the interoperability of the Community rail system’ (Codified version)
- ‘Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 881/2004 establishing a European Railway Agency’
- ‘Proposal for a Directive of the European Parliament and of the Council amending Directive 2004/49/EC on safety on the Community’s railways’

COM(2006) 783 final — 2006/0273 (COD)

COM(2006) 785 final — 2006/0274 (COD)

COM(2006) 784 final — 2006/0272 (COD)

(2007/C 256/08)

On 16 January 2007 the Council decided to consult the European Economic and Social Committee, under Articles 71 and 156 of the Treaty establishing the European Community, on the abovementioned 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 19 June 2007. The rapporteur was **Mr Confalonieri**.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 137 votes with 2 abstentions

#### 1. Conclusions and recommendations

##### 1.1 The proposals:

- amending Regulation (EC) No 881/2004 establishing a European Railway Agency;
- amending Directive 2004/49/EC on safety on the Community’s railways;
- for a Directive of the European Parliament and of the Council on the interoperability of the Community rail system;

appear to be in line with the intention to facilitate access for operators to the European rail system.

They:

- simplify the certification procedures for rolling stock on the interoperable system;
- standardise most of the checks carried out at national level on rolling stock, maintenance procedures and running and maintenance operators;
- create a system for comprehensive comparison between national certification rules, including elements not covered by TSIs (Technical Specification for Interoperability).

1.2 The EESC supports the objective of simplifying the procedure for placing stock in service.

1.3 The EESC believes that this simplification will increase the use of the European rail system by shifting demand away from other transport modes, while also helping to improve the environment and using the energy sources advocated in the EU’s energy plans.

1.4 The EESC calls for the process of extending application of European interoperability standards and dividing certification checks between national and Community bodies not to give rise to safety risks.

1.5 In particular, the EESC recommends that the boundaries between the remits of the different bodies introduced by the new system be carefully managed.

1.6 The EESC believes that, for wagons and passenger carriages placed in service after the Directive has entered into force, a single authorisation for placing in service issued by one EU Member State should suffice. The new Regulation on the European Agency will enable railway operators, infrastructure managers and wagon keepers, and, most importantly, national certification bodies, to:

- speed up certification;
- reduce the number of checks, eliminating national duplication in respect of joint standards;
- operate in an unambiguous legislative framework, with the option of using the Agency’s technical recommendations.

1.7 The EESC notes that, with the action planned, the Agency will become the system authority for the setting-up of the European rail system (comprising the HS (High Speed) network, trans-European transport corridors and, in the future, the whole of the remaining national networks), thanks to coordination and extension of the ERTMS (European Railway Traffic Management System) system, with publication of the cross-referencing system for national rules and the provision of technical support to national certification bodies.

1.8 The gradual development of the European Agency's role in guiding and monitoring the rail interoperability process and technological developments will have to be mirrored by some change in the roles of national certification bodies.

1.9 The EESC asks the Commission to consider the case for establishing a European register of safety problems regarding rail traffic, jointly agreed by the Member States, to provide basic data for setting joint parameters.

1.10 The hoped-for result is the creation of a European market in rolling stock, rolling-stock and system-maintenance activities and human resources for the management of transport services.

1.11 This will be a unique opportunity for European rolling stock manufacturers, particularly if the technical decisions on TSIs safeguard the possibility of keeping enough manufacturers to ensure a competitive European market for rolling stock (and maintenance thereof).

1.12 The EESC is concerned that, in the case of rolling stock placed in service before the Directive enters into force and not bearing an 'EC' declaration of verification, implementing the railway safety directive should not create more red tape for railway operators.

1.13 The EESC believes that the creation of national certification bodies in ESS countries should be provided for.

1.14 Analysis of derogations from TSIs should specifically include assessment, as regards the cost-effectiveness of a project, of the impact of Community co-financing on the economic viability of the project.

1.15 The EESC believes that an analysis of derogations should be carried out not for each individual TSI but for the system of TSIs as a whole.

1.16 The EESC recommends that the current language rules be applied when the Agency publishes TSIs.

It believes that the Agency's assessments and opinions should be requested for all construction or renewal measures, even where these are not funded by the European Community, in

order to point both national and Community measures towards the European safety system.

1.17 The possibility of requesting opinions from the European Agency, even where they might conflict with the evaluations of national certification bodies, should be extended to all stakeholders. In particular, Community rail undertakings and the sector's trade union organisations should be granted this possibility.

## 2. Reasons and observations

### 2.1 *Main points and general context of the proposal*

2.1.1 The gradual establishment of a European railway area without frontiers demands technical regulations to govern safety- and management-related aspects and system access procedures.

2.1.2 Council Directive 91/440/EEC of 29 July 1991, Council Directive 95/18/EC of 19 June 1995, and European Parliament and Council Directive 2001/14/EC of 26 February 2001, on the development of the Community's railways, all provide for the gradual opening-up of rights of access to the Community infrastructure for any Community railway undertakings holding a licence issued by a Member State and wishing to supply freight transport services, within a new frame of reference.

2.1.3 The dual objectives of safety and interoperability generate technical tasks that must be managed by a specialised body. It was for this purpose that the European Railway Agency for safety and interoperability was set up.

2.1.4 The Agency's main areas of activity are:

- promoting the establishment of a European railway area, contributing to an upturn in the sector and improving safety;
- developing indicators, objectives and common safety methods;
- facilitating procedures for the issue of safety certificates to railway undertakings;
- securing a maximum of transparency and the efficient dissemination of information;
- giving continuity to activities and to the development over time of the TSIs within a permanent technical framework;
- enhancing the interoperability of the trans-European network by approving new Community-backed investment projects that promote interoperability;

- assisting with the establishment of a certification system for maintenance workshops;
- supplying the technical support needed to ensure that the necessary professional qualifications for train drivers are given due consideration at European level;
- supplying technical support for the establishment of a registration system for recognition of the suitability of rolling stock for use in specified conditions;
- ensuring maximum transparency and equal access for all parties to relevant information;
- encouraging the promotion of innovation in railway safety and interoperability.

2.1.5 National procedures for the approval of locomotives are currently viewed as one of the main barriers to the establishment of new railway undertakings in the freight transport sector and as a major obstacle to the interoperability of the European railway system.

2.1.6 As no Member State can decide autonomously that its own operating authorisation should be valid in other Member States, a Community initiative is necessary to harmonise and simplify national procedures and to enable more systematic recourse to the principle of mutual recognition.

2.1.7 Furthermore, as part of the legislative simplification programme, the Commission intends to consolidate and merge the railway interoperability directives, with a view to establishing a single set of rules for the European rail system.

2.1.8 These initiatives will make rail transport more competitive by cutting costs for the railway sector.

## 2.2 *European Railway Agency*

2.2.1 The Agency is to facilitate the certification procedure for existing rolling stock by providing a reference document cross-referencing the national rules.

2.2.2 The Agency is to assess the interoperability aspect of industry requests for Community financing for infrastructure and rolling stock projects.

2.2.3 The Agency is to assess the relationship between wagon keepers and railway undertakings (formerly the RIV (Agreement between railway undertakings for the exchange and use of wagons) agreement), in the field of maintenance in particular, and make recommendations to the Commission regarding regulations.

2.2.4 The Agency is to make recommendations on common criteria for defining professional skills and assessing staff for management and maintenance activities.

2.2.5 The Agency is to take on the role of authority for the ERTMS project.

## 2.3 *Interoperability*

2.3.1 This proposal is designed to simplify and modernise the European legislative framework. It is in this context that the consolidation and merger of the directives on railway interoperability are proposed.

2.3.2 With its ten years' experience of implementing the interoperability directives, the Commission is also proposing several improvements to the technical part of the regulatory framework.

## 2.4 *Safety of the European rail system*

2.4.1 The amendment of Article 14 of the railway safety directive specifies which part of an authorisation must be mutually recognised and which is strictly linked to the compatibility of the vehicle in question with the infrastructure concerned.

2.4.2 The amendment to the legislation means that:

- every time a vehicle is brought into service a maintenance supplier must be clearly identified;
- the railway undertaking must demonstrate that the wagons it uses are operated and maintained in accordance with the rules currently in force;
- railway undertakings must demonstrate the system and procedures that they have put in place to ensure that the use of wagons from different keepers does not jeopardise railway safety;
- the Agency is to assess the procedures put in place by the railway companies to manage their relations with the wagon keepers.

## 3. **General comments**

### 3.1 *European Railway Agency*

3.1.1 The nature of the railway system is such that all the elements play a part in the system's safety.

3.1.2 While the Agency's scope is expanding from the interoperable system to the safety system, in time its responsibility will also extend to all elements of the system.

3.1.3 It appears that at the end of the process there will be a single Community system and a single Railway Agency.

3.1.4 The regulatory comparison phase should be viewed as one of the necessary steps in this direction.

3.1.5 The varying impact that decisions on TSIs and new certification procedures will have on the various Member States, the infrastructure managers, the railway companies and the wagon keepers and final customers should be assessed.

3.1.6 The need to protect the economic balance of the various national networks and market operators must not be overlooked, particularly in the harmonisation phase for technical standards and certification procedures.

3.1.7 The Agency should be given responsibility for directing technological choices for a network open to interoperability, now and in the future, not only through financial incentives.

3.1.8 It should be borne in mind that, according to the provisions of the draft interoperability directive, the Agency's responsibilities will eventually expand to include the entire Community rail network.

## 3.2 Interoperability

3.2.1 The draft directive simplifies the TSIs for HS and traditional systems when they are comparable.

3.2.2 The draft directive extends the scope of the TSIs beyond the HS network and the TEN (Trans European Network) corridors to cover all national networks, with certain exceptions.

3.2.3 This marks a crossroads in the European railway system technological development policy with a view to establishing a single European network. The resulting economic and strategic impact is greater than suggested in the explanatory memorandum.

3.2.4 Responsibility for decisions on the type of TSIs to apply to new projects and major renovations to the existing infrastructure will fall largely on the Community's shoulders.

3.2.5 Community decisions on the definition and development of the TSIs, in relation to the current situation in each

Member State, will have a major economic impact on the planning of technological and infrastructural investment in the various countries.

3.2.6 It would appear that an economic assessment of the impact of the new TSIs is necessary for each Member State, to underpin the assessment of whether adoption is appropriate.

3.2.7 This evaluation should be carried out differently for TSIs with an impact on public investment in the Member States and for TSIs with an impact on investments by railway undertakings and private operators.

3.2.8 Extending the scope of the TSIs to the entire European rail network, with exceptions, also implies a new system of relationships between the European Railway Agency and certification bodies in the individual Member States.

3.2.9 These bodies will most likely concentrate their efforts on certification activities for undertakings and operators rather than on managing the development of technological standards.

3.2.10 The amendment of the safety directive is one of a number of technical modifications aimed at facilitating the circulation of interoperable rolling stock.

3.2.11 Meanwhile, the newly defined concept of a wagon 'keeper' is introduced.

3.2.12 The organisation of the rolling stock certification process is such that the same stock will be assessed by different bodies depending on the various technical aspects.

3.2.13 The aspects included in the TSIs will be certified by one of the national certification bodies.

3.2.14 The additional national aspects will be checked by the national certification body for the network concerned. The national certification body will take note of Community certifications, check specific national certifications and issue the safety document. It has the power to reject the certification request and therefore remains responsible for the consistency of all the certified elements.

3.2.15 The European Railway Agency acts as an independent appeal body at the end of the certification request process.

3.2.16 The Committee has no other comments besides those general remarks already made above (under the Interoperability and Agency sections).

#### 4. Specific comments

##### 4.1 *European Railway Agency*

4.1.1 Article 8a: The Agency is on the one hand to create and update a reference document cross-referencing national rules for each parameter (paragraph 2) and, on the other, to provide only technical opinions on:

- equivalence of rules;
- requests for complementary information;
- the grounds for refusing authorisation.

The Agency's work would be more effective if these opinions were binding and could be requested by stakeholders as well: infrastructure managers, railway companies, wagon keepers.

4.1.2 Article 15: The Agency's responsibilities should be extended to all renewal, upgrading or construction projects concerning parts of infrastructure subject to current or future TSIs.

4.1.3 Article 16a: Assessment criteria need to be given to the Agency for choosing between 'voluntary or mandatory' systems of certification, based on:

- safety levels;
- transparency of relationships between undertakings;
- transparency of the market and regulation.

Any implications of the certification system for railway companies which are wagon keepers must be highlighted.

4.1.4 Article 18: It must be stressed that, when drawing up registration application forms, the Agency should endeavour to keep specifications which are not included in the common sections to a minimum.

4.1.5 Article 21b: The Agency's powers seem to be commensurate with its goals. The subsidiarity principle is not upheld.

##### 4.2 *Interoperability*

4.2.1 Article 1: Where extension of TSIs to the European Economic Area is provided for, this must be mirrored by provision for recognition of national certification bodies.

4.2.2 Article 6: The freedom granted to the Agency as regards the language rules for publishing the technical annexes of TSIs is not conducive to easy, shared access to Community legislation on interoperability.

4.2.3 Article 7: The concept of derogation seems very broad, particularly as regards financial considerations, as there is no requirement to take into account the impact of Community financing on an economic viability study. It would be better to apply the derogation system to the entire set of TSIs relating to the project in question than to apply derogations to individual TSIs.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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**Opinion of the European Economic and Social Committee on the 'Proposal for a directive of the European Parliament and of the Council on the inland transport of dangerous goods'**

COM(2006) 852 — 2006/0278 (COD)

(2007/C 256/09)

On 19 January 2007 the Council of the European Union decided to consult the European Economic and Social Committee, under Articles 71 and 251 of the Treaty establishing the European Community, on the abovementioned 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 19 June 2007. The rapporteur was Krzysztof Ostrowski.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 136 votes with 4 abstentions.

## 1. The EESC's position

1.1 The Committee welcomes the Commission's proposal for a directive on the inland transport of dangerous goods, whose strategic aim is to harmonise EU legislation on the inland transport of dangerous goods. It should lead to an improvement in safety in the inland transport of dangerous goods.

1.2 The proposal revises four existing directives and four Commission decisions on the transport of dangerous goods, merging them into one legislative act, and also extends the scope of the EU's provisions to include transport by inland waterways (alongside road and rail transport).

1.3 The Committee shares the Commission's opinion that one cannot conceive of ensuring the best possible safety conditions for the inland transport of dangerous goods unless all types of inland transport (road, rail and inland waterway) are covered by common, EU wide legislation.

1.4 The Committee agrees with the Commission's view that the harmonisation of the binding legislation on the inland transport of dangerous goods by road and rail, which will not require any fundamental changes to the current regulations, and which will also extend the scope of EU legislation to cover inland waterways, will greatly simplify both the legislation and administrative procedures for both government authorities and private business.

1.5 The incorporation of all land transport modes into one legal act and the inclusion of references to international agreements and treaties on the inland transport of dangerous goods in the directive's appendices only (which would not be included as part of the directive, as is currently the case) will mean a significant reduction in the volume of the EU's acquis.

1.6 The Committee believes that the legal form proposed for the new provisions, the directive, represents a good solution. Considering, however, the wide scope of the exemptions and

derogations outlined for the Member States, the Committee calls on all Member States to cooperate as closely as possible with the Commission on this issue, to ensure that the harmonisation of legislation becomes a reality.

1.7 The Committee wishes to emphasise that, given the detailed nature of the provisions on the technical conditions for the transport of dangerous goods and indeed of the categories of goods themselves outlined in the proposal, it can only comment on issues of a more general nature.

1.8 The Committee welcomes the information from the Commission that the opinions of the Member States and stakeholders, such as industry associations representing businesses active in the transport of dangerous goods, had a significant impact on the contents of the proposal, and that all efforts were made to reach a common position during the consultation process.

1.9 The Committee notes with satisfaction that the Commission will continue to be supported by a special regulatory committee on the transport of dangerous goods, which will help during comitology procedures.

1.10 The Committee also notes with satisfaction that the participation of industry associations at the meetings of the regulatory committee allowed them to put across their views regularly during the proposal drafting process. Equally, the Committee notes that consultations were also held with EFTA states and that the European Parliament was kept up to date with all developments.

1.11 The Committee values the fact that consultations were also held with the Central Commission for Inland Shipping on the Rhine, especially given that the transport of dangerous goods on this river accounts for some 80 % of the transport of such goods in Europe.

1.12 The Committee also notes the Commission's information that external consultants conducted an evaluation of the above area of policy in the years 2004-05: *Evaluation of the EU policy on the transport of dangerous goods since 1994* and that their evaluation confirmed the validity of the proposal as well as the fact that public consultations revealed that the overwhelming majority of respondents were in favour of the policy proposed by the Commission.

1.13 The Committee believes that, since the translation and publication of the technical appendices is to be carried out at Member State level, it would be highly desirable for the Commission to financially support the translation process in the Member States.

1.14 Further to the above, the Commission is convinced that it is right to back the proposal in question, which was drawn up by highly qualified specialists in the inland transport of dangerous goods from a variety of Member States.

1.15 The Committee would, nonetheless, wish to draw attention to a number of issues which, in its opinion, still need to be reworked or clarified: there is no definition of the concept of dangerous goods under the Directive; Member States are granted the right to enforce bans on the transport of dangerous goods on their territory for non-safety reasons only; there is a lack of any information in Appendices III.2 and III.3.

The Committee's comments on these issues were presented in the section on Specific Comments.

## 2. Principal elements of the proposal

2.1 The inland transport of dangerous goods (chemicals, cleaning products, petrol, explosives, handheld weapon cartridges, aerosols, radioactive materials, pesticides etc) carries with it a substantial risk of accidents occurring. This applies to all modes of transport; road, rail and inland waterways. It poses a danger to the life and health of not only those persons directly involved in the transport of such goods, but also to many residents of both urban and rural areas.

2.2 Action has already been taken in the past to ensure that the transport of such goods takes place under the best possible conditions. Today, the international transport of dangerous goods is regulated by a series of international treaties and agreements, which are based on UN recommendations. In order to ensure the safe transport of dangerous goods and the free and multimodal flow of international transport services, the UN has drawn up and revised a document entitled *Recommendations on the Transport of Dangerous Goods, Model Provisions*.

2.3 The regulation of the transport of dangerous goods is an important issue not only due to the specific nature of the goods themselves, but also because of the large volume of goods concerned. Total transport of dangerous goods in the EU already stands at 110 billion tonne-kilometres per annum, which represents approximately 8 % of all goods transportation in the EU. Of this figure, road transport accounts for 58 %, rail transport 25 %, with inland waterways making up 17 %. A growing trend is discernible, with the exception of rail transport.

2.4 In Europe, the provisions of the international agreements were implemented in the inland transport sector via the following three instruments:

- a) ADR = European Agreement concerning the international carriage of dangerous goods by road (concluded in Geneva on 30 September 1957, as amended);
- b) RID = Regulations concerning international carriage of dangerous goods by rail (Appendix C to the COTIF Convention on international rail transport, concluded in Vilnius on 3 June 1999, as amended);
- c) AND = European Agreement concerning the international carriage of dangerous goods by inland waterways (concluded in Geneva on 26 May 2000, as amended).

2.5 EU legislation on the inland transport of dangerous goods, however, covers only transport by road and rail. The existing legislation already guarantees high levels of safety in respect of these two modes of transport, along with the free provision of transport services and the free movement of transport modes across EU territory. The EU legislation in this area includes the following four items:

- a) Council Directive 94/55/EC of 21 November 1994 on the approximation of the laws of the Member States with regard to the transport of dangerous goods by road;
- b) Council Directive 96/49/EC of 23 July 1996 on the approximation of the laws of the Member States with regard to the transport of dangerous goods by rail;
- c) Council Directive 96/35/EC of 3 June 1996 on the appointment and vocational qualification of safety advisers for the transport of dangerous goods by road, rail and inland waterway;
- d) Council Directive 2000/18/EC of the European Parliament and of the Council of 17 April 2000 on minimum examination requirements for safety advisers for the transport of dangerous goods by road, rail or inland waterway.



2.6 However, there are no regulations governing the transport of dangerous goods by inland waterway. Whilst it is true that two systems of regulations are in place for regulating transport on the Rhine and the Danube (ADN-R and ADN-D), they have a regional scope only. What is more, there are also national regulations which regulate domestic transport in the Member States. The lack of any legislation in this field is, among other things, due to the non-signing of the ADN. The Commission's 1997 proposal for a directive on the approximation of the laws of the Member States on the transport of dangerous goods by vessels on inland waterways was not adopted and was withdrawn in 2004.

2.7 However, the agreement on transport by inland waterway is currently at the ratification stage and is expected to come into effect by 2009 at the latest. Taking this into account, the Committee agrees with the Commission's assertion that it makes sense to introduce transport by inland waterway into EU legislation, if only for the sake of harmonisation. Equally, this represents an opportunity to update and standardise the existing legislation. In addition, one must not allow the development of two separate legal systems: one for international transport, the other for domestic transport. Yet another reason for revising the legislation is that the existing EU legislation on the transport of dangerous goods is already quite complex. The legislative acts for certain modes of transport contain a number of inconsistencies whilst other regulations are or will soon be obsolete. For example, two directives may currently be considered to be redundant following the incorporation of their provisions into ADR, RID and ADN. A technical problem also exists regarding the current structure of the existing directives; according to the treaties, full translations must be made of the extensive technical appendices once every two years, whenever an international agreement or treaty is amended. This has proven to be a highly difficult and expensive process.

2.8 According to the information presented by the Commission, if nothing is done regarding this matter, then the above problems will not only not disappear, but may actually get even worse. The current complex provisions will, in all probability, become yet more complicated as a result of the amendments made to the international treaties and agreement; obsolete regulations will be maintained, which will not only confuse users but will also increase the risk of violation of the binding regulations. Instead of becoming more user-friendly, EU regulations could actually become completely inaccessible. With increasing use of multimodal concepts, different rules for different transport modes will exacerbate the daily problems encountered in multimodal operations and increase costs unnecessarily. In inland waterway transport, different rules for international and national operations will hamper the development of this mode, which otherwise would be the preferable mode in many cases, as is borne out by the statistical data available.

2.9 This is the reason behind the proposal to adopt a new directive, which will revise the existing four directives and four Commission decisions on the transport of dangerous goods by road and rail by merging them into a single legislative act (all three transport modes will be covered by one legal act only) and

broadening the scope of EU regulations to include transport by inland waterway as well.

2.10 The new directive will revoke existing Directives 94/55/EC and 96/49/EC, as amended, on the transport of dangerous goods, Directives 96/35/EC and 2000/18/EC on safety advisers for the transport of dangerous goods by road, rail or inland waterway, and Commission Decisions 2005/263/EC and 2005/180/EC, as amended, on national derogations from Directives 94/55/EC and 96/49/EC. It is worth adding at this point that the provisions of Directives 96/35/EC and 2000/18/EC are currently included in the appendices to Directives 94/55/EC and 96/49/EC, as a result of which the former have become redundant with regard to transport by road and by rail.

2.11 The proposal introduces the existing international transport regulations into EU legislation and extends the scope of application of international regulations to domestic transport. The proposal will therefore lead to a substantial simplification in EU legislation on the transport of dangerous goods even though this will also involve an expansion in the scope of the legislation.

2.12 The aim of the proposal is to shift the responsibility for the necessary translation and publication of the technical appendices to the directives from the EU, i.e. from the Commission, to the Member States. One of the main reasons for this is that the translations done at EU level have not always been of the highest quality, compelling Member States to do their own translations or to correct them. These appendices are revised every two years. Accordingly, the Commission should financially support translations completed at Member State level. The Commission, however, believes that the savings made by the EU in translation costs outweigh the importance of providing financial support to the Member States.

2.13 The proposal should create a system whereby references to international treaties and agreements on the transport of dangerous goods would be included in the appendices to the directive only, and not in the directive itself, as is currently the case. This is expected to lead to a reduction of as many as 2 000 pages in the size of the EU acquis on the subject.

2.14 This simplification in EU legislation should make it easier to transpose this legislation into national law. The harmonisation of regulations on the transport of dangerous goods would simplify and make the work of the law enforcement authorities, including the judiciary, more effective.

2.15 The simplification and harmonisation of the regulations would make administrative procedures easier for all those involved in the transport of dangerous goods, from forwarder to customer.

2.16 The harmonisation of the regulations would also simplify the documentation required for haulage and for vehicles, the training of those involved as well as the work of the safety advisers for the transport of dangerous goods.

2.17 The proposal forms part of the Commission's programme for the gradual revision and simplification of the EU acquis and of its legislative and work programme.

### 3. Specific comments

The Committee wishes to draw attention to a number of issues, about which it has reservations:

3.1 Firstly: in the proposal entitled *Directive of the European Parliament and of the Council on the inland transport of dangerous goods* the section on definitions provides detailed definitions of individual words or terms (e.g. ADR, RID, AND, vehicle, wagon, vessel) explaining their meaning for the purposes of the directive. However, no information is provided as to what we should understand by the concept of 'dangerous goods'. Doubtless, this is no simple matter given the number of dangerous goods that already exist and the advances in technology, which continually add new items to the list of such goods. The Committee nonetheless believes that information should be provided on what should be understood by the term 'dangerous goods' in the context of this directive.

3.2 Secondly: the draft directive gives Member States the right to regulate or introduce bans on the transport of

dangerous goods across their territory for reasons other than transport safety *only*. Whilst the Committee understands the reasons for which the Member States were granted the right to regulate or ban the transport of dangerous goods, it fails to comprehend the reasoning behind according the right to act 'for reasons other than safety only'. The Committee believes that, in the context of this proposal, whose aim is to increase the safety of dangerous goods, the proposed wording means that Member States would not be able to ban the transport of dangerous goods on their territory for safety reasons, which would seem to be rather illogical. Moreover, the Committee is unclear about how it would be possible to ensure the coordination of such bans applying to cross-border transport should the Member States introduce different bans.

3.3 Thirdly: Points III.2 and III.3 of Appendix III (Inland transport) do not contain any information on any planned additional transitory provisions or additional national regulations. Accordingly, the Committee asks for more information as to whether it is indeed the case that no such provisions are planned or whether they are simply in the process of being drawn up.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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## Opinion of the European Economic and Social Committee on the 'Green Paper on Satellite Navigation Applications'

COM(2006) 769 *final*

(2007/C 256/10)

On 8 December 2006 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the *Green Paper on Satellite Navigation Applications*.

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 19 June 2007. The rapporteur was Mr Buffetaut.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 134 votes *nem con* with five abstentions.

### 1. Introduction

1.1 GALILEO is the flagship programme of European space policy. The project's scope and strategic nature have led the European Space Agency (ESA) to work jointly with the European Union. Thus, a culture of intergovernmental and Community cooperation should ensure the success of this venture. In the same spirit of cooperation, the project should be implemented as a public-private partnership.

1.2 The first test satellite, precursor of future satellites that will ultimately form a constellation of 30, was launched into orbit towards the end of 2005. The development of this project is therefore on course, but has not been without its difficulties and delays.

1.3 GALILEO will be a global navigation satellite system, which will provide a set of positioning, navigation and timing services.

1.4 GALILEO, with its 30 satellites and its ground stations, will make it possible to provide information on their geographical positions to users in several economic sectors including transport (locating vehicles, ships, aircraft, guidance systems, travel information searches, etc.), justice, police and customs (border control), public works (topography, geodesy and geographical information systems), leisure (maritime and mountain navigation), social services (e.g. assistance to people with disabilities and the elderly), government security and safety services, and finally, through emergency beacon location services, rescue at sea or in remote parts of the world.

1.5 The market in products and services derived from navigation applications has been forecast to reach EUR 400 billion by 2025.

1.6 Disagreement among the partners with regard to the business model for GALILEO and governance of the industrial consortium is so profound that concession negotiations have now stalled. The delays accumulated so far and the absence of any sign of progress on the concession negotiation is a risk for the delivery of the project itself.

1.7 Faced with these difficulties, the Transport Council of March had asked the European Commission to take stock of progress in negotiations on the concession contract and look into alternative solutions. Faced with this deadlock, the Commission, in its Communication entitled 'Galileo at a cross-road', asked the Council and the European Parliament to take note of the failure of the current concession negotiation and to conclude that it should be ended. However, at the same time, it also asked them to reaffirm their commitment to the continuation of the Galileo programme. The Commission put forward an alternative scenario whereby the development and deployment phases would be supported and financed by the public sector and the concession contract would only concern the operational phase. The European Space Agency would be the procurement agent and design authority on behalf of the European Union.

## 2. The gist of the Green Paper

2.1 The Commission document provides (a) a swift overview of the system in place and its foreseeable development and (b) an assessment of the possible innovatory applications. In so doing, it recalls the five proposed types of services (the open access service, the commercial service, the safety-of-life service, the search and rescue service, and a government service with restricted access: the public regulated service). The Green Paper does not address the applications covered by the latter service — it is up to the Member States to decide whether they wish to use it or not. For this reason, the Commission will approach each Member State directly on this subject and will then compile and summarise the answers.

2.2 The Commission lists the following sectors as affected by, and potentially interested in, the system.

- Information on geographical location (for the general public) and emergency calls
- Road

- Rail
- Maritime, inland waterways and fisheries
- Aviation
- Civil protection, emergency management and humanitarian aid
- Tracking dangerous goods
- Livestock transport
- Agriculture, parcel measurements, geodesy and cadastral survey
- Energy, oil and gas
- Search and rescue
- Logistics
- Environment
- Sport and tourism
- Law enforcement.

2.3 The length of this list of possible applications highlights the scope and broad range of potential applications.

2.4 As usual, the Green Paper concludes with a list of questions to stakeholders. It is not for the EESC to provide specific answers to these questions, but rather to stress those which it considers particularly important, and raise questions that should have been asked but were not.

2.5 The Commission is analysing the feedback on the Green Paper received from interested parties. Feedback is quite scant and sometimes too general to draw conclusions. As a result, the Commission intends to complete the process by undertaking further in-depth consultations with a view to publishing an action plan in October 2007. To date, no major economic sector has shown any real interest in the paid services. This is a good illustration of the difficulties involved in competing against a service that is available to the public free of charge, even if the latter is not guaranteed. This therefore raises the question of the economic and financial equilibrium of the European system, a civilian service that does not benefit from the same level of public backing (in this case from the military) as the American GPS.

## 3. Key questions

3.1 Question 2 <sup>(1)</sup> on the protection of privacy is a matter of particular importance, to which the EESC has already given special attention by calling for the stringent protection of the right to privacy. This raises the question of striking a balance between the right to privacy and the possibilities offered by this technology. It should however be emphasised that the satellite positioning and navigation systems enable users to establish their position, but this position is only known to themselves and is not available to third parties unless the user decides to pass on the information, for instance via a form of mobile telecommunication like GSM. Since they are one-way systems, the

<sup>(1)</sup> COM(2006) 769, Section 4.

operator of a navigation system — be it GPS, GALILEO, or the Russian system GLONASS — does not know who the users are and has no way of finding out who is using the navigation signals, let alone their geographical position. As a result, the issue of protecting the right to privacy has to be studied on the basis of the individual applications offered to users. Many of these services require the user's geographical position to be instantly re-sent to a server, which will then be able to provide the information requested by the latter (e.g. information about road traffic).

3.2 Question 5 <sup>(2)</sup> on international cooperation raises a number of issues. The European Union has signed cooperation agreements with China, Israel, South Korea, Morocco and Ukraine, and other agreements are being considered with India, Brazil, Argentina and Australia. Although these cooperation agreements are clearly desirable to strengthen GALILEO's international scope, mainly in connection with such issues as standardisation, the opening of markets, certification, frequencies and intellectual property rights, we should nevertheless exercise caution because the main motive of some partners is the acquisition of knowledge and European know-how in order to gain time in developing their own technologies, which would then compete against GALILEO. It has now become abundantly clear that this was China's primary intention when it signed a cooperation agreement on GALILEO with the EU in 2003. Furthermore, it is surprising to note that neither Norway nor Switzerland have as yet concluded an agreement with the EU covering their cooperation in the GALILEO programme, despite the fact that they are financing its development/validation phase through their participation in the European Space Agency. As a result, their potential access to GALILEO's public regulated service has yet to be determined.

3.3 In any event, and in general, the cooperation undertaken did not involve the public regulated service. Moreover, negotiations for international cooperation have slowed down because the main priority is the effective implementation of the European satellite navigation project, a phenomenon that is symptomatic of the difficulties encountered.

3.4 Questions 6 and 7 <sup>(3)</sup> on standards and certification raise the problem of certification for the equipment and the system itself and onboard navigation terminals. This is a particularly sensitive issue for aviation and rail transport, two sectors where safety and signalling equipment are subject to rigorous internationally recognised certification procedures. The certification of the GALILEO system itself only makes sense in the context of a specific sector of application, e.g. civil aviation, which lays down applicable rules and procedures for certification. The certification of terminals and equipment on board mobile machinery using the GALILEO services involves more than just the positioning terminal. It also involves all the other equipment that uses the position information and finally delivers the information gathered to the pilot or captain. The usual certification procedures for that specific application therefore apply. Thus, the issue has to be dealt with separately for each specific application.

<sup>(2)</sup> COM(2006) 769, Section 5.3.

<sup>(3)</sup> COM(2006) 769, Section 5.4.

3.5 Another aspect of the matter, liability, is barely touched upon, whereas it is of considerable importance. Its exceptional complexity has to be acknowledged. The relatively straightforward issues of contractual liability must be considered, but so must those relating to extra-contractual liability, which are far more difficult to deal with. Furthermore, it should be remembered that the degree of liability may vary depending on whether it concerns the open access service, the commercial service or the public regulated service. The European Commission is considering a system similar to the one applied in civil aviation, i.e. a fixed amount to be covered by insurance and the rest by the public authorities. In this case, the key question would be to establish the threshold at which the liability of the authorities would be triggered. The threshold currently being considered is high — approximately a billion euros.

3.6 To what extent does the signal provider guarantee performance? This question is of acute importance in the aviation, rail and even maritime sectors.

3.7 If, for instance, a bad quality signal results in a plane crash or shipwreck, possibly causing an oil spill: who would be liable and to what extent? A distinction would have to be drawn here between contractual liability and extra-contractual liability.

3.8 Would the GALILEO operator be wholly liable or would liability be shared with States? And if so, which States: the launching State, the European Union, or the States participating in the GALILEO project? These issues must be addressed and settled in order to ensure that GALILEO's commercial applications can be developed in a satisfactory and reliable legal framework.

3.9 There are precedents, e.g. Ariane. The risk of damage to third parties caused by launches is carried by Arianespace for up to EUR 100 million. Anything in excess of this amount is covered by the French State. There are similar risk sharing arrangements between commercial operators and States in the civil aviation sector, which might perhaps be applied to GALILEO. Nevertheless, the sensitive issue remains the need to agree where to draw the dividing line: what is the appropriate share of liability to be borne by the public authorities and the operator, especially for new services?

3.10 A system based on the latter, if applied to the GALILEO programme, would obviously involve clearly specifying which public authority would be in a position to share liability with the GALILEO operator.

3.11 Question 9 <sup>(4)</sup> on intellectual property is important. Even if public institutions finance initial research, it is important that intellectual property rights to the applications should belong to the companies, especially the SMEs, that develop and implement them.

<sup>(4)</sup> COM(2006) 769, Section 5.6.

3.12 The military uses of GALILEO also have to be considered. Unlike GPS, a military system made available for civilian purposes on a discretionary basis, GALILEO is a civilian system. As is the case with the GPS civilian signal, there is nothing to prevent the armed forces of any country from using GALILEO's open access service for a military purpose, even though the public regulated service, which is specifically regulated by the EU Member States, offers more advantages than other GALILEO services in that it is more powerful in terms of scrambling and independence (different bands and frequencies are used).

3.13 Without entering into a discussion of the various military uses of GALILEO's public regulated service, which lie well outside the scope of this opinion and are not dealt with in the Green Paper, the fact remains that GALILEO's financial equilibrium partly depends on this service. This point will undoubtedly continue to be discussed in the new configuration for the GALILEO programme proposed by the Commission. Moreover, in its Communication, the Commission states that 'whilst maintaining the system as a civil system significant revenues could also come from military users'.

#### 4. Conclusion

4.1 The Green Paper on satellite navigation applications provides an overview of many of the sectors for which satellite navigation would indeed be relevant. It needs to be completed in a number of very important areas such as intellectual property rights in processes that could open the way to new fields of application, and certification and liability arrangements.

4.2 The matter of government or even military use of GALILEO by EU Member States, which is handled through

direct dialogue between the Commission and the Member States, and among the Member States themselves within the GALILEO security board, is very important insofar as it has a significant impact on GALILEO's financial model. It seems clear that this matter needs to be re-examined, particularly since the public sector contribution looks set to increase substantially as a result of the failure of the first public-private partnership scenario.

4.3 It is extremely useful and interesting to consider satellite navigation applications. However, it is also necessary to be sure that the constellation is completed. The Commission's new proposals are the GALILEO programme's last chance. The EESC is well aware of the financial effort they require of Member States. However, at a time when the EU is dealing with its citizens' scepticism, and a certain 'disenchantment' revealed by debates on the draft Constitutional Treaty, the impact of abandoning the GALILEO programme would be disastrous in Europe and abroad. Its failure would show the world that the European Union was unable to rally round an ambitious scientific, technical and business project. It is essential to complete the GALILEO programme in order to demonstrate the European Union's ability to bounce back and successfully complete major forward thinking projects.

4.4 The truth is that, for these reasons, the GALILEO project is going through a difficult period. The EESC cannot but note that if this EU flagship project fails, it would seriously undermine people's confidence in European integration. Every effort must be made to ensure that this does not happen.

Brussels, 11 July 2007

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the Council and the European Parliament — Nuclear Illustrative Programme, presented under Article 40 of the Euratom Treaty for the opinion of the European Economic and Social Committee’**

COM(2006) 844 final

(2007/C 256/11)

On 10 January 2007, the European Commission decided to consult the European Economic and Social Committee, under Article 40 of the Euratom Treaty, on the abovementioned 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 19 June 2007. The rapporteur was **Ms Sirkeinen**.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 12 July 2007), the European Economic and Social Committee adopted the following opinion by 81 votes to 28 with 15 abstentions.

## 1. Summary

1.1 In 2004 the EESC suggested in its Opinion ‘The issues involved in using nuclear power in electricity generation’ that ‘efforts should be made to provide information on the real issues of the nuclear industry: security of supply, elimination of CO<sub>2</sub> emissions, competitive prices and safety and management of spent fuel, so that organised civil society can carry out a critical analysis of the debates on these issues’. The new Nuclear Illustrative Programme (PINIC) provides such information. The EESC broadly agrees with the analysis and description presented in the Commission communication. Most of the essential aspects concerning nuclear power are taken up and, in our view, correctly described. The Committee in addition points to some aspects of nuclear power to be taken into account.

1.2 Nuclear energy, with its share of 31 % of electricity and 15 % of the total primary energy consumption in the EU in 2004, plays a crucial role in the energy market. Nuclear also meets fully the objectives of EU energy policy. The cost of nuclear power is today clearly competitive. The external dependence is small and sources of fuel are diversified and secure, which meets the requirements of security of supply. Nuclear power is currently the largest source of essentially carbon dioxide free energy in Europe.

1.3 Following the European Council's decision on greenhouse gas emission targets for 2020 and beyond, it is evident that all additional low carbon power generation capacity, be it renewables, nuclear or potentially clean coal, should substitute CO<sub>2</sub>-emitting capacity and thereby add to total low-carbon electricity. In practical terms, if at least the present share of nuclear power is not maintained until totally new clean energy solutions may be available, climate and other energy policy goals are not to be met.

1.4 The EESC underlines the persistently important role of the EU to develop further the most advanced framework for nuclear energy in those Member States that choose nuclear

power, in conformity with the highest standards of safety, security and non-proliferation as required by the Euratom Treaty.

1.5 The most important tasks is a solution to the question of radioactive waste, and especially final disposal of spent nuclear fuel, to which technology exists but political decisions are lacking. The EESC also agrees with the Commission on the other issues that still require attention at the EU level: Nuclear safety and radiological protection, which have a very good record in Europe, as well as secured long-term funding of decommissioning.

1.6 The EESC points attention to some additional aspects of nuclear power that have not been covered by the draft PINIC. These are the threat of terrorism and in some power plants the issue of sufficient availability of cooling water.

1.7 For Member States which wish to persevere with nuclear power a concern could be the lack of attractiveness of the sector as an employer and research topic. The EESC agrees with the Commission's view that expertise in radiological protection and nuclear technology is fundamental for the EU, and therefore education, training and research in these areas need attention.

1.8 Finally, the EESC underlines each Member States right to choose its own energy mix, including the use of nuclear as is mentioned in the PINIC.

## 2. Introduction

2.1 According to Article 40 of the Euratom Treaty, the European Commission shall ‘periodically publish illustrative programmes indicating in particular nuclear energy production targets and all the types of investment required for their attainment. The Commission shall obtain the opinion of the Economic and Social Committee on such programmes before their publication’. Since 1958 four such illustrative programmes and one update have been published, last in 1997.

2.2 The present draft Nuclear illustrative Programme (PINC) was published by the Commission in the context of the energy and climate package, *An Energy Policy for Europe*, on 10 January 2007. The final version will be prepared and published as soon as the Commission has received the Opinion of the EESC.

2.3 The other parts of the package cover firstly a proposal for climate change targets of 30 % reductions of greenhouse gases for the developed countries by 2020 from the 1990 level or in any case 20 % for EU alone. The package further deals with the internal market of gas and electricity, interconnections in the electricity and gas networks, proposals to promote sustainable power generation from fossil fuels; a roadmap to promote renewables including a 20 % binding target by 2020 for the share of renewables in the EU's overall energy mix and energy savings with a 20 % efficiency increase target by 2020 and a future European Energy Strategic Technology Plan. The European Council on 9 March 2007 supported the targets and the main policy contents of the package.

2.4 The EESC has prepared Opinions on each PINC, as the Treaty requires. The Committee has also touched upon nuclear power in several of its other Opinions, recently in particular the own-initiative Opinion on the role of nuclear power in 2004, stating in the conclusions that 'the EESC considers that nuclear power should be one of the elements of a diversified, balanced, economic and sustainable energy policy for the EU. In view of the issues which it raises, staking everything on nuclear is not an option which should be considered; on the other hand, the EESC considers that a partial or total abandonment of nuclear power would compromise the EU's chances of respecting its commitments on the climate issue'.

### 3. The Commission document

3.1 The Commission's document reviews the investments in nuclear energy for the past ten years, describes the economics of nuclear power generation, its impacts on the energy mix as well as its conditions for social acceptance. The content is, in some more detail, as follows.

3.2 It is for each Member State to decide whether or not to rely on nuclear power for the generation of electricity. Decisions to expand nuclear energy have recently been taken in Finland and in France. In the Netherlands, Poland, Sweden, Czech Republic, Lithuania, Estonia, Latvia, Slovakia, the United Kingdom, Bulgaria and Romania a debate has been re-launched on their nuclear energy policy. Germany, Spain and Belgium are — despite a continuing debate — continuing their nuclear

phase-out policies for the time being. 12 of the 27 EU Member States do not produce nuclear energy.

3.3 With 152 reactors spread over the EU 27, nuclear power contributes 30 % of Europe's electricity today — however, if the planned phase-out policy within some EU Member States continues, this share will be significantly reduced. To meet the expected energy demand and to reduce European dependency on imports, decisions could be made on new investments or on the life extension of some plants.

3.4 According to the Commission reinforcing nuclear power generation could represent one option for reducing CO<sub>2</sub> emissions and play a major role in addressing global climate change. Nuclear power is essentially carbon emissions-free and forms part of the Commission's carbon reduction scenario including the objective of reducing CO<sub>2</sub> emissions. This could also feature as an important consideration when discussing future emissions trading schemes.

3.5 The most crucial factor affecting the prospect of growth of nuclear power is its underlying economics as a nuclear plant involves an up front investment ranging from EUR 2 to EUR 3.5 billion. Nuclear energy generation incurs higher construction costs in comparison to fossil fuels, yet operating costs are significantly lower following the initial investments. In detail the Commission is stating:

3.5.1 'The economic risks of a nuclear power plant are linked to the major capital investment at the beginning and require quasi-faultless operation during the first 15 to 20 years of its 40-60 year lifetime to pay back the initial investment. In addition, decommissioning and waste management mean that financial assets must be made available for 50 to 100 years after the shutdown of the reactor.'

3.5.2 'In EU-27 <sup>(1)</sup> a total of 152 nuclear reactors are in operation in 15 Member States. The average age of nuclear power plants (NPPs) is approaching 25 years <sup>(2)</sup>. In France, which has the largest fleet (59) of nuclear reactors accounting for nearly 80 % of its electricity generation, and Lithuania, with only one NPP yet accounting for 70 %, the average age is around 20 years. The UK fleet of 23 NPPs has an average age approaching 30 years, while in Germany the average age of their fleet of 17 operational NPPs is 25 years.'

3.5.3 'Nuclear power has traditionally shown a combination of higher construction and lower operating costs than fossil-fuel-based energy production, which exhibits lower capital costs but higher and potentially fluctuating fuel and, hence, operating costs.'

<sup>(1)</sup> Annex 2: Country-by-country information on current nuclear fuel cycle activities.

<sup>(2)</sup> Annex 1: See Figures 6 and 7 showing NPPs by age and age distribution by country.

3.6 Nuclear power generation is largely immune to changes in the cost of raw material supplies, as a modest amount of uranium, which comes largely from stable regions of the world, can keep a reactor running for decades. Reasonably assured and recoverable known uranium resources at competitive prices can sustain the requirements of the nuclear industry for at least the next 85 years at current levels of consumption. Therefore, in most industrialised countries new nuclear power plants offer an economic way to generate base-load electricity.

3.7 The nuclear industry has made considerable investments since 1997. The Commission recognises the importance of maintaining a technological lead in the field of nuclear power and supports the further development of the most advanced framework for nuclear energy, including non-proliferation, waste management and decommissioning. Since the establishment of the Euratom Treaty, nuclear safety and the radiological protection of the public have been one of the main concerns of the European Community and are issues that have gained further importance in view of the past and the present enlargement.

3.8 At EU level, the role should be to develop further the most advanced framework for nuclear energy in those Member States that choose nuclear power, in conformity with the highest standards of safety, security and non-proliferation as required by the Euratom Treaty. This should include nuclear waste management and decommissioning.

3.9 The Commission proposes that the discussion on the way forward should notably focus on:

- recognising common nuclear safety reference levels for implementation in the EU, building on the extensive expertise of Member States' national nuclear safety authorities;
- setting up a High Level Group on Nuclear Safety and Security with the mandate of progressively developing common understanding and, eventually, additional European rules on nuclear security and safety;
- ensuring that Member States put in place national plans for management of radioactive waste;
- during the early phase of FP7, establishing technology platforms to ensure closer coordination of research in national, industrial and Community programmes in the fields of sustainable nuclear fission and geological disposal;
- monitoring the recommendation on harmonisation of national approaches to management of decommissioning funds to ensure that adequate resources are made available;
- simplifying and harmonising licensing procedures, based on closer coordination between national regulatory authorities, aiming at maintaining the highest safety standards;

- ensuring greater availability of Euratom loans, provided the ceilings are updated in line with the needs of the market as already proposed by the Commission;
- developing a harmonised liability scheme and mechanisms to ensure the availability of funds in the event of damage caused by a nuclear accident;
- giving new impetus to international cooperation, notably through closer collaboration with the IAEA, the NEA, bilateral agreements with non-EU countries and renewed assistance to neighbouring countries.

#### 4. General remarks

4.1 The EESC welcomes the Commission's new draft Nuclear Illustrative Programme. The energy environment has evolved much in the 10 years since the last publication. In particular in the last few years new and dramatic developments have directed much attention to all three aspects of energy policy — security of supply, competitiveness and reasonable prices as well as environment, in particular climate change. The EU has reacted to the evident problems and challenges by proposals for a European Energy Policy. In this context an analysis and proposals on nuclear energy are needed. It positions nuclear energy in the overall energy scene and provides necessary information for the discussion and definition of an energy policy for Europe.

