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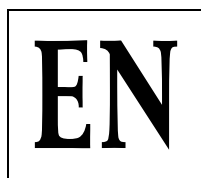
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## III

(Preparatory Acts)

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

## 440th PLENARY SESSION HELD ON 12 AND 13 DECEMBER 2007

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

- **'Proposal for a Regulation of the European Parliament and of the Council setting out the requirements for accreditation and market surveillance relating to the marketing of products'**
- **and the 'Proposal for a Decision of the European Parliament and of the Council on a common framework for the marketing of products'**
- **and the 'Proposal for a Regulation of the European Parliament and of the Council laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State and repealing Decision 3052/95/EC'**

COM(2007) 37 *final* — 2007/0029 (COD)COM(2007) 53 *final* — 2007/0030 (COD)COM(2007) 36 *final* — 2007/0028 (COD)

(2008/C 120/01)

On 14 March 2007, the Council decided to consult the European Economic and Social Committee, under Articles 95 and 133(3) of the Treaty establishing the European Community, on the

*Proposal for a Regulation of the European Parliament and of the Council setting out the requirements for accreditation and market surveillance relating to the marketing of products*

and the *Proposal for a Decision of the European Parliament and of the Council on a common framework for the marketing of products.*

On 2 April 2007, the Council decided to consult the European Economic and Social Committee, under Articles 37 and 95 of the Treaty establishing the European Community, on the

*Proposal for a Regulation of the European Parliament and of the Council laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State and repealing Decision 3052/95/EC.*

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 21 November 2007. The rapporteur was Mr Pezzini.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 13 December), the European Economic and Social Committee adopted the following opinion by 68 votes to two with three abstentions.

**1. Conclusions and recommendations**

marketed in a Member State can also be marketed without hindrance throughout the EU.

1.1 The EESC is firmly convinced of the importance of ensuring full application of the principle of the free movement of goods, which is enshrined in the Treaty and confirmed by numerous Court of Justice judgments, so that products lawfully

1.2 The EESC believes it is a priority to guarantee certainty, transparency and efficiency in trade, eliminating duplication of checks and tests and ensuring high levels of protection for

consumers, citizens and businesses, and to coordinate and step up market surveillance activities to ensure active, uniform application of Community product safety requirements.

1.3 The EESC stresses that the free movement of goods is an essential driver for competitiveness and the economic and social development of the European single market and that reinforcement and updating of the requirements for the marketing of safe, high-quality products are key factors for consumers, businesses and European citizens.

1.4 The EESC believes that the updating and streamlining of EU legislation on goods cannot be put off, given:

- the problems encountered in implementing and enforcing the provisions of the Treaty;
- the lack of a consistent approach to market surveillance in the Member States;
- shortcomings in conformity assessment bodies and in the legal protection of the CE marking;
- gaps in businesses', administrations' and citizens' awareness of their rights and obligations.

1.5 The EESC supports the Commission's initiative of putting together a **legislative package** on the subject insofar as it fully achieves:

- effective, uniform implementation of the mutual recognition principle;
- more robust market surveillance;
- a European common accreditation system, providing a public service of general interest;
- common levels of competence for accredited certification bodies;
- more stringent selection criteria and harmonised selection procedures for conformity assessment;
- greater systematic, ongoing cooperation between national authorities;
- greater legal protection for the CE marking, avoiding confusion caused by the existence of too many marks;
- full identification and definition of responsibilities for all those placing products on the market;
- a more uniform legal framework with greater consistency between existing texts, high levels of conformity and minimal red tape;
- a traceability guarantee for any product placed on the market;
- full application of the principle of proportionality of certification responsibilities and procedures, particularly as regards

smaller businesses and non-mass produced or products produced in small quantities;

- full involvement of all market players and, in particular, consumers;
- explicit provision for out-of-court redress mechanisms, with time frames and costs reduced to the absolute minimum.

1.6 The EESC feels that high levels of transparency, legal certainty and simplification must be ensured in the application of common mutual recognition procedures, by means of:

- reversal of the burden of proof, and the possibility of recourse to national courts;
- the possibility of out-of-court settlement of disputes at Product Contact Points, including on line;
- reduced time frames for both judicial and out-of-court proceedings;
- provision of capable, competent national technical facilities which can produce any proof needed quickly — using emergency procedures where applicable;
- an active role for regulatory bodies in producing a telematic guide making it possible to trace all existing legislation throughout the EU.

1.7 The EESC endorses the basic principles of the proposals, which are derived from combining the successful elements of the 'new approach' with the 'global approach' in the area of conformity assessment. They should be applied across the board in present and future Community legislation, covering all aspects of products sold, particularly as regards safety, health and environmental protection.

1.8 It is vital that all economic operators in the supply and distribution chain — be they manufacturers, authorised representatives or importers — take the necessary measures and equal responsibility to ensure that only products which comply with the regulations are marketed.

1.9 Product traceability, ensuring accountability of economic operators who place goods on the market, must allow these operators to be identified clearly so that Community rules can be properly applied.

1.10 In the EESC's view, the problems of placing goods on the market online need to be addressed, given that online selling is not yet fully regulated.

1.11 The EESC feels that clearer provisions are essential to improve the current 'new approach' framework, as regards:

- obligations for economic operators which are necessary and proportionate and do not entail heavy bureaucratic and administrative costs;

— more efficient market surveillance and more uniform levels of competence among notified conformity assessment bodies, to ensure competence, impartiality and effectiveness throughout the European Economic Area and a level playing field for all producers.

1.12 The EESC agrees that there is a need to enhance the status and significance of the CE marking, affording it greater legal protection by registering it as a collective mark, which will enable public authorities to take swift action and curb misuse.

1.13 The EESC stresses that technical standardisation plays a key role throughout this area, as the new approach is based precisely on essential legal requirements and European technical standards — which must be supported and harnessed — being closely linked.

1.14 The European Accreditation System (EAS) — providing a public service of general interest — must be based on internationally recognised standards and clear definitions, ensure acceptance across the board of conformity assessment results and prevent unnecessary duplication of assessment.

1.15 The provisions of the Regulation which relate to the EAS must apply to all accreditation bodies and the services they provide, within the European Economic Area, irrespective of the kind of conformity assessment services supplied to clients.

1.16 These provisions must ensure:

- a coherent set of clear, transparent common definitions which are in line with international standards, to be used in all 'new approach' directives and product-specific directives<sup>(1)</sup>, including those on conformity assessment and conformity assessment bodies;
- a public accreditation system which is not subject to commercial competition;
- general coverage of all relevant Community legislation, without exceptions in the area of either safety and health or environmental protection;
- application to all activities subject to accreditation across the board, including calibration, irrespective of whether the purpose of the accreditation is to meet legal conformity assessment requirements or to comply with private contracts;
- that national accreditation bodies comply with competence and impartiality standards by requiring them to take in part in peer evaluations carried out under the supervision of all the parties involved in the accreditation process.

1.17 The EESC believes that it is necessary to establish a clear legal basis for European cooperation for Accreditation (EA), whose role must be enhanced and better defined: all

<sup>(1)</sup> In EU legislation, different definitions have been used to address the same concepts in different product legislation covering aspects such as environmental-conscious design, product safety, product liability, waste disposal, energy efficiency etc. This has caused confusion for stakeholders, especially when different directives apply to the same product.

national accreditation bodies must be members of the EA, to ensure equivalence, transparency, reliability and effectiveness; moreover, the EA network must be supported by the Member States.

1.18 The EESC believes that, since accreditation bodies have to show that the confidence placed in them is well-founded, they should have to prove that they participate successfully in peer reviews.

1.19 In addition, the EESC believes that it is important for stakeholders to be involved: they should be represented on accreditation bodies and this provision should be an integral part of the new Regulation.

1.20 The EESC believes in this connection that there should be greater awareness and acknowledgement of consumers' rights in the internal market and that an appropriate initiative needs to be planned to this end.

1.21 Market surveillance activities should also apply to products covered by the General Product Safety Directive (GPSD) as numerous products are sold both for professional use and for use by an end consumer. The EESC feels that the existence of the current rapid information-exchange system, RAPEX, which can assist market surveillance effectively, is fully justified.

1.22 It is necessary for customs authorities to cooperate in a European network with market surveillance authorities, to ensure effective checks on products before they are placed on the European internal market, where they can circulate freely.

1.23 For this and other reasons, customs authorities must be equipped with trained staff, sufficient funds and powers to be able to cope effectively with the tasks assigned to them, and instruments to deal rapidly with seasonal products or products sold over limited periods.

1.24 Lastly, the EESC believes that the Regulation should specify that measures taken in response to a proven lack of conformity must comply with the proportionality principle as well.

## 2. Introduction

2.1 The internal market for goods is not only the driving force for growth within the Community: it also has a considerable impact on the European Union's ability to compete on the international market. As the EESC has pointed out a number of times, 'a factor which has increased its importance is "Globalisation" which is both a challenge and an opportunity. The challenge can only be met if the full potential of the single market is realised'<sup>(2)</sup>.

<sup>(2)</sup> OJ C 93 of 27.4.2007, *Review of the Single Market*. Rapporteur: Mr Cassidy.

2.2 The central pillar of the single market is the free movement of goods: under Articles 28-30 <sup>(3)</sup> of the Treaty essential progress has been made in harmonising technical regulations at EU level to remove technical barriers to trade, often by means of 'new approach' directives (also known as 'CE marking' directives).

2.3 However, gaps have emerged in the application and enforcement of the Treaty's provisions, particularly in the area of non-harmonised products. The introduction of national technical rules has created major barriers to free trade, especially for SMEs, because of a legislative framework which is still too fragmented and the lack of a consistent approach to market surveillance among Member States.

2.4 The EESC has stressed that 'Member States have a heavy responsibility to ensure that EU measures are properly transposed into their national law and enforced' and that it is important that 'the resulting regulatory framework at national level is both as balanced in terms of content and as simple as possible for business, employees, consumers and all civil society players' <sup>(4)</sup>.

2.5 The EESC firmly supports the goals of more transparent, effective rules and stronger, updated requirements for marketing of safe, high-quality products, in order to provide:

- consumers with higher levels of safety and quality and greater freedom of choice on the basis of reliable conformity assessments of both domestic and imported products;
- producers with legal certainty and clear, consistent legislation, with a common framework for industrial products; the agility necessary to adapt to technological developments; genuine free trade without unnecessary technical barriers, administrative controls or additional, burdensome tests for access to the individual domestic markets;
- citizens with protection of health and the environment, removing burdensome, unnecessary red tape and giving them a practical experience of a tangible, close-at-hand, quality-based 'Europe that delivers' as a key part of European citizenship.

2.6 In its opinion on the Internal Market Strategy — Priorities 2003-2006 <sup>(5)</sup>, the EESC pointed out that 'trade with third countries has been growing faster than trade between Member States.' and that 'one reason is the failure of mutual recognition designed to give consumers confidence in products

manufactured in another country. Member States should trust each other's systems. A sound legal system, high and transparent quality standards and consumer education initiatives provide the best conditions for increasing trade in goods between Member States.'

2.7 The EESC also stressed that knowledge of consumer rights in the internal market is extremely limited and that it had on several occasions drawn attention <sup>(6)</sup> — particularly as regards peripheral and recent accession countries — to these failings and the way in which national and local officials often exploit this ignorance.

2.8 In addition, the EESC points out that the four main barriers to the proper operation of the internal market identified by the SMO in 2007 are:

- uncertainty among economic operators and national administrations regarding rights and obligations relating to the implementation of the mutual recognition principle;
- insufficient trust, transparency and cooperation between Member States to facilitate mutual recognition and acceptance of certification and free movement of goods, providing a clearer framework, in terms of conformity assessments, accreditation and market surveillance systems, transparency and protection of the 'CE marking';
- lack of coherent measures to ensure high levels of safety and health in the products to be placed on the market and optimum general requirements relating thereto.

2.9 The EESC has stated: 'It is noticeable and regrettable that after many years of European integration EU law and policy are not yet sufficiently integrated in a number of Member States as a political and administrative layer in domestic policy-making in those areas in which they have committed themselves to common policies and to carry out the results of common decision-making' <sup>(7)</sup>.

2.10 It went on to point out: 'An effective and transparent approach of EU matters at national level is indispensable as 25 Member States, each with their own administrative culture and traditions as well as process management, have to respect the same *acquis*, which includes similar requirements regarding lawmaking, transposition, implementation and enforcement of EU law' <sup>(8)</sup>.