4.2 In its Opinion 'The issues involved in using nuclear power in electricity generation' from 2004, the EESC suggested that 'efforts should be made to provide information on the real issues of the nuclear industry: security of supply, elimination of CO<sub>2</sub> emissions, competitive prices and safety and management of spent fuel, so that organised civil society can carry out a critical analysis of the debates on these issues'. The new PINC provides such information and the EESC broadly agrees with the analysis and description presented in the Commission communication. Most of the essential aspects concerning nuclear power are taken up and, in our view, correctly described. The Committee in addition points to some aspects of nuclear power to be taken into account.

4.3 Nuclear energy, with its share of 31 % of electricity and 15 % of the total primary energy consumption in the EU in 2004, plays a crucial role in the energy market. Nuclear also meets fully the objectives of EU energy policy. The cost of nuclear power is today clearly competitive, in particular when utilised as base load power. The external dependence is small and sources of fuel are diversified and secure, which meets the requirements of security of supply. Nuclear power is currently the largest source of essentially carbon dioxide free energy in Europe (see 4.8 below).



4.4 Better energy efficiency, including combined heat and power generation, and thereby curbing demand is the first and foremost target on the energy policy agenda. Still a big amount of investments in power generation is needed in the EU to substitute old plants and possibly also to meet additional demand, as market and technology developments may lead to a rising share of electricity in total energy demand.

4.4.1 In the medium and long term it is possible that new energy technologies like hydrogen technology, heat pumps, electric cars etc. will be increasing the demand of electricity as a share of overall energy demand faster than we now estimate in scenarios. This kind of development could make the role of nuclear energy in the EU energy palette much more important than it is now.

4.5 The Committee notes actual plans to extend the life of power stations which have exceeded the period of commercial usage of between 30 and 40 years. The question of ageing power stations in Europe was not covered in depth in the material prepared by the Commission and there is a need for more information on the subject. As the Commission writes that: 'certain financial and environmental risks still remain with governments in some Member States, such as responsibility for the facilities for long-term waste disposal and management', solutions will be needed in this area in the future.

4.6 These new investments should ideally correspond to the objectives of security of supply, competitiveness and combating climate change. In view of the features and potentials of other forms of power generation, life extension of existing nuclear plants as well as new investments is to be expected. On this we agree with the Commission.

4.7 According to the Commission, uranium resources would last for 85 years at current levels of consumption. Different sources give varying information on this issue, mainly varying from 85 to 500 years. As availability of fuel is important to security of supply of energy, the Commission should provide more detailed information on nuclear fuel availability.

4.8 When comparing environmental impacts of different energy sources it is important to evaluate the overall environmental impacts of the entire process from raw materials supply, production, transport and energy generation to recycling and disposal stages. The World Energy Council (WEC) has published a compilation report (Comparison of Energy Systems Using Life Cycle Assessment, WEC, July 2004), in which a number of existing life-cycle assessment studies were identified and reviewed. The report evidences that CO<sub>2</sub> emissions per kWh of

electricity generated by nuclear power are low and at the same level with wind, biomass and hydro power, the level being 1-5 % of the coal-fired power plants emissions.

4.9 Thus, it is essential to take into account the valuable contribution that nuclear energy makes to the avoidance of greenhouse gasses. Now the use of nuclear power in the EU avoids about 600 million tonnes of CO<sub>2</sub> every year, taking into account the current energy mix. In the whole world the avoidance levels amount to roughly 2 billion tonnes of CO<sub>2</sub>. This equals the present total CO<sub>2</sub> emissions of France, Germany and the UK altogether. If planned phase-out in some Member States is maintained, a large amount of the present European nuclear power plants needs to be replaced by other non-emitting energy sources. In addition, if existing nuclear power plants are not replaced by new ones at the end of their life, all nuclear power needs to be substituted by other non-emitting energy in the medium term.

4.10 Following the European Council's decision on greenhouse gas targets for 2020 and beyond, it is evident that all additional low carbon power generation capacity, be it renewables, nuclear energy or potentially clean coal, should substitute CO<sub>2</sub>-emitting power capacity and thereby add to total low-carbon electricity. In practical terms, if at least the present share of nuclear power is not maintained until totally new energy solutions may be available, climate and other energy policy goals are not to be met in an economically acceptable way. On the other hand, it is obvious that a growing share of nuclear power together with renewables would mean better cost-effectiveness fighting against climate change.

4.11 The EESC supports the objective on internalising external costs in the prices of all energy and other market activities. According to the External Costs Study (ExternE) <sup>(3)</sup> by the Commission the external costs for nuclear power are about 0.4 cents/kWh. The corresponding external costs for coal-fired power production are estimated to be over 10 times higher, for biomass few times higher, for wind lower and for hydro power at the same level than for nuclear.

4.12 The Commission notes that one key question is whether nuclear energy requires policy intervention. All clean energy technologies should be treated equally. Mechanisms should be found to encourage research into next-generation reactors and the related nuclear fuel cycle. A subsidy but to totally new developments — pilots — could be envisaged. Conventional nuclear energy does not need any subsidy and it should not be subsidised.

<sup>(3)</sup> External Costs — Research results on socio-environmental damages due to electricity and transport, European Commission, 2003.

4.13 Public opinion and perception of nuclear power is recognised by the Commission as paramount for the future of nuclear policy. With this we agree, while reminding that the acceptance varies much between Member States. Accessibility of information for the public as well as transparent decision-making procedures has to be improved, as surveys show that the EU public is not well informed on nuclear issues. The Commission could play a useful role in this. But also real measures to meet public concerns are needed, as the EESC has stated many times before.

4.14 We underline the persistently important role of the EU to develop further the most advanced framework for nuclear energy in the Member States that choose nuclear power, in conformity with the highest standards of safety, security and non-proliferation as required by the Euratom Treaty.

4.15 The most pressing task is a solution for the issue of radioactive waste, and especially final disposal of spent nuclear fuel, to which technology exists but political decisions are lacking. This is a major issue concerning environmental and health impacts and public acceptance of nuclear power. PINC notes that no country has yet implemented the proposed final solution. However, there is progress in Finland, where a disposal site has been chosen, as well as in Sweden and France, where big steps towards site selection have been taken.

4.16 We also agree with the Commission on the other issues that still require attention at the EU level: Nuclear and radiation safety, which has a good record in Europe, as well as securing of funding for decommissioning.

4.17 The new threat of terrorism is not mentioned in the PINC. It is a severe threat for nuclear power plants as well as for many other industrial plants and public buildings all over the world. All new nuclear power plants should be planned to stand a crash of a big passenger aeroplane without radioactive emissions outside the power plant. Technical and human security systems must also be planned and carried out in a way that prevents all kind of terror offensives inside a nuclear power plant. The Commission should start initiatives, in collaboration with responsible authorities and operators, to ensure that appropriate measures of terrorism prevention are in operation at each nuclear plant.

4.18 During recent hot and dry summers also the issue of sufficient availability of cooling water from rivers to condensing power plants has caught attention. The problem has so far been very local and neither frequent nor long in duration, but it might become more serious over time in some cases. This has to be taken into account in the design and choice of location for power plant units.

4.19 An additional concern is the attractiveness of the nuclear energy field as an employer and research topic after some 20 years of almost moratorium in Europe. The resulting lacking interest of students and professional experts is a bottleneck for the general development of nuclear energy and may also form a safety risk. The EESC agrees with the Commission's view that expertise in radiological protection and nuclear technology is fundamental for the EU, and therefore education, training and research in these areas need attention. So does also the preservation and transfer of knowledge from the generation of scientists and engineers who constructed the existing fleet of plants in Europe, while in many countries during many years no younger experts have entered the sector.

4.20 The Commission reminds us that it is for each Member State to decide whether to use nuclear power. The EESC supports each Member States right to choose its own energy mix, including the use of nuclear. This right should be respected not only by the EU, but also by other Member States. However, the decisions of one Member State influence the situation of the others in many ways, and this interdependence will increase with more open internal markets.

## 5. Remarks on proposals for measures

5.1 In chapter 6.5 of PINC 'The way forward' the Commission puts proposals on measures, mainly at the EU level, for discussion (see 3.9). The EESC views on the presented proposals are as follows:

5.1.1 The EESC agrees with the Commission's present view that the common nuclear safety reference levels and their appropriate implementation should be built on the extensive expertise of Member States' national nuclear safety authorities in collaboration within WENRA<sup>(4)</sup>. Any other approach could possibly put in some member states the present high safety performances at risk.

5.1.2 A High level Group on Nuclear Safety and Security, consisting of representatives of competent national authorities, could add to the harmonisation process and help to improve links with international nuclear safety conventions.

5.1.3 The EESC sees an urgent need for Member States utilising nuclear power to put in place national plans for management of nuclear fuel and radioactive waste. National plans may include a purely national approach, a multinational approach or a dual-track approach. Anything else is to be seen as irresponsibly passing on the present generations' obligations to next generations.

<sup>(4)</sup> (Western European Nuclear Regulatory Authorities).

5.1.4 Technology platforms have proven to be very successful instruments in creating public-private partnerships for developing European Strategic Research Agendas. The EESC supports the Commission's idea of using this instrument in the area of sustainable nuclear fission and geological disposal. This could be a much needed instrument to attract young scientist to this industry.

5.1.5 In order to ensure full coverage of life long operating costs and a level playing field, it is essential that adequate resources are made available by operators through decommissioning funds within the EU as well as globally. The Committee does however not see a need for full harmonisation of the management of these funds, as long as principles of full and secured coverage and transparency are met.

5.1.6 An observation of the highest safety standards at the same time with a simplification of licensing procedures as well as their gradual harmonisation through cooperation between national regulatory authorities are needed in order to render lead times for construction projects more foreseeable, and thereby enabling more accurate planning and cost calculations. Safety must never be compromised.

5.1.7 EESC agrees with the Commissions proposals to update the ceilings of EURATOM loans and ensure their better availability. In principle investments in all forms of energy should have equal access on equal terms to financing instruments, otherwise provided by the EIB.

5.1.8 A harmonised liability scheme, including a mechanism to ensure the availability of funds in the event of damage caused by a nuclear accident without calling on public funds, is in the view of the EESC also essential for greater acceptability of nuclear power. The current system (liability insurance of \$ 700 million) is inadequate for this purpose. The insurance problem of an extremely low probability of an accident combined with potentially very serious and costly damages

needs to be addressed in an open, constructive and practical way. One possibility could be an insurance pool scheme.

5.1.9 The EESC welcomes the proposal to give new impetus to international cooperation with the IAEA and the NEA as well as bilateral agreements. Much emphasis should be put on assistance to neighbouring countries.

5.2 In addition to the proposals from the Commission, the EESC sees that the following issues would be worth attention when the Commission is preparing for the next steps:

5.2.1 Drawing the Member States' attention the probability of re-increasing education and training needs in the broad area of nuclear energy and technology, including in particular education and training for nuclear safety. Education is not only a way of providing new professionals in the field of nuclear energy, but also of increasing public awareness in this field, which is of fundamental importance in shaping public opinion.

5.2.2 Exploring further possible problems in the framework for investments into nuclear power in an open energy market, given the size and long lead times, and possible market based solutions to them.

5.2.3 The European nuclear technology industry has gained a position as a global frontrunner, which provides high class jobs while at the same time being beneficial for nuclear safety worldwide, given its excellent safety records. In order to keep this lead position, as investments in nuclear are expected to surge globally, this industry including its upstream component industry should be considered as a target for the Commission's new sectoral industry policy approach.

5.3 Finally, the EESC also welcomes the Commission's intention to increase the frequency of publication of the Nuclear Illustrative Programmes and thereby providing a more updated picture of the situation in the EU.

Brussels, 12 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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## APPENDIX

**to the opinion of the European Economic and Social Committee**

The following amendments, which received at least one quarter of the votes cast, were rejected in the discussion:

**Point 1.1**

Amend as follows:

*'In 2004 the EESC suggested in its Opinion "The issues involved in using nuclear power in electricity generation" that "efforts should be made to provide information on the real issues of the nuclear industry: security of supply, elimination of CO<sub>2</sub> emissions, competitive prices and safety and management of spent fuel, so that organised civil society can carry out a critical analysis of the debates on these issues". The new Nuclear Illustrative Programme (PINIC) provides ~~such~~ some of this information. The EESC broadly agrees with the analysis and description presented in the Commission communication but also notes that important subjects are not discussed (see also point 1.6). ~~Most of the essential aspects concerning nuclear power are taken up and, in our view, correctly described. The Committee also highlights certain aspects of nuclear power which should be taken into account.'~~*

*Reason*

This is clear from the other amendments and from point 1.6 of the draft opinion, which points to important aspects of nuclear power (the threat of terrorism and cooling water) that have not been sufficiently discussed.

*Result of vote*

For: 49

Against: 52

Abstentions: 11

**Point 1.2**

Amend as follows:

*'Nuclear energy, with its share of 31 % of electricity and 15 % of the total primary energy consumption in the EU in 2004, plays a crucial role in the energy market. Nuclear also meets fully the objectives of EU energy policy. The cost of nuclear power is today clearly competitive. The external dependence is small and sources of fuel are diversified and secure, which meets the requirements of security of supply. Nuclear power is currently one of the largest sources of essentially carbon dioxide free energy in Europe. ~~Its other environmental implications are limited and contained.'~~*

*Reason*

The Commission document states that nuclear power is currently 'one of the largest sources' of carbon dioxide-free energy in Europe, not 'the largest'. We should quote correctly.

For the other environmental implications, see other amendments.

*Result of vote* (N.B.: Last part of amendment, the deletion of sentence — was accepted by the Plenary)

For: 57

Against: 60

Abstentions: 3

**Point 1.3**

Amend as follows:

*'Following the European Council's decision on greenhouse gas emission targets for 2020 and beyond, it is evident that all additional low carbon power generation capacity, be it renewables, nuclear or potentially clean coal, should substitute CO<sub>2</sub>-emitting capacity and thereby add to total low-carbon electricity. The Committee notes the statement contained in the Commission communication that: "At present over 110 nuclear facilities within the Union are at various stages of decommissioning. It is forecast that at least one third of the 152 NPPs currently operating in the enlarged European Union will need to be decommissioned by 2025 (without taking into account any possible extension of the working life of NPPs)". As to date the Commission has been informed of the construction of only one new reactor, it is highly likely that the proportion of electricity generated using nuclear technology will fall sharply. And yet, as a study carried out by the German Federal Chancellery, relating to Germany, shows, the climate objectives can be met; this will, however, require further efforts to reduce electricity consumption and with regard to the efficiency and use of renewable energy sources. In practical terms, if at least the present share of nuclear power is not maintained until totally new clean energy solutions may be available, climate and other energy policy goals are not to be met.'*

Reason

Clear from the Commission's text and from the study mentioned.

Result of vote

For: 49

Against: 65

Abstentions: 6

**Point 1.7**

Amend as follows:

*'For Member States which wish to persevere with nuclear power ~~Aa additional concern is~~ could be the lack of attractiveness of the sector as an employer and research topic ~~after some 20 years of almost moratorium in Europe.~~ The EESC agrees with the Commission's view that expertise in radiological protection and nuclear technology is fundamental for the EU, and therefore education, training and research in these areas need attention. Plant operators are primarily responsible for this.*

Reason

It is incorrect to speak of a 'moratorium'. Moreover, responsibility for training lies primarily with the companies and not with the State/community of States.

Result of vote (only 2nd part of amendment was put to vote, 1st part was accepted)

For: 45

Against: 71

Abstentions: 2

**Point 3.6.1**

Insert a new point 3.6.1:

*'The Committee notes that there are discrepancies between the Commission communication and the summary of the most recent IAEA Red Book as regards the availability of uranium stocks. The summary reads: "As currently projected, primary uranium production capabilities including existing, committed, planned and prospective production centres supported by Identified Resources (...) could satisfy projected world uranium requirements by 2010 if all expansions and mine openings proceed as planned and if production is maintained at full capability at all operations. (...) However, secondary sources are expected to decline in importance, particularly after 2015, and reactor requirements will have to be increasingly met by the expansion of existing production capability together with the development of additional production centres or the introduction of alternate fuel cycles, both of which are costly, long-term enterprises. A sustained near-term strong demand for uranium will be needed to stimulate the timely development of needed Identified Resources. Because of the long lead-times required to identify new resources and to bring them into production (typically in the order of 10 years or more), there exists the potential for the development of uranium supply **shortfalls** and continued upward pressure on uranium prices as secondary sources are exhausted". The Committee expects the Commission to clarify this.'*

*Reason*

We should draw attention to clear discrepancies rather than pass over them in silence.

*Result of vote*

For: 49

Against: 65

Abstentions: 5

**Point 4.1**

Amend as follows:

*'The EESC ~~welcomes~~ notes the Commission's new draft Nuclear Illustrative Programme. The energy environment has evolved much in the 10 years since the last publication. In particular in the last few years new and dramatic developments have directed much attention to all three aspects of energy policy — security of supply, competitiveness and reasonable prices as well as environment, in particular climate change. The EU has reacted to the evident problems and challenges by proposals for a European Energy Policy. In this context an analysis and proposals on nuclear energy are needed. It positions nuclear energy in the overall energy scene and provides some of the necessary information for the discussion and definition of an energy policy for Europe.'*

*Reason*

The rapporteur herself writes that not all aspects are discussed (the threat of terrorism etc.).

*Result of vote*

For: 50

Against: 69

Abstentions: 2

**Point 4.5**

Amend as follows:

*'These new investments should ideally correspond to the objectives of security of supply, competitiveness and combating climate change. In view of the features and potentials of ~~other forms of~~ power generation from other energy sources, the EESC notes the discussion currently underway in some Member States on the life extension of existing nuclear plants as well as new investments is to be expected. On this we agree with the Commission.'*

*Reason*

The author of the amendment cannot find any passage in the communication where the Commission states that life extension 'is to be expected'. This is pure speculation.

See also point 1.5, which was amended in the section meeting, in which we express our concern about possible life extensions.

*Result of vote*

For: 50

Against: 67

Abstentions: 6

**Point 4.6**

Add the following text to the end of the point:

*'According to the Commission, uranium resources would last for 85 years at current levels of consumption. Different sources give varying information on this issue, mainly varying from 85 to 500 years. As availability of fuel is important to security of supply of energy, the Commission should provide more detailed information on nuclear power fuel availability. It is once again pointed out that estimates vary widely as to the availability of uranium resources.'*

Reason

Self-explanatory.

Result of vote

For: 55

Against: 68

Abstentions: 0

#### Point 4.8

Amend as follows:

*'Thus, it is essential to take into account the valuable contribution that nuclear energy makes to the avoidance of greenhouse gasses. Now the use of nuclear power in the EU avoids about 600 million tonnes of CO<sub>2</sub> every year, taking into account the current energy mix. In the whole world the avoidance levels amount to roughly 2 billion tonnes of CO<sub>2</sub>. This equals the present total CO<sub>2</sub> emissions of France, Germany and the UK altogether. If planned phase-out in some Member States is maintained, a large amount of the present European nuclear power plants needs to be replaced by other non-emitting energy sources as well as energy efficiency and conservation measures. In addition, if existing nuclear power plants are not replaced by new ones at the end of their life, all nuclear power needs to be substituted by other non-emitting energy and energy efficiency and conservation measures in the medium term.'*

Reason

We have to do much more than think about how one form of power generation can be replaced by another. The EESC has repeatedly pointed this out.

Comment by the author of the amendment: I asked the rapporteur to verify the figures for CO<sub>2</sub> savings after a figure of 300 million tonnes had been quoted — with a source — in the working document. This has unfortunately not been done.

Result of vote

For: 61

Against: 61

Abstentions: 2

#### Point 4.9

Add the following text to the end of the point:

*'Following the European Council's decision on greenhouse gas targets for 2020 and beyond, it is evident that all additional low carbon power generation capacity, be it renewables, nuclear energy or potentially clean coal, should substitute CO<sub>2</sub>-emitting power capacity and thereby add to total low-carbon electricity. In practical terms, if at least the present share of nuclear power is not maintained until totally new energy solutions may be available, climate and other energy policy goals are not to be met in an economically acceptable way. On the other hand, it is obvious that a growing share of nuclear power together with renewables would mean better cost-effectiveness fighting against climate change. And yet studies (German Federal Chancellery in relation to Germany) show that the climate objectives can be met, although this will require further efforts to reduce electricity consumption, improve efficiency and use renewable energy sources.'*

Reason

Self-explanatory.

Result of vote

For: 58

Against: 65

Abstentions: 1

**Point 4.11.1**

Insert a new point 4.11.1:

'The Commission states that: "liability for nuclear accidents in the EU-15 Member States is governed by the Paris Convention of 1960, which created a harmonised international system on liability for nuclear accidents, currently limiting the liability to operators in case of nuclear accidents to around \$ 700 million". The EESC sees this as an indirect subsidy for nuclear energy and calls for all operators to be required to take out sufficient insurance to cover all potential risks.'

Reason

At the study group meetings the rapporteur said that a solution had to be and could be found. The text does not make this clear. This is the purpose of the amendment.

Comment: In Germany cars have to carry liability insurance of EUR 100 million. Nuclear power plants on the other hand are insured for only USD 700 million — a derisory sum in view of the potential risks!

Result of vote

For: 41

Against: 44

Abstentions: 3

**Point 4.14**

Amend as follows:

~~'The most pressing task is a solution for the issue of radioactive waste, and especially final disposal of spent nuclear fuel, to which technology exists but political decisions are lacking. This is a major issue concerning environmental and health impacts and public acceptance of nuclear power. PINC notes that no country has yet implemented the proposed final solution. However, there is progress in Finland, where a disposal site has been chosen, as well as in Sweden and France, where big steps towards site selection have been taken.'~~

Reason

The technology does not exist.

Result of vote

For: 55

Against: 69

Abstentions: 4



## Opinion of the European Economic and Social Committee on the 'Liner Conferences — United Nations Convention'

COM(2006) 869 final — 2006/0308 (COD)

(2007/C 256/12)

On 20 March 2007 the Council decided to consult the European Economic and Social Committee, under Article 80 of the Treaty establishing the European Community, on the abovementioned proposal.

On 14 February 2007 the Committee Bureau instructed the Section for Transport, Energy, Infrastructure and the Information Society to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Dr Bredima-Savopoulou as rapporteur-general at its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), and adopted the following opinion by 86 votes with 3 abstentions.

### 1. Conclusions

1.1 The EESC agrees with the proposed repeal of Regulation 954/79, as it is the inevitable consequence of the repeal of Regulation 4056/86 laying down a block exemption for liner conferences. The EESC notes that these two Regulations have constituted a legal package.

1.2 Regulation 954/79 deals with the accession to or ratification by Member States of the United Nations Convention on a Code of Conduct for Liner Conferences — hereinafter referred to as the UNCTAD Liner Code or the Code. In this respect, it is notable that the UNCTAD Liner Code has been ratified by 81 countries including the new locomotives of world trade (i.e. China, India, Russia and Brazil) as well as Australia, Canada, Japan, Nigeria, Mexico, Indonesia, Saudi Arabia and Singapore. The Code has also been ratified by sixteen EU Member States. Furthermore, liner shipping carries 60 % of the overall value of international trade mainly by containers. Hence, a repeal of Regulation 954/79 (as well as of Regulation 4056/86) will undoubtedly have implications which should not be underestimated.

1.3 The EESC particularly invites the Commission to clarify the legal position of EU liner carriers internationally following a repeal of Regulation 954/79. Indeed, in view of the importance of an integrated EU maritime policy for the role of the EU in the world economy and considering the importance of shipping, including EU shipping, in EU and worldwide trades, the EESC is of the opinion that extra vigilance is required in the handling of such repeal and careful consideration needs to be given to its repercussions, both at European and international level. As to the underlying Commission's proposal to repeal Regulation 954/79, the EESC is of the opinion that it fails to take into account the following two parameters: a) the discrimination between EU liner carriers which may result from such repeal and which should be avoided (in line with Art. 12 EC Treaty) and b) the competitiveness of EU liner carriers (including short sea operators) which should be safeguarded (in line with the revised Lisbon Strategy).

1.4 In line with its past opinions and those of the European Parliament, the EESC urges the Commission to tackle the consequences (political, legal and practical) which would arise from the repeal of Regulation 4056/86 as well as of Regulation 954/79 in order to avoid any adverse implications to European shipping interests at the international level.

1.5 It is understood that the Guidelines explaining the application of EC competition rules to maritime transport, which will apply to liner shipping services after the prohibition of liner conferences to and from the EU as of 18.10.2008, would mainly allow liner operators to carry out a self-assessment of their agreements under EC competition law. Consequently, the EESC believes that it is unlikely that these Guidelines will deal with the international (political, legal and practical) consequences of a repeal of Regulation 4056/86 and of Regulation 954/79. However, the EESC as well as the European Parliament have repeatedly asked the Commission in their past opinions to analyse these consequences and take them into consideration when establishing a new regime in the future. The EESC therefore wishes to be consulted in due course on the draft Guidelines concerning the application of EC competition rules to maritime transport and to be given the opportunity to express an opinion thereon.

1.6 Whilst agreeing with the repeal of Regulation 954/79, the EESC fails to understand the urgency of proceeding to the repeal before the international repercussions of recent European policies relating to liner shipping are properly gauged and addressed.

### 2. Introduction

2.1 The containerised liner shipping industry is a vital factor for the European economy. Container transport by sea accounts for around 40 % of EU-25 external in value terms. The world-wide largest three liner operators are European, and the routes connecting Asia and Europe, jointly with the routes connecting Asia and the USA, are by far the most important trade

routes<sup>(1)</sup>. Moreover, there are some 150 international liner conferences worldwide, 28 of which operate on routes to and from the EU. Member States with carriers operating scheduled liner services include, amongst others, Denmark, Germany, France, Italy, the U.K., the Baltic countries and Cyprus. According to the latest available data<sup>(2)</sup>, 60 % of the overall value of international maritime trade and 25 % of the 5.9 billion tonnes transported by sea are carried by scheduled services, including liner conferences.

2.2 The current proposal aims to repeal Council Regulation (EEC) No 954/79 of 15 May 1979 concerning the ratification by Member States of, or their accession to, the United Nations Convention on a Code of Conduct for Liner Conferences. The present proposal is a result from the abolition of Regulation (EEC) No 4056/86 laying down a block exemption for liner conferences by virtue of Council Regulation (EC) No 1419/2006 of 25 September 2006. Regulation 1419/2006 also extends the scope of amends Regulation (EC) No 1/2003 to include cabotage and international tramp services.

2.3 The UN Convention on a Code of Conduct for Liner Conferences (Geneva, 6 April 1974) was drafted under the auspices of the United Nations Conference on Trade and Development (UNCTAD) with the aim of setting out a harmonised international framework for the operation of shipping conferences. The UNCTAD Liner Code was adopted to meet the legitimate aspirations of developing countries for greater participation of their carriers in the transportation of liner cargoes. It was the outcome of protracted multilateral negotiations between developed and developing countries<sup>(3)</sup>. Its cargo sharing formula between carriers of countries at the two ends of the trade and carriers of third countries was devised to stem protectionist trends Regulation 954/79 aimed at making the Code mechanisms compatible with the principles of the EC Treaty.

2.4 Member States having ratified or acceded to the UNCTAD Liner Code include: Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Italy, Malta, Netherlands, Portugal, Romania, Slovakia, Spain, Sweden and the United Kingdom. Norway, an EEA member, has also acceded to the Code.

2.5 When discussing the repeal of the liner conference system in the EU, the European Parliament underlined in two opinions (2005, 2006) the following: 'Enforcement of the Regulation<sup>(4)</sup> (repealing Regulation 4056/86) will create a conflict of law as regards the accession of certain Member States to the

UNCTAD Code of Conduct for Liner Conferences. It is recommended that the Member States should withdraw from the Code, although they cannot be obliged to do so. In view of this situation, a clear-cut procedure needs to be put in place in order to deal with such conflicts of international law as might arise. The Commission should present to the European Parliament a transparent overview of the position of third countries (China, USA, Canada, Japan, Singapore and India) as regards the EU's new policy on liner services (acceptance, adjustment, opposition, negative effects) and their willingness to adapt their own systems. The Commission should investigate thoroughly the commercial and political implications of a denouncement of the UNCTAD Code. The Commission should examine whether it is necessary to amend or repeal other EC legislation, such as Regulation (EEC) No 4055/86 of 22 December 1986 applying the principle of freedom to provide services to maritime transport between Member States and between Member States and third countries<sup>(5)</sup>. Moreover, the European Parliament 'Calls upon the Commission<sup>(6)</sup> not to abolish Article 9 of Regulation (EEC) No 4056/86 (which provides for negotiations to be held in the event of a conflict between Community law and the law of third countries) especially in view of the Commission's intention to revise competition law in respect of maritime transport'. However, contrary to the recommendations of the European Parliament, Article 9 has been repealed altogether with Regulation 4056/86 whilst the requested thorough assessment of the legal and political impact of repealing the liner conference system in the EU seems to be lacking as yet.

2.6 The EESC also discussed the repeal of Regulation 4056/86 and adopted two Opinions thereon notably in 2004 and 2006. Furthermore, in 2006 the EESC reserved its position to see whether the proposed repeal of Regulation 4056/86 would have a sustainable effect. According to it, 'the conference system is still subject to multilateral and bilateral agreements to which the EU Member States and the Community are contracting parties'. The EESC, also noted that 'the Commission recognises that — as a consequence of these agreements, the date of repeal of the following provisions of Regulation 4056/86 (i.e. Articles 1(3), points (b) and (c), Articles 3 to 8 and 26) should be postponed for a period of two years, in order to denounce or revise these agreements with third countries'. The EESC believed that 'the Commission should also take into account the interests of small and medium-sized businesses in repealing Regulation 4056/86. Small and medium-sized businesses constitute the backbone of the EU economy and they play an important role in the context of the revised Lisbon Strategy. Markets should remain open to the current and potential competition, including small and medium-sized shipping operators'. The EESC, finally, maintained that 'although consolidation may have positive effects for EU industry (efficiency gains, economies of scale, cost savings), caution is needed to avoid that consolidation — which may follow from the repeal of Regulation 4056/86 — results in fewer players in the relevant markets, i.e. less competition'.

<sup>(1)</sup> Global Insight final report on the application of competition rules to liner shipping, October 2005.

<sup>(2)</sup> UNCTAD — 2003, Clarksons — 2003.

<sup>(3)</sup> OJ C 157, 28.6.2005.

<sup>(4)</sup> European Parliament's Report A6-0217/2006 of 22.6.2006.

<sup>(5)</sup> OJ L 378, 31.12.1986, p. 1.

<sup>(6)</sup> European Parliament's report A6-0314/2005 of 24.10.2005.

### 3. The European Commission's proposal

3.1 The proposed Regulation contains two articles only, i.e. Article 1, repealing Regulation 954/79 and Article 2 relating to the entry into force of the new Regulation, i.e. on 18 October 2008.

### 4. General Comments

4.1 The EESC has followed closely competition rules for maritime transport and particularly the issue of liner conferences for over two decades and divergent views were thereby expressed as to the merits of a withdrawal of the block exemption for liner conferences. However, following the repeal of Regulation 4056/86 by virtue of Regulation 1419/2006, liner conferences to and from the EU will be prohibited as of 18 October 2008.

4.2 Regulation 4056/86 and Regulation 954/79 constitute a legal package with the latter being adopted due to the ratification of the UNCTAD Liner Code by certain EU Member States. Consequently, the repeal of Regulation 4056/86 has entailed the need to repeal Regulation 954/79. As a result, the EESC — which originally objected to the repeal of Regulation 4056/86 but later was compelled to accept it whilst warning about its repercussions — cannot but agree to the proposed repeal of Regulation 954/79 for the sake of simplification of EU legislation. Nevertheless, as with the repeal of Regulation 4056/86, the EESC would like to stress — once again — that serious consideration needs to be given to any possible legal and/or political repercussions (and potentially adverse effects) the proposed repeal of Regulation 954/79 might entail. However, the EESC notes that the proposal to repeal Regulation 954/79 seems to lack — once more — an assessment of potential political, legal and practical problems that might result from a repeal. Whilst the necessity for a repeal is not questioned, as it, is inevitable given the repeal of Regulation 4056/86, the EESC maintains the view and repeats one more that any possible repercussions thereof — political, legal and practical — should be properly addressed by the EU.

4.3 The UNCTAD Liner Code and the liner conference concept are mentioned in the *acquis communautaire* and in other legal instruments adopted by the EU. For instance, it forms the basis of Regulation 4055/86, Regulation 4058/86 (?) as well as Regulation 823/2000 on liner consortia. Furthermore, the Code is also specifically mentioned in some bilateral agreements, such as the EU/Russia Agreement (Art. 39(1)(a)) and the EU/Algeria Association Agreement of 2005 (Art. 34 § 3).

4.4 When repealing Regulation 4056/86, the European Commission indicated that they would issue Guidelines in order

(?) Regulation 4055/86 of 22.12.1986 ('applying the freedom to provide services to maritime transport between Member States and between Member States and third countries') is based on the UNCTAD Liner Code Art. 4 § 1 (a) (b) provides a phasing out of existing cargo sharing arrangements by direct reference to the Liner Code; Regulation 4058/86 of 22.12.1986 (concerning 'coordinated action to safeguard free access to cargoes in ocean trades') is based on the Liner Code. Article 1 provides for action depending on Code trades and non-Code trades — OJ L 378 of 31.12.1986, p. 4.

to explain how EC competition rules apply to maritime transport, including liner shipping services. As regards such services, the Guidelines should assist liner operators after 18 October 2008 (i.e. the date by which liner conferences will be prohibited on trades to and from the EU) to carry out a self-assessment of their agreements under EU competition rules (i.e. Arts 81-82 EC Treaty). However, it remains to be seen whether these Guidelines will include solutions for any potential legal problems that would arise at the international level from a repeal of Regulation 954/79. For the time being, the EESC understands that the draft Guidelines are of a very general nature thereby, lacking the required legal certainty the shipping industry is expected to carry out a self-assessment. Moreover, it is understood that the draft Guidelines do not address the international implications of the repeal of Regulation 4056/86 or Regulation 954/79. The EESC therefore expresses the wish to be consulted in due course so as to closely monitor further developments and, if need be, to provide assistance and/or expertise in the drafting process of the final Guidelines.

4.5 The EESC believes that the key question to be addressed is whether the proposed repeal of Regulation 954/79 would also entail a legal obligation to denounce the UNCTAD Liner Code. The EESC notes that the European Commission did not examine this issue in the Explanatory Memorandum to the proposal to repeal Regulation 954/79. However, it is understood from the Commission that in its view, Member States which are Contracting Parties to the Code would not have a legal obligation to denounce the Code. In such case,, the legal landscape after the repeal of Regulation 954/79 would be as follows: EU Member States will not have to denounce the Code but they will no longer be able to apply it on trades to and from the EU. However, the Code will continue to apply in other continents. At the same time, EU Member States which have not yet ratified the Code will after 18 October 2008 no longer be in a position to do so, as it is explained in the Explanatory Memorandum to and stipulated in the fifth recital of the proposal to repeal Regulation 954/79. Consequently, if a Member State which is not a Contracting Party to the UNCTAD Liner Code would wish to accede thereto with an aim at safeguarding the interests of its liner carriers operating in non EU trades, this Member State would thus be precluded from doing so.

4.6 Against this background, the following legal paradox might arise after 18.10.2008: carriers of Member States that are a Contracting Party to the LinerCode but that do not denounce the Code would still benefit from the provisions thereof in relation to rights of crosstraders, outsiders as provided in Article 2 § 4(a) and (b) and Resolution 2. On the other hand, carriers of Member States that are not a Contracting Party to the Code and that will not allowed anymore to ratify or accede

to the Code after 18 October 2008 would not benefit from its provisions. Consequently, the following questions arise: would it be possible to adopt a proposal which would include a discrimination between EU carriers, contrary to Art. 12 of the EC Treaty? Moreover, would such a situation not affect the competitiveness of EU businesses within Europe and/or worldwide, contrary to the renewed Lisbon Strategy? Would such situation not illustrate the need for a horizontal approach of EU policies, in particular transport and competition policies with regard to maritime transport, as envisaged by the Green Paper on a Future Policy for the Oceans?

4.7 The EESC strongly advocates the EU not to underestimate the international implications which would arise from the repeal of the liner conference system. The EESC notes that other jurisdictions are — time being — maintaining their anti-trust immunity systems. Some third country States have expressed concerns about the repeal of the liner conference system in the EU. In this respect, reference can be made to a recent statement of the Asian Shipowners Forum (Bussan, Korea 29.5.2007):

'The members noted recent developments in Australia, China, Hong Kong, Japan and Singapore, but noted with concern the EU's decision to abolish its block exemption for liner conferences. The delegates affirmed the ASF's long-standing position that the antitrust immunity system is indispensable for the health of the shipping industry and its ability to encourage the investments needed to support the growing demands of international trade and the system benefits the whole trading industry. It was agreed that carriers should make continuous efforts to seek the understanding of related parties such as shippers and governments for the important role of carrier agreements in supporting trade. The ASF noted that ASF member Associations, KSA, JSA and SSA, in particular, made written submissions to the European Commission and the relevant bodies expressing their opposition against the abolishment of the anti-trust law immunity system; and, further, KSA, received a reply from the EC to the effect that it would eliminate the Regulation 4056/86 but plan to prepare an alternative while keeping intact the Consortia Regulation that is one of the two axes of the anti-trust immunity systems'. The EESC takes note of the statement

Brussels, 11 July 2007.

of the Asian Shipowners' Forum as an illustration of the need to assess — or at least to give proper consideration — to the international impact of repealing the liner conference system in the EU on a worldwide basis and for a globalised economy, in line with numerous similar requests made by the EESC and the European Parliament.

4.8 In light of the above considerations, the EESC strongly believes that the present issue cannot be examined only through the competition law perspective. The political and maritime transport policy dimensions of repealing the liner conference system in the EU and thereby also of Regulation 954/79 cannot be underestimated. Therefore, the EESC fails to understand the urgency of the Commission proposal to repeal Regulation 954/79 since the international repercussions of the EU's policy on competition rules for maritime transport and in particular of repealing the liner conference system, have not yet been addressed properly, despite multiple requests thereto, including from the EESC.

## 5. Specific comments

5.1 Regarding the current status of ratifications of the Liner Code, the EESC notes that the Explanatory Memorandum to the Commission proposal to repeal Regulation 954/79 refers to thirteen EU Member States as Contracting Parties to the UNCTAD Liner Code, whilst — in reality — sixteen EU Member States are Contracting Parties to the Code following ratification by Romania, Bulgaria and Malta.

Regulation 954/79 provided certain reservations to safeguard the interests, inter alia, of third country shipping lines (cross traders). However, the proposal to repeal this Regulation does not provide for such safeguarding measures. In this respect, the liner shipping interests of EU carriers operating between other continents (where the Liner Code is applicable) should not be underestimated. It is also noteworthy that the UNCTAD Liner Code is ratified by 81 countries including the new 'locomotives' of world trade, i.e., China, India, Russia and Brazil (BRICS) as well as Indonesia, Mexico, Nigeria, Saudi Arabia, Australia, Canada, Japan and Singapore.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

## Opinion of the European Economic and Social Committee on 'Radio Frequency Identification (RFID)'

(2007/C 256/13)

In a letter dated 26 February 2007, the European Commission asked the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, to draw up an opinion on: *Radio Frequency Identification (RFID)*.

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 19 June 2007. The rapporteur was Mr Morgan.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 138 votes to 1 with 6 abstentions.

### 1. Conclusions and recommendations

1.1 Radio Frequency Identification (RFID) is a significant technology which will become very important over time. Its present and future applications have the potential to positively improve a wide range of business processes in both the public and private sector and to bring significant benefits to both individuals and enterprises. It also has the potential to stimulate a massive development in internet applications, making possible what a UN Agency has described as the 'Internet of Things'. However, unless RFID is very carefully controlled, it also has the potential to violate personal privacy, destroy civil liberties and threaten the security of individuals and enterprises.

1.2 The full title of this Communication is 'Radio Frequency Identification in Europe: steps towards a policy framework'. The Commission has already held a wide ranging consultation which provided the basis for the Communication. The EESC is now invited to provide an exploratory Opinion. On the basis of the responses to the Communication the Commission will make a Recommendation to Member States at the end of the year. Any legislation, which would take longer, will come later. In effect then, this Opinion should focus on the content of that Recommendation.

1.3 To help with the formulation of its Recommendations the Commission has decided to establish a Stakeholders Group as a sounding board. The EESC would welcome an opportunity to present this Opinion to the Stakeholders Group.

1.4 The EESC endorses the actions proposed by the Commission in the domains of Radio Spectrum, Standards, Health, Safety and the Environment. We highlight the urgency of establishing an effective industrial contribution to the Standards forum.

1.5 Since the Commission will be publishing its Recommendations to Member States at the end of this year it is reasonable

to suppose that it will accept the data security and privacy infrastructure as it is today. In particular, this suggests that the Data Protection bodies which already exist in each Member State will become the responsible Authority for RFID privacy and data protection issues. These issues are the focus of this Opinion.

1.6 The threats to privacy and civil liberties posed by RFID are profound:

- RFID tags can be embedded into/onto objects and documents without the knowledge of the individual who obtains these items. As radio waves travel easily and silently through fabric, plastic and other materials, it is possible to read RFID tags sewn into clothing or affixed to objects contained in purses, shopping bags, suitcases and more.
- Electronic Product Code could enable every object on earth to have its own unique ID. The use of unique ID numbers could lead to the creation of a global item registration system in which every physical object is identified and linked to its purchaser or owner at the point of sale or transfer.
- RFID deployment requires the creation of massive data bases containing unique tag data. These records could be linked with personal identifying data, especially as computer memory and processing capacities expand.
- Tags can be read from a distance, not restricted to the line of sight, by readers that can be incorporated invisibly into nearly every environment where human beings congregate. Readers can be embedded into floor tiles, woven into carpeting, hidden in doorways and concealed in shelving, making it virtually impossible for an individual to know when he or she is being scanned.
- If personal identity is linked with unique RFID tag numbers, individuals can be tracked or profiled without their knowledge or consent.

— It is possible to envisage a world where RFID readers form a pervasive global network. Such a network would not need readers everywhere. Congestion charging in London can track all cars entering central London with a relatively few strategically located cameras. A network of strategically located RFID tag readers could be constructed in the same way. It must not be allowed to happen.

1.7 The implications of these threats are as follows:

— RFID users must make public their policies and practices and there should be no secret databases of personal information.

— Individuals have a right to know when items in the retail environment contain RFID tags or readers. Any tag reading which takes place in a retail environment must be transparent to all parties.

— RFID users must give notice of the purposes for which tags and readers are used. The collection of information should be limited to that which is necessary for the purpose in hand.

— RFID users are responsible for the implementation of the technology and are responsible for operating within the data security laws and guidelines. They are also responsible for the security and integrity of the system and its database.

1.8 How these principles should be put into practice is a moot point. Ideally, any business involved in business-to-consumer transactions, such as retail, ticketing, access controls or transport services would give customers a form of guarantee that these principles will be followed, a type of customer charter. Conceptually such a charter could incorporate all the data protection principles of good practice detailed in paragraph 4.5. In addition, the EESC proposes the following guidelines:

(a) Merchants should be prohibited from forcing or coercing customers into accepting live or dormant tags in the products they buy. Options could include attaching tags to packaging or using removable tags analogous to price tickets.

(b) Customers should be free to remove or disable any tags on items in their possession.

(c) RFID should not, in principle, be used to track individuals. Human tracking is inappropriate, whether through, for example, clothing, goods, tickets or other items.

(d) RFID should never be used in a way which could eliminate or reduce anonymity.

(e) The responsible authority should give clear guidance that (c) and (d) will only be admissible in exceptional circumstances and with prior formal notification to the Authority.

1.9 Certain exceptions to the above guidelines may be contemplated when:

— Private individuals exercise the option to keep tags alive for their personal convenience.

— Private individuals give their consent to being tracked in critical environments such as highly secure public and private establishments and institutions.

— Private individuals choose to use applications which will locate them and identify them in the same way as they are already located and identified by the use of mobile phones, ATM cards, internet addresses, etc.

Any such exceptions should be notified to the responsible authority.

1.10 RFID is not a mature technology so we do not yet understand its full potential. On one hand it may deliver inconceivable benefits to our technological civilisation, on the other hand it may be the greatest technological threat yet to privacy and liberty. The EESC believes that applications of RFID should be developed according to a strict code of ethics in respect of privacy, liberty and data security but that, given the necessary safeguards, application development should continue.

1.11 In conclusion, where RFID applications are permitted, the implementation should be fully transparent to everyone involved. Applications to improve the handling of goods are generally acceptable. Applications involving the tagging of people are generally not acceptable except in transient environments. Applications which link people to goods may be acceptable for marketing purposes. Applications which identify people via the goods they have purchased are generally unacceptable. Moreover, some applications are inappropriate in a free society and should never be permitted. The imperative need to preserve privacy and anonymity must be the core of the Recommendation by the Commission to the Member States.

## 2. What is RFID and why does it matter?

2.1 RFID is a technology that allows automatic identification and data capture by using radio frequencies. The salient features of this technology are that they permit the attachment of a unique identifier and other information — using an electronic tag — to any object, animal or even a person, and to read this information through a wireless device.

2.2 The tags themselves consist of an electronic circuit which stores data, and an antenna which communicates the data via radio waves. A RFID reader interrogates the tags to obtain the information stored. When the reader broadcasts radio waves, all the tags within range will communicate. Software is required to control the reader and collect and filter the information.

2.3 There are different types of RFID systems available. Tags can be either active or passive. Active tags contain an on board battery to drive the internal circuitry and to generate radio waves, they can broadcast even in the absence of a RFID reader. Passive tags are powered using the energy of the radio wave transmitted by the reader and do not have their own power supply. Tags may be 'read-only' or 'read-write'. Read-only tags are cheaper to produce and are used in most current applications.

2.4 The range of an RFID system depends on the radio frequency, the power of the reader and the material between the tag and the reader. It can be up to a few meters for passive systems but in excess of 100 meters for active systems.

2.5 RFID is the bottom rung of the wireless technology hierarchy. Ranked by the distance that the signals travel, the top position is held by satellite communication systems such as GPS. This is followed by wide-area mobile phone technologies such as GSM and GPRS, then shorter range signals within buildings such as Wi-Fi, then personal networks such as Bluetooth and, finally, RFID. Each of these technologies is discrete and self contained so that, for example, there is no risk of satellite systems reading RFID tags. Even so, data can be transferred between the various systems by devices such as cellular phones.

2.6 The following are some examples of the potential benefits of RFID applications:

- for the individual it can mean safety (e.g. food safety, health care, anti-counterfeiting), convenience (shorter check-out queues, improved airport baggage handling, automated payment) and improved patient care, especially for chronic illnesses such as dementia;
- in transport it is expected to improve efficiency, security and service quality for people and goods;
- in healthcare, RFID has the potential to increase the quality of care and patient safety, and to improve medication compliance and logistics. Work is under way to put RFID tags on individual pills;
- in retail it could help to reduce supply shortages, inventory levels and theft;

- in many industries where counterfeiting is prevalent, the use of RFID may help pin point where illicit goods enter the supply chain;
- RFID tagging may also help improve the sorting and recycling of product parts and materials with positive results for waste management and sustainable development.

2.7 Many aspects of RFID use are illustrated by its application to the life cycle of books. The sheer number of books in print creates a logistical nightmare for publishers, distributors, libraries and retailers. Apart from the supply chain logistics, there is a need to track books once they have been shelved so that they can be both located and replaced. In addition, libraries need to control the loan cycle while purchasers may have difficulty keeping track of their own books. RFID tags on books provide a solution to all these problems. The control of lending library loans will have an analog in any other application where items are recycled or rented.

2.8 To illustrate the nature of the threats inherent in this technology, here is the abstract of an IBM patent application (20020615758) from November 2002. It concerns the identification and tracking of persons using RFID tagged items.

*'A method and system for identifying and tracking persons using RFID-tagged items carried on the persons. Previous purchases records for each person who shops at a retail store are collected by point of sale terminals and stored in a transaction data base. When a person carrying or wearing items having RFID tags enters the store or other designated area, an RFID tag scanner located therein scans the RFID tags on that person and reads the RFID tag information. The RFID tag information collected is correlated with transaction records stored in the transaction data base according to known correlation algorithms. Based on the results of the correlation, the exact identity of the person or certain characteristics about that person can be determined. This information is used to monitor the movement of the person through the store or other areas.'*

American Express patent application number 20050038718 is along similar lines.

2.9 RFID is clearly much more than an electronic bar code. In the patent application abstract quoted above the key differences are that:

- (a) the tag contains not only the item description but also the discrete item identifier which in turn can identify its purchaser;

- (b) the tag need not be a physical micro chip. The circuits can be directly printed onto most materials such as a garment;
- (c) the tag can stay alive after the sale so that it can be continually re-read;
- (d) the tag readers are not just at the point of sale, they can be anywhere and not just on the premises of the retailer;
- (e) the correlation via a data base introduces new dimensions to data collection, privacy and data security.

2.10 Whether a tag should stay alive beyond the retail checkout is a matter for debate. On the one hand, it is a threat to privacy. On the other hand, it could benefit the purchaser. For example, the possibility of RFID readers in the home could help the organisation of wine cellars, refrigerators, wardrobes and libraries. Logically, therefore, the choice should rest with the individual, but the technology and the application must present him or her with that choice.

2.11 RFID has many more applications than retail product identification. The EESC identity key card is an RFID device. The London underground system uses RFID cards extensively for payment and access. Credit cards will soon incorporate an RFID device for handling low value transactions without a pin code. RFID plaques are used for road tolling and driver identification applications. Access to ski lifts at some European ski resorts is controlled by RFID plaques carried in a pocket of the ski suit. Your rapporteur carries three RFID cards and one RFID plaque on a daily basis. His dog is identified by a sub-cutaneous RFID chip. Such chips are coming into widespread use world-wide for animal tagging to provide traceability in the food chain. It could be just a small step to tagging criminals and problem patients just like dogs.

2.12 The identity card as used by the EESC is a benign RFID application. Identity becomes a far more significant challenge when RFID tags are incorporated into working clothes or uniforms so that the movements of the uniformed person can be continually tracked by scanners located at all key points on the premises. Nevertheless, it must be acknowledged that this can be in certain cases desirable, e.g. for safety purposes. In any case, tracking the location of an individual, if not accompanied by proper safeguards, would be a major invasion of privacy which needs substantial justification and very careful control.

2.13 As a bizarre harbinger of future applications *The Economist* reports that at the Baja Beach Club in Barcelona the entry ticket into the VIP area is a microchip implanted in the patron's

arm. Slightly larger than a grain of rice and enrobed in glass and silicone, the chip is used to identify people when they enter and pay for drinks. It is injected by a nurse under a local anaesthetic. In essence, it is an RFID tag.

### 3. Gist of the Communication

3.1 RFID is of policy concern because of its potential to become a new motor of growth and jobs, and thus a powerful contributor to the Lisbon strategy, if the barriers to innovation can be overcome.

3.2 The Commission carried out a public consultation on RFID in 2006, which highlighted the expectations of the technology based on the results of the early adopters but also revealed the concerns of citizens about RFID applications that involve identification and or tracking of persons.

3.3 Further development and widespread RFID deployment could further strengthen the role of information and communications technologies in driving innovation and promoting economic growth.

3.4 A clear and predictable legal and policy framework is needed to make this new technology acceptable to users. As RFID technology is inherently trans-border, this framework should ensure consistency within the internal market.

#### 3.5 Security, Privacy and Ethics

3.5.1 There are serious concerns that this pervasive and enabling technology might endanger privacy: RFID technology may be used to collect information that is directly or indirectly linked to an identified or identifiable person and is therefore deemed to be personal data; RFID tags may store personal data; RFID technology could be used to track or trace people's movements or to profile people's behaviour. RFID has the potential to be an intrusive technology. Concerns have been raised about infringement of fundamental values, privacy and greater surveillance, especially in the work place, resulting in discrimination, exclusion, victimisation and possible job loss.

3.5.2 It is clear that the application of RFID must be socially and politically acceptable, ethically admissible and legally allowable. RFID will only be able to deliver its numerous economic and societal benefits if effective guarantees are in place on data protection, privacy and the associated ethical dimensions that lie at the heart of the debate on the public acceptance of RFID.



3.5.3 The Community legislation framework on data protection and privacy in Europe was designed to be robust in the face of innovation. The protection of personal data is covered by the general Data Protection Directive <sup>(1)</sup> which is applicable to all technologies including RFID. The general Data Protection Directive is complemented by the ePrivacy Directive <sup>(2)</sup>. Pursuant to these directives, public authorities in Member States will have to ensure that the introduction of RFID applications complies with privacy and data protection legislation. It may therefore be necessary to provide detailed guidance on the practical implementation of RFID applications and to draw up associated codes of conduct.

3.5.4 Concerning security, a joint effort of industry, Member States and the Commission will be made to deepen the understanding of the systemic issues and related security threats potentially associated with the massive deployment of RFID technologies and systems. An important aspect of the response to the above challenges will be the specification and adoption of design criteria that avoid risks to privacy and security, not only at the technological but also at the organisational and business process levels. Therefore a close examination of the cost and benefits of specific security and privacy-related risks is needed prior to the selection of RFID systems and the deployment of RFID applications.

3.5.5 There are concerns about the openness and neutrality of the data bases that will register the unique identifiers that lie at the heart of the RFID system, the storage and handling of the collected data and its use by third parties. This is an important issue since RFID will create a new wave of internet development which will eventually interconnect billions of smart devices and sophisticated sensor technologies into a global networked communication infrastructure. This new phase of internet development is the 'Internet of Things'.

3.5.6 The system for registering and naming of identities in this future 'Internet of Things' should guard against breakdown or unintended use that could cause havoc. It should not fall into the hands of particular interests that could use these data bases and systems for their own ends. Security, ethics and privacy requirements should be safeguarded for all stakeholders, whether individuals or companies, whose sensitive commercial information is contained in the RFID enabled business processes.

3.5.7 The requirements of both the parties actively involved in setting up the RFID information system (for example business organisations, public administrations, hospitals) and the end users that are subjected to the system (citizens, consumers, patients, employees) must be considered during the design of the system. As end users typically are not involved at the design stage, the Commission will support the development of a set of

application specific guidelines (code of conduct, good practices) by a core group of experts representing all parties. By the end of 2007, the Commission will issue a Recommendation to set out the principles that public authorities and other stakeholders should apply in respect of RFID usage.

3.5.8 The Commission will also consider including appropriate provisions in the forthcoming proposal for the amendment of the ePrivacy Directive and will, in parallel, take into account input from the forthcoming RFID Stakeholder Group, the Article 29 Data Protection Working Party and other relevant initiatives such as the European Group on Ethics in Science and New Technologies. On this basis the Commission will assess the need for further legislative steps to safeguard data protection and privacy.

3.5.9 The Commission will closely monitor the move towards the 'Internet of Things' of which RFID is expected to be an important element. At the end of 2008 the Commission will publish a Communication analysing the nature and the effects of these developments, with particular attention to the issues of privacy, trust and governance. It will assess policy options, including the possibility of further legislative steps to both safeguard data protection and privacy and address other public policy objectives.

3.5.10 Observations on the issues of Security, Privacy and Ethics are given in section 4 of the Opinion.

### 3.6 Other RFID Policy Issues

3.6.1 Apart from the whole field of security, privacy and ethics, the other policy issues raised by RFID involve the radio spectrum, standards, health, safety and environmental issues.

3.6.2 Harmonisation of spectrum usage conditions is important to allow easy mobility and low costs. The Commission recently adopted a decision (2006/808/EC) for RFID frequencies in the UHF band. This allocation is deemed to be adequate for the three to ten year horizon but if the need for additional spectrum should arise the Commission will act accordingly, using its powers under the Radio Spectrum Decision (676/2002/EC). The EESC accepts this position.

3.6.3 The streamlined adoption of new ISO international standards and the harmonisation of regional standards are essential for the smooth take-up of services. The relevant European standards bodies — CEN and ETSI — are fully involved. The Commission is calling on these bodies, together with industry, to ensure that the developing standards meet European requirements, with particular regard to privacy, security, IPR and licensing issues. Because industry standards

<sup>(1)</sup> Directive 95/46/EC on the protection of individuals with regard to the processing of personal data.

<sup>(2)</sup> Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in the electronic communications sector.

and proprietary patents often advance together the EESC urges the Commission to do what it can to push industry and the standards bodies to move fast to prevent European applications of RFID becoming over dependent on expensive intellectual property owned elsewhere.

3.6.4 Regarding the environment, RFID devices are fully covered by the WEEE and RoHS Directives. On health, there is the potential issue of electromagnetic fields (EMF) associated with RFID devices. EMF related to RFID are generally low in power and so the exposure of workers and the general public is expected to be well below the current standard limits. Nevertheless, in the context of the general increase in wireless applications, the Commission will keep the legal framework under review. The EESC accepts this position.

#### 4. Observations

4.1 Since the Commission will be publishing its Recommendations to Member States at the end of this year it is reasonable to suppose that it will accept the data security and privacy infrastructure as it is today. In particular, this suggests that the Data Protection bodies which already exist in each Member State will become the responsible Authority for RFID privacy and data protection issues.

4.2 In its communication the Commission has stated that, inter alia, it will establish and consult a new Stakeholders Group. The EESC would like to present this Opinion to that Group.

4.3 The threats to privacy and civil liberties posed by RFID are profound:

- (a) RFID tags can be embedded into/onto objects and documents without the knowledge of the individual who obtains these items. As radio waves travel easily and silently through fabric, plastic and other materials, it is possible to read RFID tags sewn into clothing or affixed to objects contained in purses, shopping bags, suitcases and more.
- (b) Electronic Product Code could enable every object on earth to have its own unique ID. The use of unique ID numbers could lead to the creation of a global item registration system in which every physical object is identified and linked to its purchaser or owner at the point of sale or transfer.
- (c) RFID deployment requires the creation of massive data bases containing unique tag data. These records could be linked with personal identifying data, especially as computer memory and processing capacities expand.

- (d) Tags can be read from a distance, not restricted to the line of sight, by readers that can be incorporated invisibly into nearly every environment where human beings congregate. Readers can be embedded into floor tiles, woven into carpeting, hidden in doorways and concealed in shelving, making it virtually impossible for an individual to know when he or she is being scanned.
- (e) If personal identity is linked with unique RFID tag numbers, individuals can be tracked or profiled without their knowledge or consent.
- (f) It is possible to envisage a world where RFID readers form a pervasive global network. Such a network would not need readers everywhere. Congestion charging in London can track all cars entering central London with a relatively few strategically located cameras. A network of strategically located RFID tag readers could be constructed in the same way. It must not be allowed to happen.

4.4 In the 7th R&D Framework programme the Commission has already given guidance on the ethical application of technology as it affects data security and privacy ('Guide for Applicants' for collaborative projects, p. 54) <sup>(3)</sup> RFID is a prime example of the evolving relationship between technology and the legal right to, or the public expectation of privacy in the collection and sharing of data. Privacy problems exist wherever uniquely identifiable data relating to a person or persons are collected and stored, in digital form or otherwise. Improper or non-existent disclosure control can be the root cause for privacy issues. The most common sources of data that are affected by data privacy issues are health, criminal justice, finance, genetics and location. Location is the key issue for RFID.

4.5 In its guidance <sup>(4)</sup> on how to deal with data protection and privacy the Commission has laid down eight enforceable principles of good practice. These are that data must be:

- Fairly and lawfully processed
- Processed for limited purposes
- Adequate, relevant and not excessive
- Accurate
- Not kept longer than necessary
- Processed in accordance with the data subject's rights
- Secure
- Not transferred to countries without adequate protection

These guidelines are wholly appropriate to the privacy and data security issues involved with applications of RFID.

<sup>(3)</sup> [http://cordis.europa.eu/fp7/dc/index.cfm?fuseaction=UserSite.CooperationDetailsCallPage&call\\_id=11](http://cordis.europa.eu/fp7/dc/index.cfm?fuseaction=UserSite.CooperationDetailsCallPage&call_id=11).

<sup>(4)</sup> Data Protection Directive 95/46/EC Article 6.

4.6 In the opinion of the EESC, the basic principles of good practice are as follows:

- RFID users must make public their policies and practices and there should be no secret databases of personal information.
- Individuals have a right to know when items in the retail environment contain RFID tags or readers. Any tag reading which takes place in a retail environment must be transparent to all parties.
- RFID users must give notice of the purposes for which tags and readers are used. The collection of information should be limited to that which is necessary for the purpose in hand.
- RFID users are responsible for the implementation of the technology and are responsible for operating within the data security laws and guidelines. They are also responsible for the security and integrity of the system and its databases.

4.7 How these principles should be put into practice is a moot point. Ideally, any business involved in business-to-consumer transactions, such as retail, ticketing, access controls or transport services would give customers a form of guarantee that these principles will be followed, a type of customer charter. Conceptually such a charter could incorporate all the data protection principles of good practice detailed in paragraph 4.5. In addition, the EESC proposes the following guidelines:

- (a) Merchants should be prohibited from forcing or coercing customers into accepting live or dormant tags in the products they buy. Options could include attaching tags to packaging or using removable tags analogous to price tickets.
- (b) Customers should be free to remove or disable any tags on items in their possession.
- (c) RFID should not, in principle, be used to track individuals. Human tracking is inappropriate, whether through, for example, clothing, goods, tickets or other items.
- (d) RFID should never be used in a way which could eliminate or reduce anonymity.
- (e) The responsible authority should give clear guidance that (c) and (d) will only be admissible in exceptional circumstances and with prior formal notification to the Authority.

4.8 Certain exceptions to the above guidelines may be contemplated when

- Private individuals exercise the option to keep tags alive for their personal convenience.
- Private individuals give their consent to being tracked in critical environments such as highly secure public and private establishments and institutions.
- Private individuals choose to use applications which will locate them and identify them in the same way as they are already located and identified by the use of mobile phones, ATM cards, internet addresses, etc.

Any such exceptions should be notified to the responsible authority.

4.9 A class of applications which could be given general exemption is the tracking of people or goods in transient environments. In the air transport environment baggage could be tagged at check in to improve the security and certainty of baggage handling while passengers might be tagged to improve and accelerate on time plane movements and faster security processes. Another application could be the tracking of patients after admission to hospital for operations. The key to acceptability for this class of application would be the certain eradication of the tags at the end of the transient experience.

4.10 RFID is not a mature technology so we do not yet understand its full potential. On one hand it may deliver inconceivable benefits to our technological civilization, on the other hand it may be the greatest technological threat yet to privacy and liberty. The EESC believes that applications of RFID should be developed according to a strict code of ethics in respect of privacy, liberty and data security but that, given the necessary safeguards, application development should continue.

4.11 In conclusion, where RFID applications are permitted, the implementation should be fully transparent to everyone involved. Applications to improve the handling of goods are generally acceptable. Applications involving the tagging of people are generally not acceptable except in transient environments. Applications which link people to goods may be acceptable for marketing purposes. Applications which identify people via the goods they have purchased are generally unacceptable. Moreover, some applications are inappropriate in a free society and should never be permitted. The imperative need to preserve privacy and anonymity must be the core of the Recommendation by the Commission to the Member States.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

**Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions GALILEO at a cross-road: the implementation of the European GNSS programmes'**

COM(2007) 261 final

(2007/C 256/14)

On 16 May 2007, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the abovementioned proposal.

On 29 May 2007, the Committee Bureau instructed the Section for Transport, Energy, Infrastructure and the Information Society to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr Buffetaut as rapporteur-general at its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), and adopted the following opinion with 95 votes in favour and one abstention.

## 1. Conclusions and recommendations

1.1 The European Economic and Social Committee (EESC) welcomes the realism and courage displayed by the European Commission in its Communication entitled *GALILEO at a cross-road: the implementation of the European GNSS programmes*, COM(2007) 261 final, in which it draws the conclusions from the stalled negotiations over the concession contract for the Galileo system.

1.2 The EESC fully agrees that these deadlocked negotiations should be brought to an end and that an alternative strategy should be implemented.

1.3 The EESC wholly endorses the desire of the Council, the European Parliament and the Commission to carry the Galileo project through to a successful conclusion, whilst maintaining the scope and initial definition of the project.

1.4 The EESC takes the view that the Galileo project represents a strategic project for the European Union and a project which is able to demonstrate the capacity of the EU to harness its resources in the pursuit of a remarkable human, scientific, technical and economic venture.

1.5 The EESC believes that it would be disastrous for the EU to abandon the project.

1.6 The EESC highlights the fact that the scenario proposed by the Commission constitutes an interesting and realistic proposal for enabling the Galileo project to be brought to a successful conclusion and takes the view that entrusting the public sector with the responsibility for the development and deployment phase and with the financing of this phase shows that the Commission is taking a realistic view of the situation.

1.7 As the proposed scenario would have important financial consequences and would require an undoubted effort on the part of public funding, the EESC stresses the need to consider, without any preconceived ideas, the possibility that the EU Member States may make use of the Galileo system for military purposes, in particular defensive purposes, and also to consider the possibility of introducing a small levy on the price of terminals for this system in order to help to ensure the financial balance of the project.

1.8 The EESC urges that the terms and the manner of awarding the concession for the EGNOS system, which complements, at European regional level, the services provided by the American GPS system, be clarified without delay and calls for the implementation of this programme to be properly coordinated with that of the Galileo programme.

1.9 The EESC approves the selection of the European Space Agency (ESA) as the 'procurement agent and designing authority' for the project.

1.10 The EESC warns against the temptation to make the Galileo project subject to the constraints of the 'fair return' principle, even though it understands the justified concerns of the Member States in respect of scientific, technical and economic development.

1.11 The EESC draws attention to the fact that when matters relating to governance and the distribution of economic and technical responsibilities are poorly controlled, a very dangerous situation may arise, as was demonstrated by the recent Airbus affair.

1.12 The EESC calls upon the EU Member States to do their utmost to ensure that the Galileo project is brought to a successful conclusion.

## 2. The background to the Commission's Communication

2.1 Five months after the publication of the Green Paper on satellite navigation applications, the Commission has published a new Communication with the alarmist title of *Galileo at a cross-road: the implementation of the European GNSS programmes*.

2.2 This shock title was provoked by the fact that the negotiations over the concession contract have ground to a halt. It has not proved to be possible to reach any agreement with the industrial consortium seeking to be awarded the contract. There were fundamental differences of opinion with regard to the economic model to be adopted by the project.

2.3 The European Commission therefore had no other option but to take note of this set-back which, following in the wake of a series of delays in the implementation of the Galileo project, made it necessary to carry out a major re-orientation of the project from both an economic and legal standpoint.

2.4 Furthermore, the Council of Transport Ministers, meeting on 22 March 2007, asked the Commission to assess the situation and put forward detailed alternative scenarios with regard to the concession contract and a scenario for the earliest possible provision of the EGNOS satellite navigation system — which complements, at regional level, the services provided by the American GPS system — as a forerunner of the Galileo project.

2.5 The European Parliament, whilst reiterating its support for the Galileo project, expressed its alarm over the repeated delays in developing the project and called upon the Commission to put forward proposals for redressing the situation.

2.6 The Commission has put forward the Communication under review in response to this double request from the decision-making institutions of the European Union.

### 3. Gist of the Communication

3.1 The first important point is that the Commission invites the Council and the European Parliament to take note of the failure of the current concession negotiations and, consequently, to end the negotiations. As the negotiations have become deadlocked, the Commission did, in reality, have scarcely any other option.

3.2 The Commission does, however, request the Council and the European Parliament forthwith to reaffirm their commitment to put in place an autonomous satellite navigation system and to support the continuation of the Galileo programme. The present failure of the negotiations over the concession contract must not therefore imply that the Galileo project is to be abandoned. On the contrary, the Commission wants the strategic nature of the project for the European Union, together with its economic importance, to be reaffirmed.

3.3 In the Commission's view, the Galileo programme should be continued, along identical lines to those of the present blueprint. The technical characteristics of the programme should remain the same, namely a constellation of 30 satellites offering five different services with an excellent signal quality.

3.4 There should, therefore, be no question of making do with a cut-price Galileo project.

3.5 The Commission proposes two alternative scenarios:

a) Under Scenario A, the public sector would initially finance and procure an operational system with limited performances. This core infrastructure would be composed of 18 satellites with the associated ground segment. Under this scenario it would be possible to achieve a level of positioning accuracy and coverage sufficient to introduce services on the market but without capitalising on Galileo's technical value-added.

The remaining 12 satellites would be deployed by the private sector under a concession contract.

b) Under Scenario B, the public sector would finance and procure the complete operational system with full performances. The infrastructure would be composed of 30 satellites with the associated ground segment. This scenario would allow the provision of all Galileo's services for all targeted users and provide confidence in respect of

design robustness to the future concession holder. The public-private partnership (PPP), under the form of a service concession contract, would cover operations, exploitation activities and the maintenance of the constellation of 30 satellites. Full deployment would be achieved by the end of 2012 and the PPP concession contract would cover the period 2010-2030.

3.6 The Commission recommends the adoption of the second scenario, in two stages:

- start with the immediate implementation of EGNOS by means of a specific concession, as a precursor to Galileo, by 2008. Following the deployment of the full Galileo constellation, the system should be operational by the end of 2012;
- in parallel, negotiate and put in place a PPP, in the form of a concession, for the EGNOS and Galileo exploitation phase from 2010-2030.

3.7 The Commission urges the Council and the European Parliament to support these two programmes by affirming a number of principles:

- making the EGNOS system operational from 2008;
- deciding that the European GNSS programmes are to be defined, agreed, managed and overseen at the level of the European Union, in the interests of all its Member States;
- recognising the strategic nature of the Galileo programme;
- designating the European space Agency (ESA) as the 'procurement agent and designing authority' **on behalf of the European Union and acting under the latter's authority and rules;**
- introducing fair competition into the programme wherever possible;
- strengthening and restructuring the public governance of the programme by entrusting the European Commission with political responsibility and leadership;
- creating confidence amongst investors.

3.8 Such a programme would make it necessary to mobilise considerable financial resources. There is a need not only to commit the sums provided for under the financial perspectives in respect of the programme as currently proposed but also to provide additional funding.

3.9 For the financial period 2007-2013, it would be necessary to make available the sum of EUR 2,4 billion in order to carry out the present scheme, with additional measures being required to reduce risks. In order to finance the procurement of the first complete constellation (30 satellites) and the ensuing PPP for the exploitation phase from 2010 to 2030, there would be a need to mobilise EUR 3,4 billion.

### 4. General comments

4.1 It is right and proper for the Commission to take note of the stalled negotiations over the concession contract under the current arrangements and to recommend that the negotiations be ended. The adoption of sham solutions would have served only to prolong a disturbing situation and would have further delayed the implementation of the programme.

4.2 On this point, the Council has reached the same conclusions as the Commission and has decided to end the negotiations and to make a fresh start on a new basis. The Council also wished to reaffirm the priority status of the Galileo project, an observation which is welcomed by the EESC.

4.3 Furthermore, a recent survey carried out by Eurobarometer (May/June 2007) on the Galileo programme — a survey which was commissioned by DG TREN — indicates that 80 % of the population of the EU supports the idea of having an autonomous satellite navigation system and 63 % of the population would endorse the provision of complementary funding in order to ensure that this project is carried to a successful conclusion. The assessment as to the impact which abandoning the Galileo project would have on the image of the EU demonstrates somewhat contrasting opinions. 44 % of the people questioned took the view that it would have a damaging impact, whereas 41 % of those questioned were of the opinion that it would have no impact at all.

4.4 The EESC welcomes the support for the Galileo project provided by the Council and public opinion but believes that abandoning this project would have a disastrous impact on the image of the European Union and on the confidence that can be placed in European projects. It would be indicative of the fact that the European Union is not capable of carrying to a successful conclusion a promising scientific and technical project which could mobilise the best of our abilities in the fields of research, innovation and technical expertise and provide opportunities for securing major contracts.

4.5 The Communication does, nonetheless, leave a number of questions unanswered. Strong emphasis is placed on the EGNOS system and the need to exploit it as soon as possible but the Commission fails to address the question as to who is to operate this system. The Commission confines itself to pointing out that a procedure for awarding a concession will be launched but provides no indication as to the form of such a procedure and the possible partners (enterprises or a consortium of bodies or companies responsible for air traffic management?). Are we talking here about a public or a private operator? What procedures will be followed in awarding the concession and what deadlines will be set?

4.6 The augmentation systems which make it possible to enhance the quality of the GPS service are regionally-based. (In addition to EGNOS, there is a North American system — WAAS — and a system based in India). What connections exist between these regional systems and what international agreements do they require?

4.7 Turning to the difficulties encountered with the consortium which is seeking to be awarded the Galileo concession contract, care must be taken to avoid being confronted with similar difficulties in respect of the proposed new scenarios. National directives were, in fact, frequently in evidence behind

the consortium members. Many of the companies concerned depend on public-sector orders or are public corporations; it would be naive to believe that the consortium in question is the standard type of 'private' consortium. This type of case could occur under the new scenarios. In view of such a prospect, the organisation of genuine competitive bidding must be strictly adhered to.

4.8 The EESC welcomes the fact that the general blueprint for the project has not been modified, in particular in the case of the range of proposed services. The proposal put forward by the Commission is the most reasonable proposal. Changing the structure of the project would have entailed additional delays, increased financial costs and unnecessary risks.

4.9 The EESC also considers that the Commission is right to point out that: 'Whilst maintaining the system as a civil system, significant revenues could also come from military uses'. Recognising the sensitive nature of this issue, the EESC takes the view that discussions on this matter should be carried out between the Member States. The EESC believes that the EU Member States should have the freedom to decide whether to use the Public Regulated Service (PRS) for defensive military purposes if they so wish, and in return for appropriate funding.

4.10 Since the financing of the project is a matter of fundamental importance, the EESC wonders whether consideration should be given to the introduction of a very small levy on the sale of terminals to help finance the Galileo project.

4.11 Whilst the EESC supports the idea of appointing the European Space Agency (ESA) as the 'procurement agent and the designing authority' for the Galileo project, it would stress that this must not imply that the project has to comply with the 'fair return' rule, even though it is fully aware of the fact that the agreements between the Member States under the previous scenario came about because fine economic balances were struck between the States. The EESC draws attention to the need to avoid jeopardising, because of fears over the economic consequences for the main participatory Member States, a project which is essential and symbolic in equal measure to the EU. The EESC points out that the difficulties currently being experienced by EADS derive from such apprehensions. The desire to strike an economic balance between partners is indeed a legitimate goal but if it leads to de facto paralysis or delays in the implementation of projects, the whole of this emblematic European project, with its industrial and scientific dimensions, would be called into question, as would the knock-on economic effects.

4.12 In conclusion, the EESC assumes that it is the Commission's desire to preserve the principles of Community governance which have led it to be insistent — and perhaps a little undiplomatic — in its claim to political control over the project, underestimating, as it does, the important role played by the European Space Agency.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

**Opinion of the European Economic and Social Committee on the 'Biennial Progress Report of the EU Sustainable Development Strategy'**

(2007/C 256/15)

In a letter to Mr Dimitriadis dated 11 December 2006, the European Commission asked the European Economic and Social Committee under Article 262 of the Treaty establishing the European Community to draw up an opinion on the *Biennial Progress Report of the EU Sustainable Development Strategy*.

The Section for Agriculture, Rural Development and the Environment (Sustainable Development Observatory), which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 June 2007. The rapporteur was Mr Ribbe.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 70 votes to 21 with 10 abstentions.

**1. Summary of the EESC's conclusions and recommendations**

1.1 The Committee welcomes the marked boost given to the debate thanks to the 'renewed' sustainable development strategy adopted at the EU summit in June 2006. The requirement to produce biennial progress reports will, in particular, help ensure that policymakers and society are, in a more practical way, kept up to speed on positive developments and on areas where implementation is proving difficult.

1.2 In its earlier opinions on sustainability, the Committee has, in essence, welcomed the various documents submitted by the Commission, the Council and the European Council, but it has also been critical in the questions it has raised and, in some cases, has put forward extensive proposals which the institutions have frequently failed to take up. On this occasion too, the Committee is critical of the fact that the objectives set in most of the priority areas remain excessively vague. In particular, however, it is critical of the inordinate lack of clarity about the instruments to be used.

1.3 The Committee particularly welcomes the key objectives and policy guiding principles set out in the renewed strategy and calls on the Commission, the Council and the European Parliament to take these genuinely seriously and give them full consideration.

1.4 The Committee hopes that the first progress report, which is due for publication in September 2007, will provide more detailed information about, among other things:

- what economic instruments are envisaged by the Commission to 'promote market transparency and prices that reflect the real economic, social and environmental costs of products and services (getting prices right)';
- specifically how the European Council's call will be implemented to 'consider further steps to shift taxation from labour to

*resource and energy consumption and/or pollution, to contribute to the EU goals of increasing employment and reducing negative environmental impacts in a cost-effective way';*

- what specific time frame the Commission is setting itself for implementation of the European Council's objective of gradually eliminating subsidies that have negative effects on the environment, and whether consideration could be given to the EESC's idea of transferring at least some of the savings into a 'EU sustainability fund';
- how in future the Commission intends to avoid the blatant contradictions which still exist between aspiration and reality in sustainability policy, for example in the transport sector (see Points 4.15 and 4.16); and
- how to deal with Member States which have failed to present adequate national sustainability strategies.

1.5 Given that climate impacts are, in dramatic fashion, growing ever more acute, it is understandable that particular attention is being paid to the fields of climate and energy. However, the Committee feels that:

- this is a positive development, although it must not lead to other key elements of the strategy being neglected;
- in spite of the urgent need for political action, all decisions should be taken in line with the policy guiding principles laid down in the renewed strategy, i.e. with the involvement of citizens, businesses and the social partners, using best available knowledge etc. The decision taken under the energy package to generate 10 % of European fuels from biomass in future (as opposed to the 5,75 % agreed earlier) did not comply with these principles. The Committee sees the potential for major problems here, to be discussed in a separate opinion on the relevant Commission progress report <sup>(1)</sup>.

<sup>(1)</sup> COM(2006) 845 final.

## 2. Key elements of the opinion and background

2.1 In 2001, the Gothenburg European Council adopted the *European Union Strategy for Sustainable Development*. In December 2005, the Commission submitted a communication to the European Parliament and the Council on the *Review of the Sustainable Development Strategy — A platform for action* <sup>(2)</sup>, the purpose of which was to set out 'further concrete actions for the coming years'.

2.2 Over the past few years, the European Economic and Social Committee has adopted a number of opinions dealing with the sustainable development strategy (SDS), each time stressing the tremendous importance of sustainable development for the society in which we live. The Committee has given broad backing to the Commission's various approaches in this area and endorsed the European Council's view that the SDS is the EU's overarching strategy, the aims of which must also be a benchmark for the Lisbon strategy.

2.3 In its opinions on sustainable development, however, the Committee has also frequently voiced criticism and raised constructive questions, to some of which the Commission and the Council have yet to provide an answer.

2.4 The Committee's most recent opinion on the subject — on the Commission's December 2005 communication mentioned above — was critical of the fact that, in what is described as an 'ambitious' platform for action, the Commission chose not to follow the EESC's recommendation of April 2004 or to meet its own undertaking of June 2005, failing once again to comply with its promise to set out clear goals to be reached under the sustainability strategy.

2.4.1 In that opinion, the Committee made the point that any strategy should describe the means of achieving objectives. The absence of specific objectives is bound to result in problems when it comes to identifying instruments since if you do not know exactly where you want to go, then you cannot decide how you will get there. The Committee therefore felt that the communication left more questions open than it gave answers and direction.

2.4.2 As the Committee already pointed out in its 2004 opinion <sup>(3)</sup>, however, where there is a failure to communicate either objectives or instruments to the broader public and to the social partners concerned — in other words, where there is uncertainty 'as to what sustainable development actually means and how future development will differ from the situation in which we live today' — 'fears and resistance' are generated 'in the sectors potentially affected'. The Committee regrets to say that the past three years have seen little in the way of additional clarification of the issues involved here — a fact that is without doubt compromising the credibility of sustainable development policy.

2.5 The Austrian presidency that was in office during the first half of 2006 presumably took a similar view of the overall situation. It thus more or less set aside the Commission's 2005

communication and drew up a new, independent document for consideration by the heads of state or government at the June 2006 summit, where it was then also adopted as 'the renewed strategy' <sup>(4)</sup>.

2.6 This renewed strategy gives the EESC a key role to play, no doubt because of its past commitment to the issue. Article 39 states that the EESC 'should play an active role in creating ownership *inter alia* through acting as a catalyst to stimulate debate at EU level, and is invited to prepare input to the biennial progress report of the Commission.'

2.7 In submitting the present opinion, the Committee is seeking to meet that request and satisfy its responsibilities in this area. The opinion will begin with a few basic comments on the renewed strategy (point 3). It will then briefly consider the issues raised in the renewed strategy (point 4) before setting out its views on certain substantive elements of the progress report that is to be drawn up by September 2007 (point 5).

## 3. General comments on the renewed strategy

3.1 When the most important EU political institution reviews and renews one of its policies — as the European Council has done in its EU Strategy for Sustainable Development — then civil society also expects that the relevant documentation will make clear:

- why a review was necessary in the first place;
- what findings came to light in the deficit analysis (i.e. where problems have been identified); and
- what specific changes are to be made in future (i.e. which areas are to be removed and/or approached in a different way, and which are to be added and why); and
- what approaches are envisaged, for example, for achieving the essential objective of integrating sustainability into the work of all Directorates-General.

3.2 Sadly, however, the document in question provides no such context and no such findings but just presents a 'renewed' strategy.

3.3 The Gothenburg European Council, drawing on a communication from the Commission, focused on four priority issues, viz.:

- climate change;
- transport;
- public health; and
- natural resources.

<sup>(2)</sup> COM(2005) 658 final, 13.12.2005.

<sup>(3)</sup> OJ C 117, 30.4.2004, point 2.2.1.

<sup>(4)</sup> Council of the European Union, Document 10917/06, 26.6.2006, *Review of the EU Sustainable Development Strategy (EU SDS) — Renewed Strategy*.



3.4 Missing from the Gothenburg strategy were two additional issues which the Commission had also proposed in its communication at the time — the eradication of poverty and population ageing. The European Council failed to give a reason for the omission and it was criticised by the EESC in its April 2004 opinion <sup>(5)</sup> as sending out an 'inadequate signal'. There was also widespread criticism that the strategy was not embodied in a single document that could be communicated and promoted publicly and that the external dimension was dealt with in a separate process leading to a separate document.

3.5 The renewed strategy now sets out seven key challenges along with corresponding targets, operational objectives and actions. The areas concerned are:

- climate change and clean energy;
- sustainable transport;
- sustainable consumption and production;
- conservation and management of natural resources;
- health;
- social inclusion, demography and migration; and
- global poverty and sustainable development challenges.

3.6 As the above comparison between the original approach and the new one shows, the renewed strategy does not involve any great shift in priorities. To the points already incorporated into Gothenburg strategy, it merely adds the key issues raised in the Commission's 2001 communication — the eradication of poverty and population ageing — and the question of sustainable consumption and production.

3.7 The Committee can well understand this, as both the issues included in 2001 and those that were not included at the time remain unresolved, making it more urgent than ever that they be thoroughly addressed at a political level. However, precisely because the political action taken to date has fallen short of the mark, it is interesting to reflect on how the renewed strategy actually differs from the old one and what assessment can be made of the successes of the old strategy so far. This question is particularly important in forestalling any accusation that a continuous wave of new documents is more likely to lead to confusion than to help secure the political consolidation of a necessary process. As the Committee has repeatedly pointed out, sustainable development policy is not measured by the number of documents produced by government or policymakers but by tangible and effective action.

3.8 This renewed strategy is based on an excellent set of principles for sustainable development and endeavours to work these through into a set of objectives and actions for each of the seven priority areas selected, together with some actions on cross-cutting themes and the development of processes for implementing and monitoring progress. In these respects the new strategy is certainly an improvement on its predecessors.

3.9 Early indications are that the parts of the strategy that deal with climate change and energy are being vigorously addressed at present. This is a positive development, although it must not lead to other key elements of the strategy being

neglected. The present review of implementation is an important opportunity to explore this question and to try to give the strategy greater weight and driving force in all the key areas it deals with. The Committee once again wishes to emphasise that sustainable development is a comprehensive integrating approach and not a menu of separate options from which one can pick and choose à la carte. The climate change objectives and targets are now becoming sufficiently clear, precise and urgent to act as real drivers for action. But for most of the other themes of the strategy the sustainable development objectives are too vague open-ended to be capable of driving significant change.

3.10 Scope of the strategy: The seven themes in the new strategy are an improvement on the inadequate four of the previous one. There are however still some important omissions. The Committee's exploratory opinion of April 2004 <sup>(6)</sup> already called for agriculture to be included as a chapter in its own right. The Committee now reiterates that call in the light of the serious doubts it has repeatedly raised as to whether sustainable agriculture as envisaged by the 'European agricultural model' is at all feasible under world market conditions. The Committee's scepticism as to whether the CAP is genuinely moving in the right direction is reinforced by the fact that, for the 2007-2013 financing period, the heads of state or government have slashed the resources available under the second CAP pillar that is particularly important for the development of sustainable agriculture. The Committee has criticised this move on several occasions and questions the compatibility of this decision with sustainable development policy. Including agriculture in the renewed strategy under the heading of 'natural resources' is simply not enough.

3.11 The question as to whether a European agricultural policy that is geared towards global, open markets can be sustainable at all automatically also raises the fundamental issue of global production and trade rules. The WTO is a body based on agreements that are designed to foster global free trade. Yet, as the Committee has repeatedly shown, it does not follow that free and liberalised trade is necessarily also sustainable. Sadly, the renewed strategy says nothing about how to turn free trade into trade that is compatible with sustainability principles. That is a major failing. Here too, the Committee can but regret EU decision-makers' failure so far to address this issue, despite the fact that it was raised by the Committee all of three years ago <sup>(7)</sup> — though the EESC acknowledges that the EU has shown real determination to negotiate new rules for globalised trade, including with the IMF and the World Bank.

3.11.1 Of course, the global dimension is closely relevant to a European sustainability strategy, given that the European economy is also affected by external developments. Any EU strategy must therefore be consistent with and actively assist a global approach to sustainable development. This is recognised in the renewed strategy by references to supporting the Millennium Development Goals, Kyoto, UNEP, and other worldwide initiatives. The strategy also acknowledges the need to make

<sup>(5)</sup> OJ C 117, 30.4.2004.

<sup>(6)</sup> OJ C 117, 30.4.2004.

<sup>(7)</sup> OJ C 117, 30.4.2004, p. 22, *inter alia* points 0.8 and 6.4 et seq.

'globalisation work for sustainable development'. It notes that the Commission is producing a Sustainable Consumption and Production Action Plan in 2007 but the EESC believes a more far-reaching analysis is required to have any hope of tackling the issues of global inequalities. The 'drive for growth' by newly industrialising nations which justifiably are seeking much higher standards of living will almost certainly have a catastrophic effect on global resources and systems. The strategy is therefore a place to address the limits to the 'carrying capacity' of the planet, already under strain from 200 years of unequally distributed industrialisation.

3.11.2 The EESC suggests that the Commission should therefore produce a Communication on approaches to the management and allocation of global common resources. This would focus on a long-term framework to stabilise atmospheric greenhouse gas (GHG) concentrations at a 'safe' level by international sharing of a contracting global emissions budget. At the end of an agreed timeframe, during which per capita emissions would converge, those rights would be equal. Such an approach, already being widely debated and known as 'Contraction and Convergence' is able to take into account the implications of both population growth, industrial capacity, globalisation and the demands for an equitable and practical reallocation of our planetary atmosphere as a shared resource.

3.12 Clarity of objectives: Sustainable development is widely accepted as an overall goal for society. But in order for a sustainable development strategy to have any real driving force or traction it needs to be carried through into specific measurable objectives and targets, based on rigorous analysis. The new strategy certainly contains a large number of objectives and actions. But it does not relate these to any quantified analysis of data and trends or to any qualitative analysis of issues and problems. So it is frequently not clear why particular objectives and actions have been selected, how progress towards them will be evaluated, and how far they may contribute to overall sustainability even if achieved. The current review should provide an opportunity to sharpen up and clarify all these points, so that in future it will really be possible to assess progress more systematically.

3.13 Having made these rather critical comments, the Committee would, however, also like to say something positive. Compared with the platform for action submitted in December 2005, the renewed strategy clearly does contain a greater number of specific objectives, designed, for instance, to curb climate emissions or boost energy efficiency. The fact that some objectives are now becoming clearer, however, is due in particular to the March 2007 European Council's specific conclusions on climate issues and, to some extent, energy policy.

3.14 Tools for implementation: That said, the renewed strategy — and the March 2007 European Council conclusions — are still far too vague on the tools to be used to achieve

these more specific objectives — and thus on the actual 'strategy' that is to be pursued. It is interesting to note, however, that some indications at least are given — albeit between the lines — of potential tools to be used in this area. Although these indications are still far too vague for the Committee's liking, the progress report could and should, therefore, provide specific information on this front, thereby addressing the issue at hand and providing some degree of guidance (see point 5 below).

#### 4. Specific comments on the renewed strategy

4.1 The revised strategy outlines the importance of integrating the dynamic of the Lisbon strategy process into the broader goals of sustainable development. But it does not follow this through with a serious analysis of how patterns of growth and development in the world will need to change to achieve a more sustainable world in the future. The impact of non-sustainable developments are becoming ever more evident, including, in particular, the dire effects of climate change, the continuing global decline in biodiversity, the ever-growing gulf between rich and poor, and the foreseeable depletion of raw materials.

4.2 Such an impact will have dramatic economic repercussions. In some places, the very basis of the present-day economy is at risk of complete collapse. In Switzerland, for instance, banks are no longer lending to investors in winter sports infrastructure if the location is less than 1 500 m above sea level. There is also great — and increasing — uncertainty about the future of farming and tourism in the Mediterranean area should it become even hotter and drier.

4.3 'Public expenditure in the EU dedicated to coastline protection against the risk of erosion and flooding has reached an estimated EUR 3,2 billion, compared to EUR 2,5 billion in 1986, and studies indicate that the cost of coastal erosion will average EUR 5,4 billion a year for the period 1990-2020.' Yet these vast amounts are enough to avert or mitigate only some of the emerging adverse impacts.

4.4 We face a grave situation, living, as we do, in an economic system which, for instance, at a macroeconomic level, views health costs and environmental damage — the billions spent in the wake of storm Kyrill in early 2007 for example — in a favourable light because they contribute to higher GDP. The Committee is pleased that, in its renewed strategy, the European Council is at last beginning — albeit, sadly, only on the margins — to address this contradiction in a more forthright way. The European Council is quite right when, in point 20 of its renewed strategy, it notes that '*the core system of national income accounting could be extended by inter alia integrating stock and flow concepts and non-market work and be further elaborated by satellite accounts e.g. environmental expenditures (and) material flows*'.

4.5 At this point, the Committee would reiterate a point it made back in 2004: 'As part of the sustainable development strategy, ... the Committee feels it is right to discuss issues that have so far been seen as well-nigh taboo. One of these questions concerns permanent economic growth as the primary goal and the key aspect of all policies' <sup>(8)</sup>. The point the Committee was making is that growth can no longer be seen in purely quantitative terms; rather, a new concept of growth is needed, which puts qualitative objectives based on sustainability criteria first. The Commission and the Council should use the upcoming report:

- to determine whether there is not a clash — hitherto unrecognised or unarticulated — between the sustainable development strategy on the one hand, and the Lisbon strategy on the other, particularly as regards the use of GDP as an indicator of social welfare and economic prosperity; and
- to indicate the requisite features of any new 'prosperity indicator' more in line with sustainability principles.

4.6 Numerous examples demonstrate that progress in terms of the economy and of environmental policy does not necessarily generate GDP growth, but can very well create jobs and relieve environmental pressures. Using energy-saving bulbs instead of less efficient conventional bulbs reduces electricity consumption, and even taking account of the investment, this would tend to lower GDP. Nevertheless, this is another area in which the EESC would like to see more 'growth' — including in terms of insulation for buildings, fuel-efficient engines, energy-efficient appliances, etc.

4.7 The Committee therefore welcomes the work now being put in hand by the Commission to explore alternatives to GDP as measures of prosperity and will wish to take a close interest in this work.

4.8 As the Committee has frequently highlighted, sustainable development does not come free of charge. The Committee has also repeatedly made the point that drastic structural changes are inevitable at macroeconomic level, and will happen whether we want them to or not. The policymaker's task should be to provide a smooth lead-in to these necessary changes so as to avoid any major disruptions and mitigate the most serious negative impacts.

4.9 With regard to responsibility for resolving these issues, the Committee notes that, at the microeconomic level, it is not only policymakers who are called upon to make sure the right conditions are in place. Action is also required of industry — and of each and every individual. The Commission has for a number of years now rightly been drawing attention to corporate social responsibility which brings together economic, social and environmental aspects through the conduit of social dialogue.

<sup>(8)</sup> OJ C 117, 30.4.2004, p. 22, point 2.3.9.

4.10 The European Council points out <sup>(9)</sup> that the renewed strategy 'forms the overall framework within which ... economic, social and environmental objectives can reinforce each other'. The Council also considers that all the EU's political decisions should be made after 'assessing in a balanced way the social, environmental and economic dimensions of sustainable development and taking into account the external dimension of sustainable development and the costs of inaction'. However, the moment it comes to resources, the renewed strategy no longer looks towards social dialogue, but towards an institutional dialogue between the Commission and Member States, on the one hand, and 'businesses', on the other, in order to set performance targets for products and processes.

4.11 The Committee would stress how important it is to have a truly broad-based discussion with all social players of the policy measures to be taken and to consistently bear in mind — and genuinely take seriously — the key objectives and policy guiding principles set out in the renewed strategy. This is the only way to avoid potential mistakes, to secure broad acceptance within society, and to ensure that action is indeed guided by the principle of sustainability.

4.11.1 The European Council's decisions as part of the energy package to require a 10 % share of biofuels (instead of the 5,75 % agreed earlier) are a good example of how, in terms of the procedures used, things should not be done. The Committee expressly backs the European Council's objective to cut CO<sub>2</sub> by 20 % or 30 % by 2020 (depending on commitments from non-European partners) and also endorses the more far-reaching objective (i.e. cuts of 60 % to 80 % by 2050). As well as being a conduit to achieving this objective, the biofuel requirement also has to comply with the other guiding principles.

4.11.2 Account must therefore be taken of the energy balance and of impacts on the natural world and the environment, as well as the effect of any potential competition for land use (at both national and global level). The debates that are gathering increasing pace at the moment — for instance on the extremely high use of fossil energies in the production of apparently CO<sub>2</sub>-free biofuels <sup>(10)</sup>, on the true climate relevance of such fuels <sup>(11)</sup> or on the impact on foodstuff production <sup>(12)</sup> — shows that by no means all sustainability issues have been adequately addressed. The Committee will be devoting a separate opinion to this extremely important question.

4.12 The Committee is pleased that further objectivity has been brought to bear in the discussion of the economic and financial implications of sustainability, thanks, among other things, to the publication of the Stern Review which, as we

<sup>(9)</sup> See point 8 of the renewed strategy.

<sup>(10)</sup> 83 % of the energy contained in ethanol produced from maize comes from fossil energies.

<sup>(11)</sup> High proportion of nitrous oxide generated in rapeseed production (study to be available before the summer break and thus before the plenary session).

<sup>(12)</sup> Look at the situation in Mexico which has seen unrest at rising tortilla prices as the maize required is increasingly being used as car fuel.

know, calculates that 'just' 1 % of GDP will, for instance, be enough to largely avoid the impacts of climate change. A study by Vattenfall submitted to the Davos World Economic Forum concludes that it would be even cheaper than that. Even although, expressed in real monetary terms, 1 % of GDP still seems like a vast sum, it must be put into the context of other policy fields that also cost a great deal of money. In the transport field, for instance completion of the TINA projects<sup>(13)</sup> would, in the specific transport corridors alone, require annual investment up to 2015 of around 1,5 % of GDP — more, therefore, than the figure the Stern Review calculates would be needed to mitigate climate change impacts.

4.13 However, as was pointed out above, this is not just about money, but in many cases about structural change. The Committee welcomes, for instance, the renewed strategy's call to decouple '*economic growth and the demand for transport with the aim of reducing environmental impacts*'. However, this also raises questions about 'just-in-time' production, with businesses cutting out warehousing and associated costs and turning trucks and freight trains into mobile warehouses.