<sup>(3)</sup> See also Articles 94-95 of the EU Treaty.

<sup>(4)</sup> OJ C 309 of 16.12.2006, *Implementing the Community Lisbon programme: A strategy for the simplification of the regulatory environment*. Rapporteur: Mr Cassidy.

<sup>(5)</sup> OJ C 234 of 30.9.2003. Rapporteur: Mr Cassidy.

<sup>(6)</sup> OJ C 208 of 3.9.2003. Rapporteur: Mr Pezzini.

<sup>(7)</sup> OJ C 325 of 30.12.2006. Rapporteur: Mr van Iersel.

<sup>(8)</sup> *Ibid.*

2.11 According to the 'Kok Report' <sup>(9)</sup>, 'the free movement of goods within the EU continues to be hindered by a range of local rules, often applied arbitrarily and in clear contradiction to the mutual recognition principle' <sup>(10)</sup>.

2.12 In the light of the above, the EESC feels that it is an urgent priority, with a view to securing the future of European integration, the protection of consumers and citizens and the development of European businesses, to:

- ensure full application of the principle of the free movement of goods, which is enshrined in the Treaty and confirmed by numerous Court of Justice judgments, so that products lawfully marketed in a Member State can also be marketed without hindrance throughout the EU;
- guarantee certainty, transparency and efficiency in trade, eliminating duplication of checks and tests and ensuring high levels of protection of consumers, citizens and businesses;
- eliminate uncertainties, layers of legislation, inconsistencies in the law and unnecessary complexity in product conformity assessments: these should be appropriate, authoritative, independent and impartial and comply with a common legal framework for industrial products;
- coordinate and step up market surveillance activities to ensure active, uniform application of Community product safety requirements;
- promote, strengthen and protect more effectively the CE marking; this must be a genuine 'conformity passport' allowing free movement throughout the EU, with due regard for the safety and quality levels laid down by Community legislation.

### 3. The Commission proposals

3.1 The Commission takes as a starting point the observation that the internal market is not yet complete:

- national technical rules still constitute important barriers to free trade within the EU. As has been noted <sup>(11)</sup>, in one survey, over a third of enterprises reported problems caused by technical rules in another Member State and about half of enterprises decided to adapt their products to these rules;
- too many EU rules have proven to be inconsistent or too complex: different definitions applying to the same product, overlapping conformity assessment procedures, differing conformity assessment bodies, a fragmented regulatory framework, with a patchwork of different rules and procedures;

<sup>(9)</sup> Report from the High Level Group chaired by Wim Kok: 'Facing the Challenge', November 2004 — European Commission.

<sup>(10)</sup> SEC(2007) 113 of 14.2.2007.

<sup>(11)</sup> *Second Biennial Report on the Application of the Principle of Mutual Recognition in the Single Market* — COM(2002) 419 final.

- consumers, citizens, and SMEs, are still to a large extent uninformed or unaware of their rights, while new barriers and new red tape hampering the exercise of these rights are gradually emerging.

3.2 To address these issues, the Commission proposes:

- a Regulation (COM(2007) 36 final) laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State and repealing Decision 3052/95/EC;
- a Decision (COM(2007) 53 final) on a common framework for the marketing of products, while in parallel with the proposal, the Commission will register the CE marking as a collective mark to ensure its legal protection;
- a Regulation (COM(2007) 37 final) setting out the requirements for accreditation and market surveillance relating to the marketing of products.

3.3 The first regulation (COM(2007) 36 final) proposes the repeal of the current procedure for mutual exchange of information and addresses some aspects of the non-harmonised area:

- a new procedure for national authorities to follow when they intend to impose a national technical rule and do not believe they can apply mutual recognition;
- definition at EU level of the rights and obligations of national authorities and of enterprises wishing to sell in a Member State one of their products which is already lawfully marketed in another Member State;
- establishment in each Member State of one or several 'Product Contact Points', with the task of providing information on the technical rules on a product or specifying the competent authorities/bodies to be contacted; it will also be possible to set up a telematic network linking these Product Contact Points, for the exchange of information, in accordance with the IDABC interoperability scheme.

3.4 The decision (COM(2007) 53 final) sets out the general framework for future sectoral legislation with:

- harmonised definitions, common obligations for economic operators, criteria for the selection of the conformity assessment bodies, criteria for the national notifying authorities and rules for the notification process;
- rules for the selection of conformity assessment procedures as well as the harmonised range of procedures, to avoid burdensome overlaps;
- a single definition for the CE marking (with corresponding responsibilities and safeguards) as a Community collective mark, for those directives which already provide for it;
- an information and market surveillance procedure as an extension of the GPSD system;



- harmonised provisions for the future safeguard mechanisms as a complement to those for market surveillance.

3.5 The second regulation (COM(2007) 37 final) provides for reinforcement of the requirements for accreditation and for market surveillance, so that non-compliant products can be easily identified and taken off the market. The main objective of the proposal is to ensure the free movement of goods in the harmonised area by:

- stepping up European cooperation, so that accreditation can genuinely provide the final level of control in the proper functioning of EU legislation;
- establishing a framework for recognition of the existing organisation 'European cooperation for Accreditation' (EA), so as to ensure the proper functioning of a rigorous peer evaluation <sup>(12)</sup>;
- putting in place a Community framework for market surveillance and checks on products entering the EU market, with closer cooperation between internal authorities and customs authorities, exchange of information between national authorities and cooperation between them in the case of products on the markets of more than one Member State;
- applying clear, standardised rules across all sectors, ensuring legal stability and consistency in measures, and reducing some of the burdens in pre-marketing requirements and in conformity assessment;
- providing Community funding for sectoral accreditation schemes, the activities of the EA central secretariat, setting-up and coordination of market surveillance projects, training programmes and exchange of national officials, including customs authorities.

#### 4. General comments

4.1 The EESC firmly believes that the free movement of goods is an essential driver for competitiveness and the economic and social development of the European single market and that reinforcement and updating of the requirements for the marketing of safe, high-quality products are key factors for consumers, businesses and European citizens.

4.2 Over the past 50 years, the single market for goods has helped to bring Europe's economies increasingly close: trade

between the EU-27 Member States now accounts for two-thirds of all EU trade.

4.3 Implementing the provisions of Articles 28 and 30 <sup>(13)</sup> of the EC Treaty, harmonising the old and new approach technical rules and applying the mutual recognition principle properly are key pillars for the development of intraCommunity trade.

4.4 There are many reasons why the updating and adjustment of EU legislation on goods cannot be put off: the problems encountered in implementing and enforcing the provisions of the Treaty; the lack of a consistent approach to market surveillance in the Member States; shortcomings in conformity assessment bodies and in the legal protection of the CE marking; the inconsistencies and complexity of European legislation, which is often multi-layered and overlapping, with a patchwork of different procedures; and gaps in businesses', administrations' and citizens' awareness of their rights and obligations.

4.5 The EESC supports the Commission's initiative, as, moreover, it has already stressed, and it repeatedly called for such an initiative in its opinions on the single market <sup>(14)</sup>; it supports the proposals issued insofar as they reflect the comments made in this opinion.

<sup>(13)</sup> See also Articles 94-95 of the EU Treaty.

<sup>(14)</sup> List of recent EESC opinions on Simplification, Better Lawmaking and Priorities of the Single Market:

- 1) OJ C 93 of 27.4.2007, *Review of the Single Market*, rapporteur: Mr Cassidy.
- 2) Opinion on the *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Implementing the Community Lisbon programme: A strategy for the simplification of the regulatory environment*, COM(2005) 535 final, rapporteur: Mr Cassidy, OJ C 309 of 16.12.2006.
- 3) Exploratory opinion at the request of the UK Presidency on *Better lawmaking*, rapporteur: Mr Retureau, adopted on 28.9.2005, OJ C 24, 31.1.2006.
- 4) Own-initiative opinion on *How to improve the implementation and enforcement of EU legislation*, rapporteur: Mr van Iersel, adopted on 28.9.2005, OJ C 24, 31.1.2006.
- 5) Opinion on the *Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: Updating and simplifying the acquis communautaire*, COM(2003) 71 final, rapporteur: Mr Retureau, adopted on 31.3.2004, OJ C 112, 30.4.2004.
- 6) Own-initiative opinion on *Simplification with particular reference to European Governance: Better lawmaking*, rapporteur: Mr Simpson, adopted on 26.3.2003, OJ C 133, 6.6.2003.
- 7) Exploratory opinion on the *Communication from the Commission — simplifying and improving the regulatory environment*, COM(2001) 726 final, rapporteur: Mr Walker, adopted on 21.3.2002, OJ C 125, 27.5.2002.
- 8) Own-initiative opinion on *Simplification*, rapporteur: Mr Walker, adopted on 29.11.2001, OJ C 48, 21.2.2002.
- 9) Own-initiative opinion on *Simplifying rules in the single market*, rapporteur: Mr Vever, adopted on 19.10.2000, OJ C 14, 16.1.2001.
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- 12) Information report on simplification.
- 13) Information report on the *State of co-regulation and self-regulation in the Single Market*, rapporteur: Mr Vever, adopted on 11.1.2005, CESE 1182/2004 fin.

<sup>(12)</sup> At present there are about 1700 notified bodies in the EU.

4.6 The EESC believes that four key criteria should be used to assess the proposed measures, to ensure that they are incorporated into the existing Community framework:

- the level of transparency, simplification, reliability, legal certainty and accessibility for the Community user, whether consumers, businesses, public administrations or individuals;
- the level of consistency with EU policy and other goals;
- the level of communication and information exchange on rights and obligations between Community stakeholders;
- the amount of unnecessary red tape and related burdens, particularly for minor stakeholders such as consumers, small and medium-sized enterprises and individuals.

4.7 The EESC feels that the Commission's proposals allow major steps forward as they lay down:

- provisions for increasing market surveillance;
- a common accreditation system;
- common levels of competence for accredited certification bodies;
- more stringent selection criteria and harmonised selection procedures for conformity assessment;
- more cooperation and information exchange between national authorities;
- greater legal protection for the CE marking as a Community collective mark.

4.8 The EESC fully agrees that there is a need to improve the quality of the system for accrediting notified bodies and to establish more stringent criteria for selecting, managing and supervising these bodies, with a legal framework providing consistency, comparison and coordination in the decentralised system to ensure reliability and increase mutual trust.

4.9 Particularly in view of increasing globalisation, the market surveillance system must provide a common legislative framework ensuring efficient, consistent application of legislation throughout the EU.

4.10 Non-compliant, potentially dangerous products must not be allowed to reach the market, as stressed in the RAPEX (Rapid Alert System for non-food consumer products) 2006 annual report on dangerous consumer products <sup>(15)</sup>.

<sup>(15)</sup> European Commission RAPEX 2006 report, <http://ec.europa.eu/rapex>. The report issued on 19 April 2007 notes a steadily increasing number of notifications in recent years. The number of notifications of non-food consumer products presenting a serious safety risk in Europe more than doubled between 2004 and 2006, rising from 388 to 924, while in 2006 the annual increase over 2005 was 32 %, relating mainly to the toy, electrical-appliance, motor-vehicle, lighting-equipment and cosmetics sectors, entailing risk of injury, electric shock, fire and burns, choking and suffocation and chemical risk.

4.11 As regards the CE marking — conceived as a conformity mark rather than a quality mark — the EESC feels that it is essential to restore faith in conformity marks. The value of the CE marking must be restored, with greater possibilities of prosecution for breach thereof and legal protection ensured for something which represents the legislative linchpin for all the 'new approach' directives, now covering 20 production sectors.

4.12 Regarding the current legislative framework, the EESC believes that the inconsistencies, duplicated rules and legal uncertainties may well be the Achilles Heel of the entire system, severely harming consumers, businesses, citizens and civil society as a whole.

4.13 The existence of several layers of legislation and failure to respect the need for consistency among initiatives linked to EU policy and other goals have led to excessive red tape and considerable burdens in terms of time relating to the actual launch of differing procedures. This has had a very harmful impact, especially on consumers, small and medium-sized enterprises and individuals.

4.14 The EESC therefore fully supports the proposal for a common reference framework for the marketing of products <sup>(16)</sup>. This framework should include common elements, procedures and definitions for the future reorganisation and adjustment of individual directives so as to remove unnecessary red tape and shortcomings from the current legislative framework.

4.15 The EESC feels that it is important, as a key element in the single market, to draw up a practical telematic guide for the marketing of products in the European single market <sup>(17)</sup>, giving a user-friendly overview of all legislation and procedures broken down by major sectors, including rights and obligations, access procedures, time frames and launch costs.

## 5. Specific comments

### 5.1 *Proposal for a Regulation on Mutual Recognition and 'Product Contact Points'* (COM(2007) 36 final)

5.1.1 The principle of mutual recognition, provided for under Articles 28 and 30 of the Treaty, is a cornerstone of the free movement of goods and services in the internal market. Fifty years on, as the EU has progressively enlarged and markets have become increasingly globalised, the EESC believes there is a need to strengthen and safeguard its role, providing greater legal certainty and uniform implementation, and harness its full potential for economic operators, European businesses and national authorities alike.

5.1.2 The Commission proposal represents a positive step in this direction since it:

- sets up a procedure to contest exceptions to the general principle;

<sup>(16)</sup> The common framework should also take account of services, which are increasingly linked to the marketing of products per se.

<sup>(17)</sup> Cf. point 5.1.11.

- establishes a common framework of rights and obligations for national authorities and businesses;
- proposes a system for information and administrative cooperation with regard to national regulation.

5.1.3 The EESC believes, however, that there remain several problem issues which the proposal needs to address more specifically:

- implementation of the principle of mutual recognition cannot be decoupled from mutual trust between Member States with regard to the reliability of market surveillance mechanisms, which play a vital role in granting a product access to the European internal market; the effectiveness of conformity assessment procedures; the role played by test laboratories; and the competence of certifiers and standardisation bodies;
- in the draft regulation the role of the Commission is more circumscribed compared to that provided for under Decision 3052/95/EC;
- administrative cooperation mechanisms would be limited to vertical cooperation between national businesses and authorities, whereas it would seem important to develop horizontal cooperation between administrative authorities and likewise between the different Product Contact Points;
- the lack of reference to dispute settlement mechanisms such as SOLVIT<sup>(18)</sup>, which would allow businesses to directly request a rapid, tried and tested procedure;
- the reversal of the burden of proof, including for third country products brought to the Community market by European importers;
- the inclusion of a positive product list, which could be particularly tricky given that the principle of mutual recognition applies to all products that are not covered by harmonised legislation.

5.1.4 The EESC feels that it would be appropriate for the text to refer explicitly to the Treaty legal bases establishing the principle of mutual recognition, thus highlighting that safeguarding supposed national requirements can only be the exception.

5.1.5 The EESC feels that high levels of transparency, legal certainty and simplification must be ensured in the application and enforcement of the mutual recognition principle:

- reversing the burden of proof on national authorities wishing to derogate from this principle, using simple procedures and definite time frames in order to make resolution of disputed cases faster and more transparent;

- the possibility of recourse to national courts, without involving any further, excessive demands in terms of costs, time and energy;

- access to out-of-court complaint procedures, using tried and tested EU procedures;

- freer, more efficient movement of goods and services, using combined information and training campaigns targeting businesses, consumers and administrations;

- shorter procedural time frames; after receiving a written reasoned notification from the national authority, a business has 20 days to submit its counter arguments and, if the issue is not resolved within a specific timeframe, it can take it to the national courts of the country of the potential market;

- European networking and inclusion on the EU website for the 'Product Contact Points' (PCP) provided for in each Member State, to ensure sufficient communication and provision of information on rights and obligations.

5.1.6 In the EESC's view, the maximum time limits for discussing appeals should be defined so that an issue can be settled before the court of first instance.

5.1.7 The Member States must equip themselves with efficient technical structures (including provision for an urgency procedure) in order to rapidly produce any evidence for a derogation from the principle of mutual recognition in accordance with Article 30 of the Treaty, which 'allows Member States to take measures having an effect equivalent to quantitative restrictions when these are justified by general, non-economic considerations (public morality, public policy or public security, the protection of health and life of humans, animals or plants, the protection of national treasures and the protection of industrial and commercial property)'<sup>(19)</sup>.

5.1.8 The Product Contact Points (PCP) should employ SOLVIT methods in an initial attempt to settle disputes and to allow businesses whose products have been blocked at borders to access this out-of-court procedure for administrative cooperation between Member States, with answers due within 10 weeks<sup>(20)</sup>.

<sup>(19)</sup> European Parliament Fact Sheets: 3.2.1 Free movement of goods. Last updated on 22 October 2001.

[http://www.europe-infor.de/facts/en/3\\_2\\_1.htm](http://www.europe-infor.de/facts/en/3_2_1.htm)

<sup>(20)</sup> SEC(2007) 585. Commission staff working document SOLVIT 2006 Report 'Development and Performance of the Solvit network in 2006', 30.4.2007.

All EU Member States as well as Norway, Iceland and Liechtenstein, have created a SOLVIT centre, in most cases within their ministry of foreign or economic affairs.

These centres cooperate directly via an on-line database to solve problems submitted by citizens and businesses rapidly and pragmatically. The rules for cooperation within Solvit are included in a 2001 Commission recommendation that was endorsed by Council conclusions. Solvit has been operational since July 2002. In addition to the recommendation, the Solvit centres adopted a set of common quality and performance standards in December 2004 to ensure a high quality of service throughout the network.

<sup>(18)</sup> <http://ec.europa.eu/solvit/>

5.1.9 The EESC believes it is important for the PCPs to take a proactive approach by making practical procedural guides available. They could also set up national websites, linked in a European network and to an EU website, featuring decisions on previous resolved cases, the list of products covered by the mutual recognition principle and a database open to potential users linked to the telematic network for the exchange of information between PCPs in accordance with IDABC interoperability <sup>(21)</sup>.

5.1.10 Preparing and operating these instruments cannot be optional; it should be an obligation, stipulated in the proposal. The PCPs should, together with the Commission, hold regular joint information and training seminars for economic operators, administrative and customs officials and for consumers, to ensure proper understanding and dissemination of the rights and obligations laid down in the Treaty.

5.1.11 There is also a need to prepare a Telematic Guide, giving a user-friendly EU overview of all the current legislation in force, broken down horizontally and by major sector.

5.1.12 It does not seem worth drawing up a list of positive products covered by the Regulation, just as it would be inappropriate to exclude the urgency procedure provided for in the General Product Safety Directive.

5.1.13 The Commission must monitor closely the way the notification mechanisms are operated: Member States must thus be required to submit a copy of every notification and to draw up an annual report on the measures adopted, under the terms of the Regulation, to enable the Commission to submit a report to the European Parliament, the Council and the EESC — SMO.

## 5.2 *Proposal for a Decision on a Common Framework for the Marketing of Products and CE Marking (COM(2007) 53 final)*

5.2.1 The EESC endorses the principles of the proposal, which is underpinned by the positive experience of the New Approach, combined with the Global Approach <sup>(22)</sup> on conformity assessment. These principles should be applied across the board to current and future Community legislation, covering all aspects of marketed products, especially as regards safety, health and environmental protection. The key principle of the internal market, i.e. non-discrimination between economic operators, must be fully respected in law and implemented by the Member States.

<sup>(21)</sup> OJ C 80 of 30.3.2004, rapporteur: Mr Pezzini.

<sup>(22)</sup> The global approach brought in a modular approach. This divides conformity assessment into a number of steps or 'modules' which differ according to the development phase of the product (e.g. planning, prototype, full production), the type of assessment carried out (checking paperwork, type approval, quality guarantee), and responsibility for the assessment (manufacturer or third party). The global approach was formalised by Council Decision 90/683/EEC, repealed and updated by Decision 93/465/EEC: both decisions set general guidelines and detailed procedures for conformity assessment, for use in the new approach directives.

5.2.2 The EESC would stress that 'all economic operators intervening in the supply and distribution chain should take the appropriate measures to ensure that they make available on the market only products which are in conformity with the applicable legislation' <sup>(23)</sup>, whether they be manufacturers, authorised representatives or importers <sup>(24)</sup>.

5.2.3 Product traceability is essential in order to identify the liability of economic operators who place goods on the European market, and to ensure that all the relevant Community requirements are enforced, rather than just the conformity requirement 'limited to certain control measures', as proposed by the Commission <sup>(25)</sup>.

5.2.4 Turning to the subject matter and scope of the Decision, the EESC feels that the exceptions contained therein must be avoided and that the Common Framework for the Marketing of Products must apply — in line with the proposals advanced in point 5.3.3 relating to the Regulation on the European Accreditation System and Market Surveillance mechanisms — to all relevant Community legislation without exception, either for health and safety or environmental protection. The new framework must apply to the whole body of legislation in this field, without waiting to see whether each individual directive or regulation might be subject to a general review.

5.2.5 The common definitions contained in Chapter 1 of the proposal are of vital importance to market operators, given that too many directives use different definitions to cover the same products.

5.2.6 The EESC believes the following are essential:

- clearer description of economic operators' obligations, in order to improve the existing New Approach framework;
- more efficient market surveillance;
- more uniform levels of competence for the notified conformity assessment bodies.

5.2.7 The obligations for economic operators must be justified, proportionate and free from costly bureaucratic and administrative red tape, both with regard to sample testing of marketed products and the register of complaints (second paragraph of Article 7(4)), and as regards the reporting requirement, which should be restricted to the dangerous products as defined in the General Product Safety Directive.

5.2.7.1 In the European Accreditation System, the action taken by conformity assessment bodies must be proportionate; these bodies must use suitable methods when dealing with small and medium-sized businesses and non-mass produced products or products produced in small quantities.

<sup>(23)</sup> Recital 14, COM(2007) 53 final.

<sup>(24)</sup> Including importers of 'no-name products' from third countries, which are marketed for short periods and often under fantasy names, according to the 'sell and run' principle.

<sup>(25)</sup> Recital 17, COM(2007) 53 final.

5.2.8 With regard to the Notified Bodies, the EESC would reiterate that they must provide a guarantee of competence, impartiality and effectiveness throughout the European Economic Area. In order to enable all manufacturers to compete on even terms, and in compliance with the accreditation obligation laid down in Article 3 *et seq.*, accreditation assessment must be carried out by the National Accreditation Body and accepted by the notifying authority, thus avoiding pointless, expensive duplication.

5.2.9 Module A for internal control should be the preferred conformity assessment procedure, largely due to the fact that, in any case, product liability rests entirely with the manufacturer or with the importer, in the European Economic Area (EEA). There is also a need to ensure choice between several different simplified modules, in particular for SMEs and limited series production.

5.2.10 The very heart of the provisions is the CE marking system, which is intended to certify the product's compliance with the applicable rules and which the Member States are required to safeguard more effectively by responding to improper use with sufficient and proportionate sanctions, including penal ones. The new provisions, like the old ones, stipulate that the product's conformity, attested by the CE marking, does not relieve the maker of the obligation to make good any damage caused by a product subsequently revealed to be faulty.

5.2.11 The EESC agrees unreservedly that a lack of credibility of the CE marking amounts to a 'lack of confidence in the whole system: market surveillance authorities, manufacturers, laboratories and certifiers, and ultimately the adequacy of New Approach legislation' <sup>(26)</sup>.

5.2.12 The best way to boost the standing and importance of the CE marking, as defined in Council Decision 93/465 <sup>(27)</sup>, is through a radical shake-up of the marking itself, which would involve:

- making it clear that it should not be used or regarded as a marking or labelling system for purposes of consumption <sup>(28)</sup>, nor a guarantee of quality or certification or approval by independent third parties, but only as a declaration of conformity with product requirements and a technical document that the manufacturer or the importer has an obligation and full responsibility to produce for the authorities and the consumer;
- rationalising the various procedures for assessing conformity;
- strengthening legal protection of the CE marking by registering it as a collective mark, which means that the public authorities can act swiftly to clamp down on abuses, while keeping open the possibility of additional national markings;
- strengthening market surveillance mechanisms and border customs checks;

<sup>(26)</sup> The role and significance of the CE marking — European Commission Draft Certif Doc 2005 — 11 of 30.8.2005.

<sup>(27)</sup> Council Decision 93/465/EEC: modules decision: 'The CE marking symbolises conformity to all the obligations incumbent on manufacturers for the product by virtue of the Community directives providing for its affixing.'