4.14 That said, the Committee is sad to note that gaps are appearing — remarkably quickly — between aspiration and likely reality. Just thirteen days exactly after the European Council had adopted this point as an operational objective and target, the European Commission submitted the mid-term review of its 2001 transport white paper<sup>(14)</sup>. According to this document, GDP is likely to grow by 52 % in the period 2000-2020, road freight transport by 55 % and air transport by 108 %. The desired 'decoupling' is set to be achieved above all in rail freight transport (+ 13 %) and rail passenger transport (+ 19 %).

4.15 The Committee can only look on with amazement at the apparent lack of coordination between the drafting of the mid-term review of the transport white paper and the renewed sustainable development strategy, as no allusion at all is made to this blatant contradiction between aspiration and reality. In the transport sector it appears that the Commission has virtually abandoned the sustainable development strategy's first specific objective of decoupling economic growth from growth in mobility. In future, the Commission must do everything possible to ensure that such contradictions are not allowed to arise in the first place. And in the transport sector, there needs to be a renewed quest to find ways of shaping our towns and communities and patterns of different activities in ways that will tend to shorten lines of communication and journeys rather than constantly expanding the distances that people and goods have to travel to meet their needs and desires. This will require adaptation of fiscal policy, spatial policy and adequate coordination at all levels of government, from the EU down to local bodies.

<sup>(13)</sup> TINA = Transport Infrastructure Needs Assessment.

<sup>(14)</sup> COM(2006) 314 final.

4.16 The renewed strategy's handling of the ever-increasing transport problems is, if anything, disappointing. As the Committee sees it, the EU is now pursuing a much more tangible course of action in energy policy than in the transport sphere, where damaging impacts on the climate, the environment and nature conservation are set become even more acute.

4.17 In its conclusions, the March 2007 European Council indicated<sup>(15)</sup> that the Emissions Trading Scheme might possibly be extended to surface transport. The sustainable development strategy progress report should consider this issue and assess its potential impact, not least when set against other instruments.

## 5. Content of the progress report

5.1 The EESC is pleased that, under point 33 of the renewed strategy, the Commission is to submit every two years (starting in September 2007) a progress report on implementation of the sustainable development strategy in the EU and the Member States, also including future priorities, orientations and actions. The Committee hopes that this process will supply answers to questions that have so far remained unresolved.

5.2 This is particularly important in relation to the management and economic instruments, which are alluded to only in somewhat vague terms. Point 22, for instance, states: '*The most appropriate economic instruments should be used to promote market transparency and prices that reflect the real economic, social and environmental costs of products and services (getting prices right)*'. This brings us back to the call — repeatedly made by the EESC, among others — for the internalisation of external costs and also touches on the instruments needed to do that. The Committee recalls that this debate has been going on for many years — largely to no avail. After a delay of three years, in late March 2007 the Commission finally published its Green Paper on market-based instruments for environment and related policy purposes, which provided the debate with a fresh impetus. The Committee will work to ensure that, using the progress reports as a vehicle, we at last get some movement on this issue which is of such key importance for sustainable development.

5.3 In point 23, the European Council — that is to say the heads of state or government — calls on the Member States to '*consider further steps to shift taxation from labour to resource and energy consumption and/or pollution, to contribute to the EU goals of increasing employment and reducing negative environmental impacts in a cost-effective way*'. The Committee welcomes this call and asks the Commission to give this point extensive consideration in the progress report and to submit practical proposals on how this can be done. A precise analysis will be needed of the environmental impact and of how the burden is to be shared, in order to ensure that socially disadvantaged persons are not particularly hard hit by tax changes.

<sup>(15)</sup> See point 35.

5.4 The Committee also welcomes the announcement that 'by 2008, the Commission should put forward a roadmap for the reform, sector by sector, of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development'. The Committee also subscribes to the objective of 'gradually eliminating' these subsidies, although it does feel that a specific time frame for such a move would be useful and that consideration should also be given to the possibility of transferring the savings thereby made to a new 'EU sustainability fund', on which the Member States can draw when an environmental measure involves costs that are disproportionate to their budget (Article 175(5) and 174(1) of the Treaty of Nice).

5.5 In its earlier opinions, the Committee has, time and again, noted the importance — for the public, for companies and for other stakeholders — of having a clear overview of what specific policy plans are in the offing and the reasons behind them. Only then will people be willing to take an active part in the action needed and give it their support. Thus, the Council's request that the Commission 'produce a layman's guide to this strategy, including good practice and good policies in Member States' (point 26) is correct but, once again, the absence of a specific timetable is a matter of regret that should be addressed in the progress report.

5.6 The strategy commits to better policymaking through wider use of impact assessment and greater involvement of stakeholders. The Committee welcomes this commitment and urges the Commission and Member States to review experience with sustainable development impact assessment methodology and to make sure that it is effectively applied in all fields of policy and action.

5.7 The Committee feels that the plan to 'elaborate a concrete and realistic vision of the EU on its way to sustainable development over the next 50 years' is very important (point 27). Once again, however, the question must be asked as to what specifically has to be done and by when. The Committee would ask that, already at this stage, any vision of this kind should also look beyond 2060, as, given the key objectives and commitments announced in the renewed strategy document<sup>(16)</sup>, decisions about society's future direction should, even for the very long term, be taken as early as possible. At its summit in early March 2007, the European Council did, in essence, start the ball rolling by advocating a 'collective' reduction in emissions 'by 60 % to 80 % by 2050 compared to 1990'<sup>(17)</sup>. We may well have enough stocks of certain fossil or non-renewable raw materials to last us more than fifty years but these stocks are, nonetheless, finite, so it is right, even at this stage, to give consideration to a policy with a time frame of more than fifty years — if we are serious about securing a fair deal between the generations.

<sup>(16)</sup> These are: to enable 'future generations' to 'meet their needs', to respect 'social equity and cohesion', to achieve 'high living standards' and 'full employment', and to implement the guiding principles, i.e. to 'place human beings at the centre of the European Union's policies by promoting fundamental rights', to 'combat discrimination in all forms', and to contribute to 'the reduction of poverty and the elimination of social exclusion'.

<sup>(17)</sup> See point 30 of the conclusions.

5.8 The Committee would be reassured if this cross-sectional data, which is to be incorporated at all levels of policymaking (in the EU and in Member States), were also taken into account in the strategy in order to render it operational. However, no mention is made of how this would be guaranteed, probably because, as the current texts stand (as confirmed by the draft Constitutional Treaty), the EU's competence in the area is shared, and the Member States are responsible for funding and implementing environmental policy (Article 175(4) of the Treaty of Nice). The players are therefore not identified.

5.9 The renewed strategy states that each Member State is to appoint a representative to act as focal point. The Committee trusts that the progress report will indicate whether these appointments have already been made and how cooperation has been developing.

5.10 The first progress report should also indicate whether all Member States have now completed their (first) national strategies which, as announced, are due by June 2007. The Committee wonders who checks these national strategies, what benchmarks are used, and what happens if Member States fail to complete the strategies or if the strategies are 'below par'.

5.11 In point 41, the European Council speaks of 'voluntary peer reviews' of the national strategies which were to start in 2006 with a first group of Member States. The progress report should provide details of the outcome of these peer reviews and the concomitant repercussions for the European strategy.

5.12 While fully respecting the competence of Member States and regional and local government in many aspects of sustainable development, and the importance of their developing their own approaches and commitment to many of the problems, the Committee believes that maintaining progress on sustainable development at the rate that is needed will also require a strengthening of capacity in the Commission to monitor overall progress and to be ready to initiate new measures where implementation appears to be falling behind and a collective European approach is needed. The Committee doubts whether the coordination and exchange of good practices alone is enough. The Committee would like to receive, each year, the compiled results of the Member States submitted for examination.

5.13 The strategy recommends the establishment or strengthening of national councils for sustainable development. National councils play an important role in the preparation of the national sustainable development strategies and can also play a part in stimulating action in Member States, involving civil society with action on sustainable development and monitoring progress. Their duties also include the application of the principle of sustainable development while maintaining a dynamic balance between its economic, social and environmental parts. The Committee is not aware of much progress on this recommendation. It intends to examine this issue later in the year, and meanwhile recommends that the implementation review should also examine this issue with Member States.

5.14 It is also important that Member States and the Commission should consider further how to secure the coordination of sustainable development issues within their own structures. Sustainable development is a cross-cutting and integrating concept, which should transcend and sometimes modify the more sectional concerns of particular departments and agencies. Experience suggests that this can only happen operationally if there is a strong central unit for promoting sustainable development in a government that has the knowledge and authority to challenge and debate sectional or departmental orthodoxies. The progress report should indicate how the Commission feels that its own departments could be further improved in this respect. The EESC has no doubt that some room for improvement exists here (cf. Points 4.15 and 4.16).

5.15 The strategy rightly points out that sustainable development must be thoroughly integrated into the remit and practice of regional and local governments at all levels. Some European

local and regional authorities have been leaders in adopting a sustainable development approach to their work and in developing imaginative responses to climate change and other sustainability challenges. The implementation review provides a good opportunity for taking stock of the progress on sustainable development at regional and local level and considering how the practice of the best players can be more widely disseminated.

5.16 Point 45 states that, in 2011, a decision will be made on when a 'review' of the sustainable development strategy is needed. The Committee cannot endorse this. If it becomes clear from the progress reports that Europe is encountering difficulties on the road to sustainable development, then there is something wrong with the strategy (which is the means to the end). If that happens, a review is needed immediately — and not just in 2011.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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#### APPENDIX

#### to the Committee Opinion

The following amendments which were supported by more than a quarter of the votes cast, were rejected:

##### Point 2.4

Modify as follows:

*'2.4. The Committee's most recent opinion on the subject — on the Commission's December 2005 communication mentioned above — was critical of the fact that, in what is described as an' ambitious 'platform for action, the Commission chose not to follow the EESC's recommendation of April 2004 or to meet its own undertaking of June 2005, failing once again to comply with its promise to set out clear goals to be reached under the sustainability strategy.'*

Voting

For: 35

Against: 61

Abstentions: 4

##### Point 2.4.1

Modify as follows:

*'2.4.1. In that opinion, the Committee made the point that any strategy should describe the means of achieving objectives. The absence of specific objectives, which are difficult to set in order to meet the requirement of taking into account the different aspects of sustainability, is bound to result in problems when it comes to identifying instruments since if you do not know exactly where you want to go, then you cannot decide how you will get there. The Committee therefore felt that the communication left more questions open than it gave answers and direction.'*

Voting

For: 34

Against: 63

Abstentions: 3

**Point 3.11**

Modify as follows:

- '3.11. ~~The question as to whether a European agricultural policy that is geared towards global, open markets can be sustainable at all automatically also raises the fundamental issue of global production and trade rules. The WTO is a body based on agreements that are designed to foster global free trade. Yet, as the Committee has repeatedly shown, it does not follow that free and liberalised trade is necessarily also sustainable. Sadly, the renewed strategy says nothing about how to turn free develop trade into trade that is towards being compatible with sustainability principles. That is a major failing.~~ Here too, the Committee can but regret EU decision-makers' failure so far to address this issue, despite the fact that it was raised by the Committee all of three years ago — though the EESC acknowledges that the EU has shown real determination to negotiate new rules for globalised trade, including with the IMF and the World Bank.'

Voting

For: 35

Against: 63

Abstentions: 8

**Point 3.11.2**

Delete

Voting

For: 38

Against: 63

Abstentions: 3

**Point 4.2**

Modify as follows:

- '4.2. ~~Such an impact will~~ may have dramatic economic repercussions. In some places, the ~~very~~ basis of the present-day economy is at risk of ~~complete collapse~~. In Switzerland, for instance, banks are no longer lending to investors in winter sports infrastructure if the location is less than 1 500 m above sea level. There is also great — and increasing — uncertainty about the future of farming and tourism in the Mediterranean area should it become even hotter and drier.'

Voting

For: 41

Against: 57

Abstentions: 3

**Point 4.4**

Modify as follows:

- '4.4. ~~We face a grave situation, living, as we do, in an economic system which, for instance, at a macroeconomic level, views~~ It is a well known problem that health costs and in some cases environmental damage — ~~the billions spent in the wake of storm Kyrill in early 2007 for example — in a favourable light because they~~ contribute to higher GDP, while some important activities are not covered by it. The Committee is pleased that, in its renewed strategy, the European Council is at last ~~beginning — albeit, sadly, only on the margins —~~ to address this contradiction in a more forthright way. The European Council is quite right when, in point 20 of its renewed strategy, it notes that "the core system of national income accounting could be extended by inter alia integrating stock and flow concepts and non-market work and be further elaborated by satellite accounts e.g. environmental expenditures (and) material flows".'

Voting

For: 35

Against: 56

Abstentions: 8

**Point 4.10**

Modify as follows:

- '4.10 The European Council points out that the renewed strategy "forms the overall framework within which ... economic, social and environmental objectives can reinforce each other". The Council also considers that all the EU's political decisions should be made after "assessing in a balanced way the social, environmental and economic dimensions of sustainable development and taking into account the external dimension of sustainable development and the costs of inaction". However, ~~the moment it comes to resources, the renewed strategy no longer looks towards social dialogue, but towards an institutional dialogue between the Commission and Member States, on the one hand, and "businesses", on the other, in order to set performance targets for products and processes.'~~

Voting

For: 41

Against: 55

Abstentions: 3

**Point 4.14**

Modify as follows:

- '4.14. However, as was pointed out above, this is not just about money, but in many cases about structural change. The Committee welcomes, for instance, the renewed strategy's call to decouple "economic growth and the demand for transport with the aim of reducing environmental impacts." ~~However, this also raises questions about "just in time" production, with businesses cutting out warehousing and associated costs and turning trucks and freight trains into mobile warehouses.'~~

Voting

For: 39

Against: 56

Abstentions: 6

**Point 4.16**

Modify as follows:

- '4.16. The Committee can only look on with amazement at the apparent lack of coordination between the drafting of the mid-term review of the transport white paper and the renewed sustainable development strategy, as no allusion at all is made to this blatant contradiction between aspiration and reality. ~~In the transport sector it appears that the Commission has virtually abandoned the sustainable development strategy's first specific objective of decoupling economic growth from growth in mobility. In future, the Commission must do everything possible to ensure that such contradictions are not allowed to arise in the first place. And in the transport sector, there needs to be a renewed quest to find ways of shaping our towns and communities and patterns of different activities in ways that will tend to shorten lines of communication and journeys rather than constantly expanding the distances that people and goods have to travel to meet their needs and desires. This will require adaptation of fiscal policy, spatial policy and adequate coordination at all levels of government, from the EU down to local bodies.'~~

Voting

For: 36

Against: 63

Abstentions: 4

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**Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council concerning statistics on plant protection products'**

COM(2006) 778 final — 2006/0258 (COD)

(2007/C 256/16)

On 16 May 2007 the Council decided to consult the European Economic and Social Committee, under Article 285(1) of the Treaty establishing the European Community, on the abovementioned 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 8 June 2007. The rapporteur was Mr van Oorschot.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 138 votes to 1 with 3 abstentions.

**1. Summary of the EESC's conclusions and recommendations**

1.1 The EESC welcomes the proposed regulation as a means of measuring the progress made in the Member States towards the objectives of the framework directive <sup>(1)</sup> on the sustainable use of pesticides.

1.2 The EESC regrets that this regulation covers only the professional use of plant protection products in agriculture and does not include their potentially environmentally damaging use on hard surfaces.

1.3 The EESC would stress that, when linking data on use with data on the maximum residue level (MRL), it is not only the quantity of the substances used and the area of crop treated that are important, but also the crop yield. In order to ensure that data on use are linked to existing EU crop statistics, and in particular crop yields, explicit mention must be made of these crop statistics in the regulation.

**2. The Commission proposal**

2.1 The objective of the proposed regulation is to establish a framework for the production of Community statistics on the placing on the market and use of plant protection products by imposing an obligation on all the Member States to produce detailed statistics on a regular basis. To ensure the comparability of these statistics between Member States and at Community level, the regulation defines the coverage of the statistics, which will be limited to professional use in agriculture, and establishes harmonised rules for data collection and compilation.

2.2 These statistics will be essential for estimating the risk to human health and the environment linked to the use of plant protection products, and for measuring the progress made towards the objectives of the framework directive on the sustainable use of pesticides.

2.3 The benefits from this measure should be considered in the light of the overall framework directive. The general objective for the implementation of the measures of the framework directive is to achieve environment and health improvements or other societal benefits, such as the reduction of external costs due to the use of plant protection products, by means of a more sustainable use of pesticides. Measurement of the progress can only be based on reliable data and relevant indicators. Direct benefits of this regulation can be expected at national or Community level from a better knowledge of pesticide use, such as improved monitoring schemes and better targeted and more effective policies. Furthermore, the availability of official statistics all over Europe will create a more transparent market that should improve the competitiveness of the pesticide industry.

**3. Existing legal framework**

3.1 Regulation (EC) No 396/2005 of the European Parliament and of the Council of 23 February 2005 on maximum residue levels of pesticides in or on food and feed of plant and animal origin and amending Council Directive 91/414/EEC.

3.2 Regulation (EC) No 852/2004 of the European Parliament and of the Council of 29 April 2004 on the hygiene of foodstuffs, in particular Annex I, part A, point 9 establishing an obligation for food business operators producing or harvesting plant products to keep records on any use of plant protection products or biocides.

3.3 Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy.

3.4 Council Directive 91/414/EEC of 15 July 1991 concerning the placing of plant protection products on the market, which is currently under revision.

<sup>(1)</sup> COM(2006) 373 final 'Proposal for a Directive establishing a framework for Community action to achieve a sustainable use of pesticides'.

#### 4. Gist of the proposal

4.1 The proposed regulation creates a legal framework and lays down harmonised rules for the collection and dissemination of data concerning the placing on the market and use of plant protection products. In particular, it instructs the Member States:

- to collect data regularly (annually as regards placing on the market, every five years as regards use);
- on how to collect data, whether by representative surveys, statistical estimation procedures on the basis of expert judgments or models, reporting obligations imposed on the distribution chain for plant protection products, reporting obligations imposed on professional users, from administrative sources or by a combination of these means;
- on how to transmit data to the Commission.

4.2 The proposal also entrusts the Commission with the tasks of adapting some technical aspects and defining the quality evaluation criteria and the data transmission format.

#### 5. General comments

5.1 The EESC welcomes the proposed regulation as a means of measuring the progress made in the Member States towards the objectives of the framework directive on the sustainable use of pesticides.

#### 6. Specific comments

##### 6.1 Professional non-agricultural use

6.1.1 Data from the Dutch drinking water industry show that, in more than 50 % of cases, non-compliance with drinking water standards is the result of the non-agricultural use of plant protection products on hard surfaces.

6.1.2 The statistics regulation makes it possible to estimate roughly the total non-agricultural use. This can be done by

deducting from the total quantity of a product brought onto the market in a given year the total amount of professional agricultural use of the product concerned.

6.1.3 The EESC thinks that this indirect calculation of non-agricultural use is too inaccurate for a sound evaluation of the policy arising from the framework directive.

6.1.4 Besides the collection of data on professional agricultural use, the EESC therefore urges that the statistics regulation also be used for collecting data on the professional use of plant protection products in the forestry sector, professional use on hard surfaces and non-professional use.

##### 6.2 Statistics regulations and MRL data

6.2.1 The EESC would stress that, when linking data on use with data on the maximum residue level (MRL), it is not only the quantity of the substances used and the area of crop treated that are important, but also the crop yield. The same quantity of substances used over the same area is less eco-efficient if there is a lower yield, increasing the risk of non-compliance with the MRL.

6.2.2 In Annex II of the proposal, reference is made to Council Regulation (EEC) No 571/88 on the organisation of Community surveys on the structure of agricultural holdings. The purpose of this reference is to use the same crop classification for both the farm structure surveys and the statistics on plant protection products. Statistics on the use of plant protection products can thus be linked effectively to the crop yield statistics.

6.2.3 The EESC acknowledges that reference to Council Regulation 571/88 offers the possibility of linking the data on use of plant protection products with the yield statistics of the crops concerned. In order to ensure that this possibility is actually used, the regulation should state explicitly that the crop statistics — and more specifically the crop yields — are to be used in the analysis of the data on these products.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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## Opinion of the European Economic and Social Committee on 'Innovation: impact on industrial change and the role of the EIB'

(2007/C 256/17)

On 6 July 2006, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on *Innovation: impact on industrial change and the role of the EIB*.

The Consultative Commission on Industrial Change, which was responsible for the Committee's work on the subject, adopted its opinion on 20 June 2007. The rapporteur was **Mr Tóth**. The co-rapporteur was Mr Calvet Chambon.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 138 votes to 1, with three abstentions.

### 1. Conclusions and recommendations

1.1 In its own-initiative opinion, the EESC, having studied the links between innovation and industrial change, and numerous relevant EU and national initiatives, has decided to analyse and present recommendations on aspects of the innovative system which are conducive to making direct commercial use of research findings, and to strengthening and promoting the development of European industry and economic performance.

1.2 The EESC feels it is worth pointing out that in many countries and regions there is a close correlation between successful innovation and the openness of society and of educational systems. Insofar as in our century innovation occurs — and is indeed a critical factor — not only in economic life, but in all areas of activity, human resources can become a strong growth factor. The EESC feels that this factor will become increasingly crucial as a catalyst for development, and that therefore innovation must above all build on the basis of broad education and training in line with the criterion of lifelong learning; this should make use of equal access to an open-sourced, open-content knowledge base.

1.3 The EESC feels that it is vital for companies to achieve synergies between innovation, human resource policy and knowledge sectors, which not only act as a basis for innovation but also enable it to flourish. At the same time, a means must be found of ensuring that industrial restructuring flexibly adapts to changes in employment structures, and the requisite financial conditions must be in place for this to happen.

1.4 The EESC feels that it is vital to raise public awareness of successful innovative initiatives, while enhancing their public presence and boosting support. The innovative role played by society is of key importance in the overall innovative process. Non-technological innovation such as new business models, better planning, enhanced work organisation and competencies is at least as important as technological innovation. In general, innovation in terms of organisation or organisational development is needed to fully tap into the potential of technological innovation.

1.5 The social partners and players and institutions of organised civil society already play a very important role in ensuring that modernising impulses emanating from innovation are identified, reinforced and accepted; we suggest strengthening this role, not least in the formulation of strategic priorities and policy.

1.6 The EESC is convinced that the answer to the European paradox — our strength in basic research, combined with a weakness in translating findings into practical, commercial results — should involve shifting the emphasis on increasing R&D expenditure as a percentage of GDP to changing the structure of that expenditure. While we need to make more effort in terms of increasing expenditure, we also need to pay more attention to new approaches.

1.6.1 To a large extent, R&D in EU Member States is dominated by the supply side: the supply of R&D research findings exceeds entrepreneurial demand. Demand must be stimulated by reducing entrepreneurial risks, improving conditions for private-sector research, changing the business climate, and promoting cooperation between universities, research institutes, and business.

1.6.2 Enhancing the sustainable innovative capacity of business requires a coordinated effort at EU, national and regional levels in the fields of financing, R&D, industry, taxation, education, environmental protection and media and communications.

1.6.3 We feel that it is worth considering a solution which has already been put into practice in some Member States: companies which are engaged in development or in outsourcing development to research organisations could be awarded additional budgetary or private-sector funding, on the basis of expressions of interest.

1.7 The EESC would stress that recognition and protection for intellectual property in the EU is increasingly unable to meet the intensifying demands of global competition. It is important

to continue to acknowledge the importance of publishing scientific findings, and the role of the resulting evaluation — the importance of the 'scientific market'; equally, commercial exploitation and patenting of research findings, the exercise of intellectual property rights, and stronger assertion of Community interests are issues which call for closer attention and comprehensive measures. The EESC feels that, at the same time as developing Community law, Member States need to consider appropriate policy instruments for developing legislation on intellectual property rights, including institutional monitoring of patent use, as well as improved intra-EU cooperation.

1.8 The EESC believes that in order to focus on innovation and dynamically boost competitiveness and to move towards sustainable development, it is essential to put in place management functions for strategic innovation, as well as solutions to the issue of training researchers and business specialists in this field. It is especially important to integrate information and communication technologies into education <sup>(1)</sup>, so that e-learning pays special attention to training in the management of innovation and on developing the accompanying systems of incentives and organisational conditions.

1.9 In the EESC's view, in the interests of promoting innovation efforts must be made to align the priority axes of industrial change with those of training and further training, enabling a timely response to market needs and changes, including in the field of training. It is important to ensure researcher mobility and appropriate mobility in the management of innovation, enabling broad-based cooperation between managers in institutions dealing with innovation and their counterparts in science and technology parks.

1.10 The EESC feels that management and organisational structures which are capable of making technology transfer more effective have a special role to play in promoting industrial change. Industrial, science and technology parks and technology centres are extremely important instruments for providing the necessary expertise and assistance together with the requisite laboratories for small and medium enterprises to start up, become established, secure a share of the market, and keep up with technological advances. Providing businesses with the requisite conditions for innovation with high-quality content and at relatively low cost is increasingly essential for technology transfer bodies to operate in networks, so that, using information and communication technologies, they are able to perform logistical tasks. The Commission needs to consider various approaches to developing such structures, with particular emphasis on promoting the development of science and technology (competitiveness) poles and knowledge centres. Science (competitiveness) poles, which encompass universities, science and technology parks, incubators and technology centres, should be given a key role in pursuing EU development priori-

ties; in addition, steps should be taken to facilitate the setting up of such structures.

1.11 The EESC feels that the EU's emphatically stated objectives — such as the Lisbon strategy's vision of Europe becoming the most competitive economy in the world in the foreseeable future — have not been reflected in the debates on the budget, and in particular in the figures agreed in that budget. The Commission is devoting significant resources to R&D programmes but their role and importance are not growing in line with expectations. For these programmes to work effectively, their impact would have to be multiplied within the Member States, and they would have to generate programmes which take the particular circumstances of each country into account. However, this is not happening. The EESC feels that the Commission should review its system for managing innovation, and provide support for more effective coordination of Member States' efforts, enabling the multiplier effect of R&D resources to be felt more strongly, particularly in view of the EU's priorities for development.

1.12 With regard to financing, the EESC welcomes the various efforts by the European Investment Bank (EIB Group) to boost European economic performance and innovation capacity, both supply side and demand side. The EESC would point out that this is only one element of a range of financing instruments: it is essential for the EU budget to ensure that funding for innovation matches Lisbon strategy objectives. In addition, contributions of similar proportions from national and regional budgets are also needed.

1.13 Based on the experiences to date, the EESC considers that the activities of the EIB Group have generally exerted a leverage effect. This is why the EESC calls for the EIB Group to continuously monitor and review leverage, and to coordinate with the European Commission together with other financial institutions in general, in order to achieve as much leverage as possible.

1.14 In the EESC's view the EIB Group has enormous capacities both as a public-sector bank and as a service provider. The EESC recommends that the EIB Group expand its activity as a manager of financial resources, with the involvement of private funding as well as Community funding.

## 2. An innovation-friendly, modern Europe

2.1 Commission Communication COM(2006) 589, which was published for the informal meeting of EU heads of state or government held under the Finnish presidency on 20 October 2006 in Lahti, Finland, concerns issues connected with the impact of innovation on industrial change in various ways. According to the communication, the EU and its Member States

<sup>(1)</sup> IT-supported lifelong learning and industrial change, CCMI/034, 21.9.2006.

possess many innovation assets. But we also suffer from a number of paradoxes: we Europeans invent and innovate but frequently do not convert our inventions into new products, jobs and patents; there are many small, highly innovative start-ups but they do not easily grow into big, globally successful companies; moreover, whereas in certain sectors, such as telecommunications, take-up of (ICT) innovations has significantly boosted productivity, in other sectors this has failed to happen, as illustrated by several examples. Innovation and industrial change require thorough, flexible legislation on patent registration and on intellectual property. To this end, the Proposal for a Council Regulation on the Community patent of 1 August 2000 needs to be reviewed and brought more into line with rapidly changing economic trends (see, in particular, compulsory licences and the causes of lapse of the Community patent). Thus, procedures are necessary for facilitating the use of registered patents in various industrial and/or commercial applications and recognising the intellectual ownership of innovation by individual operators — researchers, managerial staff, engineers — or groups of operators, including where they are part of a business or administrative structure and the innovation is external to that structure.

2.2 Innovation can have an optimal impact on industrial change, provided that there is a system for coordinating instruments at the level of companies, sectors, regions, Member States, and the EU, providing easily accessible, user-friendly instruments for businesses, employees, scientific and educational institutions, and other stakeholder organisations participating in this process.

2.3 At the level of individual businesses, pro-active drivers for promoting innovation include, in particular (i) strategic management of innovation, (ii) strategic human resource management, (iii) development of skills, (iv) using new methods to organise work, (v) corporate agreements on innovation. The transition from static to more dynamic organisation of work which focuses on respecting and building individual workers and professionals' skills and capacity and provides for choice between further training and/or retraining programmes, must foster knowledge and innovation, and production of a broader range of new concepts across the board.

2.4 At the level of individual businesses, active drivers for managing change are, above all, (i) competence assessments and personal career development plans, (ii) outsourcing of services, (iii) further training and re-training, and (iv) collective agreements and social plans on corporate restructuring.

2.5 The main pro-active drivers which can be used at both sectoral and regional levels are (i) development of local production clusters, (ii) innovation-oriented networks and partnerships, (iii) innovation poles, science, technology and industrial parks,

(iv) regional innovation strategies and development plans, together with institutions to implement them, and (v) knowledge regions.

2.6 The European Commission is continuously monitoring which areas are the most promising for European innovation.

2.7 The European Economic and Social Committee would also emphasise that in no sector can the possibility be ruled out of rapid growth in innovative capacity or an increase in the proportion of value added. It is worth supporting any innovative idea relating to new methods of using materials, the development of technologies or of new products, ensuring new levels of quality and generating added value.

2.8 The best way for Member State governments to proactively facilitate the impact of innovation is by coordinating at all levels of public administration their own national-level policies on employment, industry, innovation, environmental protection, education and trade. The added value offered by partnership with social partners and organised civil society in this process is obvious. Again at national level, there is also a need for emphasis on the following elements: (i) research into sources of new employment, and a forecasting system to identify them, (ii) vocational training and re-training programmes, (iii) a life-long learning strategy, (iv) labour market regulation which is conducive to mobility and the development of skills.

2.9 Innovative cross-border approaches to cooperation can play a particularly important and specific role as a catalyst in the field of innovation and industrial change. This includes Joint Technology Initiatives (JTIs) in the fields of nanotechnology, innovative medicines, hydrogen and fuel cells, embedded computing systems, aeronautics and air transport, and global monitoring for environment and security. In addition, the significance of European Technology Platforms should be stressed in this context, together with the importance of pursuing their development. A particularly good example is the widespread dissemination of the experiences of the European Steel Technology Platform, the Clean Coal Platform and the Waterborne Platform — initiatives which already have a solid track record.

2.10 At the level of the European institutions, there should be coordinated, pro-active use and development of the following elements: (i) the Lisbon strategy, (ii) the Sustainable Development Strategy, (iii) the Partnership for Growth and Jobs, (iv) European social dialogue (both sectoral and cross-sectoral), (v) Community programmes on R&D, innovation, employment and lifelong learning, (vi) Community regional policy, (vii) the European Social Fund (ESF), the European Regional Development Fund (ERDF), (viii) the European Monitoring Centre on Change, and (ix) a European system to forecast new sources of job creation.

2.11 The initiative on founding a European Institute of Technology (EIT) <sup>(2)</sup> is promising. It should be emphasised in this opinion that it is the current initial phase of developing the institute's operational framework which offers the most scope for ensuring that it makes a real contribution to translating innovation into new products and jobs.

2.12 Among initiatives by the European Commission, particular mention should be made of Communication COM(2006) 728 final, *Towards a more effective use of tax incentives in favour of R&D*, published on 21 November 2006.

2.13 Of equal relevance for promoting R&D together with innovation is the Commission's initiative on state aid rules <sup>(3)</sup>.

2.14 The European Economic and Social Committee agrees that it is particularly important to: (i) build a leading role for Europe in strategic technologies of the future, (ii) act effectively to forge much stronger links between academic, research and business circles, and (iii) improve general conditions.

2.15 In terms of improving general conditions, special attention should be paid to the following aspects: (i) the single market, (ii) financing innovation, and (iii) intellectual property rights in the 21st century and (iv) helping EU business to develop foreign trade and economic links, and to secure access to markets in third countries.

2.16 In addition, sectoral evaluations should be conducted as soon as possible, so that sector-specific conditions can be improved to the maximum possible extent; in doing so, special attention should be paid to the following aspects: (i) SME-related factors, (ii) contributing to the implementation of the Lisbon strategy and (iii) networking between regions.

### 3. The role of the European Investment Bank (EIB) Group

3.1 The EESC would point out that the full range of financing instruments together with coordinated use of such instruments are needed to ensure that the effects of innovation associated with industrial change are as beneficial as possible. All appropriate products on financial and capital markets must be made available, regardless of whether they are created by conventional financial institutions, regional or national governments or the European Union. Financing instruments must be available to cover the entire innovation process, right up to its completion, and there must be funding to ensure market push/pull. In the context of the wider subject of financing, this opinion focuses on one of the key players in this field, the European Investment Bank Group, bringing together the European Investment Bank (EIB) and the European Investment Fund (EIF) instruments.

3.2 The EIB and the EIF have identified boosting European economic performance and innovation as one of their primary goals. Appropriate financial instruments will be mobilised and developed to achieve this objective of contributing to the Lisbon

strategy and to the European Action for Growth. The Innovation 2010 Initiative (i2i) constitutes the EIB's main contribution in the process of making Europe more innovative and competitive, with the lending objective of EUR 50 billion for the decade to support investment projects across Europe, in the fields of education and training; research, development and innovation (RDI); and in advanced information and communication technologies (ICT) — including audiovisual media services and content- and e-services.

3.2.1 Funding committed to projects already supported through i2i since 2000 is estimated at EUR 46 billion by end of 2006, indicating that the target of EUR 50 billion by 2010 may be exceeded. By means of the Structured Finance Facility (SFF) — which is not confined to R&D objectives — the EIB has also expanded its financing capacity, in order to channel financial resources to cutting edge R&D and innovative products, processes and systems. This involves support for individuals participating in projects and start-ups requiring sub-investment-grade and therefore higher-risk loans. In order to finance investment activities developed by SMEs, the EIB establishes lines of credits with appropriate financial intermediaries.

3.2.2 In addition, innovative transactions are being developed, including risk-sharing mechanisms and/or combinations of national and regional support tools with EIB's products in order to answer the specific needs of SMEs. The EIF focuses on small and medium-sized enterprises (SMEs) by means of venture capital and guarantees. The action of the EIF is complementary to the support for SMEs provided by the EIB.

3.2.3 With regard to SMEs' access to credit, the detrimental effect of the Basel II Accord should be noted. Broadly speaking, this agreement establishes specific obligations for the banking system, forcing banks to give a rating for every SME that applies for credit. For this rating to be calculated, SMEs will have to provide a range of information that is much wider in terms of both quality and quantity. SMEs that do not have ERP (Enterprise Resource Planning) information systems will not be able to provide all the information required. ERP systems are extremely expensive and the vast majority of SMEs do not have them, thus rendering themselves ineligible for credit on favourable terms, which will have a detrimental effect on their development. The EIB and the European Commission are requested to remain attentive and monitor the level of SMEs' access to the financing they require and the relationship between this access and the effects of the Basel II Agreement.

3.3 Support for innovation from the EIB Group requires development of new financing mechanisms and products, appropriate to the risk profile of transactions. At the same time, in order to increase the value added and synergies between the different Community financing instruments, new joint initiatives between the EIB Group and the Commission are being implemented through the creation of partnerships with programmes

<sup>(2)</sup> COM(2006) 604 final.

<sup>(3)</sup> Commission regulation (EC) No 364/2004 of 25.2.2004 amending regulation (EC) No 70/2001, OJ L 63, 28.2.2004.

financed from the EU budget such as the Seventh Framework Programme (FP7) and the Competitiveness and Innovation Programme (CIP). Although such joint initiatives are not limited to the Risk-Sharing Finance Facility (RSFF), starting in 2007, and new initiatives implemented by the EIF under the CIP, they are particularly good examples of it.

### 3.4 *The Risk-Sharing Finance Facility (RSFF)*

3.4.1 The RSFF (Risk-Sharing Finance Facility) is a new and innovative initiative, jointly created by the European Commission and the European Investment Bank to foster investment for Europe in research, technological development and demonstration implemented by means of the private sector, as well as innovation, by building appropriate guarantees for loans to riskier European projects in the field of innovation. This new scheme should facilitate access to debt financing for activities with a higher-than-average risk profile, on the basis of a risk-sharing between the European Community, the EIB and promoters of RDI projects. EIB financing provided under RSFF will be available to the European research community on a complementary basis to FP7 grant resources.

3.4.2 The RSFF, implemented using the same framework as under the existing EIB SFF rules, will have two windows financed by contributions from the European Commission (FP7) and EIB respectively, each for an amount of up to EUR 1 billion for the 2007-2013 period. It will also be possible to use FP7 resources for the financing of research, development and demonstration projects, whereas EIB resources can be used to finance innovation projects. The application of these two windows for up to EUR 2 billion for risk provisioning purposes, which will enable more extensive funding of research, development and innovation programmes with a higher than average level of risk, implies that the EIB is expected to be able to support additional financing up to EUR 10 billion, a sum capable of providing a substantial boost. The RSFF is intended to support European research initiatives such as the European Strategy forum on Research Infrastructures (ESFR), the European Technology Platform, the Joint Technology Initiative or projects launched under Eureka (European Research Coordination Agency).

3.4.3 Based on the idea of sharing risks between the Community, the EIB and beneficiaries, the RSFF serves as an additional instrument for financing research, development and innovations, thus opening up a wide range of options both to the private sector and to the research community and completing the portfolio of existing instruments to finance RDI. The RSFF enables the EIB to develop financial products to offset market shortcomings, in line with the specific needs of a given sector and of each project promoter, widening the scope of potential financing beneficiaries. The RSFF will be available to legal entities of all size and ownership including large companies, mid-caps, SMEs, research organisations, universities, colla-

borative structures, joint ventures or Special Purpose Vehicles. Through risk sharing agreements with the banking sector, RSFF will contribute to boost the financial community's overall ability to support RDI activities, particularly with regard to SMEs.

3.4.4 In order to ensure a rapid launch of RSFF with a sufficient critical mass in terms of funding, the July 2006 Competitiveness Council initially decided to allocate EUR 500 million for the period up to the mid-term review of the 7th Framework Programme. An additional EUR 500 million may be released from the Community budget up to 2013, on the basis of mid-term evaluations and potential requests for the use of the new instruments. Whereas general conditions for the use of funding and operation of the RSFF — including eligibility requirements, rules and risk-sharing between institutions — are defined under the Cooperation and Capacity specific programmes of the FP7, detailed measures will be regulated by a bilateral agreement between the European Commission and the EIB, which was signed on 5 June 2007.

### 3.5 *EIF support for innovation*

3.5.1 EIF implements mandates on behalf of its shareholders (EIB, European Commission), or third parties (at Member State level) to support innovation and SME finance, in line with Community objectives. By the end of 2006, total EIF transactions amounted to EUR 15 billion, of which EUR 11,1 billion was for guarantees and EUR 3,7 billion for venture capital operations.

3.5.2 The Lisbon strategy, which aims to strengthen European competitiveness, is one of the core drivers of EIF activities (the EIF being only the European body specialising in SME finance). With EUR 3,7 billion invested into 224 venture capital funds, EIF has helped to bridge the innovation gap by leveraging some EUR 20 billion for high-growth SMEs and start-ups (including some worldwide success stories such as Skype, Bluetooth/Cambridge Silicon Radio or Kelkoo). In its presidency conclusions, the March 2005 European Council recommended that the EIF diversify its activities towards the financing of technological transfer. In 2006, the first technology transfer operations were signed for licensing and spin-off activities.

3.5.3 In the framework of the new financial perspective, the EIF is managing the Competitiveness and Innovation Programme (CIP) and is one of the main players of the JEREMIE initiative. Both programmes aim at enhancing SME finance and financial engineering.

3.5.3.1 The CIP, as one of the EU's core SME and innovation policy instruments, provides venture capital (including funding for technology transfer activities, a network of business angels and eco-innovation) and access to guarantee mechanisms for SMEs.

3.5.3.2 Under the JEREMIE initiative (Joint European Resources for Micro to Medium Enterprises), national and regional authorities can opt to deploy resources from the ERDF in the form of tailored market-driven financial instruments, such as equity, venture capital, guarantees or loans. JEREMIE has been designed in a way that optimises ERDF funding by leveraging additional resources while its implementation is facilitated by a more flexible regulatory framework. In 2007, EIF capital increase should complement CIP and JEREMIE resources, and it is estimated that by 2013, over one million SMEs will have benefited from EIF financial instruments.

3.5.3.3 With a high leverage (e.g. EUR 1 from the Community budget leverages up to EUR 50 for SMEs by means of guarantees), and a strong catalytic role vis-à-vis the financial community (particularly in the case of venture capital funds),

the Community financial instruments should be seen as an example of best practice in the context of the Lisbon agenda. To ensure wider take-up of technological applications under the CIP, universities and SMEs should be targeted, with greater emphasis on financing projects, on publicity to assist in identifying intellectual capital, on approvals and issuing approvals, on cooperation agreements and on the resulting benefits; b) to ensure successful implementation by means of JEREMIE, on similar lines to rules for financing and state aids.

3.5.4 In 2006 the EIB and EIF signed a cooperation agreement, enabling in particular combinations of EIB credit lines and EIF guarantees for innovative SMEs. Such operations are likely to be further developed, in particular in the context of JEREMIE.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

### Opinion of the European Economic and Social Committee on the 'Employment of priority categories (Lisbon Strategy)'

(2007/C 256/18)

On 14 September 2006 (confirmed on 26 October 2006) the European Economic and Social Committee decided, in accordance with Rule 31 of its Rules of Procedure and in the framework of its work initiated at the request of the European Council of 23-24 March 2006, to draw up an information report on *Employment of priority categories (Lisbon Strategy)*.

On 15 March 2007 the European Economic and Social Committee decided, in accordance with Rule 29(2) of its Rules of Procedure, to convert this information report into an own-initiative opinion.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 18 June 2007. The rapporteur was **Mr Greif**.

At its 437th plenary session of 11-12 July 2007 (meeting of 12 July 2007), the European Economic and Social Committee adopted the following opinion by 122 votes to none, with two abstentions:

#### 1. Conclusions and recommendations

1.1 This opinion argues that in quantitative terms the ambitious Lisbon employment objectives have been achieved only to a limited extent and with clear differences between countries which should always be borne in mind. The picture is also contradictory as far as the quality of employment is concerned: welcome examples of good practice in the employment policies of individual Member States, which the EESC believes should be identified and evaluated more systematically in future, are counterbalanced throughout the EU by sobering facts:

— Although standard jobs continue to be the predominant form of employment throughout the EU, many of the new jobs created in recent years — particularly for women — have been part-time. There continues to be a manifest shortage of suitable jobs for older workers. And for young people in particular there has been a sharp increase in atypical (non-standard) forms of employment, in some cases without proper legal and social safeguards.

— There has been little improvement in the labour market integration opportunities of disadvantaged groups (which can be seen from the persistently high levels of long-term



unemployment, the relatively high unemployment rate among young people and the low-skilled and the low level of employment among older people in particular). The labour market situation of socially marginalised groups also remains extremely difficult.

1.2 Against this background, the Committee considers it important that, in the context of the ongoing debate on flexicurity, any general definition and all measures designed to increase the adaptability of firms and workers should always be associated with a high degree of social security, active labour-market policy, education and training and access to social services.

1.3 The EESC calls for greater prominence to be given to the following points in the context of national social and employment policies aimed at the priority groups referred to in this opinion in the labour market:

- measures to promote the integration of young people into the labour market, aimed at offering them initial employment with prospects for the future;
- greater efforts to combat the many continuing forms of discrimination and disadvantage suffered on grounds of age, gender, disability or ethnic background, particularly with regard to access to education, access to the labour market and continuing employment;
- increasing employment security and preventing 'insecure employment traps', *inter alia* by ensuring that the unemployed are not obliged to take on jobs offering no security, by combating undeclared work and by preventing the exploitation of workers employed on short-term contracts;
- measures to improve the quality of jobs and protect workers against discrimination;
- more investment in the quality of jobs and in working conditions favourable to older workers;
- investment in initial and further education and lifelong learning and dismantling of existing discrepancies between the skills on offer and those in demand on the labour market;
- measures to modernise and improve, wherever necessary, the social safeguards attached to non-standard forms of employment;
- reducing the gender-specific segmentation of the labour market, especially effective measures for reconciling career

and family (in particular development of comprehensive childcare facilities and various forms of support for those in need of care and their families, including 24-hour facilities);

- dismantling obstacles facing people with care obligations when (re-)entering the labour market and seeking to remain in employment (and incentives for greater participation of fathers in care responsibilities);
- development of appropriate incentives and support for firms to employ more young people and older workers experiencing particular difficulties in finding employment.

1.4 Special measures are needed for socially excluded groups:

- the development of transitional labour markets with appropriate incentives for companies to take on more workers, with simultaneous support for workers in overcoming the problems which are the source of their social exclusion (undesirable exploitation of these arrangements as well as distortions of competition will need to be guarded against);
- non-profit employment initiatives, especially in the social economy, have a particular role to play here. Provision should be made in labour-market policy budgets for appropriate support.

1.5 The EESC stresses that in many EU Member States implementation of the priorities sketched out in this opinion will require renewed employment-policy efforts and that appropriate budgetary funding must be provided.

- Thus, active labour-market measures at national and European level will have little success, unless appropriate attention is paid to these in the budgetary planning of the Member States.
- The EESC notes that in many countries there is a wide disparity between proposals for labour-market-policy initiatives — e.g. in the framework of their national reform plans — and budgetary funding <sup>(1)</sup>.
- Closer attention should be paid in the national action programmes to positive experiences from various countries and appropriate use must be made of the ESF 2007-2013.

1.6 In this connection the EESC has on a number of occasions pointed out that this budgetary funding requires a favourable macroeconomic backdrop, with the emphasis on a growth-orientated economic policy to overcome persistent cyclical weaknesses <sup>(2)</sup>.

<sup>(1)</sup> See the EESC opinion of 17.5.2006 on the *Proposal for a Council Decision on guidelines for the employment policies of the Member States*, rapporteur: Mr Greif (OJ C 195, 18.8.2006).

<sup>(2)</sup> See the *Report of the high-level group on the future of social policy in an enlarged European Union* of May 2004.

1.7 In many Member States social levies which are tied to labour costs have risen to a level which may act as a disincentive to the creation of jobs. In some cases the insignificant difference between after-tax earnings and benefits may make working unattractive. These 'unemployment traps' need to be prevented, without however endangering social security systems. In this connection the EESC endorses the recommendation of the high-level group on the future of social policy in an enlarged European Union that the basis for the financing of the social security systems be broadened and the fiscal charge distributed more evenly across the production factors so that the charges are not disproportionately put on labour <sup>(3)</sup>.

1.8 With regard to the forthcoming review of the employment policy guidelines in 2008, the EESC considers that in several of the areas discussed in this opinion more priorities need to be set and policy needs to be spelt out more clearly.

- In this connection the EESC advocates more binding objectives at European level, giving the Member States a clear framework with unambiguous obligations. The EESC considers that the Commission should play a greater role in monitoring the implementation of the employment strategy in the Member States.
- The EESC also calls for further improvements to the objectives, particularly for youth employment and in order to combat youth unemployment (e.g. a reduction in the maximum six-month period of seeking employment/training places after which young people are offered a new start), for the promotion of equality, support for people with disabilities and the integration of immigrants.
- In this way the EESC would like to see the national reform programmes becoming more ambitious in future in the area of employment policy and a noticeable qualitative improvement with regard to timing, responsibility, commitment of resources and financing. In this connection the EESC proposes that ways be investigated of laying down specific objectives for the earmarking of appropriate budgetary resources for active labour-market policy in the individual Member States.

A separate EESC opinion will look in detail at the adjustments to the employment policy guidelines required from 2009 which have been sketched out here.

## 2. Background

2.1 In its Conclusions of 23-24 March 2006 the European Council asked the EESC, with a view to the 2008 Spring Summit, to draw up a summary report in support of the

<sup>(3)</sup> Ibid.

partnership for growth and employment with a particular focus on the employment of priority categories. The EESC is now submitting the following own-initiative opinion on the subject, which draws on the expertise of the national economic and social councils.

2.2 The EESC has always stressed that improving competitiveness and achieving sustainable economic growth in the framework of the Lisbon Strategy are not ends in themselves, but, rather, are intended to lead to a reduction in the high rate of unemployment in the EU, aiming for full employment, placing social security schemes on a more stable foundation and providing protection against social exclusion <sup>(4)</sup>.

2.3 To this end the Lisbon Strategy was intended to give a new impetus to the European employment strategy, thus raising the employment rate and the quality of work. Lisbon aimed not only at more jobs, but also better jobs. Investment in human capital, research, technology and innovation are therefore logically given equally high priority alongside labour-market and structural-policy measures <sup>(5)</sup>.

2.4 In this opinion the EESC will focus its analysis of trends on the European labour market and its policy recommendations on those target groups in respect of which the Council has repeatedly called on the Member States to provide measures in order to:

- improve the situation of young people in the labour market and significantly reduce youth unemployment;
- implement active ageing strategies to make it possible for older people to remain at work longer;
- promote the employment of women effectively and make it possible for both women and men to reconcile work and family life;
- integrate people with disabilities and promote their long-term employment;
- increase the employment rate and labour-market opportunities of migrants and ethnic minorities.

2.5 The EESC will propose a package of preventive and active (re-) integration measures for each of these target groups which should be given more careful consideration in the labour-market and employment policies of the Member States. Socially marginalised groups, which are often excluded from the labour market, will also be covered. Building on this, policy recommendations will be formulated, inter alia with a view to the review of the employment-policy guidelines to be carried out before the 2008 Spring Summit.

<sup>(4)</sup> See the EESC exploratory opinion of 13.9.2006 on the *Quality of working life, productivity and employment in the context of globalisation and demographic challenges*, rapporteur: Ms Engelen-Kefer, OJ C 318, 23.12.2006.

<sup>(5)</sup> See the EESC own-initiative opinion of 9.2.2005 on *Employment policy: the role of the EESC following the enlargement of the EU and from the point of view of the Lisbon Process*, rapporteur: Mr Greif (OJ C 221, 8.9.2005).

### 3. Rate of employment, jobs and unemployment — current situation <sup>(6)</sup>

— the labour-market situation of socially marginalised groups remains extremely problematic.

3.1 In 2005 and 2006, for the first time since 2001, employment in the EU grew and there was a noticeable fall in the unemployment rate (from 9,0 % in 2004 to 7,9 % in 2006). The growth of the employment rate of women, at 0,6 %, contrasts more clearly with the stagnation of recent years than the corresponding rate for men. This welcome trend has continued in 2007 <sup>(7)</sup>.

Against the background of these changes in the labour market, there is, despite progress in some areas, still a long way to go to meet the ambitious Lisbon employment objectives.

3.2 It is nonetheless sobering to consider that:

3.3 All the more so as employment trends reveal the following characteristics and tendencies, which vary greatly in their extent from one country and sector to another:

— progress on the Lisbon and Stockholm interim objectives for the employment rate is slow and they were not achieved in 2005, either as regards the general rate, 67 % (2005: 63,8 %), or that for women, 57 % (2005: 56,3 %). It is becoming increasingly clear that the objectives for 2010 cannot be met in many Member States or in the Community as a whole;

— Chances of entering the labour market have hardly improved for disadvantaged groups (this can be seen, for example, from persistently high long-term unemployment, relatively high unemployment rates, particularly among young people and the low-skilled and low employment rates, especially among older workers).

— although full-time jobs continue to be the predominant form of employment throughout the EU, many of the new jobs created in recent years — particularly for women — have been part-time (which is shown by the much lower growth in full-time equivalents — in some Member States these have actually fallen);

— Although standard jobs continue to be the predominant form of employment throughout the EU, the data points to an sharp increase in atypical (non-standard) forms of employment, in some cases without sufficient legal and social safeguards. Overall, the proportion of fixed-term employment contracts is increasing, which affects young people disproportionately. There has also been a rise in contract work, temporary work, pseudo-self-employment <sup>(8)</sup> and short-term employment and employment contracts offering few social benefits, although the situation varies greatly between Member States. Overall, insecurity is increasing, particularly among disadvantaged groups. Such jobs can be regarded as a 'bridge' to the standard labour market only if they are freely chosen and offer safeguards.

— the most significant rise in employment in recent years has been among older workers. Nevertheless, the employment rate for older people is also well below the target level (55-64 age group only 42,5 % on average in 2005). Only nine EU countries achieved the target of 50 % (major difference between men and women: target achieved for men in 17 countries but for women in only four, Scandinavia and Estonia);

— In many Member States job uncertainties have increased, especially among low-skilled workers, school drop-outs and people without vocational training. As a result of the imbalance between the demand for and supply of skills, entering the labour market and returning to work after unemployment are particularly difficult.

— in 2005 the EU-25 average youth unemployment rate, at 18,5 %, remained about twice as high as the general unemployment rate;

— People with care responsibilities are continuing to find it difficult to find stable and satisfactory jobs.

— despite general improvements in several Member States, particularly in those with very high unemployment rates, unemployment EU-wide, at just under 8 %, persists at a high level and in some countries it has even risen;

— People with disabilities continue to figure prominently among those excluded from the labour market. According to the latest European data only 40 % of people with disabilities work. Figures are even more worrying when it comes to severely disabled people.

— major regional differences in employment rates persist in a number of Member States (particularly considered in terms of full-time equivalents). The number of people today living in regions of the EU 27 with an unemployment rate of more than 15 % has risen noticeably with the enlargements;

<sup>(6)</sup> See various graphs in the appendix.

<sup>(7)</sup> Employment in Europe 2006.

<sup>(8)</sup> See Green Paper entitled *Modernising labour law to meet the challenges of the 21st century*, COM(2006) 708 final.

- There are also a large number of people whose marginalisation derives from causes such as addictions, over-indebtedness or homelessness, and whose integration into the labour market requires special social measures.
- The working conditions and labour market opportunities of migrants and people from migrant backgrounds are in most Member States less favourable than those of the rest of the population. Particular attention should be paid here to the Roma who, with the accession of Romania and Bulgaria, have become Europe's largest minority and whose employment situation (with unemployment rates in some cases reaching 70-90 %) is for a variety of reasons a source of considerable concern. The EESC will be returning to the subject in a separate own-initiative opinion.

3.4 The growth of the informal sector, with insecure employment conditions and often low wages, entails the risk that groups unable to make the transition to the standard labour market will be forced to accept work on a long-term basis which does not enable them to use their skills. This trend (which is difficult to quantify) not only means considerable uncertainty for those affected but also leads to loss of tax revenues and ultimately poses a threat to the sustainability of production capacity in the EU.

#### 4. Creating a framework for growth and more and better jobs

4.1 For years the dominant thinking in European policy-making has been that labour-market problems are structural in origin. In many EU countries the one-sided focus of employment policy has been on dismantling general labour law standards, making entitlements more difficult to acquire and cutting social services, while making employment conditions more flexible.

4.2 Active labour market policy measures, such as, for example, promoting employability, eliminating skills shortages and programmes for the integration of disadvantaged groups into the labour market have, on the other hand, been insufficiently implemented in many countries, although some of these countries have increased their spending in this area since 1995. In most countries for which data are available, active expenditure on labour market measures (active and passive support) has actually fallen in recent years as a proportion of total spending. It is very important that resources earmarked for active labour market policy be provided on a scale commensurate with the challenges and, at the same time, the effectiveness of labour market policy measures increased and focused on the relevant target groups.

4.3 In this context the EESC has on a number of occasions pointed out that labour-market measures and structural reforms can ultimately only succeed against a favourable macroeconomic backdrop, with the emphasis on overcoming persistent cyclical

weaknesses and consolidating growth<sup>(9)</sup>. A commitment is therefore needed to an expansive, growth-orientated economic policy at national and EU level, with appropriate monetary, fiscal and economic conditions:

- The European Central Bank should, in accordance with its Treaty mandate, where price stability is assured, help to increase growth and employment. A high rate of employment growth can only be achieved if there is steady economic growth at a rate higher than the medium-term rate of productivity growth.
- Thus, for example, the greater room for manoeuvre offered by the reformed stability and growth pact must be used in order to give the EU countries an opportunity for counter-cyclical policies and fiscal scope for socially acceptable structural reforms as well as an appropriate level of public investment.

The Lisbon objectives determine the direction in which investment must flow: development of communications and transport infrastructure, climate protection, a research and development initiative, comprehensive childcare, support for education and training, active labour-market policy and job quality. The national reform programmes must be designed to result in a coordinated, Europe-wide programme to strengthen economic growth, to which all players at national and EU level can make their contribution.

#### 5. Effective combating of youth unemployment

5.1 Youth unemployment continues to be one of the burning issues for employment policy in the EU. In all EU countries the unemployment rate among young people is above the overall rate and in most countries at least twice as high as for the general population. In some of the EU 15 Member States and in a number of the new Member States the situation is even worse. In a number of Member States job insecurity has increased even in the higher-skilled segment of the market.

5.2 Increasingly entry into employment is via alternative forms of employment, sometimes with much more insecure working and social conditions. The boundary between the formal and informal employment sectors is becoming increasingly blurred. For certain groups of young people, such as the low-skilled, those from a migrant background or those from the disadvantaged population groups, the transition to regular employment is becoming increasingly difficult. The risk of remaining trapped on the margin of the working population is rising, particularly when there is a combination of any of the above characteristics.

<sup>(9)</sup> See also the EESC opinion of 11.12.2003 on the *Broad economic policy guidelines 2003-2005*, rapporteur: Mr Delapina (OJ C 80, 30.3.2004) and the EESC opinion of 17.5.2006 on the *Proposal for a Council Decision on guidelines for the employment policies of the Member States*, rapporteur: Mr Greif (OJ C 195, 18.8.2006).

5.3 The aim is as far as possible to give all young people secure prospects for the future. The question also has demographic aspects: the economic situation of young people significantly influences their willingness to start a family. In this sense it is a welcome development that in its spring report the European Commission calls for the strengthening of active labour-market policy measures, in addition to improvement of skills, and in particular urges the much earlier deployment of support for young jobseekers and the elimination of structural problems affecting the transition from training to employment.

5.4 Positive examples of this are the tried and tested models which exist in some Member States (Germany, Austria and to some extent the Netherlands) for combining vocationally orientated training systems geared to companies' needs with teaching in school. Numerous studies have highlighted the quality of this 'dual vocational training' system and they ascribe to it a vital role in easing the transition from school to work and in reducing the disparity between the youth and general unemployment rates.

5.5 Active, pre-emptive initial and further training measures to improve young people's chances of finding employment <sup>(10)</sup>:

- guaranteeing quality from initial training to vocational and in-service training so as to enable workers to find their place in the labour market with as few problems as possible and stay in employment, with industry involved here alongside government;
- early active support for young people seeking training course places or jobs (possibly after four months), special programmes and individual support and coaching for the integration of problem groups and long-term unemployed young people and for school and training course drop-outs, e.g. via community employment projects and promotion of training;
- development of generally available, easily accessible careers advice and information facilities for young men and women at all levels of training; corresponding improvement in quality and human resources for job centres);
- reduction of existing discrepancies between qualifications offered and those in demand on the labour market; raising the effectiveness of primary education systems (e.g. reduction of school drop-out rate, literacy campaigns) and

<sup>(10)</sup> See also the EESC opinion on the *Communication from the Commission to the Council on European policies concerning youth — Addressing the concerns of young people in Europe — Implementing the European Youth Pact and promoting active citizenship* (26.10.2005), rapporteur: Ms van Turnhout (OJ C 28, 3.2.2006); Communication from the Commission on the Social Agenda (13.7.2005), rapporteur Ms Engelen-Kefer (OJ C 294, 25.11.2005); Proposal for a Council Decision on guidelines for the employment policies of the Member States in accordance with Article 128 of the EC Treaty (31.5.2005), rapporteur Mr Malosse (OJ C 286, 17.11.2005).

increasing the opportunities for moving between initial vocational and further training; gradual elimination of gender-specific segregation in careers counselling;

- implementation of measures to ensure that short-term and insecure employment is only a temporary solution for young people.

## 6. Improved integration prospects for migrants

6.1 In most EU countries there has been little change in the discrimination against migrants and their families in the labour market. They continue to be overrepresented in sectors with low pay and poor working conditions; they have a far higher risk of becoming unemployed and often they remain in jobs with little security, significant health risks, poor safety and (in some countries) little regulation of wage rates.

6.2 A particular worry is the extent to which this precarious labour market position is 'inherited' by second-generation migrants as a result of massive disadvantages in schooling. In most Member States young people from migrant backgrounds belong to the groups with the highest levels of job insecurity and the highest risk of being pushed to the margin of the standard labour market.

6.3 The EESC has stated on a number of occasions that it considers labour migration necessary given the demographic trends in the EU and has pointed to positive examples in several Member States, such as Spain and Ireland. This must, however, always be reconciled with the prospects for integration policy in the Member States, in particular with regard to employment <sup>(11)</sup>. The migration situation varies greatly from one Member State to another, as do the integration policy measures adopted, e.g. in labour market and education policy. The Member States should pay particular attention to the situation of asylum-seekers, who often suffer particular disadvantages.

6.4 Priorities for improving the integration of migrants:

- Particular attention should be paid to individual (pre-)school support and early investment in language and vocation-related skills; prevention of disadvantages arising in finding first jobs (e.g. by overcoming language barriers as early as possible) and facilitating the recognition of foreign qualifications of migrants.

<sup>(11)</sup> See the EESC opinion of 10.12.2003 on the *Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on immigration, integration and employment*, rapporteur Mr Pariza Castanos (OJ C 80, 30.3.2004).

- Integration mainstreaming throughout social and labour-market policy (e.g. by enhancing intercultural skills in government offices and job centres and offering support to businesses, especially SMEs); appropriate European and national funding for integration support measures.
- Elimination of institutional obstacles to and discrimination regarding labour market access in the Member States (e.g. shortening the waiting time for work permits — particularly for asylum-seekers <sup>(12)</sup>) and prevention of wage dumping while strengthening integration prospects as a component of European migration policy (ensuring that migration policy does not place obstacles in the way of integration by encouraging temporary migration, insecure forms of employment and marginalisation).
- Improving data on the link between a migrant background and segregation or discrimination in the labour market <sup>(13)</sup>.
- Preventive measures and sanctions as well as partnerships between social partners and public authorities at national level to combat black economy working in order to prevent social dumping and distortions of competition, particularly in connection with cross-border movements of workers.

## 7. Making use of opportunities for employment of older workers

7.1 The key response to the demographic challenge has to be targeted growth policy and increasing employment. The necessary labour potential is available in sufficient quantity. And yet throughout the EU the employment potential of older workers continues to be under-exploited.

7.2 The risk of long-term unemployment rises rapidly with age. The EU-25 average long-term unemployment rate of older workers (50-64) is over 60 %. Against this background it has to be ensured that older workers have a real chance of finding employment and being able to work in the longer term.

7.3 The main reasons for older workers giving up work early are health problems caused by difficult working conditions, the intensity of work, early dismissal of older workers, lack of ongoing training and lack of (re-)employment opportunities. Efforts to increase the employment rate of older people based

<sup>(12)</sup> See the EESC opinion of 28.11.2001 on the Proposal for a Council Directive laying down minimum standards on the reception of applicants for asylum in Member States, rapporteur Mr Mengozzi (OJ C 48, 21.2.2002).

<sup>(13)</sup> Eurostat is currently working on an ad hoc module on the labour situation of migrants and their immediate descendants that will be implemented in the 2008 data collection. It has the objective of improving the EU-Labour Force Survey coverage of foreign-born persons.

on alterations to pension systems, which boil down to less favourable access conditions and entitlements, are wide of the mark.

7.4 Only a conscious policy of 'active ageing', including comprehensive opportunities for participation in further training measures and lifelong learning, can produce a sustainable rise in the employment rate of older people. Successful models, in the Nordic states (especially the integrated package of measures adopted in the framework of Finland's national action programme for older people) point to a socially acceptable way in which, by closely involving the social partners, a functioning labour market with a high rate of employment stability can be created for older people.

7.5 Key aspects of a systematic move towards a world of employment more favourable to older people <sup>(14)</sup>:

- Comprehensive advice and support for jobseekers and proactive support for employment mediation (including subsidised employment, support on taking up employment, charitable social projects) and where necessary rehabilitation measures for long-term reintegration; appropriate funding for active labour-market policies and long-term planning for job centres.

- Establishment of socially acceptable incentives for later retirement and, where possible or desirable, development of attractive models for a flexible transition from working life to retirement within the public pension system (including further development of part-time working for older people).

- Measures aimed at making workers physically and mentally capable of remaining longer in active employment, above all by reducing pressures at work and by adapting working conditions (e.g. incentives to develop health protection in the workplace, generally available company health promotion, preventative medicine and employee protection programmes).

- Encouraging older workers to be involved more in further training (40 + skills initiative, incentives for improving participation in in-house further training, particularly for lower-skilled).

<sup>(14)</sup> See the EESC opinion of 15.12.2004 on the *Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on increasing the employment of older workers and delaying the exit from the labour market*, rapporteur: Mr Dantin (OJ C 157, 28.6.2005).

— Awareness-raising measures for older workers (appreciation of the value of experience and transfer of skills acquired in the course of a working life to younger workers) and advice and support for companies, especially SMEs, in forward personnel planning and the development of forms of organisation of work favourable to older workers.

## 8. Improvements in the employment of women

8.1 Although women have caught up significantly over the last 30 years in terms of formal qualifications, inequality of opportunity in the labour market continues to be widespread. Women continue to work mostly in the traditional service sectors and industrial sectors which have traditionally had a high proportion of female workers. Women have much fewer opportunities to make use of their educational qualifications in their work. Reconciling career and family continues to be incomparably more difficult for women than for men.

8.2 The proportion of part-time workers is much higher in all age groups for women than for men. The increase in part-time employment, which, if freely chosen and not a dead end in terms of wages and prospects, is actually something to be welcomed, continues to be a major factor in gender-specific labour market segmentation.

8.3 In almost all areas of employment major income disparities persist, independently of labour-market status. Long career interruptions as a result of care obligations have a particularly negative impact on career advancement opportunities, incomes and social entitlements. Whilst men can expect progressive pay rises with increasing age, women's incomes tend to stagnate in the age groups in which they interrupt their careers or often switch to part-time working in order to bring up children.

8.4 Examples from Denmark and Sweden show that things can be different and that gender mainstreaming in labour market policy can be more than a slogan. In these countries income disparities are much smaller, and the employment rate of women and the availability of day-care facilities for children (especially children under two) are much greater than in other EU Member States. The Netherlands offers another positive example. Here there is a high rate of employment of women together with a very high rate of part-time employment, which is in most cases chosen freely.

8.5 Key measures to tackle structural problems affecting women's employment <sup>(15)</sup>:

— Measures to eliminate existing labour-market discrimination and the structural causes of gender-specific income disparities,

<sup>(15)</sup> See the EESC opinion of 13.9.2006 on the *Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions A Roadmap for equality between women and men 2006-2010*, rapporteur: Ms Attard (OJ C 318, 23.12.2006) and the EESC opinion of 29.9.2005 on *Poverty among women in Europe*, rapporteur: Ms King (OJ C 24, 31.1.2006).

ties, especially the promotion of social safeguards for women, especially via measures to reduce short-term, insecure part-time work and to improve the regulation of part-time working (e.g. extension of the right to part-time working for parents, with the right to return to full-time working later; improved involvement in in-house further training programmes).

— Massive development of generally available and affordable care, with high-quality care facilities for infants and school-aged children outside the home, making it possible to reconcile work and family; contributions to the effective promotion of shared parenting (especially incentives for increasing the father's contribution to parenting).

— Elimination of family-policy measures with strong incentives for stopping work or for long career interruptions, with reduced opportunities for starting work under acceptable conditions; parental leave allowances should not adversely affect income, create incentives for women leaving work or create new obstacles to the sharing of childcare by both partners.

— Labour-market policy measures to encourage parents to begin work again after a career break (including support for starting up own businesses) and to protect women against having to do work for which they are overqualified and loss of income (e.g. flexible further training models available during the career pause or continued employment with reduced hours).

— Family-friendly organisation of working time (including opportunities for parents of infants or school-aged children to arrange their working time accordingly, teleworking agreements and legal entitlements to variable working time for persons with care obligations).

## 9. Improving labour-market opportunities for people with disabilities

9.1 People with disabilities continue to figure prominently among those who are excluded from the labour market. Disabled workers are more likely to be in low paid jobs and are often discriminated against in access to training and career promotion. As 15 % of the EU working-age population has a disability of some sort and given the low employment rate of this group, increasing the employment rate of disabled people would significantly contribute to the goals of the Lisbon Strategy.

9.2 In this context the EESC welcomes the Commission document on 'Disability Mainstreaming in the European Employment Strategy' <sup>(16)</sup>, which is a positive starting point to advance in the labour integration of people with disabilities and recalls that labour integration is the best weapon to fight social exclusion. The EESC recalls that most people acquire the disability during their working lives but very few are offered the opportunity to return to work adapted to their disability. Positive examples here are Great Britain's strict anti-discrimination laws, which provide for complaints mechanisms, and the Danish model of combining labour market flexibility with sufficient social guarantees and a high level of education and training.

9.3 Priority measures to promote the employment of people with disabilities <sup>(17)</sup>:

— Adjustment of tax and benefit systems in a way that make work and transitions to work attractive by for example providing in-work benefits; In addition, returning to disability pensions should be possible after a trial work period.

— Development, implementation and support for active labour market programmes (in particular rehabilitation measures) specifically aimed at people with disabilities as well as measures facilitating the transition from sheltered employment to mainstream employment (e.g. adaptation of information and communication actions to disabled jobseekers).

— Making workplaces more suitable for disabled people and supporting positive actions specifically addressed at workers that acquire their disability during their working life; Periods of leave combined with further training, adoption of their job description or alternative assignments should be considered.

— Provisions of additional assistance to workers with disabilities as well as of care services for people with disabilities in order to allow workers having a family member with a disability to continue to work.

Brussels, 12 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(16)</sup> EMCO/II/290605.

<sup>(17)</sup> See the EESC opinion of 20.4.2006 on the *Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions — Situation of disabled people in the enlarged European Union: the European Action Plan 2006-2007*, rapporteur Mr Greif (OJ C 185, 8.8.2006) and the EESC exploratory opinion of 17.1.2007 on *Equal opportunities for people with disabilities*, rapporteur: Mr Joost (OJ C 93, 27.4.2007).



## Opinion of the European Economic and Social Committee on 'The role of the social partners in reconciling working, family and private life'

(2007/C 256/19)

On 13 February 2007, the European Economic and Social Committee received a letter from the upcoming Portuguese Council presidency asking it to draw up an exploratory opinion on *The role of the social partners in reconciling working, family and private life*.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 18 June 2007. The rapporteur was Mr Clever.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 145 votes in favour, with four abstentions:

### 1. Background

1.1 Under the Lisbon strategy, the European heads of state or government resolved to increase the proportion of women in employment to 60 % by 2010. This objective was confirmed in the integrated guidelines (Guideline No 17), which were adopted as a key element of the new Lisbon strategy steering mechanism in 2005.

1.2 The Lisbon strategy will achieve its ambitious objectives for growth, employment and competitiveness more rapidly and on a more sustainable basis if, despite the demographic decline in the working-age population, successful moves are made to further increase the number of people in employment in the EU over the next ten years and to improve their skills. There is a good chance of achieving both these objectives by considerably increasing the number of women in work, since the upcoming generation of young women has a keener interest in pursuing a career and is also much better educated. It is vital to eliminate any remaining obstacles on this front.

1.3 To that end, the EU Member States agreed, among other things, on the following:

- resolute action to increase female participation and reduce gender gaps in employment, unemployment and pay; and
- better reconciliation of work and private life and the provision of accessible and affordable childcare facilities and care for other dependants (Guideline No 18).

1.4 The Portuguese Council presidency has asked the European Economic and Social Committee to draw up an exploratory opinion on the role of the social partners in reconciling working, family and private life.

1.5 The European social partners believe that reconciling working, family and private life makes a key contribution to economic growth, prosperity and competitiveness in Europe.

1.6 Reconciling working, family and private life is also one of the priorities identified by the European Commission in the *Roadmap for equality between women and men* adopted in March 2006<sup>(1)</sup>. In this roadmap, the Commission mentions three issues of key importance for the better reconciliation of working, family and private life:

1. flexible working arrangements for both women and men;
2. increased care services;
3. better reconciliation policies for both women and men.

1.7 On 12 October 2006, the European Commission published a communication — already announced in the roadmap — entitled *The demographic future of Europe — from challenge to opportunity*, thereby launching a first-stage consultation of social partners on reconciling working, family and private life under Article 138 of the EC Treaty.

1.8 In the first part of the consultation, the Commission stresses the importance of reconciling working, family and private life. It is essential to increase the female participation rate, particularly against the backdrop of demographic change and the resultant pressure on social security systems. Emphasis is also placed on the role of reconciliation policies in achieving the Commission's Lisbon goals.

1.9 In their responses to the Commission, the European social partners underline the importance of reconciling work and family life, especially given the continued underrepresentation of women on the labour market and an increasingly ageing population. They explicitly back implementation of the goals for extending childcare set by the European Council in Barcelona in 2002. The social partners also agree that the three issues of key importance identified in the *Roadmap for equality between women and men* can be useful in achieving the objectives at hand. Moreover, the social partners stress that reconciling working, family and private life and the issue of equal opportunities for women

<sup>(1)</sup> COM(2006) 92 final.

and men at the workplace must take centre stage in the political debate, especially in the light of demographic trends. In that regard, particular attention must also be paid to eliminating existing gender-role stereotypes, since, unless these change, progress will be difficult.

1.10 In a bid to improve equal opportunities for women and men at the workplace, the social partners (BUSINESSEUROPE/UEAPME, CEEP und ETUC) <sup>(2)</sup> in 2005 adopted the *Framework of Actions on Gender Equality* <sup>(3)</sup>. Reconciling family life and work is also explicitly included in the four core areas on which the national social partners are to take action by 2010. The Council of Ministers is therefore right in its desire to assign the question of working time organisation — which is of such key importance for reconciling family life and work — to the social partners in a bid to identify practical solutions for all concerned.

1.11 By helping improve working conditions, the social partners can also help to improve families' lives. In that regard, they have a key role to play. The *Framework of Actions on Gender Equality* is one way in which the social partners are playing a part in implementing the Lisbon strategy. Given that the causes of the continuing imbalances on labour markets are complex and interlinked, the European social partners are convinced that, to promote gender equality, an integrated strategy is needed for any successful resolution of the issues involved. Reconciling family and working life is one of the most important elements in achieving that goal.

1.12 Some companies have stepped up their commitment to reconciling family and working life in recent years, so that a family-friendly approach has become an integral component of their staffing policy and corporate philosophy, as is reflected in the first joint follow-up report on the social partner agreement published by the social partners in February 2007. Companies, the social partners and the Member States must nonetheless continue to work to eliminate those shortcomings that are still in evidence <sup>(4)</sup>.

1.13 Equal opportunities at the workplace, initiatives to help reconcile family and working life, and 'equal opportunities employers' as a management model are elements of the CSR concept, which encourages companies to engage in best practices and act accordingly in the interests of their employees.

<sup>(2)</sup> BUSINESSEUROPE (formerly UNICE) is the umbrella organisation for European employers' and industrial confederations. UEAPME is the European association of craft, small and medium-sized enterprises. CEEP is the centre of enterprises with public participation, while the ETUC is the European Trade Union Confederation.

<sup>(3)</sup> [http://ec.europa.eu/employment\\_social/news/2005/mar/gender\\_equality\\_en.pdf](http://ec.europa.eu/employment_social/news/2005/mar/gender_equality_en.pdf).

<sup>(4)</sup> See the EESC exploratory opinion of 14 March 2007 on the *Economic and budgetary impact of ageing populations*, rapporteur: Ms Florio (OJ C 161, 13.7.2007).

## 2. The current state of play

2.1 Social change has resulted in the emergence of a wide range of different family structures. A policy aimed at reconciling working, family and private life must take account of all existing ways of life (e.g. one-parent families, blended families, single people, divorced parents, adoptive parents, working students, same-sex partnerships and people who live alone). The growing number of older and very old people is also increasing the need for care services both inside and outside the family.

2.2 Alongside their job, women are still more closely involved in the organisation of home and family than men and thus find themselves frequently stressed and constantly over-worked. This is particularly true of women farmers and women who are self-employed. In such circumstances, women often feel obliged to work part-time at lower pay with poorer pension provision and poorer promotion prospects. Reconciling family and working life is thus also a key tool in achieving workplace equality both between women and men and also between women with children and women without.

2.3 Precisely because the underlying issues — and the options available for resolving them — vary not only from Member State to Member State, but also from region to region and indeed from company to company, there are no catch-all solutions that would apply across the board. In this regard, the Committee feels that the social partners also have a key role to play in resolving the issues to be faced. Able, as they are, to draw on the requisite structures in the individual Member States, the social partners, through their commitment to helping reconcile family life and work, can have a critical impact on workers' everyday lives.

2.4 Although the decision to have, or not to have, children is a basically private matter, as is the decision to provide care and attendance within the family for relatives or other particularly close individuals in case of illness, disability or old age, the effects of those decisions are also felt by society as a whole. The legacy of the falling birth rate will be a future shortage of skilled workers and managers, customers, employees, business people, scientists and researchers, thereby adversely affecting the whole of society <sup>(5)</sup>. The state should therefore bear particular responsibility in the following areas:

— material and financial support (benefit payments, recognition of relevant factors in pension calculations);

<sup>(5)</sup> On that point, see the EESC's exploratory opinion of 14 March 2007 on *The family and demographic change*, rapporteur: Mr Buffetaut (OJ C 161, 13.7.2007).

- supportive infrastructure (childcare, full-day schools, out-of-school and school-holiday care facilities and leisure programmes offered by volunteer organisations, help facilities, for instance for outpatient care services);
- adequate parental leave for mothers and fathers (including in case of adoption); and
- a family-friendly work environment.

2.5 The Commission feels that flexible working time arrangements are important in order to use the full potential of the workforce. It follows then that such arrangements must be equally available to women and men. A legal framework is helpful in this regard. That said, the fact that take-up of such arrangements is far more widespread among women than among men generates a gender imbalance that has a negative impact on the position of women at the workplace and on their economic independence. More than in the past, therefore, men should be encouraged to shoulder family responsibilities, above all through incentives to take parental and paternal leave so as to share with women the burden of unpaid household chores and the care of children and relatives fairly and in a spirit of partnership.

### 3. Role models

3.1 As a corollary of social change, women have become much more highly skilled — and their role models and aspirations have also evolved accordingly. Young women in Europe today are better qualified than young men and see a career as an integral part of their life plan. The fact that women are becoming more highly skilled should also mean a narrowing of the gap in average pay between women and men. The current pay differentials are to a great extent the result of the high number of women who work part-time or have interrupted their career for a relatively long period thus cutting the length of their professional experience; they are also the result of the lower percentage of women in management positions and lower skills levels among older women. Although collectively agreed pay scales in particular provide a guarantee that women and men with similar qualifications receive equal pay for equal work, wage inequality still persists. Moreover, genuine freedom of lifestyle choice will exist only if the social parameters are such that women and men have the opportunity to structure their lives as they see fit without having to face a positive or negative value judgement from society because of it.

3.2 Lifestyle choice is to a large extent determined not only by the availability of appropriate childcare provision within a particular country, but also by social attitudes both to working mothers and to fathers who choose to look after the family. The views of the social partners on these issues also have a pivotal

influence on social attitudes. Experience in the Scandinavian countries and in Germany has shown that it may be useful to introduce a provision whereby families receive certain financial allowances (a proportion of child benefit, for instance) — or receive them at a higher rate — only on condition that the father also takes a certain amount of time out to look after his child. This gives fathers a legal framework, making it easier for them to devote a set period of time to bringing up their children, while mothers also benefit from the opportunity to rejoin the workforce earlier.

3.3 The Committee stresses that adjusting individual elements will not be enough to make a difference to working women facing dual strain as they try to reconcile family, working and private commitments. Rather, the goal must be a fundamental revamp of the way in which unpaid, non-job-related work such as bringing up children, caring for relatives and organising domestic chores is shared between men and women. Men must be encouraged to share such tasks in a genuine spirit of partnership. This requires a radical change in thinking and structure.

### 4. Social-partner support for reconciling working, family and private life at company level

4.1 Demographic developments and the changes these involve have major implications for workers and employers alike. The social partners at all levels play a key role in making it easier to reconcile working, family and private life.

4.2 A staffing policy that takes account of — and ensures a fair balance between — work-related interests and the basic outside responsibilities, family commitments and private concerns of each member of staff (both male and female), is the basis for a successful corporate strategy to promote work-life balance. For that to succeed, the individual Member States also have to provide the following basic parameters:

- good childcare infrastructure — both for infants and for growing children — which covers existing needs;
- a sufficient quantity and high standard of care and attendance provision for older people and people with a disability;
- fair working time arrangements;
- measures to ensure that periods of leave or part-time work to care for children or dependent relatives do not affect future entitlements; and
- skilled staff working for fair pay.

Universal infrastructure provision benefits workers, businesses, the state and society in equal measure.

4.3 Staff-related measures that can be deployed in companies — some of which have also been agreed among the social partners — include:

- the introduction of working time arrangements which are innovative but not disadvantageous (fragmentation of working time, doing several small jobs), teleworking, sabbaticals and working time accounts;
- the legal security of a stable employment contract;
- schemes giving staff the opportunity to keep in touch with work during parental leave;
- support in arranging childcare, such as the setting-up of in-house crèches, the purchase of childcare places and financial assistance;
- support in looking after older relatives or family members requiring care;
- support for personal development; and
- support for reintegration into employment after leave or part-time work to care for children or dependent relatives.

4.4 Such moves also help in the objective of facilitating the reconciliation of working, family and private life for all concerned through customised and highly flexible part-time working arrangements designed to benefit companies and workers alike. This goal is not served where part-time work is not the result of a free choice. The Committee believes it is urgently necessary for more male workers to work part-time if family needs oblige one parent to do so. They can thus show in practice that, in a partnership and in the family, non-work obligations are not the task of women alone, but should be shared in a responsible way and exercised together as a team.

4.5 The social partners can help to resolve the issue of how parents can actually live out their chosen life plan. Some companies operate voluntary schemes for mothers during parental leave, giving them the opportunity to stay in touch with work by standing in for colleagues who are on holiday or off sick. Such schemes — and others such as extending invitations to company social functions — have proved useful in helping mothers get back to work after taking a career break for family reasons. The Committee notes that the provisions in place to protect pregnant women and fathers and mothers on parental leave must be stringently complied with and must not be circumvented through indirect discrimination.

4.6 Parents may also benefit from support with the organisation of childcare. Various companies offer their employees help in finding childminders and crèche places, and emergency care when children fall ill. Some companies also deploy targeted measures to encourage male employees to shoulder family commitments and spend more time with their children, for instance by giving them a day's leave on their child's birthday. Such companies deserve backing. However, in most cases, support to parents is lacking. Companies behaving in this way — particularly where they act unlawfully — inflict damage on themselves as such practices adversely affect the working environment and staff motivation.

4.7 The Committee would draw attention to studies carried out by *Prognos AG* which found that measures designed specifically to promote staff's legitimate interests — including those relating to family and private life — do make business sense as such measures reduce absenteeism and boost staff loyalty, motivation and performance. Staff policies of this kind also make jobs more attractive, particularly when they also make it easier for female workers with family commitments to secure — and retain — promotions. Such a corporate culture makes for a good working environment and is a positive factor in boosting a region's profile as a business destination.

4.8 The Committee points out that, when introducing flexible working time models, consideration should also be given to the flexicurity approach. In the context of the Lisbon strategy, flexicurity offers an integrated approach to labour market reform, facilitating the necessary or desirable flexibilities while at the same time combining these with the requisite degree of security and planning certainty for all concerned. Flexibility negotiated between the social partners must aim to secure a win-win situation for companies and employees alike. Companies' need to adjust to market requirements is taken into account, as is the increasing desire of workers for greater flexibility in areas such as working time, thereby enabling them to better accommodate family commitments or other non-work private interests, while retaining security and avoiding insecure employment conditions. Individual solutions are required that reflect actual need; these should as a rule be negotiated between the social partners. The Committee would stress that, in the flexicurity debate, more attention needs to be paid to the differing impact on men and women <sup>(6)</sup>.

4.9 The goal of reconciling working, family and private life is all the more achievable where stakeholders are actually able to draw on the requisite tools in the real-life working environment. The utmost importance must therefore be attached to national-level implementation.

<sup>(6)</sup> On that point, see the EESC's exploratory opinion of 12 July 2007 on *Flexicurity (internal flexibility dimension — collective bargaining and the role of social dialogue as instruments for regulating and reforming labour markets, Rapporteur: Mr Janson (OJ C 97, 28.4.2007)*.

4.10 The Committee considers that business competitions, backed by the social partners, can be a good way of raising the public profile of family- and women-friendly practices and of putting such practices forward as examples for others to follow. Such competitions bring innovative tools to the attention of the broader public, including:

- playroom provision for staff children;
- in-house nursery schools; and
- company-based networks to coordinate voluntary services 'between the generations', whereby, for instance, retired members of staff run administrative errands or see to the shopping for young colleagues with family commitments.

4.11 Understandably, the large number of small and medium-sized enterprises, which make up the bulk of EU firms, do not have the resources to make such attractive offers, and for this reason specific tax incentives should be considered. However, the closer social contacts that are a particular feature of SMEs facilitate agreement among those concerned on practical and prompt solutions tailored to the needs of the individual staff member. Moreover, several small businesses operating in the same region can also join forces with the local authorities, in conjunction with the public and non-governmental organisations, to offer a shared package of measures, thereby raising their own profile and boosting their region as a business destination.

## 5. Practical initiatives at regional and local level

5.1 To make practical and realistic improvements to the basic parameters designed to secure the more effective reconciliation of working, family and private life, it is particularly helpful if the various local players involved can agree on a coordinated strategy. The Committee would therefore encourage the social partners to launch regional-level and local-level initiatives, bringing together committed players (businesses, works councils, parents' groups, faith-based communities, sports clubs, local representatives etc.) in towns and local communities to coordinate local parameters in such a way as to secure the most effective possible reconciliation of working, family and private life. Changes at local level are of immediate and practical benefit for all concerned. The various local players are involved in a wide range of activities and are open to all kinds of creative ideas. Here are some examples, to which others could readily be added:

- the establishment of a municipal website providing targeted information for families;
- the establishment of databanks for the allocation of child-care places;

- contact points bringing together young families without grandparents and older people without families;
- child supervision to and from school;
- support for volunteer organisations and volunteers who look after children in their spare time;
- workshops on family-friendly urban development to stop young families moving away;
- mentoring programmes for fathers working part-time;
- revision of school bus timetables to make it easier for parents to coordinate the start of the working day with the start of the school day;
- more flexible nursery school opening times;
- company events on the work-family balance at which companies present their family-friendly staffing policy to the public; and
- a check on all local government decisions to ensure they are sufficiently child-friendly.

## 6. Childcare facilities and care of elderly relatives

6.1 The Committee notes the point made in the European Commission's second progress report on the implementation of the Lisbon strategy submitted in mid-December 2006 <sup>(7)</sup> that the availability of affordable child care is a problem in a number of Member States. Member States are therefore called upon to increase the availability of universally accessible, quality child-care in line with their own national targets.

6.2 Moreover, the 2002 Barcelona European Council <sup>(8)</sup> resolved that, by 2010, childcare should be provided in the Member States to at least 90 % of children between three years old and the mandatory school age, and to at least 33 % of children under three years of age.

6.3 Given the changed roles of women and men, it is particularly important that the social partners make perfectly clear that a child's development does not suffer because its mother works or its father looks after the family.

<sup>(7)</sup> COM(2006) 816 final: Communication from the Commission to the Spring European Council, Implementing the renewed Lisbon strategy for growth and jobs 'A year of delivery'.

<sup>(8)</sup> Presidency conclusions: Barcelona European Council, 15 and 16 March 2002.

6.4 Given the wide variation in childcare provision for under-threes in the individual Member States, the Committee urges that each Member State should lay down a specific care target for children in this category. To make it possible to reconcile work and family life, a place at a nursery or with a qualified childminder should be available for at least 33 % of all children under three by 2010.

6.5 The Committee considers it vital that greater importance be attached than in the past to expanding childcare provision in the EU Member States, and that appropriate political measures be put in place to further accelerate and support this process.

6.6 In its opinion on *The family and demographic change* <sup>(9)</sup>, the Committee thoroughly examined demographic change in the European Union and its repercussions for families. Increasing life expectancy may mean a better quality life for many people. But it will also mean a future in which more and more people will have to provide care for older relatives alongside their job commitments. Accordingly, greater emphasis should be placed on expanding care services to help to relieve the burden on family carers.

6.7 The task of the social partners on this issue can be to provide information on tools that have proved effective in prac-

tice. These might, for instance, include working time arrangements that can be changed at short notice to allow carers respond to any sudden emergencies; workplaces adapted to carers' needs, i.e. where employees can be reached by telephone and have access to computers and the internet to help sort out any care issues that may arise; and the provision of documentation on organisational, financial and legal aspects of care.

## 7. Next steps

7.1 The EESC considers that reconciling working and family life is necessarily linked with the achievement of gender equality. The objectives of the social partners in this area, when achieved, underpin this reconciliation. For the reconciliation of working and family life to become an everyday reality, it should be presented as normal and necessary in education programmes aimed at young children.

7.2 The Committee asks the Council, the European Parliament and the Commission to take account of and support the proposals set out in this exploratory opinion in their future work in order to further improve moves to reconcile working, family and private life in Europe.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(9)</sup> On that point, see the EESC's exploratory opinion of 14 March 2007 on *The family and demographic change* Rapporteur: Mr Buffetaut (OJ C 161, 13.7.2007).

**Opinion of the European Economic and Social Committee on 'Flexicurity (Internal flexibility dimension — Collective bargaining and the role of social dialogue as instruments for regulating and reforming labour markets)'**

(2007/C 256/20)

The European Economic and Social Committee received a letter, dated 13 February 2007, from the Portuguese presidency requesting its opinion on abovementioned 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 18 June 2007. The rapporteur was **Mr Janson**.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July 2007), the European Economic and Social Committee adopted the following opinion by 163 votes to 2 with 5 abstentions.

## 1. Summary and conclusions

1.1 The EESC welcomes the Portuguese presidency's request to draw up an opinion on flexicurity, since the flexicurity debate has hitherto been limited predominantly to increasing external flexibility and ways of compensating for such an increase by strengthening labour market policies or social security provisions. Instead, the aim should be to focus on other dimensions to better create win-win situations.

1.2 The EESC would like to emphasise that the role of the social partners has to be strengthened. The social partners should be a protagonist in any debate on flexicurity and should have a privileged role in the European Commission's consultations. The Commission should thus have placed more emphasis on consulting, in particular, the European social partners on the European definition of the concept of flexicurity.

1.3 Strengthening industrial relations systems at European and national levels is essential for any discussion on flexicurity. A strong and vital social dialogue where the social partners actively participate and are able to negotiate, influence and take responsibility for the definition and components of flexicurity and evaluation of its outcomes is a key element.

1.4 The Commission and Member States should endeavour to link discussions which could lead to reforms based on the flexicurity concept with the strengthening and modernising of industrial relations at all levels. The EESC thus wants to see a stronger link between the flexicurity debate and the strengthening of social dialogue on all levels, and collective bargaining on appropriate levels, whilst respecting the diversity of different industrial relations systems in the Member States. The flexicurity concept should enhance both flexibility and security in a balanced way. The flexicurity concept does not mean unilateral and illegitimate reduction of workers' rights, an idea the EESC rejects.

1.5 The EESC recognises that, with the essential role of social partners in the progressive development of flexicurity policies at European level, this discussion can be seen as separate neither

from the content of the European social dialogue nor from the further development of the social dialogue itself.

1.6 The EESC wants to stress that the Commission and the Member States should give more attention to gender equality and intergenerational solidarity in the context of flexicurity. Women, older workers and young people are often at a disadvantage in the labour market in terms of flexibility and security, and upward convergence should be sought for these groups.

1.7 The EESC wants the Member States and the Commission to explore the enhancement of adaptability through internal flexibility and make this a viable and acceptable dimension of flexicurity. Internal flexibility can play a key role in advancing productivity, innovation and competitiveness, and can thus contribute to reaching the goals of the Lisbon strategy. It can also play a major part in allowing workers to better combine work with other activities and responsibilities and to improve the quality of their employment. A regulatory framework ensuring protection for employment and health care, and providing stability and security for workers is a prerequisite for all the above. Employment protection combined with effective re-employment services and active labour market policies are crucial for the adaptability and security of both firms and employees.

1.8 In the EESC's view, a balance between working time flexibility and worker protection should be pursued; this is best guaranteed through regulations established by collective bargaining, in line with national practises. Such bargaining on working time flexibility requires a solid context of rights, well-functioning social institutions and employment-friendly social security systems to back it up.

1.9 Functional flexibility is again a key issue for collective bargaining between social partners. Through such bargaining, the needs of businesses and workers can be balanced and fine-tuned and adequate compensation for increased skills can be defined.

1.10 Functional flexibility requires constant upgrading of the knowledge and capabilities of workers and a well-functioning education and training infrastructure to back this up. Whilst many commitments have in the past been made to lifelong learning, much remains to be achieved in practice.

## 2. Background

2.1 The Portuguese presidency has requested the EESC to draw up an exploratory opinion on flexicurity, including matters such as:

- 1) The dimension of internal flexibility
- 2) Collective bargaining and the role of social dialogue as instruments to regulate and reform labour markets.

2.2 Several of the guidelines in the employment policy guidelines (2005-2008) could form the basis for a discussion on flexicurity. The 2006 Spring European Council asked Member States to direct special attention to the key challenge of 'flexicurity' (balancing flexibility and security). Member States were invited to pursue, in accordance with their individual labour market situations, reforms in labour market and social policies under an integrated flexicurity approach.

2.3 At two social summits, in connection with the December 2006 and then March 2007 European summits, the issue of flexicurity was discussed.

2.4 The Commission established an expert working group to propose 'pathways of flexicurity', i.e. a certain set of dimensions of flexibility and security in working life. With this as a basis, the Commission published a communication on flexicurity in June 2007 including the presentation of a set of common principles. In December 2007 a set of common principles is to be included in the revised employment guidelines for 2008. The Green Paper on *Modernising labour law to meet the challenges of the 21st century* <sup>(1)</sup> also included the dimension of flexicurity, from the particular perspective of employment contracts, whose recommendations are set out elsewhere.

2.5 The EESC would also like to mention the important work done by the European Foundation for the Improvement of Living and Working conditions in this context, which set out important aspects of what flexicurity is.

## 3. Dimensions of flexicurity strategies

3.1 a) Flexicurity strategies refer to strategies that attempt to combine various types of labour market flexibility and security in a balanced way to strengthen the adaptability of workers and enterprises as well as providing them

with stability and protection against risks. As examples of the types of flexibility and security concerned one can mention:

### Examples of flexibility

External flexibility	numerical	Adjustment of employment volume by way of an exchange with the external labour market; involving lay-offs, temporary work, and fixed term contracts.
Internal flexibility	numerical	The temporal adjustment of the amount of work within the firm, involving practices as atypical working hours and time account schemes.
Internal flexibility	functional	Organising flexibility within the firm by means of training, multi-tasking and job-rotation, based on the ability of employees to perform various tasks and activities.
Financial flexibility		The variation in base and additional pay according to the performance of the individual or firm.

### Examples of security

Job security		Security deriving from employment protection legislation, etc., limiting the employer's ability to dismiss at will.
Employment security		Adequate employment opportunities through high levels of employability ensured by e.g. training and education.
Income security		The protection of adequate and stable levels of income.
Combination security		The security of a worker of being able to combine his or her job with other responsibilities or commitments than paid work.