<sup>(28)</sup> BEUC 298/2007 of 5.6.2007 on Internal Market package for goods. Jim Murray, EP hearing 5.6.2007.

- getting producers and consumers to look into the pros and cons of a possible voluntary code of conduct on the efficacy of the proliferation of European and national quality marks and labels —voluntary or otherwise — and how they mesh with the CE marking.

5.2.13 The market surveillance mechanisms are dealt with in point 5.3.13 *et seq.*, but here the EESC wishes to stress the importance of Commission involvement, not only in the case of all products that, though complying, also entail risks for health and safety, but also in cases of formal non-compliance as covered by Article 38 of the Proposal for a Decision.

5.2.14 The EESC reiterates the crucial role played in all aspects of this issue by the process of technical standardisation, since the very foundation of the new approach is the close linkage of minimum legal requirements and European technical standards, which need to be supported and harnessed. If there is a formal objection to harmonised standards <sup>(29)</sup>, therefore, the relevant standards authority should be informed immediately so that it can pay due attention to this in drawing up the standards.

### 5.3 Proposal for a Regulation setting out the requirements for accreditation and market surveillance relating to the marketing of products (COM(2007) 37 final)

5.3.1 The EESC supports the proposals for establishing a European Accreditation System founded on mutual trust and cooperation inasmuch as this puts in place binding rules for both economic operators and public authorities to ensure that all products put on the market meet high levels of safety and health protection. The system should also guarantee the same level of application and regulation to all European consumers and to all economic operators, with simpler and more streamlined procedures.

5.3.2 The European Accreditation System must ensure universal acceptance of the outcome of conformity assessments and avoid superfluous duplication of testing: in order to ensure that the system is internationally acceptable, the competence of the accreditation assessment must be based on internationally recognised standards, and the definitions of 'conformity assessment', 'conformity assessment bodies', 'designation of the body' and 'notification' must be stated explicitly in the Regulation.

5.3.3 The provisions of the Regulation must apply to all accreditation bodies and the services they provide, within the European Economic Area, irrespective of the kind of conformity assessment services supplied to clients, and they must ensure:

- a coherent set of common, clear, transparent definitions which are in line with international standards, to be used in all 'new approach' directives and the product-specific directives, including those on conformity assessment and conformity assessment bodies;

<sup>(29)</sup> Article 14 of Proposal for a Decision COM(2007) 53 final.

- an accreditation system which is run by the public authority and must not be subject to commercial competition;
- general coverage of all relevant Community legislation, without exceptions either in the area of safety and health or in the area of environmental protection: the growing complexity of Community legislation in this area must be recast in a single coherent framework for both EU and non-EU producers;
- application to all activities subject to accreditation across the board, including calibration, irrespective of whether the purpose of the accreditation is to meet legal conformity assessment requirements or to comply with private contracts;
- that national accreditation bodies comply with competence and impartiality standards by requiring them to take part in peer evaluations carried out under the supervision of all the parties involved in the accreditation process;
- cost effectiveness, proportionality, reliability and reciprocal trust in the common accreditation system for both the regulated and the non-regulated area.

5.3.4 The definition of accreditation should be modified to include calibration, testing, certification, inspection and other conformity assessment activities.

5.3.5 In addition, to ensure uniform rules embracing all the conformity assessment procedures, including those of quality assurance, calibration and ISO 43 evaluation tests, there should be no exemptions: all accreditation bodies and all the services they provide in the European Economic Area should be covered by the Regulation, irrespective of the kind of conformity assessment services supplied to clients.

5.3.6 National accreditation bodies should operate on a non-profit basis as proposed in Article 4(6). However, the present wording risks hampering the creation of the start-up capital needed to secure a sound financial footing for delivering quality services. In the EESC's view, national accreditation bodies should operate like non-profit bodies in the sense that they must not distribute profits, as established internationally in ISO/IEC 17011<sup>(30)</sup>.

5.3.7 The European Accreditation System (EAS) should be regarded as the system's highest level of accreditation, and as a public service of general interest must be free of competition. The EESC supports the rule which obliges Member States to have a single national accreditation body whose competence, objectivity and impartiality must be subject to peer review, with some exceptions in certain circumstances<sup>(31)</sup> for smaller states should they wish to use the national accreditation bodies of a neighbouring Member State.

5.3.8 The EESC thinks that a clear legal basis needs to be established for European cooperation for Accreditation (EA),

whose role must be strengthened and better defined: all the national accreditation bodies must be members of the EA in order to ensure equivalence, transparency, reliability and efficacy, and the EA network must be supported by the Member States.

5.3.9 In order to further strengthen EA, the EESC thinks that the accreditation bodies must be signatories of multilateral recognition agreements (MLAs) operated by EA. In addition, the financing mechanisms enshrined in the Regulation should not only cover EA, but be extended to campaigns in support of market surveillance activities and joint training of the various national administrations taking part.

5.3.10 The peer review enshrined in Article 9(1), intended to facilitate and improve the operation of the single market by increasing its trustworthiness, must be organised within the European Accreditation System and implemented according to harmonised rules defined within EA. The results of the peer review must be rendered public and communicated to all the Member States and to the Commission.

5.3.11 Since accreditation bodies must actively demonstrate that the trust they enjoy is well placed, the EESC thinks they should have to prove that they participate successfully in peer review.

5.3.12 The EESC also considers it important for stakeholders to be involved: they should be represented on accreditation bodies and provision to this effect should be an integral part of the new Regulation.

5.3.13 The EESC stresses the importance of Member States achieving equivalent, more coherent and efficient market surveillance mechanisms by way of a harmonisation of Community legislation which includes the strengthening of crossborder cooperation: there should be a realignment of provisions on general product safety — Product Safety Directive 2001/95/EC — and of the other relevant directives in order to ensure the full application of the 'better lawmaking' principle to the operation of the single market. Market surveillance activities should also apply to products covered by the General Product Safety Directive (GPSD), as numerous products are sold both for professional use and for use by an end consumer. The EESC therefore regards as unjustified the exclusion of the GPSD from the provisions mentioned in Article 13(2), as this would create more confusion and complications for economic operators rather than greater cohesion of single market surveillance activities.

5.3.14 The EESC feels that the existence of the current rapid information-exchange system, RAPEX<sup>(32)</sup>, which is capable of effectively assisting market surveillance, is fully justified: it should, however, be used in a more uniform and coordinated way by the Member States and the customs and administrative authorities.

<sup>(30)</sup> ISO/IEC 17011 'The accreditation body shall have the financial resources, demonstrated by records and/or documents, required for the operation of its activities'.

<sup>(31)</sup> Article 6(1) of Proposal for a Regulation COM(2007) 37 final.

<sup>(32)</sup> In addition to RAPEX there are: the RASFF alert system for the food and feed sector, the EWRS system for human diseases, and the ADNS system for animal diseases. Compare Decision 2004/478/EC and Regulation 2230/2004/EC.

5.3.15 Customs authorities should cooperate with market surveillance authorities in a European network in order to ensure effective checks on products before these are put on the single European market, and customs authorities must be equipped with trained staff, financial resources and sufficient powers to carry out the tasks entrusted to them effectively.

5.3.16 Market surveillance and customs inspection mechanisms must have, above all, the necessary instruments to deal promptly with products that are seasonal or sold only for limited periods as special promotions, often under ephemeral

made-up names. The authorities must have the powers and means for rapid intervention against these and the importer into the Community must bear full responsibility for ensuring they satisfy essential EU requirements, especially as regards safety and environmental protection.

5.3.17 Finally, the EESC thinks that the Regulation should clearly stipulate that the measures taken in response to a proven lack of conformity respect the principle of proportionality, irrespective of the guidelines proposed in Article 19(1): the EESC thinks that Article 17 should be amended accordingly.

Brussels, 13 December 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 course of the debate:

**Point 5.2.12**

Add on to first bullet:

— *making it clear that it should not be used or regarded as a marking or labelling system for purposes of consumption, nor a guarantee of quality or certification or approval by independent third parties, but only as a declaration of conformity with product requirements and a technical document that the manufacturer or the importer has an obligation and full responsibility to produce for the authorities and the consumer. Consequently, as the CE mark is not a guarantee of quality or certification or approval by independent third parties, it is sufficient that the CE mark is put on the accompanying papers and not on the product itself;*

*Reason*

Under the existing rules all products of the particular kind, for instance toys, must be stamped with the CE mark. This means that there is no message to the consumer that one product is better than the other. It (only) means that the product lives up to the safety standards to be sold at all. The consumer expects all products in the shop to be allowed to be sold.

And if for instance the consumer is looking at sports equipment like roller skates and/or skateboards there is no CE mark required on the products meant for children over 20 kilos. They may sit together on the shelf, and the consumer may think that those marked with CE are better than the others.

Numerous surveys over time have shown that consumers do not understand/are misled by the CE mark. Among the misconceptions are: that the products have a certain quality (are not only safe), have been third party tested, or that they are produced in the EU.

And it is understandable that consumers do not understand the system. All food products are not obliged to carry a special mark, but they have to live up to the EU regulations and directives, anyway. It is the opinion of the European consumer organisations, BEUC and ANEC that it is sufficient for the CE mark — as the safety passport to the market — to be on the accompanying papers for the relevant authorities to check.

*Voting*

For: 24 Against: 27 Abstentions: 10

**Point 5.2.12**

Add a new 6th bullet:

*‘— Getting the Commission, producers and consumers to look into creating a real product quality mark scheme based on third party certification covering more aspects than the basic safety rules in the directives;’*

*Reason*

Such a discussion could look into creating standards not only on safety, but also covering demands regarding quality, environment and ethics to enable some producers — should they so wish — to have their products tested to more demands than safety.

If this amendment is agreed, section 1 ‘Conclusions and recommendations’ should be adapted accordingly (for instance in point 1.5 after the 7th bullet).

*Voting*

For: 25 Against: 29 Abstentions: 12

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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 amending Council Directive 80/181/EEC on the approximation of the laws of the Member States relating to units of measurement'**

COM(2007) 510 *final* — 2007/0187 (COD)

(2008/C 120/02)

On 26 September 2007 the Council decided to consult the European Economic and Social Committee, under Article 95 of the Treaty establishing the European Community, on the

*Proposal for a Directive of the European Parliament and of the Council amending Council Directive 80/181/EEC on the approximation of the laws of the Member States relating to units of measurement.*

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 21 November 2007. The rapporteur was **Mr Cassidy**.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 12 December), the European Economic and Social Committee adopted the following opinion by 114 votes, with two abstentions.

### 1. Conclusions and recommendations

1.1 The EESC approves the present proposal without reservation.

1.2 The Directive mentions end 2009 as the deadline for using 'supplementary indications' i.e. non-metric indications. Maintaining this deadline would be a cost for all EU enterprises involved in trans-Atlantic trade.

1.3 The Directive also requires the UK and Ireland to fix a deadline concerning the exemptions to use the pint, mile and troy ounces.

1.4 The Commission's proposal is to get rid of these deadlines not replacing them with new ones.

1.5 The Directive defines as the legal units of measurement in the EU the metric units or SI units meaning *Système International*, which is the worldwide system adopted by the *Conférence générale des poids et mesures* (CGPM) in 1960. Though the European Union itself is not a signatory, all Member States are. The regular updating of SI units for technical progress leads to the Commission proposing to adopt as the 'katal' symbol as the SI unit for catalytic activity.

1.6 The EESC welcomes this Commission proposal as part of the drive to simplify and improve legislation and welcomes the Commission's sensitivity in acknowledging the importance of 'subsidiarity' for Ireland and the UK.

Brussels, 12 December 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 relating to the driver-perceived noise level of wheeled agricultural or forestry tractors' (Codified version)**

COM(2007) 588 final — 2007/0205 (COD)

(2008/C 120/03)

On 24 October 2007, the Council decided to consult the European Economic and Social Committee, under Article 95 of the Treaty establishing the European Community, on the

*Proposal for a Directive of the European Parliament and of the Council relating to the driver-perceived noise level of wheeled agricultural or forestry tractors (codified version).*

Since the Committee unreservedly endorses the proposal and feels that it requires no comment on its part, it decided, at its 440th plenary session of 12 and 13 December 2007 (meeting of 12 December), by 135 votes with 2 abstentions, to issue an opinion endorsing the proposed text.