- b) The legal security of the employment contract needs to be treated separately since such security means that the contract is enforceable against all and before the courts. It implies that the relationship of subordination is maintained, which has consequences, among other things, for the right to continuation and application of social protection for the worker.

<sup>(1)</sup> See COM(2006) 708 final. The Green Paper on 'Modernising labour law to meet the challenges of the 21st century' and EESC opinion of 30.5.2007 on 'Modernising labour law' SOC/246, (rapporteur: Mr Retureau) (OJ C 175, 27.7.2007).



3.2 Following the lead of the European Commission and inspired by certain aspects of the Danish example, the flexicurity debate at European level has been limited predominantly to the increase of external flexibility and ways of compensating for such an increase by strengthening labour market policies or social security provisions. The benefits and drawbacks of external flexibility is an issue where the opinions of trade unions and employers' organisations often diverge. Moreover, the OECD <sup>(2)</sup> recently stated that employment protection legislation has no significant impact on the total employment rate. Furthermore, the ILO has shown that there is a positive relationship between tenure and productivity (see Appendix).

3.3 This opinion aims to broaden the flexicurity debate in three ways. First, it seeks to emphasise that the role of the social partners in this debate, and in labour market reforms in general, has to be strengthened. Second, the EESC wants to stress that the flexicurity debate should give more attention to gender differences, and to the category of young people on the labour market. Gender equality has been largely absent from the flexicurity discussion. Despite the fact that more flexibility through part-time work are welcomed by the majority of women and men to ensure a better work-life balance, women are often at a disadvantage in the labour market in terms of flexibility and security, and upward convergence with men should be sought <sup>(3)</sup>. Third, the EESC regards it as important to achieve such broadening by exploring alternative ways to achieve adaptability, facilitate lifelong learning, improve productivity and foster innovation, vital dimensions of the Lisbon process. These are also issues that the EESC has touched upon in its opinion on the employment guidelines <sup>(4)</sup>. With this in mind, this opinion does not address the issue of external flexibility but focuses on the opportunities for enhancing adaptability through internal flexibility.

3.4 Flexicurity is of particular importance to small and medium-sized enterprises (SMEs) in the light of their significance in employment terms. In consequence Member State policies in relation to flexicurity, will have to contain provisions safeguarding the needs of SMEs and their employees.

3.5 The EESC stresses that the basis of all flexicurity models is a welfare state able to guarantee high levels of social protection, the assumption of responsibility by adequately funded public services, and a stable legal framework for collective bargaining and social dialogue. General welfare systems can improve mobility by ensuring that workers do not lose out when they are confronted with changes affecting their workplace. A stable framework for social dialogue and collective bargaining provides opportunities for strong social partners to agree on key issues relating to the labour market.

<sup>(2)</sup> OECD Employment Outlook 2006: Boosting Jobs and Incomes.

<sup>(3)</sup> Ongoing 'The role of the social partners in reconciling working, family and private life' SOC/271, (rapporteur: Mr Clever) and SOC/273 'Employability and entrepreneurship — role of civil society and local and regional bodies from a gender perspective' (rapporteur: Mr Pariza Castaños).

<sup>(4)</sup> See the EESC opinion of 31.5.2005 on 'The Employment Guidelines 2005-2008', rapporteur: Mr Malosse (OJ C 286, 17.11.2005).

#### 4. Flexicurity and the social partners

4.1 Flexicurity entails deciding the balance of rights and obligations between employers and workers. Social dialogue and collective bargaining are crucial instruments in the design and implementation of any type of labour market reform, including flexicurity. Thus, the European Economic and Social Committee stresses that the social partners are protagonists in any debate on flexicurity on all levels. The social partners should increasingly play a leading role in defining the balance between flexibility and security, and in doing so contribute to improving the rules of the labour market.

4.2 At European level, the EESC acknowledges that the Commission has informed the social partners about its plans relating to this debate. However, on this subject, the EESC considers that the Commission should have placed more emphasis on consulting, in particular, the European social partners on the European definition of the concept of flexicurity. Without the strong involvement and commitment of the social partners, it will be difficult to implement any kind of flexicurity strategy.

4.3 The European Economic and Social Committee pointed out in its opinion on the Danish flexicurity system <sup>(5)</sup> that 'The social partners have had a key role to play in the development of Danish-style flexicurity, both in decision-making and in implementation in areas such as training policy and labour-market structural reforms. [...] The social partners' role is the product of historical development... Greater involvement and input from the social partners can thus boost society's capacity to compete and adapt'.

4.4 In its opinion on the European Social Model <sup>(6)</sup> the EESC underlined that 'as regards the basic architecture of the European social model, too high a value cannot be placed on the fundamental role played by the social partners in the fields of economic and social policy. In this context, attention should be drawn to the particular importance of the regulatory role played by employers' and employees' associations in connection with collective agreements and wage agreements.'

4.5 The flexicurity agenda should not therefore be set in a top-down fashion, defined by the Commission and discussed by the governments of the Member States. The social partners must be able to negotiate, influence and take responsibility for the definition and components of flexicurity and evaluation of its outcomes. As flexicurity is so closely related to social dialogue and collective bargaining the emergence of the flexicurity debate will also highlight deficiencies existing in social dialogue and collective bargaining. These deficiencies should be addressed at the same time as the flexicurity agenda is being put forward. The EESC thus wants to see a stronger link between the flexicurity discussion and the strengthening of social

<sup>(5)</sup> See the EESC opinion of 17.5.2006 on 'Flexicurity: the case of Denmark', rapporteur: Ms Vium (OJ C 195, 18.8.2006).

<sup>(6)</sup> See the EESC opinion of 6.7.2006 on 'Social cohesion: fleshing out a European social model', rapporteur: Mr Ehnmark (OJ C 309, 16.12.2006).

dialogue at every level, and collective bargaining at appropriate levels while respecting the diversity of different industrial relations systems in the Member States.

4.6 Social dialogue at European level is unique in the world, as it gives the social partners the role of co-legislators in the social field. In recent years this has developed towards a more autonomous social dialogue. The social partners have the right to address issues of common concern for the better functioning of Europe's labour market. The EESC recognises that, with the essential role of social partners in the progressive development of flexicurity policies at European level, this discussion can be seen as separate neither from the content of European social dialogue nor from the further development of social dialogue itself. The social partners have in their multi-annual work programme agreed to explore aspects of flexicurity, but also to work towards the development of a common understanding on the European social dialogue instruments <sup>(7)</sup>. The EESC has developed its position on this its opinion 'Employability and entrepreneurship — role of civil society and local and regional bodies from a gender perspective' <sup>(8)</sup>.

4.7 In the Member States there are numerous examples, on all levels, of the crucial role of the social partners in enhancing both flexibility and security for employers and employees. Collective agreements in themselves are not only a security factor for employers and employees, but also allow for negotiated flexibility. Including elements of increased internal flexibility, career advancement and rights to lifelong learning is becoming more and more natural in an increasingly competitive environment. However, in Member States where social dialogue is inadequate due to fragile industrial relations systems, this also exposes workers too much to market forces in the labour market and often offers too little protection. Strengthening and modernising the industrial relations systems in the Member States should therefore go hand in hand with any discussions on flexicurity in the Member States.

4.8 The EESC would like, in this context, to highlight some examples of agreements between the social partners:

- Danish collective bargaining agreements which introduce mandatory notice periods to enable workers better to prepare for another job.
- In Sweden, collective agreements at industry level have set up 'career transition' funds financed by the business sector and jointly managed by the social partners. These funds provide workers who have received their notice with training, job-search assistance, or paid internships in other firms, even while they are still formally employed by the company that is laying them off.
- The Spanish tri-partite agreement on how to limit the use of fixed term work contracts. It is based on the principle that

too high a share of fixed term work is not in the common interest of labour and business.

- German collective agreements allowing for a limited degree of flexible organisation of both working time and work, drawn up and implemented with the participation of employee representatives in the business concerned.

The EESC also considers that the agreements concluded by the European social partners on, for example, fixed term work, parental leave, part time work and teleworking are part of a flexicurity concept contributing to security and flexibility for workers and employers.

4.9 In order for the social partners to be able to negotiate on core issues on the labour market with a view to achieving a socially acceptable balance between flexibility and security, there must exist a national legal framework encouraging the social partners to contribute and effectively negotiate on issues of flexicurity. Employment protection regulation and strong legal framework can give the social partners possibilities to negotiate agreements that promote workers' effort, co-operation and willingness to be trained, which is positive for aggregate employment and economic efficiency. The social partners' contribution guarantees that consideration is given both to business interests and to the interests of workers. In addition, employment protection combined with effective re-employment services and active labour market policies are crucial for the adaptability and security of both firms and employees.

4.10 The contribution of the social partners could be to aim at increasing protected mobility and making transitions pay. They can help in organising collective and negotiated control of labour market opportunities and rights. In the EESC's view, this would fight segmentation tendencies and improve integration.

## 5. Gender equality, intergenerational solidarity and flexicurity

5.1 Labour market flexibility and security affect men and women in different ways. Women often work in more precarious and insecure jobs characterised by excessive flexibility. Excessive flexibility, which could in some cases lead to the risk of precarious and insecure jobs, must be offset by an adequate form of security. Also, following the persistence of traditional gender roles, women have more care responsibilities where children and elderly people are concerned, and face greater difficulties where the combination of work and non-work activities are concerned. Moreover, despite anti-discrimination legislation, the gender pay gap persists and women often have fewer entitlements in terms of social security including pensions. Hence, women are more often affected by the negative sides of flexibility.

<sup>(7)</sup> The social partner multi-annual working programme for 2006-2008 included a joint analysis on the key challenges facing Europe's labour markets.

<sup>(8)</sup> SOC 273 'Employability and entrepreneurship — role of civil society and local and regional bodies from a gender perspective' (rapporteur: Mr Pariza Castaños).

5.2 The EESC stresses that the flexicurity debate must have a significant gender equality dimension, something which has been largely absent from the flexicurity discussion until now. It is important to improve the situation of women in the labour market by addressing both flexibility and security issues, including more secure jobs, their inclusion in social welfare systems and better support of institutions to combine work and non-work activities. Also, the division of care and household responsibilities between men and women should be part of the debate. The EESC, in its opinion on *The role of the social partners in reconciling working, family and private life* has further developed its position on these matters for the Portuguese presidency <sup>(9)</sup>.

5.3 As well as a gender dimension, flexicurity also has a generational dimension. The employment rate is lower among older workers compared to the workforce in general. Also, young people in many Member States face an uncertain labour market with high unemployment, fixed term contracts, insufficient social security coverage and work below their qualification level.

5.4 The EESC <sup>(10)</sup> has pointed out that jobs should match each individual's training and vocational experience, with no age discrimination, and that all the Member States must transpose and apply the directive on equal treatment in employment and occupation (2000/78/EC). The EESC also called for a policy supporting high-quality employment that would guide and train generations of citizens throughout their working lives. This entails a proactive role for the social partners and all the relevant economic and social players at local, national and European levels.

5.5 The European social partners have concluded a framework of action on gender equality which can be used in the flexicurity debate as well. In this action framework they have identified four priorities: addressing gender roles, promoting women in decision-making, supporting work-life balance and tackling the gender pay gap.

5.6 The considerations set out in the previous paragraphs, and the dialogue between the social partners, should give equal weight to the problem of workers with disabilities and young students.

## 6. Flexicurity and internal flexibility

6.1 Internal flexibility is an underdeveloped issue in the flexicurity debate. Internal flexibility concerns working time flexibility and functional flexibility and strengthens adaptability. This is typically an issue where social partners have ample experience in negotiating collective agreements with positive

<sup>(9)</sup> Ongoing 'The role of the social partners in reconciling working, family and private life', (rapporteur: Mr Clever).

<sup>(10)</sup> See EESC opinion of 14.3.2007 on 'The economic and budgetary impact of ageing populations' ECO/186, rapporteur: Ms Florio (OJ C 161, 13.7.2007).

outcomes. Internal flexibility can play a key role in advancing productivity, innovation and competitiveness and in this way it can contribute to reaching the goals of the Lisbon strategy. It can also play a major part in allowing workers to better combine work with other activities and responsibilities and to improve the quality of their employment. For both it can increase stability and predictability. However, internal flexibility can also become excessive, leading to bad working conditions or precarious employment, obstructing the balance between work and non-work activities, or even having harmful effects on the quality of goods and the provision of services to consumers. Therefore, such flexibility is only feasible when it is an outcome of collective bargaining and when it takes shape within the context of legal regulations that ensure work and health protection and that provide stability and security to workers. Pursuing negotiated internal flexibility within such a legal context constitutes a viable approach and aims to combine the improvement of competitiveness with the improvement of the quality of employment and working life.

### 6.2 Working time flexibility

6.2.1 Working time flexibility is about the distribution of normal weekly working time as established by collective agreements and/or by law over a longer time period. It can benefit companies through possibilities to adjust to demand fluctuations or personnel fluctuations and to fully utilise capital investments, by making use of overtime, the flexible scheduling of working hours over predefined time frames, shift work, etc. In this way working time flexibility can strengthen productivity and competitiveness.

6.2.2 Working time flexibility can also be about the distribution of working time over an individual's working life and about work-life balance (but not about the length of the standard working week). Such forms of working time flexibility can also benefit workers through possibilities to positively combine work and non-work activities and responsibilities, by making use of flexi-time arrangements, working time accounts, parental or educational leaves, options to switch between fulltime and part-time work, etc.

6.2.3 The EESC is keen to avoid working time flexibility being broadened only to the benefit of business interests, without employees' need for protection being taken into account at the same time <sup>(11)</sup>. Also, the organisation of working time should '... promote the interests of workers in having greater control over their time, enable them to safeguard their health and safety, which are vital, and, above all, promote a greater compatibility of work and the family' <sup>(12)</sup>.

<sup>(11)</sup> Cf. EESC opinion of 11.5.2005 on 'Amending Directive 2003/88/EC concerning certain aspects of the organisation of working time', point 3.4. Rapporteur: Ms Engelen-Kefer, (OJ C 267 of 27.10.2005).

<sup>(12)</sup> *Ibid*, point 3.6.

6.2.4 To this effect, in the EESC's view, a balance between working time flexibility and worker protection should be pursued, and this is best guaranteed through regulations established by collective bargaining. Indeed, in an earlier opinion, the EESC stated that 'the way working time rules are framed in collective agreements is of vital importance to the social partners, which have a wealth of expertise and experience in these matters' <sup>(13)</sup>.

6.2.5 Such bargaining on working time flexibility requires proper bargaining framework as well as a solid context of rights and social institutions to back it up. These include legal regulations that provide stability and protection to workers and social protection for part-time contracts, and that facilitate parental leave schemes and the development of child- and elderly care facilities. It is important that legislation should be flexible and neutral, thus enabling the partners to find appropriate solutions.

### 6.3 Functional flexibility

6.3.1 Functional flexibility refers to using workers' capacity to perform different tasks when needed, through job rotation, widening the scope of the job, and job enrichment. It can benefit companies by enabling them to adjust the type of activities workers perform to fluctuations in demand or staffing and to more productively utilise human resources and capital investments. Functional flexibility can also be of interest to workers because it may improve their opportunities for personal development, learning and employability, for job satisfaction, and for wage improvements.

6.3.2 Functional flexibility can be a key factor in pursuing the Lisbon goals of improving productivity, innovation and competitiveness. As shown by, for example, the Dublin foundation, functional flexibility, combined with training, has a positive effect on skills development and skills retention, again positively influencing productivity <sup>(14)</sup>.

6.3.3 However, functional flexibility requires secure conditions of employment, decent working conditions, empowerment,

and cooperative ways of working. As the EESC has argued in an earlier opinion, 'Secure jobs, salubrious working conditions and working arrangements that give workers more autonomy in their work are an important factor for increasing productivity and hence innovativeness' <sup>(15)</sup>. In the same opinion, it was argued that 'Cooperative methods of working, involving low-profile hierarchies and greater autonomy, such as group- and team-work, make it possible to exploit people's knowledge and abilities to the full, whilst, at the same time, taking account of the greater demands for flexibility in the economy. Good working conditions and forms of work organisation that are conducive to empowerment and participation are also a key prerequisite for improving labour productivity and strengthening businesses' innovativeness' <sup>(16)</sup>.

6.3.4 The Dublin Foundation has, however, called attention to the fact that functional flexibility may lead to more work pressure and stress. Hence it underlines that it is important '... to achieve a balance between job demands and job control in order to prevent burn-out among employees' <sup>(17)</sup>.

6.3.5 A basic element of functional flexibility strategies and internal flexibility strategies in general should be life-long learning. The importance of lifelong learning for improving workers' skills, career opportunities and productivity has been underlined in a number of recent EESC opinions <sup>(18)</sup>. Functional flexibility requires a constant upgrading of workers' knowledge and capabilities and a well-functioning education and training infrastructure to back this up. Whilst many commitments have in the past been made to lifelong learning, much remains to be achieved in practice.

6.3.6 Functional flexibility is again a key issue for collective bargaining between social partners. Through such bargaining, the needs of businesses and workers can be balanced and fine-tuned, and adequate compensation for increased skills can be defined.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

<sup>(13)</sup> EESC opinion of 1.7.2004 on the 'Revision of Directive 93/104/EC on the organisation of working time', point 2.2.6. Rapporteur: Mr Hahr (OJ C 302 of 7.12.2004).

<sup>(14)</sup> <http://eurofound.europa.eu/ewco/2004/02/NL0402NU03.htm>.

<sup>(15)</sup> EESC opinion of 13 September 2006 on 'Quality of working life, productivity and employment in the context of globalisation and demographic challenges', rapporteur: Ms Engelen-Kefer (OJ C 318, 23.12.2006, p. 1.3).

<sup>(16)</sup> Idem, point 1.4.

<sup>(17)</sup> <http://eurofound.europa.eu/ewco/2004/02/NL0402NU03.htm>.

<sup>(18)</sup> Opinions of the EESC on the 'Proposal for a Recommendation of the European Parliament and of the Council on key competences for life-long learning' rapporteur: Mária Herczog (OJ C 195, 18.8.2006), and on 'Training and Productivity (exploratory opinion)' rapporteur: Mr Koryfidis (OJ C 120 of 20.5.2005).

**Opinion of the European Economic and Social Committee on 'Employability and entrepreneurship — The role of civil society, the social partners and regional and local bodies from a gender perspective'**

(2007/C 256/21)

The European Economic and Social Committee received a letter, dated 13 February 2007, from the future Portuguese presidency requesting its opinion on the abovementioned 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 18 June 2007. The rapporteur was Mr Pariza Castaños.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 141 votes to none with five abstentions.

## 1. Summary of the EESC's proposals

1.1 Gender inequality in the business world and the labour market is a serious problem for European society as a whole, for both women and men, for businesses, male and female workers, governments, the social partners and civil society. The EESC believes that the time has come to give a boost to equality policies, through new, active measures in the labour market, business initiatives and the organisation of social life.

1.2 Gender equality is a fundamental challenge for the future of Europe. For this reason, the EESC proposes that the gender perspective of the Lisbon agenda be strengthened, and that the aspects below be included in the mid-term review of the integrated guidelines for growth and jobs and the national reform plans.

1.2.1 The Member States should firmly implement the European Pact for Gender Equality, and appoint national officers for gender equality.

1.2.2 There should be new specific objectives for gender equality in employment policies, with qualitative and quantitative indicators, it being vital for more women to be entrepreneurs, to secure employment, and for the quality of this employment to be improved.

1.2.3 There should be specific objectives to eliminate the gender stereotyping (particularly in education) that restricts entrepreneurship among women.

1.2.4 Governance should be improved, with sufficient involvement of the social partners and civil society organisations, particularly at local and regional level. Local and regional authorities should be actively involved in the national reform plans.

1.2.5 There should be greater transparency in public employment services and private agencies in order to promote equality and eliminate discrimination from job recruitment procedures.

1.2.6 Regulators of the financial services sector must commit themselves to monitoring whether loan applications by female entrepreneurs are encountering gender discrimination. Public aid for access to credit is also required, particularly for women starting up a business for the first time.

1.2.7 There should be specific objectives in university and vocational education to boost access by both genders to all professions, overcoming cultural stereotypes.

1.2.8 Support and assistance should be provided for the social partners, particularly at sectoral, local and regional level, to eliminate, through collective bargaining and social dialogue, the gender imbalances which put women in an inferior position.

1.2.9 The equality plans and positive action measures agreed and implemented in many companies and sectors should be extended, and should be supported by national, regional and local governments, and through the Community resources of the European Social Fund.

1.2.10 The EU guidelines should reinforce the national objectives for equal pay between men and women, by means of specific indicators.

1.2.11 At local and regional level, specific programmes should be implemented to improve access to employment and to facilitate the creation of businesses by migrant women and minority groups.

1.2.12 There is also a need for specific programmes and objectives for disabled women.

1.2.13 National reform plans for pension calculation systems should help prevent women from losing their pensions or from receiving significantly lower pensions as a result of part-time work or career breaks due, *inter alia*, to family commitments. Married co-entrepreneurs must have proper legal status.

1.2.14 Local and regional authorities should work with businesses and male and female workers to enable them to reconcile their family and working lives.

1.2.15 Due to the ageing of the present generation of company leaders, the transfer of many businesses, especially SMEs, provides an opportunity for women to access management posts. It is crucial to prepare for this handover via national and local measures facilitating the transfer of businesses to women. At EU level, this would warrant a situation analysis and a compilation of accompanying incentive measures.

## 2. Introduction

2.1 The future Portuguese presidency of the EU has asked the EESC to draw up an exploratory opinion on 'Employability and entrepreneurship — the role of civil society, the social partners and regional and local bodies from a gender perspective', in order to prepare the work of its presidency.

2.2 The EESC welcomes the Portuguese presidency's proposal to strengthen the process of consultation on the new Integrated Guidelines for Growth and Jobs 2008-2010 by taking account of the gender perspective and its application by civil society, the social partners and regional and local bodies, as well as national governments, since the gender issue and equality between men and women are a challenge for all of European society.

2.3 The Treaty clearly states that the EU's objectives include promoting economic and social progress, a high level of employment and gender equality.

2.4 Gender equality is one of the basic principles of the European Union, enshrined in the Treaty and in the EU Charter of Fundamental Rights. The EU institutions and bodies have a responsibility to combat discrimination faced by women and promote gender equality through legislation and public policy.

2.5 The EU has a substantial *acquis* in equality policies. In employment policy and labour legislation, two Directives should be noted: (1) Directive 2002/73/EC on implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions, and (2) Directive 2004/113/EC on implementing the principle of equal treatment between men and women in the access to and supply of goods and services.

2.6 The EESC has drawn up various opinions <sup>(1)</sup> over the past few years through which it is contributing to development of the Community *acquis*, improvement of legislation and the quality of gender equality policies. The Committee has endorsed the European Employment Strategy and highlighted the positive effort made to resolve national and local problems, through joint and coordinated action at European level. The Committee believes that this effort must be backed up with further initiatives and improved coordination.

2.7 The EESC wishes to evaluate policies adopted to date, highlight good practice and propose some new initiatives to enable European women to be entrepreneurs and become more active in the labour market. This opinion falls in the context of the debates on the assessment and reform of the Lisbon agenda, and the proposals can be developed within the revised integrated strategy for growth and jobs, and in future national reform plans.

## 3. The Lisbon agenda

3.1 The Lisbon Strategy calls for full employment in Europe, by stepping up quality and productivity at work, economic, social and territorial cohesion, and better governance; this is to take place in the context of a knowledge-based society that

<sup>(1)</sup> EESC opinion of 13.9.2006 on the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions — A Roadmap for equality between women and men. Rapporteur: Ms Attard (OJ C 318 of 23.12.2006).

EESC opinion of 14.12. 2005 on the Proposal for a Decision of the European Parliament and the Council on the European Year of Equal Opportunities for All (2007) — Towards a Just Society. Rapporteur: Ms Herczog (OJ C 65 of 17.3.2006).

EESC opinion of 29.9.2005 on Poverty among women in Europe. Rapporteur: Ms King (OJ C 24 of 31.1.2006).

EESC opinion of 28.9.2005 on the Proposal for a Regulation of the European Parliament and of the Council establishing a European Institute for Gender Equality. Rapporteur: Ms Štechová (OJ C 24 of 31.1.2006).

EESC opinion of 2.6.2004 on the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions establishing the guidelines for the second round of the Community Initiative EQUAL concerning transnational cooperation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market — *Free movement of good ideas*. Rapporteur: Mr Sharma (OJ C 241 of 28.9.2004).

EESC opinion of 15.12.2004 on the Proposal for a Directive of the European Parliament and of the Council on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation. Rapporteur: Ms Sharma (OJ C 157 of 28.6.2005).

EESC opinion of 10.12.2003 on the Proposal for a Decision of the European Parliament and of the Council establishing a Community action programme to promote organisations active at European level in the field of equality between men and women. Rapporteur: Ms Wahrolin (OJ C 80 of 30.3.2004).

EESC opinion of 14.2.2006 on the Representation of women in the decision-making bodies of economic and social interest groups in the European Union. Rapporteur: Mr ETTY (OJ C 88 of 11.4.2006).

EESC opinion of 3.6.2004 on the Proposal for a Council Directive implementing the principle of equal treatment between women and men in the access to and supply of goods and services. Rapporteur: Ms Carroll (OJ C 241 of 28.9.2004).

takes into account the personal choices of women and men. For the first time, a benchmark has been set for economic equality between women and men, with the target of ensuring 60 % female employment by 2010.

3.2 At the request of the European Council, the EESC is working with its national counterparts to implement the Lisbon Strategy <sup>(2)</sup>.

3.3 Despite the good results obtained, experience has shown that greater reforms need to be implemented in the context of the Lisbon Strategy, in order to ensure that women and men can set up businesses and access employment under equal conditions.

3.4 In Europe, women still do not have the same business opportunities as men, or the same possibilities in the labour market. As a result of the social and cultural stereotypes handed down from the past, the participation rate of women is generally lower than that of men, and occupational segregation persists in the labour market. On the whole, women hold jobs that are less secure, of poorer quality and less well paid; they face greater difficulties in improving their professional qualifications, and female entrepreneurs face more obstacles in accessing funding.

3.5 The EESC therefore considers it necessary to **strengthen the gender perspective of the Lisbon Strategy**, revising the Community and national objectives, in order to enable more women to be entrepreneurs, to secure employment, and for the quality of this employment to be improved ('quality' is understood to mean greater professional diversity, equal pay, greater job stability, access to training and career development).

3.6 After the mid-term review, in March 2005 the Council approved the New start for the Lisbon Strategy, in which the main change was the shift in focus from quantitative objectives alone to include the policies and practical initiatives necessary to accomplish these. The priorities are to create more and better jobs by attracting and retaining more people in the labour market; to modernise social protection systems; to increase the adaptability of workers and enterprises; to improve the flexibility and security of labour markets; and to invest more in human capital through better education and skills <sup>(3)</sup>.

3.7 This revised Lisbon agenda also emphasises the importance of good governance through a more effective political

<sup>(2)</sup> See the conclusions of the European Council of 22 and 23 March 2005 and the work accomplished, particularly the Declaration of the Presidents and Secretaries-General of national ESCs of the European Union and the EESC, Paris, 25.11.2005.  
[http://eesc.europa.eu/lisbon\\_strategy/eesc\\_documents/index\\_en.asp](http://eesc.europa.eu/lisbon_strategy/eesc_documents/index_en.asp).

<sup>(3)</sup> Working together for growth and jobs — A new start for the Lisbon Strategy — COM(2005) 24 final.

approach that will unite stakeholders, Member States, citizens, parliaments, social partners and civil society with the EU institutions, under the common goal of progress and opportunity. The EESC believes that the governance of the Lisbon agenda should be improved through more active involvement of civil society, the social partners and local and regional bodies.

3.8 The EESC stresses that the social partners should be involved as early as possible in drafting the guidelines, and that they should be consulted on the aspects concerning the incorporation of gender criteria.

3.9 The Integrated Guidelines for Growth and Jobs 2005-2008, which form the basis for the Member States' national reform programmes, reinforce the need for gender equality in order to meet established priorities, combining specific measures for women's employment and the inclusion of equality in all initiatives undertaken <sup>(4)</sup>.

3.10 As stated in its opinion on the Guidelines for employment, the EESC is surprised that, even though gender equality in employment is one of the key issues of the Lisbon Strategy, there is no specific integrated guideline on gender issues <sup>(5)</sup>.

3.11 The assessment of the Community Lisbon programme and national reform programmes <sup>(6)</sup> highlights the need to strengthen policies for equal opportunities between women and men, by setting up measures making it possible to reconcile working, family and private life.

3.12 The Joint Employment Report 2006-2007 welcomed the fast rise in female employment rates and considered these to be a step towards the Lisbon objective <sup>(7)</sup>. However, it pointed out that *'[i]n the majority of Member States there remains no reference in the Implementation Reports to specific measures aimed at promoting female employment or reducing gender gaps, with the exception of measures to increase access to childcare facilities. Some Member States (AT, BE, DK, DE, ES, IE, IT, LU, PT, UK) have set national childcare places targets but few report on progress towards the European childcare target. Overall progress towards this target remains slow. Actions to make childcare more affordable through a maximum fee or reduced costs are stressed in just AT, DK, FI, IE, MT, and NL. The need to strengthen the role of men in the reconciliation of work and family life is lacking. SI has launched a campaign to make men*

<sup>(4)</sup> Integrated Guidelines for Growth and Jobs (2005-2008) — COM(2005) 141 final.

<sup>(5)</sup> EESC opinion of 31.5.2005 on the Proposal for a Council Decision on guidelines for the employment policies of the Member States, in accordance with Article 128 of the EC Treaty Rapporteur: Mr Malosse (OJ C 286 of 17.11.2005).

<sup>(6)</sup> COM(2006) 30 final.

<sup>(7)</sup> Joint Employment Report 2006/2007, adopted by the Council (EPSCO) on 22 February 2007, forwarded to the European Council in view of its meeting on 8-9 March 2007.

more active in family life, LT introduced new paid paternity leave opportunities for fathers, and CZ, DE and EL will extend the possibility for fathers to take parental leave.'

#### 4. The European Pact for Gender Equality and the Roadmap for equality between women and men

4.1 The European Pact for Gender Equality <sup>(8)</sup>, adopted by the European Council in March 2006, is a step forward in qualitative terms, as it gives all the Member States the common goal of increasing female participation in the labour market and promoting equality between women and men.

4.2 The Roadmap for equality between women and men 2006-2010, adopted by the Commission, sets out six key areas for EU action: equal economic independence for women and men; reconciliation of private and professional life; equal representation in decision-making; eradication of all forms of gender-based violence; elimination of gender stereotypes, and promotion of gender equality in external and development policies <sup>(9)</sup>.

4.3 In order to improve governance in terms of gender equality, the roadmap also sets out a number of highly significant actions, and the Commission has pledged to closely monitor progress in this field.

4.4 In its opinion on the Roadmap for equality between women and men 2006-2010, the EESC welcomed the Commission's political will to keep gender equality high on its agenda for 2006-2010, and highlighted the importance of involving all stakeholders in the implementation of its priorities <sup>(10)</sup>.

4.5 The EESC has also expressed its support for the creation of the European Institute for Gender Equality <sup>(11)</sup>.

4.6 The EESC believes that the time has come to give a boost to equality policies, through new, active policies in the labour market, the creation of businesses and the organisation of social life. In certain Member States new laws are being adopted to ensure effective equality between women and men in political activity, social organisations and businesses at employee, management and board level. In general, the EESC supports these reforms, which include active policies, based on a rational

legal framework ensuring real protection for employment and providing the indispensable stability and security.

#### 5. EESC proposals: Strengthening the gender perspective of the Lisbon Agenda

5.1 Gender inequality and imbalances in the business world and the labour market are a serious problem for European society as a whole, for both women and men, for businesses, male and female workers, governments, the social partners and civil society. Gender equality is a fundamental challenge for the future of Europe.

5.2 The EESC endorses the Resolution of the European Parliament of 13 March 2007 <sup>(12)</sup> on the Roadmap for equality between women and men 2006-2010, particularly point 17, which 'Calls on the Member States to add to, or strengthen, their national employment and social integration plans so as to include measures to help women enter the labour market on a footing of equal dignity and equal pay for equal work and to promote female entrepreneurship' and point 20, which 'Calls on the Member States to appoint a national official to take charge of gender equality for the purposes of implementing the Lisbon strategy, whose task should be to help draw up and revise the respective national plans and monitor their implementation so as to encourage gender mainstreaming and budgeting as regards the policies and targets laid down in the plans.'

5.3 The EESC stresses that the new national reform plans must make it a requirement for Member States to appoint a national officer for gender equality.

5.4 The Guidelines for employment must establish concrete objectives and improve qualitative and quantitative indicators in order to make a comparative assessment of the progress made by Member States towards effective female equality in the labour market and entrepreneurial initiatives.

5.5 The EESC believes that the EU should pay greater attention to women who work in rural, farming-dependent areas where learning is not a strong priority, and should support their participation in the labour market.

<sup>(8)</sup> Presidency conclusions, 7775/1/06/REV 1.

<sup>(9)</sup> COM(2006) 92 final.

<sup>(10)</sup> EESC opinion of 13.9.2006 on the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions — A Roadmap for equality between women and men. Rapporteur: Ms Attard (OJ C 318 of 23.12.2006).

<sup>(11)</sup> EESC Opinion of 28.9.2005 on the Proposal for a Regulation of the European Parliament and of the Council establishing a European Institute for Gender Equality. Rapporteur: Ms Štechová (OJ C 24 of 31.1.2006).

<sup>(12)</sup> European Parliament resolution of 13 March 2007 on a Roadmap for equality between women and men (2006-2010) (2006/2132(INI)).  
<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2007-0063+0+DOC+XML+V0//EN>.



5.6 In the name of subsidiarity, some governments are trying to reduce the EU's requirements in relation to the national reform plans. However, the EESC believes that, overall, the integrated guidelines are sufficiently flexible for Member States to be able to identify the solutions that best fit their needs.

5.7 Moreover, the EESC believes that it is necessary to strengthen the Community dimension of the Lisbon agenda and the Integrated guidelines for growth and jobs, whilst respecting the subsidiarity principle. In its opinion on the Roadmap for equality between women and men (2006-2010), the EESC stated that it *'acknowledges that common priorities in the coordination of employment policies are necessary to increase the female participation rate. In assessing national reform programmes, the Commission needs to ensure that gender gaps are given priority and that the necessary action is taken'* <sup>(13)</sup>.

5.8 Governance has been improved within the European employment strategy, but the EESC believes that the situation is still not fully satisfactory. Cooperation must be stepped up between the Commission, the Member States, the social partners, bodies working in the field of equality and civil society organisations, so as to ensure sufficient participation at all levels, and in all phases of action.

5.9 The EESC considers that citizens' involvement in the European employment strategy should be improved. It should be made easier for the social partners and civil society organisations to become involved in these policies, and it is therefore important for them to be able to participate through suitable procedures at all levels — Community, national, regional and local. To ensure the success of the Lisbon Strategy, it is important to improve governance and the value added by the active involvement of the social partners, civil society and local and regional bodies.

5.10 When it comes to employment, it is at local level that the impact of policy implementation is felt most; therefore, local and regional authorities, in conjunction with the social partners, have a key role to play in the implementation of policies. If integration into the labour market is to be guaranteed under equal conditions, there must be an in-depth understanding of women's specific requirements and needs, and of the economic and social context of the area in question. Consequently, local and regional bodies should be involved in diagnosing, designing, implementing and assessing actions.

5.11 While it is true that, in recent years, women have forged ahead in the academic field (59 % of higher education graduates are now women) <sup>(14)</sup>, their fields of study remain highly stereotypical. Only one in ten female graduates secures a

technical qualification, as opposed to four out of ten men. Teaching, the humanities and arts and healthcare account for almost half of female graduates, but less than one quarter of male graduates. The EESC proposes that education authorities undertake wide-ranging promotional activity in order to overcome sexist stereotypes so that women and men opt for professions in which they are under-represented.

5.12 Reconciliation policies help to improve quality of life for women and men, and help everybody to enter and remain in the labour market, harnessing the full potential of the workforce. These policies should be open to both women and men.

5.13 The EESC <sup>(15)</sup> reminds Member States of the commitments they made in the European Pact for Gender Equality, and proposes that the Commission require that the Member States' national reform programmes include greater commitments to improving the reconciliation of family and working life for women and men. As this is a matter for society as a whole, the joint responsibility of all parties, including companies, must be guaranteed.

5.14 Reconciliation should not be confused with certain family policy measures which hinder employment by providing strong incentives to opt out of the labour market for an extended period of time, thus reducing the opportunities for returning to work.

5.15 There is a need for more effective measures that will promote the reintegration of women and men into the labour market after an absence to have children or to care for dependent persons, without any reduction in qualifications or pay. These measures could include flexible models for continuous training during the period of absence, and continuation of employment with shorter working hours. In this context, it is worth noting the European Framework Agreement on Telework reached by the social partners (ETUC, UNICE/UEAPME and CEEP), which lays down the definition and scope of telework, its voluntary nature, employment conditions, protection of data, privacy, equipment, health and safety, organisation of work, training and collective rights, and the implementation and monitoring of the agreement.

5.16 NGOs play a very important role in promoting gender equality in Europe, as they implement campaigns which revolve around political ideas and cultural values, and social initiatives which promote better opportunities for many women. Many women are also involved in NGOs representing various sectors of the female population vis-à-vis local and regional bodies, and these should be supported.

<sup>(13)</sup> See point 2.3.3.1.3 of the EESC opinion of 13.9.2006 on the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions — A Roadmap for equality between women and men. Rapporteur: Ms Attard (OJ C 318 of 23.12.2006).  
<sup>(14)</sup> COM(2007) 49 final.

<sup>(15)</sup> EESC opinion of 11.7.2007 on The role of the social partners in reconciling working, family and private life. Rapporteur: Mr Clever.

5.17 Women from migrant or minority backgrounds suffer from particular difficulties in setting up businesses and accessing the labour market under equal conditions, and the new guidelines for employment must therefore include specific objectives.

5.18 The EESC has drawn up various opinions calling for a common EU policy on immigration, and for integration policies and the fight against discrimination to be made priorities by European governments. These policies should include the gender perspective, so that migrant women or women from ethnic or cultural minorities can implement their business projects and become part of the labour market under equal conditions.

5.19 Women with disabilities also face extra difficulties in joining the labour market and setting up businesses. The EESC proposes that the new guidelines and national reform programmes strengthen the objective of including these women in the labour market, through specific indicators.

5.20 The EESC proposes that local and regional authorities promote policies to boost equal opportunities for women with disabilities, and that the social partners adopt strategies for equality, in the context of collective agreements and labour practices.

5.21 Via the EQUAL initiative and in the context of the Lisbon Strategy, the ESF has implemented valuable, innovative approaches to promote the entrepreneurship and employability of women suffering from greater discrimination. These experiences could prove useful, particularly for further development by local and regional governments, in the framework of the ESF's planned initiatives for the 2007-2013 programming period, with a view to adopting new initiatives to promote access to employment for women facing particular difficulties.

## 6. Employability

6.1 Since the Lisbon Strategy was launched, six million out of the eight million jobs created in the EU have been filled by women. In 2005, the female employment rate reached 56,3 % (+ 1,1 %), compared to a male employment rate of 71 % (+ 0,6 %). The employment rate for women over 55 has also increased more quickly than for men, at 33,7 % <sup>(16)</sup>.

6.2 Unemployment is falling: 8,8 % in 2005, with a rate of 9,9 % for women and 7,9 % for men. Despite the positive trend in the overall female employment rate in Europe, the contribution of women is still not fully realised. This is evidenced in the lower female participation and occupation rates, higher unem-

ployment rate, greater instability of employment contracts, strong occupational and sectoral segregation, pay inequality, and the difficulties for women and men in reconciling professional and family life.

6.3 The EESC points out that although the target rate set for female employment (60 % by 2010) is achievable (although not in all countries), it should be remembered that this rate includes part-time, flexible and temporary jobs, most of which are held by women, not always voluntarily, but often as a result of the uneven sharing of family responsibilities between men and women.

6.4 Major differences remain in the roles of men and women in the labour market, and there is a high degree of segmentation, particularly as regards working arrangements and the professions and sectors in which they work. These differences affect both working women and those seeking employment. Consequently, it is important to promote new policies designed to reduce the root causes of inequality faced by women in the labour market.

6.5 Women also face more difficulties than men in finding a job in keeping with their qualifications. Moreover, juggling work and family life makes it even harder for women to enter and remain in the labour market, which continues to be far more difficult for them than for men.

6.6 The EESC welcomes the equality plans adopted by the social partners in many companies with the aim of combating discrimination and of improving the involvement of women, the duration of their employment with companies and their training and professional career. Positive action measures have been established to this end. The public authorities, particularly at local and regional level, must support the equality plans.

6.7 The European social dialogue, for which the social partners are responsible, has an important role to play in the development of the gender perspective in the Lisbon Strategy. The EESC highlights and endorses the important role of the Framework strategy on gender equality agreed by the European social partners in 2005 <sup>(17)</sup>, which is being implemented at sectoral and national levels.

6.8 The recent framework agreement on harassment and violence in the workplace <sup>(18)</sup> is an example of the good practices that the EESC wishes to support. Moreover, some of the sectoral dialogue committees are adopting a gender-based approach. The Committee urges the Commission to work more actively with the social partners to achieve these objectives.

<sup>(16)</sup> Joint employment report 2006/2007.

<http://register.consilium.europa.eu/pdf/en/07/st06/st06706.en07.pdf>.

<sup>(17)</sup> [http://ec.europa.eu/employment\\_social/news/2005/mar/gender\\_equality\\_en.pdf](http://ec.europa.eu/employment_social/news/2005/mar/gender_equality_en.pdf).

<sup>(18)</sup> [http://ec.europa.eu/employment\\_social/emplweb/news/news\\_en.cfm?id=226](http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=226).

6.9 Collective bargaining in accordance with national laws and practices is one of the features of the European social model. The social partners in different fields conduct negotiations and agreements in order to improve employment security and flexibility, by adapting salaries, the organisation of labour and vocational training and qualification systems.

6.10 Collective bargaining within companies and sectors must be used to eliminate the gender imbalances which put women in an inferior position. The EESC believes that collective bargaining and social dialogue are essential tools for the expansion of equality plans in European companies. For Europe, the Member States, companies and society as a whole, the discrimination that many women suffer in the employment field as a result of cultural and social stereotypes must be eliminated.

6.11 The principle of equal pay for male and female workers, which is mentioned in Article 141 TEC, entails, for the same work or for work to which equal value is attributed, the elimination of all discrimination on grounds of sex with regard to all aspects and conditions of remuneration. However, on average, women earn 15 % less than men per hour worked (relative difference in average gross pay per hour between men and women) <sup>(19)</sup>. This wage discrimination occurs in all business sectors, particularly in the highest occupational categories.

6.12 The EESC believes that wage equality between men and women, which is already included in the Community integrated guidelines, should be stepped up by evaluating precise indicators.

6.13 To eliminate wage discrimination, active cooperation is needed between the social partners in different fields. In its opinion on the Roadmap for equality between women and men (2006-2010), the EESC recommended that: *'national governments, national equality bodies and the social partners of all Member States have a clear obligation to ensure that the pay systems they put in place do not lead to pay discrimination between women and men'* <sup>(20)</sup>.

6.14 Public employment services are a key component of the labour market machinery, and should be committed to promoting active policies to enable unemployed women to access employment through training and employment guidance schemes. In order to ensure that existing legislation is properly applied, the EESC proposes that public employment services and private agencies draw up codes of good practice so that job offers and selection procedures do not discriminate against women.

6.15 It is in the most transparent labour markets that equality between women and men is greatest. For example, female participation rates in the public sector are higher because, among other things, the selection procedures evaluate skills and more effectively eliminate discriminatory prejudices based on gender stereotypes.

6.16 Often, the systems for calculating pensions are detrimental for women, as they are linked to professional careers. Many women with part-time jobs or whose periods of employment are interrupted or unstable find it very difficult to obtain a pension, or they receive very low pensions. The EESC proposes that, through the open method of coordination for the reform of pension systems, the Commission and Member States take into account these situations, which damage the equality of women in the labour market, and look for fairer solutions.

6.17 Continuing training is essential so that men and women can carry out their professional activities in a sustainable way. The EESC proposes that local and regional authorities, in cooperation with the social partners, implement continuing training schemes aimed at female entrepreneurs and workers in the context of employment and equal opportunities policies.

6.18 The EESC wishes to highlight the active role played by the social partners in overcoming the difficulties faced by women in society and the labour market. Many women are joining trade unions and employers' organisations and promoting active policies and equality plans from the inside; however, they are still far from numerous and have to overcome many difficulties in order to reach management levels.

## 7. Entrepreneurship

7.1 Female entrepreneurs still constitute a small percentage of the total, accounting for 30 % of employers in the EU, and 37 % of self-employed workers <sup>(21)</sup>.

7.2 Women also face more obstacles than men in setting up businesses, due to stereotyping, social and cultural barriers, guidance in education and training, and the added difficulties in obtaining the funding that business projects require. However, once businesses have been set up, there is no evidence that women are less successful than men in building up their companies.

<sup>(19)</sup> COM(2007) 49 final.

<sup>(20)</sup> See point 1.2 of the EESC opinion of 13.9.2006 on the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions — A Roadmap for equality between women and men. Rapporteur: Ms Attard (OJ C 318 of 23.12.2006).

<sup>(21)</sup> Roadmap for equality between women and men 2006-2010. COM(2006) 92 final of 1.3.2006. [http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0092en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0092en01.pdf).

7.3 The EESC proposes that all political and social players step up their efforts to promote entrepreneurship among European women and eliminate the old social stereotypes that still persist: 'business is a man's world, the working hours are incompatible with family life', etc. These social stereotypes create many cultural and social difficulties for women who are self-employed or setting up businesses.

7.4 The Action Plan: The European agenda for Entrepreneurship<sup>(22)</sup> proposes a series of measures for the promotion of entrepreneurship to be achieved by the EU and the political leaders of all the Member States. Among other things, the plan highlights the need to provide tailored support for women. However, the progress reports on the achievement of the key objectives and actions of the European Charter for Small Enterprises<sup>(23)</sup> do not make any mention of this issue. The EESC believes that the annual reports should include specific information on the progress made at European level and in Member States in providing support for female entrepreneurs, in order to make it easier to exchange good practices and knowledge.

7.5 Entrepreneurial mindsets must be promoted among women and men in Europe<sup>(24)</sup>. In 2006, the EESC adopted an opinion<sup>(25)</sup> on the Communication from the Commission on Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning, in which it stressed the importance of female entrepreneurs, entrepreneurial mindsets among women, and the role of entrepreneurship for fostering growth, employment and personal fulfilment. The opinion stressed that the development of an entrepreneurial mindset is an ongoing learning process, and should therefore be included on curricula.

7.6 The EESC recommends that national curricula include entrepreneurship education (on business management techniques, IT tools, etc.) at secondary and tertiary levels, especially among females, and that measures be adopted to increase the number of female entrepreneurs.

7.7 The aim is to give women the same opportunities as men in accessing the business world, by eliminating all existing discrimination. Local and regional governments should help

<sup>(22)</sup> Action Plan: The European agenda for Entrepreneurship. [http://eur-lex.europa.eu/LexUriServ/site/en/com/2004/com2004\\_0070en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2004/com2004_0070en01.pdf).

<sup>(23)</sup> [http://ec.europa.eu/enterprise/enterprise\\_policy/charter/index\\_en.htm](http://ec.europa.eu/enterprise/enterprise_policy/charter/index_en.htm).

<sup>(24)</sup> The EESC is drawing up an opinion on Entrepreneurship mindsets and the Lisbon agenda.

<sup>(25)</sup> EESC opinion of 16.7.2006 on the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions — Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning. Rapporteur: Ms Jerneck (OJ C 309 of 16.12.2006).

women to exercise their right to entrepreneurship, as a factor for equality and local economic and social development.