Brussels, 12 December 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

**Opinion of the European Economic and Social Committee on the 'Green Paper on market-based instruments for environment and related policy purposes'**

COM(2007) 140 final — SEC(2007) 388

(2008/C 120/04)

On 28 March 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 market-based instruments for environment and related policy purposes.*

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 31 October 2007. The rapporteur was Mr Ribbe.

At its 440th plenary session held on 12-13 December 2007 (meeting of 13 December), the European Economic and Social Committee adopted the following opinion by 48 votes with 1 abstention.

**1. Summary**

is no longer about *whether* they should be introduced but about *how* they should be used.

1.1 The Committee notes the much delayed publication of the Green Paper on market-based instruments (MBI) for environmental protection.

1.2 The Committee shares the views expressed on the various fiscal and environmental impacts of various market-based instruments for environmental protection (taxes, charges, fees, subsidies, rights/certification schemes etc.).

1.3 The Committee notes that market-based instruments have long been an element of political action, so the discussion

1.4 As the Commission rightly points out, MBI are a good way of tackling environmental issues in a cost-effective way. They are not, however, a panacea. The political discussion — and the Green Paper — should therefore address the relationship and interplay between, for instance, rules and bans, regulatory law and market-based instruments (such as taxes, charges, targeted subsidises and tradable permits). The Committee regrets, however, that the Commission Green Paper gives far too few pointers in this regard.

1.5 The Committee would therefore ask the Commission to use the public debate triggered by the Green Paper as an opportunity to set out the scope, impact and also the limits of various instruments for environmental protection by drawing on specific, practical examples.

## 2. Gist of the Green Paper

2.1 On 28 March 2007 the Commission submitted the Green Paper on Market-based instruments for environment and related policy purposes <sup>(1)</sup>, which had already been announced in 2004 and which is the subject of this opinion.

2.2 With the Green Paper the Commission intends to launch a discussion on advancing the use of market-based instruments (MBI) in society.

2.3 In the Green Paper the Commission refers to the environmental policy objectives agreed at European level, in particular the new energy and climate policy, which, the Commission feels, *'implies nothing less than a new industrial revolution over the next 10 to 15 years'*.

2.4 The Commission makes it clear that without public intervention these ambitious objectives cannot be achieved. The Commission considers that MBI should be increasingly used for environmental purposes. They should be *'important parts of the efforts to achieve real change through changing incentives for businesses and consumers'*.

2.5 However, the Commission also states that they *'are not a panacea for all problems'*.

2.6 MBI are defined as taxes, charges, targeted subsidies and tradable permit systems.

### Market-based instruments as policy tools

2.7 The rationale for using MBI lies, according to the Commission, in their *'ability to correct market-failures in a cost-effective way. Market failure refers to a situation in which markets are either entirely lacking (e.g. environmental assets having the nature of public goods) or do not sufficiently account for the "true" or social cost of economic activity'*.

2.8 The following advantages are listed:

- MBI acknowledge that firms differ from each other
- They improve price signals, by giving a value to the external costs and benefits of economic activities
- They allow industry greater flexibility in meeting objectives and thus lower overall compliance costs

<sup>(1)</sup> COM(2007) 140 final, 28.3.2007.

- They give firms an incentive, in the longer term, to pursue technological innovation to further reduce adverse impacts on the environment ('dynamic efficiency')
- They support employment when used in the context of environmental tax or fiscal reform.

2.9 However, the Commission also makes it clear that MBI are used not only to achieve environmental policy goals, but above all *'to avoid distortions within the internal market caused by differing approaches in individual Member States, to ensure that a similar burden falls on the same sector across the EU and to overcome potential adverse competitiveness effects within the EU'*.

2.10 It also points out that the various MBI differ in their effect. Quantitative systems (such as tradable permit schemes) provide more certainty as regards reaching specific policy objectives (e.g. emission limits) than purely price-based instruments (such as taxes). Price-based instruments, in turn, provide security regarding the cost or the price of a policy objective and tend to be easier to administer.

2.11 The Commission also points to another major difference: Taxes (and charges) have not only been used to influence behaviour — they also generate revenue. This is only the case with tradable permit systems *'if the allowances are auctioned by public authorities'*.

2.12 The Green Paper looks at the subject of growth and employment and sets out reasons for environmental tax reforms. At its Summit in June 2006 the European Council, in the context of the new sustainability strategy, discussed the possibility of a new tax system based on sustainability criteria, without however going into details. Now the Commission writes: *'An environmental tax reform (ETR) shifting the tax burden from welfare-negative taxes, (e.g. on labour), to welfare-positive taxes, (e.g. on environmentally damaging activities, such as resource use or pollution) can be a win-win option to address both environmental and employment issues <sup>(2)</sup>. At the same time, a long term tax shift will require relatively stable revenues from the environment related tax base'*.

2.13 Finally, the document quotes a few examples of established MBI (energy taxes, Eurovignette, local charging systems to reduce urban congestion) and formulates a large number of questions, ranging from the very general to the specific, directed at the public with a view to launching a debate in society.

2.14 The Commission also sees ways of using MBI to protect biodiversity.

<sup>(2)</sup> The Commission raised this issue already in 1993 in its White Paper on Growth, Competitiveness and Employment — COM(93) 700, Chapter 10 — and again more recently in its recent communication on the European social model or in a paper on the links between employment policies and environment policies. Cf. COM(2005) 525 and SEC(2005) 1530. *Ex post* evidence from the Nordic countries as well as the results of model-based studies indicate the existence of both types of benefits.

### 3. General comments

3.1 The EESC has often advocated the optimum use of a broad range of policy instruments for environmental protection, with MBI having an important role to play. Here the Committee and the Commission are in agreement.

3.2 The Committee, while endorsing the — in its view — sound and accurate points made, would have liked to see the Green Paper, which was a long time in preparation and the publication of which was repeatedly delayed, bring rather more clarity to the planned future use of MBI. In terms of the overall policy-shaping process, however, the protracted and quite possibly necessary consultation exercise within the Commission has, as far as the Committee can see, so far been to no discernible avail.

3.3 The impression, if anything, is that internal consultations are to some extent being outpaced by political realities.

3.4 The Committee notes that environmental MBI have long been a reality, albeit used in widely differing ways in the individual Member States. According to Eurostat, for instance, just under 7 % of total revenue collected in the EU Member States comes from environmental taxes.

3.5 The Green Paper and the attendant political debate can therefore no longer be about the possibility of introducing environmental MBI. The question is not *whether*, but *how*. In other words: to what extent are market-based instruments to be used and how are these to correlate with rules, bans and other policy tools?

3.6 However, the content of the Green Paper does not go any further than what has long since been known, and been the subject of discussion, in the business community and in society. Nor does it address the question of who is to be the prime mover. The EU does not of course have equal responsibility for all possible instruments. In taxation matters, for example, it has only very limited powers. Moreover, at a policy level, it is not clear just what is supposed to happen in the wake of the publication of the Green Paper, whether, as is usual, a white paper is to follow or what conclusions are to be drawn from the exercise.

3.7 Its biggest shortcoming is the lack of any clear indication of which policy instrument should be given priority in a given political situation. The intended demarcation or possible linkage between regulatory law and MBI remains unclear.

3.8 Consequently, while noting the Green Paper with approval, the EESC points out that the social debate on more effective environmental policy instruments needs to be conducted with greater commitment and must draw on as

specific examples as possible, if the EU's ambitious climate and energy policy objectives are to become a reality.

3.9 The EESC considers that MBI should be guided by the polluter pays principle and could thus offer incentives to all those who actively protect the environment.

### 4. The EESC's specific comments

4.1 The EESC has always stressed the importance of internalising 'external costs'. And here, as the Commission itself points out, MBI can play a part. But first a clear political decision is needed on the amount of the external costs to be internalised.

4.2 The 'market-based' road-transport instrument, the Eurovignette, described in the Green Paper, is a good illustration of the problem, as this instrument, which is regarded as a suitable tool for integrating external costs, has in reality been used only very half-heartedly. The Commission itself writes that '*average charges can only cover infrastructure costs and thus exclude external costs*'. Initiatives are therefore needed which would, for example, integrate external costs using the Eurovignette.

4.3 The Committee would ask the Commission, the Council and the Parliament to class an MBI as environmental only if it has a genuine and clearly discernible environmental objective. The Eurovignette, which is mentioned in the Green Paper, does not fully meet that criterion, as the external costs are not included. The Eurovignette is primarily designed to ensure that infrastructure costs are not met solely by the public purse but that users are also directly involved. Of course, that also has an indirect impact on the environment in cases where, for instance, users facing higher costs start to question their car use and wonder whether a better option would be to make the journey by train (or indeed not to make the journey at all). However, until steps are taken to factor in the (environmental) costs that have so far had 'no market' and have been left out of the equation, the Eurovignette should not be regarded an instrument of environment policy.

4.4 In the first instance, therefore, it is up to policymakers to make clear what a particular policy measure is meant to achieve. Only once the objective is defined should the discussion turn to the policy tool that is suited to achieving it.

4.5 Hence, the increased use of MBI will not enable policymakers to avoid what is in some cases the very difficult, controversial decision to lay down clear (environmental) objectives such as emission limits. This is what has often been lacking in the past. MBI are no substitute for such decisions but rather, as their name suggests, instruments for achieving defined political objectives.

4.6 The Commission must act without delay to remove the uncertainties thrown up by the Green Paper. It must clearly state just how it sees the various policy instruments being used in future. The EESC thus recommends that the Commission, in the context of the planned wide-ranging discussion on the subject, illustrate the possible policy options (with or without MBI) by means of a few practical examples drawn from different policy areas, e.g. energy and transport.

4.7 The Commission could, for instance, make clear that there is no intention of introducing MBI to resolve, say, the problem of carcinogenic substances.

4.8 MBI could, however, be useful in dealing, for instance, with the increasingly topical issue of CO<sub>2</sub>-free coal-fired power plants and the prospects for building such plants, should the requisite technology become available in the near future. Is it the intention to make it mandatory (i.e. via legislation) to use 'state-of-the-art' technology for these plants or are MBI to be used to make them profitable? Questions such as these should in future be debated more in society.

4.9 If the demarcation/linkage of regulatory law and MBI were made clearer by setting out specific options for action, this might also make the Green Paper's discussion of the use of MBI for the maintenance of biodiversity more comprehensible. In this area the EESC does not consider that the Commission has

yet come up with any convincing ideas that might offer some hope of effectively combating the worrying decline in biodiversity.

4.10 In its opinion on the Biannual Progress Report of the EU Sustainable Development Strategy <sup>(3)</sup> the Committee called on the Commission to flesh out its very vaguely worded proposals for a new tax system based on sustainability indicators. According to Eurostat, revenue from environmental taxes amounts to some 7 % of the total.

4.11 The EESC considers a debate on reducing the taxation of labour and compensating for this with revenues from the taxation of environmentally harmful activities to be overdue. This should be accelerated following submission of the Green Paper. However, it also needs to be made clear in this context how the EU envisages changes of this kind taking place, given that, under the Treaties, it has only a marginal influence on the tax policies of the Member States.

4.12 The EESC considers it extremely important that the promised survey of environmentally harmful subsidies be submitted without delay and that these subsidies be abolished as soon as possible. The Committee sees environmentally harmful subsidies as a significant distortion of competition and a completely unacceptable misallocation of public funds. MBI will only be effective as instruments to promote environmental protection once environmentally harmful subsidies have been completely eliminated.

Brussels, 13 December 2007.

The president  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(3)</sup> OJ C 256, 27.10.2007, p. 76.

## Opinion of the European Economic and Social Committee on 'Cross-border agricultural labour'

(2008/C 120/05)

On 16 February 2007 the European Economic and Social Committee decided to draw up an opinion, in accordance with Rule 29(2) of its Rules of Procedure, on

*Cross-border agricultural labour.*

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 31 October 2007. The rapporteur was Martin Siecker.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 13 December) the European Economic and Social Committee adopted the following opinion by 104 votes to 3 with 1 abstention.

### 1. Conclusions and recommendations

1.1 Labour migration is of an economic nature and is the consequence of free movement of labour in a Europe in which great differences in living standards exist between the various Member States. High unemployment rates in a number of the new Member States and the demand for cheap, semi-skilled labour in the 15 old Member States ensure a steady stream of job-seekers.