7.8 Support measures must be set up to ensure that female entrepreneurs are able to tap into the financial and loan services they need. Banks should offer specific micro-credit schemes for female entrepreneurs. Financial institutions should avoid discriminating against female entrepreneurs, who currently face greater obstacles than men in securing the necessary financing for their businesses, expanding their companies and developing innovation, training and research initiatives.

7.9 There should be more information on the possibilities for financing under the Structural Funds, in order to explore innovative options such as the creation of flexible financial instruments which combine subsidies with micro-credit and guarantees.

7.10 The Community funds for promoting entrepreneurship, which are reinforced and managed by national and regional governments, should be transparent and easily used by small and medium-sized enterprises headed by women. Local and regional governments, working with employers' organisations, should make it easier to provide facilities, financial aid and advice for female entrepreneurs, particularly in the initial phases of their business projects.

7.11 The EESC wishes to highlight one example of good practice in France: the Guarantee fund for the creation, takeover or development of businesses by women (Fonds de Garantie pour la Création, la Reprise ou le Développement d'Entreprise à l'Initiative des Femmes), which helps women to access financing in order to set up, take over or develop a business. The fund was created to help women overcome the difficulties they face when trying to obtain bank loans. It is managed through a private organisation, the Institute for the development of the social economy (Institut de Développement de l'Economie Sociale), and is financed through various sources, including the European Social Fund.

7.12 Member States must provide greater support to small enterprises, as most female entrepreneurs consider taxation policies to be one of the biggest obstacles to running a business, owing to the shortcomings of legislation in force.

7.13 When people set up their own companies, they also gain control of their own time. More and more women and men are therefore opting for self-employment and entrepreneurship. However, in practice, female entrepreneurs encounter more obstacles than men in reconciling their working and family lives effectively.

7.14 Throughout Europe, there are many examples of good practices for promoting the role of women in employers' organisations at various levels; associations of female employers have also been set up. Chambers of commerce and industry <sup>(26)</sup> are also implementing many positive initiatives, which the EESC supports.

7.15 The EESC endorses the work carried out by the European Network to promote Women's Entrepreneurship (WES), whose main aim is to raise the profile of female entrepreneurs, creating a positive environment through measures such as the exchange of information on funding, training, networks, advice, research and statistics.

7.16 Given the nature of social economy enterprises (cooperatives, mutual societies, associations, foundations), women often opt for them when starting up a business activity, finding it less difficult to achieve their professional objectives there than in other types of enterprise.

7.17 Owing to their social purpose, to a large extent, social economy enterprises promote the integration of women into

the labour market and should therefore be supported by local and regional governments, in order to boost this important social initiative.

7.18 Most married co-entrepreneurs are women who often work part time. Concerns regarding the decrease in birth rates, the issue of childcare and the problems relating to the death of or divorce from one's spouse are all highly specific problems which differ from those faced by men. In many Member States, married co-entrepreneurs do not have proper legal status.

7.19 There are also significant inequalities resulting from social security schemes. Specific measures must be implemented in the field of social protection, training and support for the creation of businesses by women. In some countries, social protection provisions for female entrepreneurs and married co-entrepreneurs distinguish between different statuses which can apply to female entrepreneurs, e.g. 'collaborator spouse', 'employed spouse' or 'associate spouse'. The EESC proposes that the Commission encourage debate in order to improve the social protection of female entrepreneurs.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(26)</sup> See [http://www.eurochambres.eu/women\\_onboard/index.htm](http://www.eurochambres.eu/women_onboard/index.htm).

## Opinion of the European Economic and Social Committee on 'Health and Migrations'

(2007/C 256/22)

In a letter dated 14 February 2007 the upcoming Portuguese Presidency asked the European Economic and Social Committee to draw up an exploratory opinion on *Health and Migrations*.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 18 June 2007. The rapporteur was Mr Sharma, the co-rapporteur was Ms Cser.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July 2007), the European Economic and Social Committee adopted the following opinion by 109 votes to 3 with no abstentions.

### 1. Conclusions

This Opinion is about the links between health and migration and as such is not a debate about migration *per se*. Migration is important to the EU economy and is an ongoing process which involves a significant and increasing proportion of the EU and the global population.

It is important that the policies of the EU and Member States provide a high level of health protection to migrants and their families. This means action in a wide range of policy areas including employment and health and safety at work, education, social protection as well as health promotion and health care.

This Opinion has identified a number of health issues facing migrants and implications for public health which require intervention by Member States and the European Union.

#### 1.1 Recommendations

The humanist <sup>(1)</sup>and fair <sup>(2)</sup> globalization must be based on universally shared values and respect for human rights and respect for a high level of health and food safety for all population groups, in particular the most vulnerable; cultural and linguistic diversity and sharing and dissemination of knowledge amongst everyone.

With respect to universal human rights the EESC makes the following recommendations:

1.1.1 Information and meeting points should be set up, making it easier for immigrants to obtain information on health and social care. The information should be provided by members of the same immigrant minority, working in the centres, as well as provide a focal point of cooperation between authorities, migrant NGOs and those of the host communities.

1.1.2 The Member States and the EU should step up cooperation with international organisations on immigrant health and

monitoring and assessing problems and benefits on local, regional, national and European levels.

1.1.3 Introducing national public health programmes into education taking minority cultures into consideration.

1.1.4 A Special Compensation Fund should be set up, together with programmes for training, resettlement and cooperation between host countries and countries of origin.

1.1.5 Access to medical treatment and preventive care should be provided as a human right to all persons living in the EU regardless of their status, in line with the Charter of Fundamental Rights which guarantees access to preventative and medical care.

1.1.6 Confidentiality clauses between patients and medical institutions should be introduced (where these do not exist) to ensure that any information about a person's immigration status cannot be disclosed to third parties and therefore should not deter migrants from seeking medical help and treatment especially in case of irregular immigration.

1.1.7 Member States and the EU should cooperate to improve data collection and research on migration and health throughout the EU.

1.1.8 Health should be included as an essential dimension of migration.

1.1.9 Health impact assessments should evaluate the potential impact on both health and non-health policies on the health of migrants.

1.1.10 Member States that traditionally offer specialist tropical medical services must offer their expertise to all EU residents and continue to undertake high quality research into treatments for tropical illnesses, particularly malaria.

<sup>(1)</sup> See the EESC opinion of 31 May 2007 on 'The Challenges and Opportunities for the EU in the Context of Globalisation' (Exploratory opinion), rapporteur Mr Malosse and the co-rapporteur was Mr Staffan Nilsson (OJ C 175, 27.7.2007).

<sup>(2)</sup> ILO. A Fair Globalization. 2004.

1.1.11 Improved mechanisms are needed to assess and provide for the health needs of all categories of migrants as soon as possible after arrival. Enhanced cooperation is required between the EU and Member States to provide for the immediate needs of migrants arriving with urgent medical need, particularly through the provision of interpreters.

1.1.12 Health of migrants at work should be prioritised. This should involve cooperation by social partners and the competent authorities to ensure that high standards of occupational health and safety are maintained in sectors in which migrants are commonly employed. Workplace based health promotion programmes should also be further developed in cooperation with community based services to help meet the needs of migrant workers and their families.

1.1.13 School based health promotion programmes should also be considered as a way of providing for the health needs of migrant children. Health of migrant children is a particular priority. Pre-school and school-based health services must meet the needs of children from all backgrounds, including the children of migrants, with particular emphasis on new arrivals.

1.1.14 Health care treatment and preventive services should be developed which are culturally appropriate and sensitive without making any concessions to the ban on female genital mutilation.

1.1.15 Health professionals should receive ongoing training and professional development to assist them to provide for the changing health needs of migrant communities.

1.1.16 Consideration should be given to recruiting health professionals trained in developing countries, including an element of co-development, facilitating their return after a temporary stay or providing compensation to the country of origin that provided the training. The Commission needs to look at areas of good practice in ethical recruitment of medical staff from Third Countries with a view to proposing an EU Code of Good Practice.

1.1.17 The role of the authorities controlling public health should be enhanced and the exchange of good practices should be encouraged and here EU authorities should play a coordinating role.

1.1.18 Enhancing intercultural dialogue — focusing on the state of health and health care <sup>(3)</sup>.

<sup>(3)</sup> See the EESC opinion of 20.4.2006 on the 'Proposal for a Decision of the European Parliament and of the Council concerning the European Year of Intercultural Dialogue (2008)' — COM(2005) 467 final — 2005/0203 (COD), rapporteur Ms Cser (OJ C 185, 8.8.2006).

1.1.19 The EESC re-emphasises its previous recommendations saying that the Member States should implement the ILO conventions on migrants <sup>(4)</sup>.

## 2. Background

2.1 The European Economic and Social Committee welcomes the on-going interest of the Portuguese Presidency to investigate the issue of public health and migration. The German, Portuguese and Slovenian presidencies agreed that 'the health policy plays a crucial role as better prevention and cross-border health care bring direct benefit to European citizens' <sup>(5)</sup>.

The three Presidencies committed themselves to actively pursue work to address the existing inequalities affecting migrants in terms of access to health services. It has also been agreed to support a wide range of Community activities to contribute to a high level of health for all citizens, focusing on health promotion, disease prevention, innovation and access to healthcare.

2.2 The Committee has adopted a wide range of opinions concerning the issue of regular and irregular migrations <sup>(6)</sup>, therefore this exploratory opinion will focus on health issues. We invite the Portuguese Presidency and other stakeholders involved to refer to our previous work in the field of migration.

<sup>(4)</sup> The International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, adopted in 1990, came into force in July 2003. This complements the ILO Migration for Employment Convention, 1949 (No 97) and the ILO Migrant Workers (Supplementary Provisions) Convention, 1975 (No 143). Together, these three International Conventions provide a framework for addressing the rights of migrant workers and questions of irregular migration. They operate within a broader policy context including recently-adopted UN treaties that address trafficking, smuggling and exploitation, such as the UN Convention against Transnational Organized Crime (2000), its Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (2000) and Protocol against the Smuggling of Migrants by Land, Sea and Air (2000), the Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography (2000), as well as the earlier 1951 Convention and 1967 Protocol relating to the Status of Refugees. While relatively few countries and, where relevant, regional economic organizations have ratified these conventions to date (with the exception of the refugee treaties), these instruments provide important elements for a more comprehensive agenda.

<sup>(5)</sup> **Council of the European Union**, 18-month Programme of the German, Portuguese and Slovenian Presidencies, **Brussels, 21 December 2006**.

<sup>(6)</sup> See the following EESC opinions:

— 13.9.2006 on 'Immigration in the EU and integration policies: cooperation between regional and local governments and civil society organisations', rapporteur Mr Pariza Castaños (OJ C 318, 23.12.2006).

— 15.12.2005 on the 'Communication from the Commission to the Council and the European Parliament: The Hague Programme: Ten priorities for the next five years — The Partnership for European renewal in the field of Freedom, Security and Justice' — COM(2005) 184 final, rapporteur Mr Pariza Castaños (OJ C 65, 17.3.2006).

— 20.4.2006 on the 'Proposal for a Regulation of the European Parliament and of the Council on Community statistics on migration and international protection' — COM(2005) 375 final — 2005/0156 (COD), rapporteur Ms Sciberras (OJ C 185, 8.8.2006).

### 3. Introduction

3.1 Much has been written about migration and health and this report draws upon the recent paper prepared for the Policy Analysis and Research Programme for the Global Commission on International Migration (Carballo & Mboup, September 2005). Other references are noted throughout the Opinion.

3.2 The World Health Organisation defines health as: 'a state of complete physical, mental and social wellbeing and not merely the absence of disease or infirmity'. This Opinion contends that 'health' as defined, is a human right.

3.3 The health of migrants and refugees is important for many reasons, including:

- Universal human rights and respecting human dignity
- The extent of loss of life, disease and risk to health experienced by some, especially illegal migrants
- The health risks experienced by a wide range of migrants moving to a new country
- Variable access to health and social care
- Risks to the wider population and
- Risks to the country of origin from loss of health professionals.

	2006	2005	2004	2003	2002
EU Asylum Applications	266 270	350 103	421 236	532 300	640 347
Number accepted	38 857	46 742	35 872	41 823	59 705
% accepted	22,71	20,55	13,36	12,4	14,73

In recent years, migration both legal and irregular, has increased in a number of countries in Southern Europe, including Portugal, Spain and Italy. Many of these migrants come from North or sub Saharan Africa, Latin America and Asia and the CIS countries.

4.4 Whilst migrants are generally healthier than people in their country of origin, they may experience more health problems than average for their host community. This is due to a variety of reasons, including:

- Psychological and social stresses (resulting from unknown culture, illegality, change of environment, lack of knowledge of foreign languages, lack of trust and information, mental health issues)
- Risks acquired in their country of origin
- Poverty and working in risky conditions
- Poor access to health care and information about healthcare services, health promotion and preventative services

### 4. Size and scope of the issue

4.1 Internationally, it is estimated that more than 200 million people move every year to find work and a better life; at least 30-40 (7) million of them are unofficial. The number of the migrants worldwide would constitute the fifth most populous country in the world (8). Women accounted for 49,6 % of global migrants in 2005. There are between 7 and 8 million undocumented migrants in Europe (9).

4.2 For the purposes of this exploratory opinion the committee has considered migration and health issues mainly in relation to third country nationals migrating to the EU. Presently there are around 18 million citizens of third countries living in the EU. There are also a significant number of foreign born citizens and irregular or illegal migrants. The vast majority of migrants entering into the EU entered legally.

4.3 Asylum seekers represent a relatively small proportion of the migrant population as a whole and the number of asylum seekers has fallen in recent years because of EU policy rather than an overall decrease in the number of people requiring protection.

- Additional risks in their country of destination

- Housing conditions.

4.5 Migrants from some areas have a higher incidence of communicable diseases and long term conditions such as mental health problems, coronary heart disease, respiratory diseases and diabetes are often more common.

4.6 Irregular migrants, including their families and especially children, experience worse health problems than legal migrants which can relate to the health risks taken gaining entry, worse economic and social conditions and insufficient access to services.

(7) United Nations' Trends in Total Migrant Stock: The 2003 Revision.

(8) US Census Bureau, IDB — Rank Countries by Population, <http://www.census.gov/ipc/www/idbrank.html>.

(9) Migration Information Source, <http://www.migrationinformation.org/Feature/display.cfm?id=336>.



## 5. Different types of migration

### 5.1 Voluntary migration

5.1.1 Economic factors are the main driver for migration into the EU with escape from conflict or persecution also forming important reasons. People move and continue to move for different reasons. Some move with the intention of settling and beginning new lives, others with the intention of earning enough to return home.

5.1.2 Some move with legal status to work for a period of time, others move in unregistered way but find work and stay for an indeterminate period. Both of these can present health challenges often related to national policies and social attitudes to migrants and the wider determinants of health such as education, employment and housing.

5.1.3 Circular migration is increasingly being recognised as a key form of migration<sup>(10)</sup> that, if well managed, can help to match the international supply of and demand for labour, thereby contributing to a more efficient allocation of available resources and to economic growth. It can be an answer of the need of the EU offering a credible alternative to illegal immigration.

### 5.2 Forced migration

5.2.1 The health care implications of forced migration are severe and far-reaching; each year people are forced to leave their own countries and become refugees with UN protection, millions are forced to leave their own homes and stay within their own borders.

5.2.2 Often people have to pay large amounts of money to be helped across borders causing financial hardship. Migrants live in fear and are easily exploited by employers. For women rape and sexual exploitation are not uncommon.

5.2.3 Trafficking people is a crime that violates basic human rights and destroys lives. Trafficking people is acknowledged to be the modern form of slavery and each year it is estimated that the total number of people living in some form of forced servitude around the world (according to the ILO) is 12 million, while more than 1 million people are sold as commodities into prostitution or forced labour. US State Department data suggests that 80 % are women and girls and up to 50 % minors. The data also suggests that the majority are trafficked into sexual exploitation.

5.2.4 Trafficking generates enormous profits for traffickers, some estimates suggest that as much as USD 10 billion<sup>(11)</sup> is made each year. (iii: UNICEF)

<sup>(10)</sup> COM on Circular Migration of 16 May 2007.

<sup>(11)</sup> The New Global Slave Trade, Ethan B. Kapstein, from Foreign Affairs, November/December 2006.

### 5.3 International travel

5.3.1 The World Tourist Organisation reports that in the last decade of the 20th century international tourism made up for 30 % of global service industries and estimated that international 'arrivals' will exceed 1,55 billion by 2020. Of these 0,4 billion will involve long-haul travel across ecological zones.

5.3.2 An estimated 14 million people a year travel from industrialised countries to the tropics in Africa, Asia, Latin America and Pacific Islands. A significant number return with a disease that needs treatment. Diarrhoea is the most common problem, but malaria has become a common problem in terms of diagnosis, treatment and cost to the countries that tourists return to.

5.3.3 Without protection, tourists run the risk of Hepatitis A infection and sexually transmitted diseases, including HIV.

## 6. The impact of migration on health and the public health

### 6.1 Policy

6.1.1 Many EU countries have policies regarding right to enter, length of stay and when people must leave. On the whole these policies are restrictive rather than permissive and make migration complicated. This may create social and economic environments that are detrimental to the health of migrants.

6.1.2 Approaches to public health and health screening vary from country to country as does the approach to access to health and social care. However there appears to be a lack of comprehensive information comparing national practices.

### 6.2 Data

6.2.1 Few EU countries gather routine data on the health of migrants and this makes providing reliable information on the health experience and health needs of migrants difficult. In many countries health recording systems are not designed to identify people by migration status.

6.2.2 While a few countries collect these data others focus on region of origin or ethnic group. There can be a lack of clarity about who is a migrant and who is a descendent of a migrant. In some cases people are described by ethnic origin alone and no distinction is made between for example children who are migrants themselves, or who are children of migrants.

6.2.3 There are also an unknown number of irregular and so unrecorded migrants who may be reluctant to seek health care when it is needed.

6.2.4 Furthermore migrants may be reluctant to provide information about their migration status to health service authorities in case it could be used to their disadvantage. This compounds the lack of good quality information available.

6.2.5 Reluctant behaviour might be rooted at cultural and religious reasons. Furthermore authorities and health services providers also lack the appropriate knowledge and are not prepared to meet their special needs. For these reasons there is not enough information on migrants and their state of health.

### 6.3 Migration and psychosocial wellbeing

6.3.1 For both legal and irregular migrants challenges such as language, culture and policies are exacerbated by fear of the unknown (v: Tizon 1983). Other issues such as:

- Separation from families, partners and children
- Exploitation by employers
- Sexual exploitation
- Anxiety and homesickness
- Lack of integration with local communities
- Impaired physical or mental health.

All affect the health of individuals and communities.

### 6.4 Migration and mental health

6.4.1 Research <sup>(12)</sup> has shown that some migrant groups in Europe exhibit the highest rates of schizophrenia, the highest suicide rates, high incidences of drug and alcohol abuse and high risk of depression and anxiety. The research also suggests that access to health and social support for these groups is not adequate.

6.4.2 Some of the factors identified as contributing to the mental ill health of migrants are: changes in diet, family and social support; culture, language and climate; hostility, racism and xenophobia from the host populations; people fleeing war with the attendant horrors of torture, loss of family and sexual abuse.

6.4.3 The research suggests that two thirds of refugees experience anxiety or depression and post traumatic stress disorder symptoms, such as nightmares and panic attacks which are common.

6.4.4 Poor access to treatment, help and support for these disorders is particularly poor for asylum seekers and undocu-

mented migrants, who are the people in most need of these services.

### 6.5 Migration and physical health

6.5.1 All people have a health 'footprint' related to where they come from and social environment they live in. In general economic migrants tend to move from poorer to wealthier countries and so a proportion of them will have health profiles linked to poverty.

### 6.6 Communicable diseases

6.6.1 Support for migrants affected by HIV or TB is variable and presents challenges in respect of culture, language and religion as well as the legal and economic status of migrants. Young generation, women and girls are at greater risk contacting HIV/AIDS.

6.6.2 There are no consistent policies for screening and even locally how pre-entry screening is carried out varies. Apocryphally, local screening responses are widely different. Some services report more than 50 % non-attendance for follow up appointments and service providers relate this to poor communication, fear of authority and a lack of understanding about what might be available. The EESC is aware that Commissioner Kyprianou has asked the European Centre for Disease Prevention and Control to provide an EU Action Plan on TB. The plan is to be published in autumn 2007 and will take account of the situation in different Member States.

6.6.3 Between 1995 and 2005 the EU has seen a steady increase in reported cases of TB. The latest Epidemiological report from ECDC points out that 'cases of a foreign origin' accounted for 30 % of all cases reported in the 25 countries (vi: The First European Communicable Disease Epidemiological Report, European Centre for Disease Prevention and Control, 2007)). It must also be acknowledged that migrants are often located in areas where housing conditions are poor with crowded living and working accommodation, with the attendant risk of the spread of respiratory infections. Migrants are also likely to be over represented amongst the homeless.

6.6.4 With regard to HIV, the EU Report: 'AIDS & Mobility — HIV/AIDS Care & Supports for Migrants and Ethnic Minority Communities in Europe' (vii: EU — Edited Clark K & Broring G) presents reports from countries on:

- National Policy
- Access to health and social support
- Care and support services.

<sup>(12)</sup> M.G. Carta, M Bernal, MC Harday and JM Abad: Migration and mental health in Europe 2005.

6.6.5 The report highlights the fact that the situation of migrants (number of people, ethnic background and epidemiology) and the responses of society vary greatly across Europe.

6.6.6 There is a possibility that people from parts of the world with high HIV rates are likely to bring the disease with them. In fact, between 1997 and 2005 47 % of all heterosexually transmitted HIV infection in the EU was diagnosed from countries with high HIV prevalence.

6.6.7 Conversely, migrants from countries with a low prevalence of HIV do not appear to be at any greater risk (and may be at less risk) than nationals in the host country.

### 6.7 *Non-communicable diseases*

6.7.1 Long term conditions such as Coronary Heart Disease (CHD), Chronic Obstructive Pulmonary Disorder (COPD), stroke and diabetes present a great challenge to health services in most parts of the world and account for about half of the deaths that occur each year.

6.7.2 CHD is the leading cause of mortality and has the most impact in terms of treatment, cost and impact on individuals, carers and communities. CHD in migrant communities can be related to ethnic pre-disposition, diet and stress. In the UK, Asian men appear to be more prone to CHD than others (viii: Baljaraan & Raleigh, 1992; McKeigue & Sevak, 1994, BMJ 2003)

Both men and women of South Asian origin have 30-40 % higher CHD mortality rates than others (ix: Baljaraan, 1991).

6.7.3 Data from the UK suggest that migrants from the Caribbean have an incidence of stroke, twice that of the 'white' population (x: Stewart 1999). In Sweden high rates of obesity and CHD have been reported amongst Finnish migrants linked to diet and alcohol consumption (xi: Jarhult et al 1992).

### 6.8 *Inherited diseases*

6.8.1 Migration of people from different parts of the world can also mean the movement of genetic diseases. Sickle-cell anaemia and thalassaemia have become more apparent as a result of migration from Africa, the Caribbean and the Mediterranean. Sickle-cell anaemia is relatively common in the EU and estimated to affect 6 000 adults and between 75 and 300 babies in the UK each year (xii: Karmi 1995). A high prevalence of sickle-cell anaemia has also been found in migrants in Portugal (xiii: Carrerio et al, 1996).

6.8.2 Thalessemia is an inherited blood disease of Mediterranean origin found in the UK amongst ethnic minorities of Middle Eastern and Cypriot origin and there is evidence that it may be common in people from Pakistan, China and Bangladesh.

6.8.3 These diseases require specialist diagnostic and counselling services which are not always available.

### 6.9 *Occupational diseases*

6.9.1 Migrants tend to secure lower skills jobs that have become unattractive to the local population. Some of these jobs, such as mining, asbestos, chemical industries, or heavy manufacturing involve health risks. In the agricultural sector exposure to pesticides and other chemicals has been associated with high incidence of depression, headaches and in women miscarriage.

6.9.2 In the case of highly educated, skilled or 'brain-drain' as well as circular migrants work-related stress appears very often, as they have worse conditions than the employees of the host countries (different rights, etc.); however, they have no choice due to their economically dependent status <sup>(13)</sup>.

### 6.10 *Accidents*

6.10.1 Occupational accidents are approximately twice as high amongst migrant workers in Europe. (xiv: Bollini & Siem, 1995). In Germany, accidents tend to be high amongst migrants, particularly those working in industries with poor health and safety measures (xv: Huisman et al, 1997). Data also from Germany suggests that immigrant children in the 5-9 year old age group are more vulnerable to road traffic accidents and other injuries than German children of the same age (xvi: Korporeal & Geiger, 1990). In the Netherlands children of Turkish and Moroccan origin appear to be at more risk of domestic accidents, including poisoning and burns, as well as road traffic accidents (xvii: de Jong & Wesenbeek, 1997).

### 6.11 *Reproductive health*

6.11.1 Some groups of migrants such as men separated from their spouses have a higher incidence of sexually transmitted diseases. In many EU countries pregnancy-related morbidity is higher in migrant women than in local women. Termination rates tend to be higher in migrant women. In Barcelona requests for induced abortion are twice as high amongst migrant women than Spanish women. An ICMH survey in Geneva reported the abortion rate amongst illegal migrant women was three times higher than national women of comparable age (xviii: Carballo et al, 2004).

<sup>(13)</sup> 'Who Cares? Women Health Workers in the Global Labour Market', edited by Kim Van Eyck, PhD, 2005.

6.11.2 In the UK babies of Asian mothers tend to have lower-birth weights than other ethnic groups and their risk of perinatal and post-natal mortality tends to be higher. Babies of women from the Caribbean also have higher than average post-neonatal mortality rates. In Belgium and Germany high perinatal and infant mortality rates are reported in migrant women from Morocco and Turkey. Low birth weights and problems in delivery are experienced amongst women from sub-Saharan Africa and Central and South America.

6.11.3 Children of migrants may have lower rates of uptake of preventative services such as immunisation.

#### 6.12 *Barriers for migrant's access to and effective use of health care systems*

6.12.1 Migrants experience legal, psycho-social and economic problems in accessing health care. Language barriers are an obvious problem, so too is the cost of health care where even very small co payments for a migrant on a low income provides a significant barrier. Irregular migrants and asylum seekers waiting for their applications to be processed face legal barriers to care in many countries.

6.12.2 In addition the public health services are often not in a position to cater for the specific health problems of migrants and lack the sensitivity and skills needed to deliver health care successfully to people who may have significant differences in their concepts of health and differing attitudes towards illness, pain and death, as well as other ways of voicing symptoms, coping with illness and expressing expectations towards the physician.

6.12.3 Furthermore the complexity of the highly developed and differentiated health sector of Member States may further complicate this situation.

6.12.4 The organisation of disease prevention and health promotion for migrant populations is often inadequate. This is not only true for prenatal examinations, but also for vaccination programmes and other kinds of prevention and early detection, including screening. So far, prevention programmes have rarely

used culture-sensitive approaches to reach the various migrant groups.

6.12.5 The high prices of certain healthcare services and the cost of medicines are a heavy burden for most migrants. These factors may result in treatment not being sought early enough or prescribed treatment measures not being followed or medicines not taken. This causes an incalculable increase in individual human suffering and the overall economic costs to society.

#### 6.13 *Health professionals*

6.13.1 The growing tendency for health professionals from poor countries to be actively recruited by EU and other developed countries constitutes another growing challenge. If it were to continue unmanaged, it would become a major detriment to the health developments in the sending (and 'losing') countries and make medical and nursing education in these countries less sustainable. The exodus of trained health care professionals from resource poor countries is a significant loss of investment in the training of health professionals<sup>(14)</sup>. New solutions will have to be found to respond to this problem, such as Special Compensation Fund, training and resettlement. The United Kingdom's and Ireland's example of ensuring that the National Health Service engages in ethical recruitment practices are widely acknowledged as good practice. Member States must ensure that such practices are adopted and that they are applied to health recruitment agencies and private sector health facilities, as well as to public services.

6.13.2 Healthcare professionals (especially nurses and doctors) play a key role in maintaining and improving the health care of migrants. Member States must ensure that health care professionals are able to meet the migrants' healthcare needs and understand the cultural, religious and lifestyle related factors that influence the health habits of these specific groups. This is necessary to ensure that migrants have access to appropriate and culturally sensitive healthcare services.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(14)</sup> Kim Van Eyck ed., 2005. Who cares? UNISON UK: PSI.

## APPENDIX

**to the opinion of the European Economic and Social Committee**

The following amendments, which received at least a quarter of the votes cast, were rejected in the course of the debate (Rule 54(3) of the Rules of Procedure):

**Point 1.1.8**

Delete point:

~~'1.1.8 Introducing national public health programmes into education taking minority cultures into consideration.'~~

Voting

For: 44

Against: 51

Abstentions: 11

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## Opinion of the European Economic and Social Committee on 'Euroregions'

(2007/C 256/23)

On 17 January 2006, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on *Euroregions*.

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 21 June 2007. The rapporteur was Mr Zuffiaur.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 108 votes, with one abstention.

### 1. Background

#### 1.1 Definition

1.1.1 Euroregions are permanent structures intended to promote cross-border cooperation between directly neighbouring local or regional authorities located along shared State borders.

1.1.1.1 Specific features <sup>(1)</sup> of these structures include the following:

- Euroregions and similar structures are neither a new form of administration nor a new level of government; they are a platform for exchange and for 'horizontal' cross-border cooperation between local and regional government; they also promote closer 'vertical' cooperation between regional or local authorities, State governments and the European institutions.
- They are associations of local and regional authorities from both sides of a national border, sometimes with a parliamentary assembly.
- They are cross-border associations with a permanent secretariat, technical and administrative team and own resources.
- In some cases, they are private-law bodies, based on not-for-profit associations or foundations from either side of a border, in accordance with their respective national laws. In others, they are public-law bodies, based on inter-State agreements, intended, inter alia, to secure the involvement and cooperation of local and regional authorities.
- Euroregions are often not defined solely by their geographical or political/administrative boundaries but also share common economic, social or cultural characteristics.

1.1.2 Various terms are used to designate different 'Euroregions', including Euroregio, Euroregion, European Region, Greater ... Region, Regio, etc.

#### 1.2 Aims

1.2.1 The main aim of Euroregions and other similar structures <sup>(2)</sup> is to ensure cross-border cooperation, the priorities of

which are selected on different bases according to regional and geographical characteristics. In the early stages, or in the case of working communities with very specific aims, the first priority is to promote mutual understanding, develop cultural relations and strengthen economic cooperation. Euroregions that have more integrated structures and their own financial resources set more ambitious aims for themselves. They address all types of issues relating to cross-border cooperation, from promoting common interests in all areas to implementing and managing cross-border programmes and practical projects.

1.2.2 Cross-border activities encompass not only socio-economic development and cultural cooperation, but also other areas of general interest to border communities, in particular social affairs, health, education and training, research and development, waste management, environmental protection and landscape management, tourism and leisure, natural disasters, transport and communication infrastructure.

1.2.3 Euroregions are considered to be an appropriate framework for implementing European projects to improve labour mobility and economic, social and territorial cohesion because they implement cooperation procedures in cross-border areas, and thus avoid conflicts of responsibility.

1.2.4 Euroregions help to boost EU construction and integration, from the ground up and in people's daily lives.

1.2.5 Cooperation across borders in turn helps to set in motion cross-border forms of organisation and action on common problems, such as inter-regional trade union committees, cooperation between business associations and chambers of commerce and the creation of Euro-regional economic and social committees, etc.

1.2.6 The study group responsible for drawing up this opinion had the opportunity to observe the truth of this assertion at first hand, when it was invited by the Economic and Social Committee of the Saar-Lor-Lux region <sup>(3)</sup> to a hearing in Luxembourg on 13 February 2007.

<sup>(1)</sup> Features based on the AEBR, 'Practical Guide to Cross-border Cooperation', 2000.

<sup>(2)</sup> The term 'Euroregions' can be assumed also to refer to other, similar structures.

<sup>(3)</sup> Saarland, Lorraine, Luxembourg, Rheinland-Pfalz, Wallonia, the French-speaking Community of Belgium, the German-speaking Community of Belgium.

### 1.3 Background

1.3.1 The Council of Europe, based in Strasbourg, is the European organisation that has for decades addressed the issue of Euroregions and that of cross-border cooperation in general.

1.3.2 The first experiments in cross-border regional cooperation took place in the late 1940s. The Benelux Agreement, signed in 1948, was an early attempt to cut across the dividing lines formed by State borders. The Euregio was created in 1958 around the Dutch area of Enschede and the German area of Gronau. Shortly afterwards, but at the time outside the European Community, various experiments were promoted in Scandinavia, in Oresund, North Calotte and Kvarken, which straddle the borders of Denmark, Finland, Norway and Sweden.

1.3.3 Between 1975 and 1985 a number of working communities (WCs) were set up between regions in different States, such as the Jura WC and the Pyrenean WC, with limited scope to act.

1.3.4 Cross-border regional cooperation and the creation of Euroregions have expanded since 1990 <sup>(4)</sup>. The factors that have contributed to this growth include:

- advances in European integration, especially with the creation of the single market, the introduction of the euro and the enlargement of the EU;
- the increasing decentralisation and regionalisation of European countries;
- the increase in cross-border employment;
- the recognition, albeit limited, of the role played by the regions in the governance of the European institutions;
- the implementation of Community cross-border cooperation initiatives such as Interreg.

1.3.5 The two latest rounds of enlargement, which increased the number of EU Member States from 15 to 27, have significantly increased the number of border regions and of characteristics associated with them. To be specific, there are now 38 border regions as defined by NUTS II and the EU's borders have grown from 7 137 kilometres in length to 14 300.

1.3.6 In its resolution <sup>(5)</sup> of December 2005, the European Parliament considered that cross-border cooperation was of vital importance to European integration and cohesion and called on Member States and the Commission to promote and support the use of Euroregions. Cross-border cooperation was also included in the draft Treaty establishing a Constitution for Europe (Art. III-220).

<sup>(4)</sup> There are currently more than 168 Euroregions and similar structures. Approximately half of the regions in the European Union's Member States participate in Euroregions.

<sup>(5)</sup> European Parliament Resolution of 1 December 2005 on the role of 'Euroregions' in the development of regional policy.

### 1.4 Forms of cooperation

1.4.1 Through the Interreg III Community initiative for cooperation between regions, the Commission has identified three areas of cooperation:

#### — A — Cross-border cooperation

The aim of cross-border cooperation is to ensure economic and social integration by implementing common development strategies and structured exchanges between communities on either side of a border.

#### — B — Trans-national cooperation

The aim of trans-national cooperation between national, regional and local authorities is to promote greater territorial integration by forming large European groups of regions or macro-regions.

#### — C — Inter-regional cooperation

The aim of inter-regional cooperation is to step up exchanges of information and experience, not necessarily just in border regions.

Euroregions fall in particular under strand A and, increasingly, also under strand B.

## 2. Community context

2.1 Various recent Community proposals have improved the general framework in which the Euroregions operate. In the first half of 2006, a number of important decisions with implications for cross-border cooperation were adopted by the European Parliament and the Council of Ministers.

### 2.2 The financial perspective

2.2.1 The Commission presented its initial proposal on the revision of the financial perspective (2007-2013) <sup>(6)</sup> in 2004. In this proposal for a Union of 27 Member States, the Commission calculated the required level of expenditure to be around 1,14 % of GNI for the period 2007-2013. In its opinion <sup>(7)</sup>, the EESC stated its support for increasing own resources to a maximum of 1,30 % of GNI (an increase on the previous ceiling of 1,24 %), in light of the major challenges facing the European Union. The European Council of December 2005 set total expenditure for the period 2007-2013 at 1,045 % of GNI. Lastly, in April 2006, following negotiations between the Council and the European Parliament, the definitive proposal was set at EUR 864 316 million, or 1,048 % of GNI.

2.2.2 This substantial reduction has affected funding for economic and social cohesion, which has fallen from 0,41 % of GNI in the EU-15 to 0,37 % in the EU-27. This has happened at a time when the entry of the new Member States and other challenges facing the EU such as globalisation call for more, not fewer resources.

<sup>(6)</sup> COM(2004) 101 final.

<sup>(7)</sup> Opinion of the European Economic and Social Committee on the Communication from the Commission to the Council and the European Parliament — Building our common future: Policy challenges and budgetary means of the enlarged Union 2007-2013, OJ C 74 of 23.3.2005, p. 32.

2.2.3 With regard to territorial cooperation in Europe, the new Objective 3 provides for EUR 8 720 million (2,44 % of the 0,37 % of GNI provided for cohesion), compared to the EUR 13 000 million requested by the Commission in its original proposal. Less money will clearly have to be stretched further.

2.2.4 The EU's financial support for cross-border cooperation has increased in relation to the previous period (2000-2006), but the reduction in relation to the European Commission's original proposals requires closer cooperation by regional and local bodies and better use to be made of public-private partnerships. The resources planned now cover more border areas, especially in Central and Eastern Europe, following the accession of the 12 new Member States.

### 2.3 New regulations

2.3.1 The Commission's proposals, presented in July 2004, on the Structural Funds for the period 2007-2013 set out the aim of 'convergence' to replace the previous objective 1 and the aim of 'competitiveness and employment' to replace the old objective 2, and establish a new objective 3 — 'European territorial cooperation' — which attaches greater importance to actions in the regional cross-border sphere.

2.3.2 In particular, this new objective 3<sup>(8)</sup>, which is based on the experience of the Interreg Community initiative, will focus on promoting balanced integration between the Union's regions, by means of cross-border, trans-national and inter-regional cooperation.

2.3.3 The Committee drew up its opinions on the reform of the Structural and Cohesion Funds in 2005<sup>(9)</sup>. The Council and the European Parliament adopted the proposed new regulations in 2006<sup>(10)</sup>.

### 2.4 Cohesion policy: strategic guidelines

2.4.1 The Commission communication<sup>(11)</sup> on the strategic guidelines for cohesion policy was approved following the adoption of the various regulations on the Structural Funds. This communication confirms the importance of the new objective 3 — 'European territorial cooperation' — in all of its three strands: cross-border, trans-national and inter-regional cooperation.

2.4.2 The aim of the new cooperation objective is to promote greater territorial integration within the Union and to reduce the 'barrier effect' by means of cross-border cooperation and the exchange of good practice.

<sup>(8)</sup> COM(2004) 495 final, Article 6: *European territorial cooperation*.

<sup>(9)</sup> EESC opinions on the general provisions on the Funds: the Cohesion Fund and the European Regional Development Fund and on the European grouping of cross-border cooperation (EGCC), OJ C 255 of 14.10.2005, pp. 76, 79, 88 and 91.

<sup>(10)</sup> OJ L 210 of 31.7.2006.

<sup>(11)</sup> COM(2005) 299 final and COM(2006) 386 final, adopted by the Council of Ministers on 5 October 2006.

2.4.3 The strategic guidelines for European cohesion policy aim to

- a) make the regions more attractive to investors;
- b) promote innovation and entrepreneurship; and
- c) create jobs; and more specifically to take account of the regional dimension of cohesion policies.

2.4.4 As is well known, national borders often present an obstacle to the development of Europe's territory as a whole, and can restrict its competitive potential. One of the main objectives of Community cross-border cooperation is, therefore, to eliminate the barrier effect between national borders and to establish synergies to address problems requiring common solutions.

2.4.5 Cohesion policy should focus on measures that bring added value to cross-border activities, such as increasing cross-border competitiveness through innovation and research and development; linking up intangible networks (services) or physical networks (transport) to strengthen cross-border integration as a feature of European citizenship; promoting mobility and transparency in the cross-border labour market; water management and flood control; developing tourism; encouraging the participation of economic and social actors; promoting cultural heritage and improving land-use planning, etc.

### 2.5 A new legal base for territorial cooperation

2.5.1 Historically, the lack of a homogenous European legal base for cross-border cooperation has acted as a brake on the implementation of useful measures in this field.

2.5.2 In 2004, the Commission proposed that a European grouping of cross-border cooperation (EGCC) be created. In its later proposal, the Commission amended the name, replacing the term 'cross-border' with 'territorial'.

2.5.3 The regulation<sup>(12)</sup> adopted on 31 July 2006 acknowledges that:

— Measures are necessary to reduce the significant difficulties encountered by Member States and, in particular, by regional and local authorities in implementing and managing actions of territorial cooperation within the framework of differing national laws and procedures.

— In order to overcome the obstacles hindering territorial cooperation, it is necessary to institute a cooperation instrument at Community level for the creation of cooperative groupings in Community territory, invested with legal personality, called 'European groupings of territorial cooperation' (EGTC).

<sup>(12)</sup> OJ L 210 of 31.7.2006, page 19.



— The conditions for territorial cooperation should be created in accordance with the subsidiarity principle enshrined in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve its objectives, recourse to an EGTC being optional, in accordance with the constitutional system of each Member State.

### 3. Economic integration and social and territorial cohesion

#### 3.1 *Integration and specialisation*

3.1.1 In the larger, older States, most economic activity has tended to be concentrated in the central part of the country and often in the capital and largest cities. Within each State, a degree of regional economic specialisation has developed.

3.1.2 European integration encourages the creation of new areas of cooperation such as the Euroregions. European integration has meant that regional specialisation no longer takes place within each State but, increasingly, at European level. Borders between States no longer constitute an insurmountable barrier to trade. This encourages new relations between regions — with sometimes differing levels of development — from different Member States but which have common aims, against the backdrop of increasing specialisation at the European level.

3.1.3 Cooperation of this nature is particularly needed for small-scale activities that suffer most acutely as a result of the border effect. SMEs are a case in point.

3.1.4 The EESC is of the view that the Euroregions should make a substantial contribution to the aims of EU economic, social and territorial cohesion policy. To this end, the main aims of the EU's new territorial policy proposal are: convergence and increased competitiveness and employment, especially in the less prosperous regions and in those facing new specialisation-related challenges.

#### 3.2 *Competitiveness*

3.2.1 Euroregions are conducive to economies of scale. In short, they offer increased market size (agglomeration economies), complementarity of production factors and greater incentives for investment. It is estimated that some investments in innovation and development can have a direct impact at a distance of 250-500 kilometres. Although some Euroregions are larger, the average Euroregion stretches from 50 to 100 kilometres.

3.2.2 Euroregions are crucial to achieving critical mass in certain fields, making possible a range of investment in key services that would not be possible without cross-border cooperation.

3.2.3 To increase competitiveness, cross-border cooperation between regional and local authorities can provide distinct public benefits, such as:

- information, communication, energy and transport networks and other cross-border infrastructure;
- public services, such as schools, hospitals and emergency services;
- institutions and services that promote private economic activity, including trade development, entrepreneurship and partnerships between cross-border undertakings, creating new job opportunities and worker mobility.

#### 3.3 *Cohesion: problems affecting cross-border employment*

3.3.1 Most Euroregions contain regions with a similar level of development. However, some Euroregions also include regions with different levels of development. One of the purposes of the Euroregions is to promote economic and other types of activity that reduce inter-regional disparities. Greater involvement on the part of the States concerned and the EU is crucial to achieving this.

3.3.2 Investment in basic social services in border areas is typically lower than investment in more central areas in each country, often as a consequence of the weaker influence of border areas in the decision-making centres. In many cases, this results in the inadequate funding of high-quality, diverse and profitable services, in particular those serving the most vulnerable members of society, including children, immigrants, families on a low income, the disabled, the chronically ill, etc.

3.3.3 Euroregions can play a key role in developing this type of service and in ensuring that these social sectors are consequently given greater protection as the result of a cross-border approach. Furthermore, Euroregions can also to a large extent help to surmount the legal, administrative and financial barriers and disparities that hamper the progress of these communities. They also help to eradicate long-standing prejudices, prepare joint studies and improve mutual understanding of the differences between them.

3.3.4 The legal shortcomings relating to the free movement of frontier workers and the inadequate harmonisation in this field have only been partially remedied by the Community *acquis* and the Court of Justice. Due to the growing number of frontier workers, this situation has become a matter of importance at European level, in particular as regards taxation, social security and social assistance, where definitions and approaches still differ on concepts such as residence, family circumstances, reimbursement of health costs and dual taxation — along with other types of administrative constraint <sup>(13)</sup>.

<sup>(13)</sup> The EESC's future Employment Observatory could follow-up the issue of border and cross-border work in Europe.

#### 4. Cross-border cooperation — added value for European integration

##### 4.1 Surmounting borders

4.1.1 The need to overcome obstacles to integration is a daily reality for people living in border areas. The aim is not to change borders or to infringe State sovereignty but to facilitate effective cooperation on all aspects of cross-border life, improving living conditions and making a citizens' Europe a reality.

4.1.2 The EU's borders have largely moved beyond their traditional role of forming a barrier, but economic, socio-cultural, administrative and legal differences still remain and this is particularly striking at the EU's external borders. The aim of cooperation in cross-border areas is, therefore, to develop cooperation-based structures, procedures and instruments that help to remove administrative and legal obstacles, eliminate factors that have, historically, been divisive and make 'neighbourhood' a factor for mobility, economic development and social progress. The aim, in short, is to make cross-border regions 'areas of shared prosperity'.

##### 4.2 Added value

4.2.1 Cross-border cooperation and its steady implementation by Euroregions not only helps to prevent conflict, deal with disasters or overcome psychological barriers; it also clearly improves development on both sides of a border. This added value can be seen at the political, institutional, economic, social and cultural levels and also in terms of European integration. Cross-border cooperation makes a very useful contribution to promoting peaceful co-existence and European security and integration. It is a highly effective means of implementing the Community principles of subsidiarity, partnership and economic, social and territorial cohesion, and of bolstering the full integration of the new Member States into the EU.

4.2.2 These permanent structures for cross-border cooperation help to ensure the active and sustained involvement of the general public and administrations and of trans-national political and social groups. They ensure mutual understanding and help to build a vertical and horizontal partnership on the basis of different national structures and powers. This also facilitates the management of cross-border programmes and projects or the joint management of funding from different sources (such as Community or national funds, their own resources or funds from third parties). The EESC considers that the joint implementation of this type of initiative can be more successful and effective if organised civil society plays a leading role in it.

4.2.3 From the socio-economic point of view, cross-border cooperation structures facilitate the following: a) harnessing the endogenous potential of all actors (chambers of commerce, associations, businesses, trade unions, social and cultural institutions, environmental organisations or tourism bodies, amongst many others); b) opening up labour markets and harmonising professional qualifications and c) enhancing economic development and job creation by means of measures in other sectors such as infrastructure, transport, tourism, the environment, education, research and cooperation between SMEs.

4.2.4 In the socio-cultural field, the added value of cross-border cooperation lies in the ongoing dissemination of general knowledge. This dissemination of knowledge should be seen as a kind of 'cross-border continuum' which can be accessed in different publications and formats. Similarly, it helps to guarantee a network of bodies that act as multipliers. This applies to centres of education, environmental protection organisations, cultural associations, libraries, museums, etc. Cross-border cooperation also promotes equal opportunities and a broad knowledge of the language of the neighbouring country, or even of local dialects, which are key components of cross-border regional development and a prerequisite for communication.

4.2.5 Viewed in this light, cross-border cooperation bolstered by permanent structures such as the Euroregions adds value to national measures through the additionality of cross-border programmes and projects, the synergies that are created, joint research and innovation, the creation of dynamic and stable networks, the exchange of knowledge and good practice, the indirect effects of surmounting borders and the cross-border and efficient management of available resources.

##### 4.3 Obstacles

Nevertheless, different factors hampering cross-border cooperation remain <sup>(14)</sup>, most notably:

- Legal limitations imposed by national legislation on the cross-border activity of regional and local administrations.
- Differences in the structure and responsibilities of the different levels of administration on the two sides of a border.
- The lack of political will, especially at national level, to eliminate restrictions, for example by means of national regulations or bilateral treaties.
- The absence of common frameworks for taxation and social security or the recognition of academic and professional qualifications.
- Structural economic differences on the two sides of a border.
- Linguistic, cultural and psychological barriers, including prejudice and historical grudges between communities.

##### 4.4 General principles of cross-border cooperation

4.4.1 A number of examples throughout Europe help to identify a set of general principles for the success of cross-border cooperation:

- Proximity to the general public. The inhabitants of border areas want cooperation, as a means of overcoming the problems they face or of improving their living conditions.