1.2 In 2004 and 2007 transitional arrangements were agreed upon to enable the old Member States to regulate migration from the new Member States. One of the motives for this was that the old Member States wanted to avoid tensions caused by too great an influx of migrant workers arising on the labour market, possibly resulting in illegal employment.

1.3 The result of the transitional arrangements was precisely what the old Member States were trying to prevent. In its Report on the Functioning of the Transitional Arrangements, the European Commission states that restrictions on legal work for migrants from the new Member States actually lead to a proliferation of undocumented work, bogus 'self-employed' work, and fictitious service provision and sub-contracting.

1.4 The paradoxical situation has arisen that in the EU-15 countries there is a great deal of seasonal work available in agriculture, for which not enough legally resident workers can be found on the labour market. There are enough migrant workers from the new Member States who are willing to do that work, but many of them are not allowed to do it because of the restrictive transitional measures. Agricultural labour flows vary according to countries of origin and host countries. These differences are mainly connected with whether or not transitional measures, either total or partial, are in place.

1.5 In this situation the work often ends up in the black economy. It is difficult to obtain accurate information on this matter since it involves three parties who each have their own reasons for not making this information public. There are

employers who want to pay rates below those prescribed by law or the collective wage agreements which are in force. There are workers who are ready to work for lower rates than those which they are entitled to receive by law or under collective wage agreements. And there are employment brokers of dubious repute who are only too willing to organise such deals since they may be very lucrative for them.

1.6 Many of the middlemen make sensational offers; ultimately, however, the price war is paid for by the migrant workers who have to make do with incomes that are below the social minimum. There are also cases where employers who take on seasonal workers pay employment brokers the market rate but these brokers do not make tax and social security deductions. On top of this, the middlemen who do this also frequently pocket part of the migrant workers' salaries. There are also websites with telephone numbers in both Eastern and Western Europe which offer self-employed workers for whom no payment of tax or employers' social security contributions are required.

1.7 This situation is undesirable in a number of respects. The basic principle must be that migrant workers must be treated in every respect in the same way as the legally resident workers alongside whom they are working. There must be equal pay for equal work and better conditions with regard to access to social security. This is not just a social issue for workers. It is also economically important to employers (a level playing field for fair competition) and financially important for the Member States (tax authorities).

1.8 There is a proposal for a Directive of the European Parliament and of the Council providing for sanctions against employers of illegally staying third-country nationals. The proposal provides for harmonised sanctions for employers and preventive measures, as well as the identification and exchange of good practices between Member States on the implementation of employer sanctions.

1.9 As long as the restrictions on migrants from the new Member States remain in place, the EESC argues that the proposed directive should also apply to employers who illegally employ workers from EU countries which are still subject to restrictions. Moreover, the EESC considers it essential that the EU should ensure that the directive is not just enacted in legislation in all Member States but is also enforced in practice.

1.10 The combating of the black economy would benefit from an unambiguous European definition which makes a clear distinction between the taking on of work (the supply of services) and the carrying out of duties in an employer-employee relationship (the employment contract). The ILO has issued a clear recommendation on this subject. This gives bonafide self-employed workers whose specialism goes beyond the supply of cheap, unskilled labour a clearer position in the world of work, and employers the protection they are entitled to. The EESC is pleased to note that the European Commission has approved a proposal for a study to be carried out by the European social partners in the construction industry on the subject of (bogus) self-employment. The EESC welcomes the fact that the Commission will also fund this study.

1.11 In view of the consequences of the restrictions on legal employment, it would perhaps be better to drop this kind of transitional measure in any future EU enlargements. The EESC also calls on the European Commission to explore the possibility of lifting all restrictions on workers from the 12 Member States that joined the EU in 2004 and 2007. A large proportion of the European social partners also hold this view, provided that real action is taken at EU and national levels, as well as at social partner level, to monitor equal treatment for migrant workers.

## 2. Introduction

2.1 According to the Lisbon strategy, the EU must in future become a very competitive knowledge-based economy, founded on sustainable production and consumption and with a considerable degree of social cohesion.

2.2 The EU is at present a reasonably competitive knowledge-based economy with production and consumption patterns that are at present insufficiently sustainable and with a level of social cohesion that leaves much to be desired.

2.3 This opinion focuses in particular on this last aspect, social cohesion. The EU is paying a great deal of attention to economic development and sustainability, especially of production. The lack of attention to policy on the third pillar of the Lisbon strategy is leading not to an increase but rather a decrease in social cohesion.

2.4 The consequences of this are clearly apparent on the labour market. The proportion of informal labour is increasing and a type of employee has returned who until recently was thought to be long since extinct: the day labourer.

2.5 The new day labourers offer their services on the street, at places that are well-known as 'pick-up points' for illegal gang-masters. They are hired on a daily basis, with no deductions either for income tax or social security contributions. They have to work excessively long hours each day, are paid too little per hour and are not covered in any way by employment legislation — insofar as it exists.

2.6 Until a few years ago the labour market, especially for semi- and unskilled work, was nationally oriented. After the EU enlargement in 2004, a European labour market emerged for that segment of the market. Since the 2007 enlargement there has been a sharp increase in the supply of labour now that Bulgarian and Romanian workers are entering the market.

2.7 The sector where this trend is developing strongly is agriculture. Moreover, many people who are looking for work in another country almost always find their first job in this sector, in particular.

2.8 The aim of this EESC opinion is to place this problem on the EU agenda so that the relevant European institutions, together with the Member States and the social partners are in a position to look for solutions to this major and difficult problem — which is unfortunately growing.

## 3. Agriculture

3.1 Agriculture is the totality of economic activities by which the natural environment is adapted for the benefit of the production of plants and animals <sup>(1)</sup>. Depending on the product, the production method and the level of prosperity, use is made of a large number of diverse methods, ranging from working with simple tools to the use of large machines which are increasingly replacing human labour.

3.2 The agricultural sector in the EU is a major sector. A total of more than 160 million hectares of land in the EU is used as farmland. There are 11 million agricultural enterprises, which provide employment for a total of 15 million people. The majority of these are the farmers themselves and members of their families, but about one million farms have a total of 6,5 million employees on the payroll. 4,5 million of these are working as seasonal workers, an unknown number of them in a country other than their country of origin <sup>(2)</sup>. Many of the seasonal workers come from Poland, Bulgaria and Romania.

3.3 Agriculture can be sub-divided into different activities: livestock farming (animal production) and aquaculture (fish production) and horticulture (small-scale production of short-cycle crops, such as vegetables, ornamental plants, fruit, and mushrooms), and arable farming (which differs from horticulture in that the crop cultivation is on a larger scale and is less labour-intensive). Commercial forestry is not regarded everywhere in the EU as forming part of the agricultural sector; in some countries it is considered to be an independent sector.

<sup>(1)</sup> NACE-code A.

<sup>(2)</sup> [www.agri-info.eu](http://www.agri-info.eu).

3.4 Agriculture produces not just food, but increasingly also other goods such as flowers, furs, leather, biofuels (biodiesel, ethanol, gas, fast-growing wood), enzymes, fibres, etc. Genetically modified crops also produce specialised medicines.

3.5 According to figures from both the ILO<sup>(3)</sup> and Eurofound<sup>(4)</sup>, agriculture is one of the most hazardous industrial sectors for workers. In total, there are around 335 000 fatal accidents in the workplace each year. More than half of these, 170 000 fatal accidents, occur in the agricultural sector.

#### 4. Types of informal work

4.1 Because of numerous legal complications it is not possible to draw up an unambiguous definition of informal work in the EU. Practices which in one country are quite usual (if there are no rules in a certain field, there is nothing to comply with) are considered in another country to be unusual or even illegal.

4.2 The national definitions of informal work differ from Member State to Member State. It concerns activities that are not included in the official statistics of the formal economy. There are figures but they can often be traced back to one source only, and are not always verifiable and therefore not always reliable. However, it is undeniable that large-scale informal work exists.

4.3 Nearly all national definitions of informal work emphasise non-compliance with tax obligations. Non-compliance with obligations with regard to social security is cited in nearly all definitions. Oddly enough, non-compliance with other obligations in the field of employment law (working conditions, working time, binding collective agreements) hardly ever forms part of national definitions of informal work.

4.4 Informal work is done by non-registered employees who are not necessarily migrant workers without a work and/or residence permit. People who do have the documents are also working informally — or else they do not need them because they are nationals of the country in which the offence takes place. People without valid documents are more vulnerable though and therefore easier to exploit than people with valid documents. After all, the latter group has access to formal work anyway; the former group does not.

4.5 Apart from classic paid employment, there is also the 'self-employed person with no employees'. These 'self-employed persons' are seen as entrepreneurs, and no tax or social security contributions need to be paid for them. They themselves are responsible for making these contributions.

4.6 Nor are they covered by employment law applicable to employees. For them there are no minimum wage rates, no maximum weekly hours of work, no health and safety regulations and no minimum wage. In view of the high risk of serious industrial accidents in this sector (see point 3.5 above), this situation is unacceptable. These self-employed persons are free to work for whatever rates of pay and under whatever conditions they agree on with their clients.

4.7 These self-employed persons were originally experienced specialists with specific vocational skills. As a rule, they had spent years qualifying as skilled specialists in order to be self-employed.

4.8 As a result of increased outsourcing after the hiving-off of non-core functions, much more than just specialised work is at present being outsourced. A small nucleus of permanent and well-established staff is sufficient, as the frequently simple work is done to an increasing extent by subcontracting and outsourcing. The demand for that sort of work is met by a large group of new self-employed persons seeking work on the labour market. The most important specialism of many of these new self-employed is the supply of cheap, unskilled labour.

4.9 This form of pseudo self-employment was used in the late 1980s to export unemployment from Ireland and the United Kingdom. Until then British law contained numerous safeguards to test whether the self-employed actually fulfilled a number of conditions. One of the conditions was that they should be experienced specialists in a particular vocation. The British government of the day dropped the assessment criteria, as a result of which many more people suddenly became able to register as self-employed persons and get jobs on the continent without the need to take account of labour law in the other Member State<sup>(5)</sup>.

4.10 Moreover, this phenomenon is no longer exclusive to the English-speaking countries: a Polish government spokesman, for example, said at a conference on the free movement of workers that his government urged Polish job-seekers to register as self-employed<sup>(6)</sup>. By doing so they can get round all remaining restrictions on workers in the other Member States and can work anywhere. In this way, self-employed status is regularly and deliberately used as a scheme arrangement for evading labour law or regulations by a chain of subcontracting and outsourcing. Responsibility for compliance with obligations with regard to income tax and social security payments, too, is passed on downwards by means of unfair contracts for bogus self-employed workers, which are often offered by recruitment agencies.

<sup>(3)</sup> International Labour Organisation, the UN labour agency in Geneva.  
<sup>(4)</sup> European Foundation for the Improvement of Living and Working Conditions, Dublin.

<sup>(5)</sup> European Institute for Construction Labour Research.

<sup>(6)</sup> Fafo — conference on the free movement of workers, held in Oslo on 1 June 2006, [www.fafo.no](http://www.fafo.no).



4.11 This phenomenon is also present on a large scale in the construction industry. Furthermore, much more research has already been carried out into this phenomenon in the latter sector than in the agricultural sector. There are considerable similarities between these two sectors. What they have in common, in particular, are the three largest risk factors for informal work, namely labour-intensive work of a temporary nature which is carried out, above all, by non-resident workers. The European social partners in the construction industry have now recognised this danger and have asked the European Commission to provide funding for a study into the phenomenon of (bogus) self-employment in 18 EU Member States. The Commission has agreed to this request and the proposed study will be put out to tender in the EU before the end of 2007.

4.12 The fact that there is still no European legal framework for the employment relationship creates room for dubious trade in cheap labour. This causes serious damaging side effects at European level. The European Commission itself comes to this conclusion in its Report on the Functioning of the Transitional Arrangements set out in the 2003 Accession Treaty which notes that 'the restrictions may have encouraged EU-8 nationals to look for other ways to perform economic activity in EU-15 Member States, reflected in an exceptionally high influx of posted workers or workers claiming to be self-employed' (7).

4.13 In that same report the Commission states: 'Recognising that migration flows from EU-8 to EU-15 Member States had been modest, social partners strongly emphasised that erosion of labour standards and "social dumping" should be avoided. They also pointed out that restrictions on legal work actually lead to a proliferation of undocumented work, bogus "self-employed work", and fictitious service provision and sub-contracting'. The Commission later on corrects the view that migration flows have not been so great by commenting that 'the true migration flows across the enlarged EU may be larger than would appear from the data presented in this report as the phenomenon of undeclared work is not fully captured by official statistics'. The Commission notes that, in general, restrictions on labour market access may exacerbate resort to undeclared work.

4.14 In the Netherlands, for example, in 1992 in the Netherlands there was a total of 54 200 FTEs (full time equivalents) engaged in horticulture, the agricultural sector with the most employees. Nearly 87 % of the workers were in permanent employment, more than 13 % were connected to the business in some other way (employment agency staff, temporary employment, (bogus) self-employed). In 2005 the sector numbered 59 000 FTEs, with more than 61 % of the workers then in permanent employment and nearly 39 % connected to the business in another way. Please note that these are figures for the formal economy. It is estimated that in spring 2007 a further 40 000 FTEs were working informally in the sector (8)

but there are strong indications that the proportion of informal work in horticulture has been steadily decreasing since the lifting of the restrictions imposed on residents of those Member States which joined the EU in 2004.

## 5. Labour standards under pressure

5.1 The last few years have shown that imposing restrictions on access to the labour market is often counterproductive. It can result in the evasion of labour law and regulations. Until 31 December 2008 there are no restrictions for job-seekers from Romania and Bulgaria in Estonia, Latvia, Lithuania, Poland, Slovakia, the Czech Republic, Sweden, Finland, Cyprus and Slovenia, although in the latter three countries Romanian and Bulgarian nationals must register. The remaining 15 EU Member States do impose restrictions on job-seekers from Romania and Bulgaria (9). For job-seekers from the ten Member States that joined the EU in 2004, some restrictions also still apply but in a smaller number of countries and less stringent than for nationals of Bulgaria and Romania (10).

5.2 Labour migration in the EU is of an economic nature and is the consequence of free movement of labour in a Union in which great differences in living standards exist between the various Member States. High unemployment rates in a number of the new Member States and the demand for cheap, semi-skilled labour in the 15 old Member States ensure a steady stream of job-seekers.

5.3 Many job-seekers find work in the agricultural sector because there is a great demand for additional temporary workers in this sector at harvest time. It is also a sector where the chance of social dumping is greater than in other sectors. This is because, among other reasons, in a number of Member States there are no collective wage agreements in force for the sector or because in a number of cases those agreements that do exist have been declared not universally binding.

5.4 Seasonal work is a structural feature of European agriculture. Sustainable and efficient agricultural production is not possible without the deployment of a flexible workforce. Seasonal work in the agricultural sector is largely done by migrant workers. In some cases, problems arise which jeopardise social cohesion.

5.5 Migrants who work in the formal sector are often cheaper than legally resident workers because the employer does not have to pay a number of contributions for them. This applies, for example, to sectoral training funds and pension funds. Migrants from the 10 EU countries that joined the EU in 2004, and for whom there are still restrictions on the labour market in a number of old EU countries, often do informal work part of the time so that not all hours worked are reported to the tax authorities. Migrants from Bulgaria and Romania, for

(7) COM(2006) 48 final.

(8) Productschap Tuinbouw, [www.tuinbouw.nl](http://www.tuinbouw.nl).

(9) [http://ec.europa.eu/employment\\_social/free\\_movement/enlargement\\_en.htm](http://ec.europa.eu/employment_social/free_movement/enlargement_en.htm).

(10) <http://ec.europa.eu/eures/home.jsp?lang=en>.

whom even more restrictions still apply, are in general entirely dependent on the informal sector, in which they are not paid for all hours worked, hourly rates are much too low or they are forced by unfair contracts to be (bogus) self-employed workers.

5.6 The ILO has devoted a number of conventions to the issues that are discussed in this opinion. These are Conventions C97 (Migration for Employment, 1949) C143 (Migrant Workers Supplementary Provisions, 1975), C181 (Private Employment Agencies, 1997) and C184 (Safety and Health in Agriculture, 2001). Conventions C97 and C181 have **not** been ratified by 17 of the 27 EU Member States. Convention C143 has **not** been ratified by 22 of the EU Member States, **nor** has Convention C184 by 24 Member States. Not one of the 27 current EU Member States has ratified all four conventions <sup>(11)</sup>. Furthermore, in 2006 the ILO issued a Recommendation on the employment relationship <sup>(12)</sup>. The core of the Recommendation was to improve legislation in all countries at national level in order to make a clear and common distinction between self-employed and employed workers. This is necessary in order to be able to put an end to the growing number of fraudulent practices aimed at disguising the fact that the people are employees and to make it appear that they are self-employed <sup>(13)</sup>.

## 6. Enforcing labour regulations

6.1 The basic principle must be that migrant workers must be treated in every respect in the same way as legally resident workers alongside whom they are working. There must be equal pay for equal work and better conditions with regard to access to social security. This is not just a social issue. It is also economically important to employers (a level playing field for fair competition) and financially important for the Member States (tax authorities). This basic principle has by no means been implemented everywhere. In the Netherlands, following the lifting of the transitional measures applying to residents of the Member States which joined the EU in 2004, the social partners expressed their intention to work together, as from 1 May 2007, in monitoring compliance with social laws and regulations and labour law and regulations. The government promised to introduce back-up measures. No tangible results have so far been achieved.

6.2 There is a proposal for a Directive of the European Parliament and of the Council providing for sanctions against employers of illegally staying third-country nationals <sup>(14)</sup>. The proposal provides for harmonised sanctions for employers and preventive measures, as well as the identification and exchange of good practices between Member States on the implementation of employer sanctions.

6.3 The reason for this proposal is the substantial number of third-country nationals who are illegally staying in the EU (an

estimated 4,5 to 8 million). This results in illegal employment, agriculture being, together with construction, hotels/catering and cleaning, one of the four main sectors in which this practice occurs. The European Parliament and the Council state in the proposal that illegal employment, 'like undeclared work by EU citizens, leads to losses to public finances, can depress wages and working conditions, may distort competition between businesses and means that the undeclared workers will not benefit from health insurance and pension rights'.

6.4 In their report on the functioning of the transitional arrangements set out in the 2003 Accession Treaty (period 1 May 2004-30 April 2006), the European social partners reported 'that restrictions on legal work actually lead to a proliferation of undocumented work, bogus "self-employed" work, and fictitious service provision and sub-contracting'. In the light of experience, it would be better to lift all restrictions on workers from the 12 Member States that joined the EU in 2004 and 2007 in order to create a level playing field. The overwhelming majority of the European social partners also hold this view, provided that real action is taken at EU and national levels as well as at social partner level to monitor equal treatment for migrant workers.

6.5 As long as restrictions are not yet lifted, the EESC argues that the proposed directive on sanctions against employers who illegally employ citizens of third countries who are staying in the EU should also apply to employers who illegally employ people from EU countries which are still subject to restrictions. Moreover, the EESC considers it essential that the EU should ensure that the directive is not just enacted in legislation in all Member States but also enforced in practice.

6.6 Moreover, the Directive does away with the great differences that exist in the quality and intensity of checks and the severity of penalties between the Member States. An employer in the Netherlands who is found to be illegally employing workers can receive a maximum fine of EUR 6 700 per worker. In Belgium it is EUR 20 000, in Luxembourg 50 000. However, there are some Member States which do not yet have any penalties for employers who are guilty of illegally employing workers.

6.7 The exchange of good practices is an indispensable part of the process that must result in an increase in social cohesion. At the hearing in Plovdiv <sup>(15)</sup>, a number of examples of good practice were mentioned, such as:

- the establishment of an international trade union council in the Austrian/Hungarian border region of Burgenland <sup>(16)</sup>. The Austrian and Hungarian trade unions work together to ensure that cross-border labour operates in accordance with the law and regulations;

<sup>(11)</sup> [www.ilo.org/olex/english/convdsp1.htm](http://www.ilo.org/olex/english/convdsp1.htm).

<sup>(12)</sup> ILO (2006) Employment Relationship Recommendation R198.

<sup>(13)</sup> Amsterdam Institute of Advanced Labour Studies.

<sup>(14)</sup> COM(2007) 249 final.

<sup>(15)</sup> Plovdiv, Bulgaria, 18.9.2007.

<sup>(16)</sup> [www.igr.at](http://www.igr.at).

- the licensing and registration of the gangmaster system in the United Kingdom <sup>(17)</sup>. By means of strict checks, the government grants licenses to bonafide gangmasters who are the most important middlemen in fulfilling the demand for temporary labour in the agricultural sector. The ILO cites this explicitly in its publications as an example of good practice;
- in Belgium, the social partners in the agricultural sector have reached agreement on an effective system of administrative checks to prevent informal labour <sup>(18)</sup>;
- in the Netherlands, the social partners introduced a licensing and registration scheme in 2007 designed to ensure effective monitoring of compliance with social and employment standards in the case of temporary agency work <sup>(19)</sup>. The scheme is still experiencing a number of teething troubles but the intention behind it is a good one and it represents a hopeful development;
- in Italy, the social partners, the Employment Minister and the Minister for Agriculture reached agreement in September 2007 on an extensive programme of measures designed to

combat the incidence of informal work and bogus self-employment in the agricultural sector <sup>(20)</sup>;

- the ILO has developed programmes for regulating private employment brokers and to prevent migrant workers from entering the path of people trafficking and forced labour via dubious agents. The programmes are aimed at lawmakers, the labour inspectorate, police forces, etc.

6.8 The situations described in a number of these examples of good practice are not all entirely comparable to that of workers from Bulgaria and Romania who are looking for work in the old EU-15. For example, Hungarian workers who are employed in Burgenland simply go home every evening, whereas workers from Romania and Bulgaria are away from home for months. Malpractice can still occur in these situations, but on a much smaller scale, and with effective enforcement it can be easily detected and penalised. The general impression is therefore that here people's working conditions are socially acceptable.

Brussels, 13 December 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

<sup>(17)</sup> [www.gla.gov.uk](http://www.gla.gov.uk).

<sup>(18)</sup> [www.limoso.be](http://www.limoso.be), [www.ksz.fgov.be/En/CBSS.htm](http://www.ksz.fgov.be/En/CBSS.htm).

<sup>(19)</sup> [www.normeringarbeid.nl](http://www.normeringarbeid.nl)

<sup>(20)</sup> [www.lavoro.gov.it](http://www.lavoro.gov.it), [www.lavoro.gov.it/NR/rdonlyres/7E345511-29CC-4D81-B502-225F85070D3C/0/new\\_n12ottobre07.pdf](http://www.lavoro.gov.it/NR/rdonlyres/7E345511-29CC-4D81-B502-225F85070D3C/0/new_n12ottobre07.pdf).

## Opinion of the European Economic and Social Committee on the 'Agricultural employment situation'

(2008/C 120/06)

On 13 March 2007, the Committee Bureau decided, under Rule 29A of the implementing provisions of the Rules of Procedure, to draw up an opinion on the

*Agricultural employment situation.*

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 31 October 2007. The rapporteur was Mr Wilms.

At its 440th plenary session of 12 and 13 December 2007 (meeting of 13 December), the European Economic and Social Committee adopted the following opinion by 96 votes to one, with three abstentions.

### 1. Summary

1.1 The Commission communication *Employment in rural areas: closing the jobs gap* <sup>(1)</sup> was an important step in preparing the ground for the debate on the employment situation in the agriculture sector, which is a key factor in the creation and safeguarding of jobs in rural areas.

1.2 Agricultural structural change is continuing apace, and will affect hundreds of thousands of workers in the agriculture sector who are set to lose their jobs or see their circumstances changed. However, the communication gives virtually no consideration to one key aspect of agricultural employment — the situation of employed workers, and seasonal and migrant workers in particular.

1.3 That is regrettable, given the Commission's efforts as part of the European Year of Workers' Mobility in 2006. Every year, around 4 million seasonal and part-time workers — including some 2 million migrant workers — attest to the high level of mobility and flexibility in the agriculture sector.

1.4 Seasonal work, particularly in the fruit and vegetable sector, is a structural element of farming that is indispensable to efficient and sustainable land management. Since local workers are often unable to meet the demand for seasonal labour, migrant workers also play their part in the development of European agriculture.

1.5 Healthy food production is a mainstay of our very existence. This also includes fair levels of pay.

1.6 Despite high unemployment in many European regions, calls are being made for additional seasonal workers to be brought in from Belarus, Ukraine and other countries. The EU labour market must be developed in a socially sustainable way. In other words, everyone must have the opportunity to work for a living. That opportunity is compromised by additional cheap labour brought in from non-EU countries.