<sup>(14)</sup> EESC opinion on The management of industrial change in cross-border regions following EU enlargement, of 21 April 2006 — OJ C 185, 8.8.2006.

- The involvement of political representatives (local, regional, national and European) is crucial to successful cross-border cooperation.
- Subsidiarity. The local and regional level has proved to be the most effective for developing cross-border cooperation, although an alliance is needed with national governments.
- Partnership. The involvement of all actors from both sides of the border is essential to achieving common goals.
- Joint structures with common resources (technical, administrative, financial and decision-making instruments) are a guarantee of lasting and constantly evolving activity. They are also a guarantee of being able to exercise certain powers, manage programmes, including European programmes, achieve cross-border consensus and to prevent national self-interest from taking over.

## 5. Towards cooperation-based governance

### 5.1 *A new form of governance needed for new regions*

5.1.1 Euroregions are territorial units that put into practice new models of cooperation within the public sector, within the private sector and between these two sectors, with the aim of framing new joined-up policies, and with the greater involvement of all of the genuine stakeholders.

5.1.2 The concept of governance denotes a more participatory and horizontal form of governing than traditional, more hierarchical and vertical forms. The issue of governance in the Euroregions is particularly complex and interesting and hinges on finding common solutions to common problems.

5.1.3 Furthermore, Euroregions increasingly play a minor but nonetheless crucial role in the European governance of economic, social and territorial cohesion policy.

5.1.4 The EESC, therefore, considers that the Euroregions and similar structures should make a key contribution to deepening the process of European integration and unification.

5.1.5 In turn, creating Euroregions requires cooperation between institutional and social actors, who often have very different traditions and mindsets. Simply living in close proximity to one's neighbours does not always mean more cooperation with them. Hence the important role of the institutions and civil society organisations in horizontal governance.

5.1.6 The participation of economic and social actors in the governance of Euroregions requires institutional frameworks that enable this system to work. Civil society organisations must be involved in drawing up and implementing the policies established by the different levels of cross-border cooperation

between two or more States. The involvement of the social partners in the EURES network in cross-border areas is an important practical expression of this principle.

## 6. Conclusions and recommendations

6.1 The adoption of the Regulation on a European grouping of territorial cooperation (EGTC) and its inclusion of a new objective for territorial cooperation have given Euroregions new scope for action. Firstly, because it establishes a Community legal instrument for cross-border cooperation and also makes it possible for Member States, at their different levels, to become involved in cross-border territorial cooperation. Secondly, the move from 'cross-border cooperation' to 'territorial cooperation' means that the Euroregions can extend their sphere of activity beyond the issues typically covered by cooperation at the local level or with neighbouring local authorities, and fully develop larger territories that share common synergies and potential.

6.2 The EESC therefore considers that the territorial cooperation promoted by the Euroregions is a key factor in promoting European integration, reducing the economic, social and cultural fragmentation created by national borders and in developing economic, social and territorial cohesion. For this reason, the EESC calls for particular attention to be given to cross-border territorial cohesion in the forthcoming debate on the definitive adoption of the European constitutional treaty.

6.3 To ensure that European territorial cooperation is able to meet the expectations created by the reforms referred to above, the EESC considers that national States and their intermediate structures will need to be more closely involved in developing the Euroregions. National strategies for territorial cooperation in the Community framework would be required to achieve this. In particular, States would have to help to solve the most pressing problems facing their cross-border communities, which generally concern the labour market, healthcare, social services, education and transport.

6.4 In the EESC's view, in order to make territorial cooperation activities more effective and in line with the principle of subsidiarity, there should be greater direct management by the EGTCs of cross-border and, in certain cases, trans-national projects financed by Community or national funds.

6.5 Turning Euroregions into 'areas of shared prosperity' would require greater involvement by the private business sector (including the social economy) in cross-border development initiatives, given the importance of small and medium-sized businesses in maintaining the production fabric and in job creation.

6.6 The EESC believes that, like the EGTCs created in accordance with Regulation No 1082/2006, the Euroregions are the ideal physical expression of the principles of European governance that the Commission set out in its 2001 White Paper. The EESC therefore considers that the effectiveness of cross-border activities and policies and of territorial cooperation in general depend on achieving a genuine 'partnership' between all of the territorial and socio-economic stakeholders concerned. Accordingly, the EESC calls for methods of participation to be established for organisations representing organised civil society in territorial cooperation projects.

6.7 In particular, the EESC is of the view that the EURES network should be made a European instrument that really plays a key role in mediating between labour supply and demand. The cross-border sphere is in this sense a testbed. The EESC therefore regrets the trend seen in recent years towards the re-nationalisation of EURES's management, which it thinks should be genuinely cross-border in nature. It should be added that EURES not only acts as a mediator in the labour market but also plays a major role in promoting social dialogue in neighbouring trans-national areas.

6.8 It is generally accepted that socio-economic organisations play an important role in European integration. The EESC therefore welcomes the experiments in trans-nationalisation conducted by inter-regional union councils, the different forms of trans-national cooperation and association implemented by business organisations, chambers of commerce, research insti-

tutes and universities and the creation of Euro-regional economic and social committees, amongst others. The Committee encourages their consolidation and development and offers the possibility of assistance.

6.9 In the EESC's view, Euroregions play a major role in regions sharing a border with third countries and can play an even greater one, both from the point of view of economic development and of public security and social integration. The EESC therefore calls for this type of body and the activities that it can carry out to be included in the EU's Neighbourhood and Pre-Accession policies.

6.10 Given the great wealth of experiments carried out on cross-border activity (some examples of which are provided in the appendix to this opinion) and the considerable ignorance about these schemes, even amongst the Euroregions themselves, the EESC considers that it would be extremely useful if the Commission were to draw up a 'good practice guide' in the field, including examples of successful public-private partnerships.

6.11 Since an issue as multifaceted as this one can clearly not be examined exhaustively in a single opinion, the EESC considers that it would be useful to study the issue — cross-border territorial cooperation and its support structures — in greater detail in other opinions on cross-border issues of common interest, such as the labour market, tourism, development hubs, etc.

Brussels, 11 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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## Opinion of the European Economic and Social Committee on 'EU-Central America Relations'

(2007/C 256/24)

At the plenary session held on 17 January 2007, the European Economic and Social Committee decided, under Rule 29(2) of the Rules of Procedure, to draw up an own-initiative opinion on *EU-Central America Relations*.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 14 June 2007. The rapporteur was Mr Soares.

At its 437th plenary session, held on 11 and 12 July 2007 (meeting of 12 July), the European Economic and Social Committee adopted the following opinion by 63 votes, with 2 abstentions.

### 1. Conclusions and recommendations

1.1 For a number of years, the EESC has deemed relations between the European Union and Latin America to be part of a broader strategic framework which, as well as covering trade relations also reflects Europe's desire to assert its role as a valid partner in the process of building a social model based on the rule of law, democracy and respect for human rights, peace and solidarity between peoples <sup>(1)</sup>.

1.2 Furthermore, from a historical point of view, relations with Latin America and the Caribbean represent much more than just the quest for an economic and geo-strategic partner. The people of Latin America have long-standing cultural, political, social, linguistic and emotional ties with Europe and even share a similar world view, which not only cannot and must not be forgotten but should, even more importantly, be fostered in light of the negotiating process that is about to begin.

1.3 Now that negotiations have started up between the European Union and Central America on securing an Association Agreement between the two regions, the Committee calls for efforts to concentrate on reaching an agreement rapidly and to the satisfaction of both sides; this can also provide an example for current and future negotiations with Latin America and the Caribbean as regards the mutual advantages of a strategic partnership with the European Union. These advantages must go far beyond trade and must be underpinned by economic and social progress and progress on sustainable development in the region, respecting the rule of law and the dignity of all human beings.

1.4 The EESC hopes that the negotiations will help to ensure that Central American governments step up dialogue with organised civil society in their countries. This dialogue should be democratic, transparent and based on practical proposals respected by both sides. The EESC also urges the Consultative Committee of the Central American Integration System (CC-SICA) a) to pursue its efforts to conclude agreements that enjoy the greatest possible consensus and reflect the stance of Central American civil society as a whole on the negotiations

and b) to help secure the commitments needed to monitor the entire process.

1.5 The EESC recommends that negotiations take account of the following aspects:

1.5.1 The need to strengthen organised civil society in Central America, in particular by enhancing the institutional power of the CC-SICA as the consultative body of the Central American Integration System. The European Union should help to achieve greater recognition by its negotiating partners of the key role that the CC-SICA has played and indeed should play in achieving solid regional integration. At the same time, it should consider financial support measures for that body, in line with the objective adopted by the Commission in its document on regional cooperation.

1.5.2 The introduction of the social clauses needed to ensure that the Association Agreement benefits all of society and is a decisive factor in consolidating democracies, in combating poverty, social exclusion and unemployment and in developing a social model that does not make inequalities more widespread or marked. The Agreement should also help to improve social cohesion and respect for the environment's biodiversity (to this end the Agreement should contribute to the inclusion of the thousands of small producers seeking to achieve a more environmentally friendly form of farming). Furthermore, during negotiations and when subsequently implementing the Association Agreement, particular importance should be attached to full compliance by governments with the ILO International Labour Standards.

1.5.3 The existence of the Generalised System of Preferences (GSP), a unilateral EU instrument aimed at supporting the least-developed countries. The Agreement's trade chapter should consequently be more favourable to the countries of Central America than is provided for in the system referred to above which, it should be stated, is already quite favourable.

1.5.4 The need for organised civil society to be given regular, timely and relevant information so that it can monitor negotiations at institutional level. This should also entail a) the possibility of consultation prior to negotiating rounds so that the

<sup>(1)</sup> 'Social cohesion in Latin America and the Caribbean', OJ C 110, 10.4.2004; 'EU-Mexico relations', 'EU-Andean Community relations', OJ C 309, 16.12.2006.

views of organised civil society can be taken into account and b) forums to be held involving a wider range of participants, with a view to ensuring that all of society is able closely to follow developments in these negotiations. Here, a key aspect of civil society participation should be the creation of a Joint Monitoring Committee to ensure institutionalised monitoring of all the negotiations and act as a bridge between the negotiating process and civil society in general.

1.5.5 Lastly, to ensure that organised civil society is genuinely involved in all aspects of the EU-Central America Association Agreement, the EESC recommends that the Joint Consultative Committee (JCC) — the institutional advisory body comprising EESC and CC-SICA members and provided for in Article 52(4) of the political agreement between the two regions — becomes operational immediately after the agreement is signed and is tasked with ensuring that the agreement is followed up.

## 2. Introduction

2.1 Broadly speaking, relations between the European Union and Central America have not been particularly intense to date, despite the European Union having made a decisive contribution to the process of bringing peace and democracy to the region and having launched a process of inter-ministerial dialogue that still provides a point of reference for the region today — the 1984 San José ministerial dialogue.

2.2 In 2003, the EU and Central America signed an agreement with a view to consolidating political dialogue and cooperation. More recently, the fourth summit of heads of state and government of the European Union and Latin America and the Caribbean, held in May 2006, expressed the will to move towards concluding an Association Agreement as swiftly as possible <sup>(2)</sup>.

2.3 In April 2006, the 'Vienna Declaration', adopted at the 4th Meeting of EU-LAC Civil Society Organisations, stated that the Association Agreements between the EU and LAC (Latin America and the Caribbean) should not be limited to trade and the economy, but should also take political, cultural and social factors into account with a view to boosting social cohesion.

2.4 Likewise, the cooperation protocol signed between the EESC and the CC-SICA lays down guidelines for action for the two institutions 'to promote the inclusion of a social dimension in the future Association Agreement between the EU and the SICA', and to 'support the initiative to work on the proposal to establish a joint consultative committee' of civil society organisations from the two regions in the institutional framework of the future Association Agreement. Success in concluding an Association Agreement will depend greatly on civil society organisations in both regions being able to monitor negotiations effectively and keep society informed of the progress, problems and successes involved.

<sup>(2)</sup> Point 31 of the final declaration of the Vienna Summit states: 'Recalling the common strategic objective of the Guadalajara Declaration and taking into account the positive outcome of the joint assessment exercise on regional economic integration carried out with Central America, we welcome the decision taken by the European Union and Central America to launch negotiations for an Association Agreement, including the establishment of a Free Trade Area.'

## 3. A new phase in EU-Central America relations

3.1 Political dialogue and cooperation and also trade relations between the European Union and Central America are currently defined by the Generalised System of Preferences which the EU launched in the 1970s and is today complemented by a special system to encourage sustainable development and good governance, including the fight against drugs trafficking (GSP+).

3.2 With a 12 % share of total trade, the EU is Central America's second largest trading partner after the USA (46 %). Where cooperation and development aid are concerned the EU is Central America's largest donor, providing funds worth EUR 563,2 million in the 2002-2006 period, to which EUR 74,5 million should be added, provided under the memorandum signed by the Commission and the SICA General Secretariat. In addition, the EU has supplied a further EUR 279 million in aid in the wake of the disasters that have devastated the region, in particular following Hurricane Mitch and the earthquake that subsequently shook El Salvador. The EU has pledged to increase development aid to EUR 840 m in the 2007-2013 period. European direct investment in Central America is also increasing.

3.3 Relations between the European Union and Central America are about much more than just trade and cooperation, however. They are also underpinned by a broader strategic vision that covers such currently sensitive aspects as security and the fight against terrorism, environmental protection and the development of a sustainable development model, migration and the need to monitor this phenomenon for the benefit of both the countries receiving exported workers and also those actually exporting them. One other aspect concerns establishing a new economic world order based on good governance practices that respect human, economic and social rights.

3.4 The decision, taken in Vienna in May 2006, to open negotiations with Central America with a view to securing an Association Agreement with Central America is, in itself, a challenge and an opportunity that must not be missed.

3.5 Given that the European strategy for concluding association agreements is based on inter-regional dialogue, it is important to analyse the current state of integration in Central America.

3.5.1 Central American integration is a project which has been around for a while, rooted in the very independence of the countries in the region. The 1991 Tegucigalpa Protocol and the 1993 General Treaty for Central American Economic Integration have breathed new life into the project.

3.5.2 Despite there being a majority consensus on regional integration, the fact is that very little significant progress has been made, either because it has been difficult to put decisions made at political level into practice, because of major economic weaknesses, or even because regional solidarity has been lacking. Nevertheless it can be said that, as of 2002, integration seems to have moved onto a more solid path <sup>(3)</sup>.

3.5.3 However, the fragile nature of regional institutions, which impedes decision-making at supranational level, and the difference in the economic development levels of the countries in the region, together with the near absence of participation by the social sectors in decision-making and in raising awareness of the benefits of regional integration, are both factors obstructing more tangible progress in the integration process.

3.5.4 Despite the difficulties, however, there are grounds for some optimism regarding the process of regional integration, in particular the traditions and culture that unite the different countries, the existence of a relatively stable and committed legal and institutional framework and the need — sensed and also demonstrated — to reform some institutions, such as PARLACEN <sup>(4)</sup> for example, to ensure that strategies to establish regional policies are more effective. Greater awareness and involvement on the part of civil society are also grounds for optimism and confidence.

3.5.5 In the recent meetings between the EU/Central America Joint Committee, held in April 2007, Central American governments undertook to present, by the end of the Association Agreement negotiations, a legislative framework for the Central American Customs Union, together with a timetable for its implementation. This is an important and decisive step towards Central American integration and suggests that the two regions might be able to reach agreement.

3.6 The negotiating process now under way presents an extraordinary opportunity for mutual benefit in a variety of areas, which can and should be turned to good advantage. The following aspects might serve as examples:

3.6.1 Developing and strengthening the Customs Union and eliminating economic and customs barriers between countries in the region, a policy endorsed by the European Union, could significantly help Central American countries to develop their economies by improving their competitiveness in relation to their current and their potential economic partners. This will also facilitate potential European investment in the region and even the establishment of development cooperation;

3.6.2 Greater, more harmonious social cohesion will help to strengthen the young Central American democracies, making conflict less likely and boosting legal certainty, whilst allowing trade between the two regions to take place based on rules that

are clear, consensual and respected. As shown by successive surveys conducted by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), a country's political, economic and social development largely depends on the level of social cohesion it is able to achieve. Hence the need to involve organised civil society in the entire negotiating process;

3.6.3 Another area of interest to both regions is how to find solutions aimed at preventing natural disasters, thus making the countries of Central America less vulnerable. The region frequently suffers from this type of phenomenon, with the attendant costs to human life and deterioration in living and working conditions for millions of people. Negotiations should take account of this so as to establish measures for prevention and action aimed at managing these phenomena. Such measures would also make it easier to provide aid in emergency situations and lower the costs of collective international assistance;

3.6.4 Lastly, and without any claim to covering this issue exhaustively, reference should be made to the EU and Central America's shared interest in the urgent need to protect the environment and diversity through tangible policies, programmes and action. Whilst the negotiations encourage the rational use of natural resources, rejection of methods and products harmful to nature, respect for agricultural workers' labour and union rights and recognition of the existence of areas of natural interest requiring protection, the Association Agreement will also have made a major contribution that is valuable not only to these two regions but also as a blueprint for a new type of association that can provide a template for other negotiations.

#### 4. The political, economic and social situation in Central America

4.1 The countries of Central America are some of the poorest in Latin America, with serious economic development problems and a high degree of social vulnerability, jeopardising the social cohesion of each of the countries and the region as a whole. Extensive poverty and a highly unequal distribution of wealth contribute to this vulnerability.

4.2 Whilst this is a region where democracy is still relatively new and which has endured lengthy dictatorships and armed conflicts with far-reaching effects (the sole exception being Costa Rica), it is nevertheless possible to pinpoint some of the major constraints on its development:

- a) the still fragile nature of the democracies, including inadequate protection of basic rights, continuing impunity and corruption enjoyed by some parties and a lack of transparency in decision-making on economic and political matters and on public management;

<sup>(3)</sup> Exports between countries of the Central American region increased by about 60 % between 1995 and 2002. 'Informe Centroamericano 2004' — Inter-American Development Bank.

<sup>(4)</sup> Central American Parliament.

- b) economic weakness, essentially due to the lack of competitiveness of various countries and vulnerability to changes on the international markets;
- c) weak social cohesion, mainly due to high poverty levels and inadequate wealth distribution, which does not allow the least fortunate strata of society to benefit from economic growth, causing people to look for other ways to survive, such as emigration and, at another level, social violence;
- d) environmental vulnerability on many sides, due to either the dangerous natural phenomena to which the region is exposed (earthquakes, floods, prolonged droughts) or irrational exploitation of natural resources, deforestation in particular. According to the United Nations Development Programme (UNDP), factors that make Central America more environmentally fragile include random and poorly thought-out spatial planning, excessive exploitation of water resources, the over-use of pesticides in farming and deforestation.

4.3 In economic terms, the Central American region has achieved some economic growth, but this has not been enough, however, to overcome the social challenges the region faces. In recent years, the average annual rate of regional growth has been between 3,2 % and 3,5 %. Nevertheless, in 2006, the poor competitiveness of Central America's economies, with the relative exception of Costa Rica and El Salvador, caused the countries in that region to rank low on the World Economic Forum's competitiveness list — 53rd (Costa Rica), 61st (El Salvador), 75th (Guatemala) 93rd (Honduras), and 95th (Nicaragua) — in a survey of 125 countries.

4.4 In social terms, it should be stated that Central American society is extremely complex and diverse, comprising indigenous communities and a sizeable community of African descent, which has generally been ignored, if not marginalised.

4.5 The indigenous communities are commonly associated with poor rural areas, but this ignores the significant phenomenon of migration towards towns and cities as a result of the increasing deterioration of rural economies, which has expanded the poverty belt around the major cities.

4.6 The communities of African descent, which are spread across all countries in Central America except El Salvador, have not received the political and social attention they deserve and have consequently suffered racial and social discrimination and discrimination in employment.

4.7 Gender inequality as measured by all socio-economic indicators is such a widespread phenomenon that it cannot be ignored. In terms of unemployment or precarious employment, the quality of employment or wages earned, or early school leaving, which mainly affects girls, the situation — extremely detrimental to women in Central American society — has reached near-tragic proportions, especially because a high percentage of these women are, for various reasons, heads of household.

4.8 The lack of up-to-date, reliable and comparable data on the situation of girls and women appears to reflect the scant attention paid to this issue, despite the fact that the region's governments have signed and ratified international conventions relating to this matter, such as ILO Conventions and the United Nations Convention on the Elimination of All Forms of Discrimination against Women. Violence against women (in its different forms, from domestic violence to violence in the workplace) is still a great cause for concern, despite the efforts undertaken by women's movements.

4.9 This poverty, affecting practically half of the population or more (except in Costa Rica), the incidence of undeclared work, standing at around 40 %, and the totally inadequate budgets allocated to social sectors such as health, education and unemployment, are regional characteristics that should be borne in mind so as to comprehend the lack of social cohesion in Central America.

4.10 It is also important to highlight the widespread lack of respect at political level for human rights. In particular, there is a clear lack of respect for labour and union rights, despite the fact that the different Central American countries have ratified many of the ILO Conventions — meaning, of course, that their governments have an even greater responsibility to comply with them. Exercising civic and union rights in the region is often done at great personal cost, and can even lead to lives being lost.

## 5. Criteria to take into account in negotiations for an EU-Central America Association Agreement

5.1 In the course of formalising a future Association Agreement, a number of criteria need to be highlighted which should be taken into account and, in the EESC's opinion, form key components which will be fundamental to the success, not only of this agreement, but also of a broader strategy for Latin America as a whole.

5.2 *Discrepancies.* One of the most important aspects to take into account is the fact that there are enormous discrepancies between the two regions in a number of areas, including surface area, population, GDP, trade relations and socio-economic development.

5.2.1 The existence of such major discrepancies between the two regions means that compensatory measures must be implemented if the Association Agreement is to succeed. The Agreement should, therefore, help to ensure that trade and cooperation policies are consistent with one another and have the same goals.

5.3 *Boosting social cohesion.* This should be one of the fundamental criteria for the future agreement, not only because social cohesion is an aspect of strategic importance to the European Union's approach to relations with third countries, but also because it holds the key to the very development of the Central American region, which is wrestling with enormous problems of poverty and social exclusion.



5.3.1 To achieve this, the necessary, appropriate steps must be taken to develop social policies such as education, health and social security, and in the field of taxation, amongst others, in order to ensure that all of society is able to benefit from the economic development and opportunities afforded by the Association Agreement.

5.4 *Strengthening democracy and the institutions.* In a society as diverse as that of Central America, and so devastated by poverty, long dictatorships and civil wars, it is important that the Agreement provide an opportunity to strengthen democracy, in particular participative democracy, and the institutions involved.

5.4.1 Institutions as diverse as those fighting to protect human rights, the rights of indigenous peoples or those of African descent and women's, workers' and environmental rights have been demanding greater participation in the political, economic and social decision-making processes, despite the difficulties they face in being heard as partners with full rights. The Agreement must be a factor in boosting recognition of their participation.

5.4.2 In the specific case of the CC-SICA, the Consultative Committee of the Central American Integration System, which is the body enshrined in Article 12 of the Tegucigalpa Protocol, its role as representative of organised civil society should be recognised and supported by giving it the logistical and budgetary resources it needs to carry out its tasks.

5.4.3 The EESC recognises the CC-SICA as its institutional partner, having concluded an agreement in April 2006 based on a shared commitment to uphold the principles of democracy, human rights and economic and social rights and on the desire to participate in dialogue and steps to establish closer economic and cooperation-based links between the European Union and the Central American Integration System.

5.5 *Strengthening regional integration.* Regional integration should be seen not only as a European demand for concluding a trade agreement, but also as an opportunity for the countries of Central America to address their economic weaknesses and take advantage of the synergies that integration can provide.

5.5.1 It would not be advisable to adopt an overly ambitious approach to this issue, however. Regional integration is a process that takes time and requires support and continuous effort. The Agreement should, therefore, provide for a range of mechanisms (including, amongst others, the creation of funds to compensate for customs tariffs and to support economic and social cohesion) to stimulate, support and facilitate the process of regional integration in Central America.

5.6 *Giving the Association Agreement a social dimension.* The Association Agreement contains three closely interlinked pillars — political, trade and cooperation — all of which are impor-

tant, and negotiations should not focus overly on the one that might appear to be the most complex and difficult.

5.6.1 At the political level, the Association Agreement will have to set out practical measures to support good governance, take account of a social dimension which aims to achieve greater social cohesion, and contain clauses that take into account the role of women and the protection of human, employment and environmental rights and the rights of indigenous peoples and people of African descent.

5.6.2 The agreement will also have to tackle the issue of emigration from Central America, which can have both positive and negative repercussions for the countries of the region (remittances, brain drain and labour drain). This approach should also bear in mind the need for due respect for the dignity and rights of immigrants living and working in the European Union.

5.6.3 In terms of cooperation, the Agreement will have to provide for continued and even increased Community aid for the region's development and for overcoming its political, economic, social and environmental shortcomings. It can and, in the EESC's opinion, should provide for support for institutions specialising in particular areas, such as the ILO, UNESCO and WHO, enabling them to analyse progress on the more sensitive aspects.

5.6.4 In fact, in order to meet the expectations of the countries of Central America, which already have experience of other international agreements (in particular the CAFTA, signed with the United States), Europe must demonstrate that this Agreement has broader aims, in line with a global social vision, rooted in the founding principles of the EU itself, including an economic model that is capable of bringing about sustainable development in the region.

## 6. The EESC's recommendations

In light of the above, the EESC wishes to make the following recommendations:

6.1 The Association Agreement between the EU and the countries of Central America should be a political priority for the Union because of its strategic potential for the EU's activities with other Latin American partners.

6.2 This Agreement should give equal coverage to all aspects of the Agreement — politics, trade and cooperation.

6.3 It should take account of the fact that the EU's negotiating partner comprises the poorest countries of Latin America and that the huge discrepancies between the two regions require cooperation programmes to be strengthened, in order to avoid any potential detrimental impact; an appropriate degree of trade openness should also be secured.

6.4 It should contain measures to promote business competitiveness, ensure legal stability for investment and provide for instruments to compensate for the inevitable difficulties arising from the completion of the single Central American market due to the discrepancies between economies in the region itself.

6.5 The Agreement should make a decisive contribution to strengthening social cohesion in the region so that its benefits apply to everyone and not just to sectors already enjoying certain advantages.

6.6 It should contain a socio-labour dimension, in particular for complying with ILO rules. The Association Agreement should encourage the signatories to comply with the principles and values expressed in the ILO Constitution and its key social instruments, such as the Declaration of Fundamental Principles and Rights at Work (1998), the Tripartite Declaration on Multi-national Enterprises and Social Policy (1977, amended in 2000) and the resolution of the International Labour Conference concerning trade union rights and their relation to civil liberties (1970).

6.7 It should contain a clear social dimension, not only to emphasise labour-related issues but also to protect the environment and enshrine the objective of securing comprehensive progress for the region and its peoples.

6.8 It should take account of the most vulnerable members of society, such as women, indigenous peoples and people of African descent.

6.9 It should set out the mechanisms necessary to ensure effective civil society participation right from the start of negotiations through to implementation.

6.10 Support should therefore be stepped up for organised civil society consultative bodies, in particular the CC-SICA, the institutional body for the integration process in the Central American region, to ensure that it has the human, logistical and financial resources necessary to carry out its duties.

6.11 The Joint Monitoring Committee for following the negotiations should also be set up without delay, comprising members of the EESC and the CC-SICA, who could be joined, by common agreement between the parties, by representatives of other organisations deemed to be necessary and relevant to analysing the negotiating process.

6.12 Lastly, discussions between the CC-SICA and the EESC should start immediately on the membership, duties and methods of the future joint consultative committee, the institutional advisory body that will monitor the upcoming Association Agreement.

Brussels, 12 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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## Opinion of the European Economic and Social Committee on the 'Promotion of Women's Entrepreneurship in the EUROMED Region'

(2007/C 256/25)

On 17 January 2007 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on *Promotion of Women's Entrepreneurship in the EUROMED Region*.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 14 June 2007. The rapporteur was Ms Attard.

At its 437th plenary session, held on 11-12 July (meeting of 12 July), the European Economic and Social Committee adopted the following opinion by 130 votes in favour, one against and with four abstentions.

### 1. Conclusions and recommendations

1.1 The EESC welcomes the full commitment of the European Union and Mediterranean States to the Euro-Mediterranean Partnership in line with the European Commission's Five Year Work Programme that particularly supports the proposals on developing policies to promote the empowerment of women. To this end, it suggests that specific funds be allocated to those Euro-Mediterranean countries which undertake positive action aiming to effectively improve the legal status of women <sup>(1)</sup>.

1.2 The EESC urges that the review mechanisms of the Conclusions of the first Euro-Mediterranean Ministerial Conference on 'Strengthening the Role of Women in Society' ensure that the development of women entrepreneurship is closely monitored and evaluated, and that measures are taken to enhance its development.

1.3 The EESC urges that in the European Neighbourhood Policy (ENP) specific measures and targets to address the promotion of women's entrepreneurship are included in the National Action Plans.

1.4 The EESC recommends that in the ENP more funds are allocated to the development of women entrepreneurship and technical assistance to start-ups for women.

1.5 The EESC welcomes the initiatives of DG Enterprise and Industry and DG Europe Aid <sup>(2)</sup> for targeting entrepreneurs in Europe and the Mediterranean partner countries. It calls on the Euro-Med partners to take similar measures, targeting the needs of this region through the Action Plans negotiated with the Mediterranean partner countries.

1.6 The EESC welcomes the setting up of the *ad hoc* Committee on Women's Rights within the Euro-Mediterranean Parliamentary Assembly (EMPA). It urges the Committee to propose policies to strengthen current business activities carried out by women and to promote forward-looking sustainable initiatives in the face of global competition.

1.7 The EESC recommends that women are targeted in the implementation of the Euro-Mediterranean Charter for Enterprise <sup>(3)</sup>.

1.8 Efforts should be made to ensure that a balanced number of young women and men benefit from the Euro-Mediterranean programmes targeting young people, both in terms of participants as well as leaders.

1.9 The EESC welcomes the initiative of the Euro-Mediterranean Youth Platform in setting up a Euro-Med network of youth groups working on gender issues <sup>(4)</sup>, as well as a Euro-Med network for young entrepreneurs <sup>(5)</sup>.

1.10 The EESC believes that inter-ministerial cooperation, the involvement of other stakeholders, such as representatives of financial institutions, implementing agencies, representatives of business communities, experts and donors in the exchange of views on priority areas and facilitating the transfer of existing businesses to women, will produce more effective results in promoting women's entrepreneurship.

1.11 The EESC urges the strengthening of NGOs and socio-professional organisations working in the field of promoting economic activities among women through private/public partnerships.

1.12 The EESC urges the Euro-Med stakeholders to organise a conference on the theme of women entrepreneurs in the Euro-Med region to discuss related issues and to make proposals regarding the contribution of women to global challenges in this region.

<sup>(1)</sup> [http://ec.europa.eu/comm/external\\_relations/euromed/barcelona\\_10/docs/10th\\_comm\\_en.pdf](http://ec.europa.eu/comm/external_relations/euromed/barcelona_10/docs/10th_comm_en.pdf).

<sup>(2)</sup> [http://ec.europa.eu/europeaid/index\\_en.htm](http://ec.europa.eu/europeaid/index_en.htm).

<sup>(3)</sup> [http://ec.europa.eu/enterprise/enterprise\\_policy/ind\\_coop\\_programmes/med/doc/f1949\\_en.pdf](http://ec.europa.eu/enterprise/enterprise_policy/ind_coop_programmes/med/doc/f1949_en.pdf).

<sup>(4)</sup> [http://www.cesie.org/cms/index.php?option=com\\_content&task=view&id=70&Itemid=85](http://www.cesie.org/cms/index.php?option=com_content&task=view&id=70&Itemid=85).

<sup>(5)</sup> REX/222 Information Report — Support for young people in the Mediterranean partner countries, CESE 642/2006.

1.13 The EESC reaffirms its belief that the promotion of women's entrepreneurship in the Euro-Mediterranean region plays a significant role in creating an active and dynamic economy geared for globalisation.

1.14 The EESC believes that strengthening the entrepreneurial environment for women is a pre-requisite in the development of market access within the region and with EU countries.

1.15 The EESC recommends that in addressing future challenges facing female entrepreneurs, further research is conducted to identify the specific needs within each country.

1.16 The EESC notes that there is a variety of observatories including GEM, UNDP, World Bank, looking at entrepreneurship within the Euro-Med region, but would recommend a Platform for better communicating the findings to policy makers and for the collection and dissemination of material to micro, small and medium enterprises in the Euro-Med region. The Platform could especially focus on:

- a. areas in which female entrepreneurs encounter particular difficulties,
- b. support and development of programmes for women entrepreneurs,
- c. development of mechanisms regarding the legal status of co-preneurs, assisting spouses and their social protection,
- d. action to strengthen the social security and legal status of women developing their own business.

1.17 The Committee recommends that in the field of Information and Communication Technology:

- priority is given to encourage investment in infrastructure and strategies to improve access to new ICT;
- easier access to ICT facilities and training is given to women starting their own business to facilitate marketing, bringing goods to the consumer through the proper channels of distribution as ICT could also be a vehicle for better marketing;
- participation of women in policy making, development and design of ICT is enhanced by establishing dialogue with ICT companies and other stakeholders to open avenues for cooperation and joint action.

The EESC strongly urges the Euro-Med Permanent University Forum <sup>(6)</sup> launched in Tampere to give priority to the gender dimension of its initiatives in particular in the area of entrepreneurship.

<sup>(6)</sup> <http://www.medainstitute.fi/?navi=360&lang=2>.

1.18 The EESC recommends that special attention is given to the influence of mass media, particularly TV, on entrepreneurship and women.

## 2. Recommendations for mechanisms specific to Female Entrepreneurship in the Euromed region

2.1 It is necessary to introduce specific policies and programmes so that women can make a larger contribution to growth and development. Some of these policies could be set out in an Action Plan, which has clear time frames and evaluation procedures, and should include:

1. Capacity Building mechanisms, and support schemes, which encourage women to consider their environments in which they live and work and how they can actively participate in developing them through their own abilities. This could include promoting ways of setting up self help groups.
2. Investment into social infrastructure and services to support women in work and self employment.
3. Defining traditional entrepreneurial activity, SMEs and individual self employment.
4. The establishment of an equal footing for male owned and female owned businesses of all sizes.
5. The creation of an equal legal system permitting women to sign documents and own property.
6. Training for women who run or own businesses, tailored to their specific needs. Additionally this could include mentoring programmes, the establishment of professional bodies and advice on legal and fiscal matters.
7. Formation of 'mutual guarantee companies', economic bodies whose members are SME owners and who act as guarantors for banking facilities.
8. The implementation of specific programmes to facilitate the creation of businesses by migrant women and minority groups.
9. Information and support mechanisms for the creation of social enterprises and co-operatives.
10. Cooperation and co-networking with EU counterparts to identify structures and mechanisms, including best practice, that have brought added value elsewhere.

11. Education policies which promote entrepreneurial mindsets and attitudes from an early age. An entrepreneurial mindset needs to be conceived as a lifelong learning process that begins in primary school. This can offer increased flexibility at different stages of a person's life.
12. The further involvement of women in the decision making process at all levels, government, local authorities, and the judiciary.
13. The opening up of public contracts to SMEs and particularly female owned businesses in order to stimulate business growth.
14. Specific objectives for gender equality in employment policies, with qualitative and quantitative indicators, it being vital for more women to be entrepreneurs, to secure employment, and for the quality of this employment to be improved <sup>(7)</sup>.

### 3. Current state and challenges

3.1 It is important that women's rights are not treated as an isolated issue separate from women's role in economic development. Commitment by all social partners to acknowledge the relationship between human rights, democracy, development and women's rights is crucial. Eliminating obstacles to women's empowerment, resulting from traditional, cultural and family laws should be given priority.

3.2 Addressing the gender gap in education and employment in the Euro-Med region requires a concerted effort to create an environment where women can develop their entrepreneurial activities.

3.3 Female illiteracy in the MENA region, although varying from one country to another, is still extremely high, on average 42 %, while the average male illiteracy rate is 21 %. However, the past two decades show a positive trend in equal access to education that varies from one country to another. In every country there is a significant difference between the literacy rate of the female youth population (15-24 years of age) and the female adult population (24 years and over) <sup>(8)</sup>.

3.4 Over the past decade, increased job opportunities for women have been the result of education and training as well as growth in sectors where demand for female labour is highest, such as social services, education and health and the services professions. Only 32 % of females of working age are working or seeking work outside the home. In traditional social classes, where girls go to school, they are discouraged to seek employment.

<sup>(7)</sup> EESC Opinion on Employability and entrepreneurship — The role of civil society, the social partners and regional and local bodies from a gender perspective, rapporteur Pariza Castaños.

<sup>(8)</sup> The World Bank Central Database (April 2006).

3.5 The education system needs to encourage entrepreneurial initiatives and risk-taking. The creation of a national education plan to improve the quality of basic education and to eradicate illiteracy among women, in particular disadvantaged and disabled women, is crucial.

3.6 While the need for education in citizenship matters and raising awareness of the social, political legal and economic rights of women is important, it is also necessary to educate financiers and other stakeholders to understand the needs of women in business activities.

3.7 Gender bias needs to be considered as a primary issue in the socio/political contexts and in the overall development of economic growth in the region. The particular roles and status that society imposes on women through the traditional family law also called Personal Status Code (PSC) discriminates women. The legal status of women controlling women's participation in economic, political, social, civic and cultural activities remains one of the biggest obstacles, although almost 190 countries, including the Arab region, have ratified the Millennium Declaration <sup>(9)</sup>.

3.8 It is necessary to give visibility and to strengthen small traditional business activities run by women. This includes non-paid activities in family and traditional work. Training and support should be provided to encourage the development and modernisation of many crafts and small businesses that can be transformed into productive paid employment through the creation of marketable services that will empower them economically.

3.9 The contribution of women is largest in the agricultural sector. In rural areas where a high proportion of women are illiterate or have no more than a primary education, access to training resources is very limited <sup>(10)</sup>. They often lack awareness and self-confidence to improve their own and their families' situation. Therefore they need integrated programmes, combining personal empowerment, vocational training and training in entrepreneurship and basic business skills as well as support in designing viable business plans, accessing start-up loans and credits to establish micro-enterprises in their villages. Training programmes should provide opportunities for rural women to combine agricultural and non-farm initiatives and also ensure the support for their non-farm activities of the male population in the communities.

3.10 It is important to set up small cooperatives to lend support to businesswomen.

<sup>(9)</sup> Hijab, Nadia, 2001: Laws, Regulations and Practices impeding Women's Economic Participation in the Mena Region, shadow report, submitted to the World Bank, April.

<sup>(10)</sup> Economic Empowerment of Rural Palestinian Women — MEDA programme, EuropeAid — January 2006-December 2007 — A joint Palestinian, Israeli and European Development project.

3.11 It is also important to strengthen existing women entrepreneurs to discover new sectors where women can take the economic initiative in the development of non-traditional business activities, including developing capacity in advertising, marketing and pricing, and targeting foreign markets.

3.12 Creating opportunities for developing women's economic activities requires a clear understanding of the present and future socio-economic situation within the different regions.

3.13 The involvement of all stakeholders is necessary to eliminate barriers for women and to introduce specific policies and programmes so that women can make a larger contribution to growth and development.

3.14 Access to finance is vital. Credit ceilings need to be raised to encourage micro and small enterprises to expand and invest in their business. Government and donors could offer incentives to formal lending institutions to these projects. Policy makers should always keep in mind the differences between SMEs and micro enterprises in terms of organisation, finance, productivity and potential growth.

3.15 Incentives for new business ventures and for enterprise establishment should include greater efficiency of the micro-credit sector, and commercial banks providing adequate and realistic conditions for loans.

3.16 Organising marketing and promotion exhibitions in the region and in EU member states can offer possibilities of export-oriented initiatives in particular in the manufacturing sector.

3.17 The future of women in the Euro-Mediterranean region must be seen within the overall economic, political, social and familial scenario. Without economic growth and improvement in the rate of employment, women will continue to suffer discrimination in an unfair competition with men.

3.18 It is necessary to introduce specific policies and programmes so that women can make a larger contribution to growth and development.

3.19 Strategies targeting women entrepreneurs specifically can provide opportunities for them to break out of traditional economic structures and invest more in enterprise.

3.20 There is a need for research underpinning all initiatives to identify the specific needs of each country, addressing the strengths and weaknesses of women through segmenting of different age groups and specialised sectoral studies.

3.21 Identifying and evaluating national measures relating to start-ups, information/advice, funding, training, mentoring and networking is necessary in order to identify and exchange good practices in north-south and south-south Euro-Med regions. Monitoring progress in the Euro-Med partner countries needs to be ongoing to ensure the development of women's full participation in the economic life of their country.

3.22 Through trans-national programmes in the Euro-Med region, business women's associations can share experience and good practice, which is an effective way of developing enterprise activities and skills.

3.23 Franchising can be a useful tool for women's empowerment through self-employment and small business. It can reduce risk when starting a new project as one can build on proven practice and skills. Improving the performance of business resource centres is important also. Capacity building that is specific to business requirements is needed, which can be developed by referring to successful practices and programmes in other countries.

3.24 Exploring new areas such as ICT services, R&D, management of media outlets and the production of innovative media programmes as well as exploring new niches in the tourist industry can create new avenues for business activities for women.

3.25 ICT contributes to productivity, growth, competitiveness and jobs. Development of this sector is crucial for the Euro-Med region to compete globally. In setting up the necessary infrastructure, it is important to ensure access to all, so that the digital divide does not widen, in particular among women and in sections of the population with high illiteracy rates. The value added ICT development will enhance both men's and women's entrepreneurial skills.

3.26 The Women's Entrepreneurship Portal <sup>(11)</sup> of DG Enterprise and Industry of the European Commission can be a useful tool for the sharing of good practice and networking.

3.27 Formal jobs in the provision of childcare facilities can be created which will also help women to reconcile family and work responsibilities.

3.28 Support and information services on self-employment to women ease the pressures of immigration. This can lead to job creation in both countries of origin and host countries.

<sup>(11)</sup> [http://ec.europa.eu/enterprise/entrepreneurship/craft/craft-women/womenentr\\_portal.htm](http://ec.europa.eu/enterprise/entrepreneurship/craft/craft-women/womenentr_portal.htm).

#### 4. The Barcelona Process and the ENP

4.1 The European Neighbourhood Policy aims at fostering economic integration between the EU and its partners. The budget allocation for Mediterranean Partners in the ENP for 2007-2013 has increased by 32 % to 12 billion euro. However it has not given enough attention to the promotion of women's economic activities.

4.2 During the plenary session of the Euro-Mediterranean Parliamentary Assembly of the 16-17 March 2007, the EESC was given the status of permanent observer, with the right to speak in all meetings of the EMPA. This gives EESC a great opportunity to promote the strengthening of female economic activity.

4.3 At the First Euro-Mediterranean Ministerial Conference on 'Strengthening the Role of Women in Society' in Istanbul, November 2006 <sup>(12)</sup>, a commitment was undertaken to 'promote women's entrepreneurship by improving women's access to land, finance, markets, information, training and networking and encourage financial institutions to tailor products to women's needs in particular by providing micro-credit'.

#### 5. The Euro-Mediterranean Charter for Enterprise

5.1 At the Fifth Euro-Mediterranean Conference in Caserta (Italy) on 4 October 2004, Industry Ministers approved a work programme on Industrial Cooperation for 2005-2006. One of the proposals was to exchange knowledge and experience on education for entrepreneurship.

5.2 As a result, the European Commission Directorate-General for Enterprise and Industry launched the Euro-Mediterranean Charter for Enterprise <sup>(13)</sup> which was endorsed by nine Mediterranean partners. One of the key principles is to build an entrepreneurial society in the Euro-Med region aiming to address both young people and adults through the education system at all levels in a lifelong learning perspective. However, it makes no specific reference to address the challenges faced by female entrepreneurs.

5.3 The Charter is an effective tool to improve conditions for doing business. However, in implementing the Charter, promoting entrepreneurship for women was neither a key principle nor one of the objectives.

5.4 While the Euro-Mediterranean Industrial Cooperation 2007-2008 Work Programme builds on what has been achieved so far and strengthens measures for more effective implementation, again it does not specifically target the promotion of women entrepreneurship.

<sup>(12)</sup> [http://ec.europa.eu/comm/external\\_relations/euromed/women/docs/conclusions\\_1106.pdf](http://ec.europa.eu/comm/external_relations/euromed/women/docs/conclusions_1106.pdf).

<sup>(13)</sup> [http://ec.europa.eu/enterprise/enterprise\\_policy/ind\\_coop\\_programmes/med/doc/f1949\\_en.pdf](http://ec.europa.eu/enterprise/enterprise_policy/ind_coop_programmes/med/doc/f1949_en.pdf).

5.5 A number of initiatives carried out by the European Commission can serve as examples of good practice and transfer of knowledge between European and Mediterranean countries <sup>(14)</sup>.

#### 6. The role of Civil Society

6.1 Organised civil society plays an important role in empowering women and encouraging their participation and representation in the public arena, and in promoting women's business activities.

6.2 Building on a very strong tradition of caring for the disadvantaged, including among others women with disabilities and women with little or no access to education and training facilities, existing resources can be better utilised with the provision of training in management skills and financing.

6.3 Through private-public partnerships NGOs and socio-professional organisations can stimulate economic growth effectively <sup>(15)</sup>. Such partnerships can provide a new extension of services for income generating activities.

6.4 Other areas in which experienced NGOs and socio-professional organisations can work is training and accreditation to eradicate the gender gap in education.

#### 7. The role of the EESC

7.1 The EESC has an important role to play in securing the participation of civil society in the implementation of the Euro-Mediterranean policy regarding the integration of women in the economic and social life <sup>(16)</sup>.

7.2 The EESC contributed to the issue of women and employment through a report that was presented at the 21st meeting of the EU-Turkey Joint Consultative Committee 13-14 July 2006 <sup>(17)</sup> and will elaborate a report on women and entrepreneurship for its next meeting in November 2007 in Turkey.

<sup>(14)</sup> <http://ec.europa.eu/enterprise/entrepreneurship/craft/craft-women/women-dgentr-active>.  
<http://ec.europa.eu/enterprise/entrepreneurship/craft/craft-women/database-women.htm>.

<sup>(15)</sup> file://E:\PPP for women entrepreneurship.htm 8.3.2007.

<sup>(16)</sup> The role of consultative bodies and socio-occupational organisations in implementing the Association Agreements and in the context of the European Neighbourhood Policy.

<sup>(17)</sup> EU-Turkey Joint Consultative Committee.

7.3 In the Final Declaration of The Euro-Med Summit of Economic and Social Councils and Similar Institutions held in Ljubljana, Slovenia on 15-17 November <sup>(18)</sup>, the participants committed themselves to pressing forward with their initiatives for the integration of women in the economic and social life, in particular through the development of female entrepreneurship.

7.4 The EESC also supports the Ministers' recognition of the importance of fostering the role of civil society and enhancing its capability through improved interaction with government and parliament contacts between civil society organisations, women's organisations, youth, trade union, business and professional associations and cooperation between national, regional and local administrations.

7.5 As part of the Barcelona Process, the EU launched a number of programmes, some of which were aimed directly at Euro-Med youth. The Committee has submitted an information report on 'Support for young people in the Mediterranean

partner countries' in which it also addresses the promotion of entrepreneurship for women <sup>(19)</sup>.

## 8. Conclusion

8.1 The European Commission should ensure an impact assessment of the ENP policies, including the MEDA programs and systematically include gender considerations. The role of women in entrepreneurship in the Euro-Med region is crucial in addressing the economic challenges of globalisation. The European Commission's regional program for the MENA region to promote the role of women in economic life is a positive step. Measures to ensure consultation with relevant civil society representatives, including women's NGOs in all phases of the projects: programming, implementation, evaluation and follow-up, should be established in order to ensure that the set objectives are achieved.

Brussels, 12 July 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(18)</sup> [http://www.europarl.europa.eu/intcoop/empa/home/final\\_declaration\\_ljubljana\\_112006\\_en.pdf](http://www.europarl.europa.eu/intcoop/empa/home/final_declaration_ljubljana_112006_en.pdf).

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<sup>(19)</sup> Information Report — Support for young people in the Mediterranean partner countries.