<sup>(1)</sup> COM(2006) 857 final, Communication from the Commission to the Council and the European Parliament: Employment in rural areas: closing the jobs gap.

1.7 The EU's growth objectives can only be achieved through fair competition. Those employed in agriculture must be treated equally in all matters, irrespective of their place of origin.

1.8 The agricultural labour market is highly mobile. This is consistent with Commission objectives. However, mobile workers must not find themselves placed at a disadvantage. Hence social integration must also follow on the heels of political and economic integration. In the short term, the EESC sees a need for action in the following areas:

- Minimum standards must be put in place to regulate the working and living conditions of all migrant workers in Europe.
- Migrant workers must be covered by comprehensive, employment-based social protection; this also includes the acquisition of pension rights.
- Seasonal workers must also be included in upskilling schemes.
- Migrant workers must be provided with information on working conditions and on their rights.

1.9 The European agriculture sector lacks transparency about the scale of employment and of social standards. This results in distortions of competition. One way of restoring fair competition is to award certificates to farms that meet certain social criteria.

### 2. Introduction

Agricultural work in Europe is set for further change. Many of those in paid employment work part-time or on a seasonal basis. Special provisions apply to migrant workers who move away from home to work. No significant changes are expected in this overall scenario in the foreseeable future.

## 2.1 Trends in seasonal agricultural work

2.1.1 Agricultural work has frequently been the subject of EESC opinions. The debate on migrant and seasonal workers is becoming ever more important both at European level and in many Member States. The three key stakeholders — employer representatives, trade unions and political and/or administrative representatives — have now taken up this issue and are involved in many fields and a range of activities, as illustrated by the following examples:

- Many farming trade unions provide information in a number of languages on the legal position in destination countries.
- In some countries, the social partners negotiate collective agreements appropriate to the needs of migrant and seasonal workers.
- Legal advice is also frequently provided to migrant workers, particularly in relation to the conclusion of employment contracts.
- Some governments organise round-table discussions with the social partners in a bid to improve the position of seasonal and migrant workers.
- Following submissions from the social partners, the European Commission is now also addressing this issue and is increasingly providing support for social partner projects in the field of migrant work both at European level and through its various funds, for instance to improve housing and placement conditions for migrant workers.

2.1.2 An observatory for migrant and seasonal work has repeatedly been called for. However, this demand has not been met — despite the fact that a key element in improving the position of workers is the collection, presentation and evaluation of readily understandable data on the agricultural employment situation.

## 2.2 Definitions

2.2.1 One of the reasons for the halting nature of the debate on seasonal agricultural work is lack of transparency and shortcomings in the way the actual situation on the ground is portrayed. There are still no clear and detailed figures on the scale of agricultural seasonal work.

2.2.2 Across the EU, around 2 million people are employed full-time in the agriculture sector. Some 4 million people are employed as casual workers, some part-time, others on a seasonal basis for periods ranging from just a few days to as much as eight months in the year. Many of those who work on a seasonal basis are migrant workers not employed at their place of residence and often working abroad.

2.2.3 In analysing the employment figures, considerable clarification is needed about the criteria used, for instance, to classify farm size, to establish the particular branch or sector involved, and, in particular, to delimit the scope of horticulture and service-oriented agriculture.

## 3. Urgent nature of the opinion

3.1 The opinion is urgently needed for a number of reasons:

- a) In its communication on employment in rural areas, the Commission looks in some detail at quantitative trends in the labour market. It stresses that, although agricultural work in rural areas is, in percentage terms, marginal, the sector itself is of major importance. The Commission expects that 4-6 million of the current 10 million workers (calculated as full-time equivalents) will leave the sector by 2014 (2 million in the EU-15, 1-2 million in the ten Member States that joined the Union in 2004, and 1-2 million in Romania and Bulgaria).
- b) In the EU-15, the number of full-time workers is set to stabilise or even, as in the *Länder* of the former West Germany for instance, to increase slightly. In the accession countries, a further fall in the numbers of full-time workers is to be expected. It is clear that, if this trend continues, businesses will require more seasonal workers in fruit- and vegetable-growing regions.
- c) Forecasts indicate that many countries are set for a shortage of skilled workers able, for instance, to take up senior company positions or operate complex on-farm technology.
- d) Businesses are already complaining that they are unable to find seasonal workers. Calls are beginning to be made not only to allow workers to move more freely within the EU, but increasingly also to admit workers from non-EU countries to take up seasonal employment. Poland has already started to open up in this way, granting permits to workers from Belarus and Ukraine.
- e) On the other hand, unemployment is still high in many regions, particularly in rural areas. The Commission is pursuing a strategy to boost worker mobility. However, the jobs on offer also need to be attractive.
- f) There is no doubt that migrant work generates conflicts and difficulties.
- g) It is also clear that, in the agricultural sector, demand for labour peaks at certain times of the year in line with vegetation periods. Work is, therefore, available. Under the Lisbon strategy, the aim is to create jobs — but better-quality jobs.

- h) In the Gothenburg strategy, Member States agreed on the goals of sustainable development. The same weight must thereby be given to the social dimension as to economic and environmental objectives. It follows that social standards must also be complied with in relation to migrant workers. In this regard, businesses must shoulder their social responsibility. Migrant workers have a right to equal treatment and to decent housing and living conditions. Moreover, they must also be fully integrated into the social security systems.
- i) In the light of the European Commission's initiative to combat discrimination, an anti-discrimination debate on the working and living conditions of foreign workers is also on the agenda.
- j) Complete freedom of movement for workers within the EU also means a change in governments' scope for action. This increases competition both between workers and between employers.
- k) Given the Commission's forecast figure of 4-6 million workers leaving the sector, any discussion of the common agricultural policy must also include quality-related aspects of work. The position of permanent workers is set to change. A shortage of skilled workers is forecast, with workforce numbers set to stabilise in the long term.
- Despite a range of trade union schemes and initiatives, it is proving impossible to provide migrant workers with information on their rights. In many cases, the laws and rules applicable in the destination country are not complied with. Such exploitation of foreign workers contrasts sharply with EU efforts to combat discrimination.
  - On the social security front, seasonal workers are still placed at a financial disadvantage because of gaps in their contribution periods.
  - Costs arising from agricultural workers' collective agreements are not normally applied to seasonal workers.
  - In virtually all countries, housing for migrant workers leaves much to be desired.
  - A further development is the use of temporary employment agencies to take on agricultural workers. Although some examples of poor temporary employment agencies have come to light, temporary work can frequently be of benefit to employers and workers alike.
  - Sectors which employ a large proportion of short-term workers are fertile ground for illegal employment. Also, legal seasonal employment is often used as a conduit for workers to carry on working in other sectors without valid papers after their permitted employment period has expired.

#### 4. Current problems

4.1 Migrant work is largely the result of the differing standards of living across the European regions. In the long run, migration leads to a shortage of workers — particularly skilled workers — in the countries of origin themselves. In the regions concerned, attempts are being made to counter the worker shortage not by increasing pay or improving educational standards, but rather by hiring workers from even poorer regions — increasingly in future from outside the European Union.

4.2 However, worker shortage is caused by the sometimes difficult and unusual working conditions in the sectors concerned. Migrant workers are simply following the rules of the market. In the free labour market, they migrate to wherever conditions are best for them.

4.3 Migrant work is fraught with problems:

- Greater attention must be paid to the plight of women migrants in the agriculture sector. In many countries, it is predominantly women who are hired, leading to cultural and social difficulties both in destination countries and in countries of origin.
- Due to the application of transitional measures to freedom of movement for workers following the enlargements of 2004 and 2007, breaches of labour law are emerging in secondments as part of the provision of services. Thus, pay is in such cases sometimes below the legal minimum wage and frequently below the collectively agreed scales or the usual local rates.

#### 5. Conclusions and framework for action

##### 5.1 Overall political framework

5.1.1 The Committee welcomes the Commission's moves to boost employment in rural areas, including further efforts to promote transparency about the employment situation in the agriculture sector. These include the compilation of statistical data on the employment situation and also the provision to workers of a broad range of information on working and living conditions in the relevant countries.

5.1.2 Agricultural policy to date has focused primarily on the qualitative and quantitative aspects of the products concerned. The working arrangements for those employed in the sector have to a large extent been ignored.

5.1.3 The objectives of the Lisbon and Gothenburg strategies must be further fleshed out. In the ongoing development of sustainable agriculture, due attention must be paid not only to economic and environmental aspects but to the social dimension as well.

5.1.4 The most pressing objective of all stakeholders must be to remove imbalances from the European labour market. That cannot be achieved by bringing more and more cheap labour into Europe from ever more far-flung regions. A key tenet of the 'European model' is the emergence of a collective sense of European society. There is no place for ghettos in which migrant workers have to endure poor living and housing conditions with no cultural or social ties to local life around them.

5.1.5 Gender must feature more strongly as a factor in any further studies in this area and in any potential solutions that may result.

5.1.6 The requisite conditions are still not in place. All stakeholders are called upon to play their part.

5.1.7 Migrant workers must be treated on a par with local workers. The Commission must do everything it can to help in this process. A first step is the forging of minimum standards. Such minimum standards are a good starting point for any broad-based discussion of the quality of work.

## 5.2 Tasks and initiatives of the social partners

5.2.1 The EESC welcomes the social partners' efforts to promote in the social dialogue the development of vocational training in the agricultural sector and, in particular, the mutual recognition of occupational skills by the appropriate authorities in the Member States. The European 'agri-pass' passport that is being created aims to facilitate the mobility of agricultural workers in Europe. However, the pass should be merely an incentive to secure evidence of qualification and should not lead to workers who do not have it being disadvantaged.

5.2.2 Transparency in professional qualifications can also help improve mobility and give workers more scope to take a job and settle down in other countries. The Committee welcomes the Commission's initiatives to support the social partners by introducing an 'agri-pass'.

5.2.3 In conjunction with the European Commission and the governments of the Member States concerned, the social partners should draw up and implement schemes to combat illegal employment.

## 5.3 Joint social security initiatives

5.3.1 Social security for seasonal workers is a matter of particular concern. Workers employed on a seasonal basis over a number of years must not be worse off, in social security terms, than other workers. In particular, this includes making sure:

- that they are fully integrated into the pension system of the destination country and are able to draw fully on their pension rights;
- that the relevant health and safety provisions are complied with at the workplace and that migrant workers are provided with information on risks and dangers in their own mother tongue; and

— that migrant workers have comprehensive health cover.

5.3.2 Workers should be briefed in their own language about the host country's laws, agreements and practices as regards pay, organisations, social security, taxation, the rules on working conditions, etc., while at the same time the EU should respect the role of the contracting parties and not legislate in areas that are covered by national agreements.

## 5.4 Improving migrants' living and housing conditions

5.4.1 Migrant workers have the right to decent housing in their destination country. A scheme must be developed at European level laying down basic standards for migrant worker housing.

## 5.5 Quality label for fair seasonal work

5.5.1 The Committee has, over many years, adopted a large number of opinions calling for sustainable agriculture. Sustainable agriculture not only involves an environmental dimension but also takes in business and social aspects as well. A non-governmental, voluntary certification scheme for fair seasonal work could make competition more equitable. Possible criteria for voluntary certification include:

- adequate pay;
- proper health and safety at work;
- worker participation in on-farm operations;
- contractual arrangements;
- housing;
- working time.

The purpose of certification is:

- to promote fair competition;
- to provide information to interested seasonal workers about the companies concerned; and
- to raise the profile of good business practice.

## 5.6 Spreading good practice

5.6.1 In the European farming sector, a large number of useful initiatives and projects are currently under way to boost mobility in agriculture and improve the position of seasonal workers. The Committee would ask the Commission to take steps to evaluate and disseminate examples of good practice.

Brussels, 13 December 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

## Opinion of the European Economic and Social Committee on ‘The role of the National Councils for Sustainable Development’

(2008/C 120/07)

On 25-26 April 2007, the European Economic and Social Committee, acting under Article 29(2) of its Rules of Procedure, decided to draw up an opinion on

*The Role of the National Councils for Sustainable Development.*

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 27 November 2007. The rapporteur was Mr Haken.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 12 December), the European Economic and Social Committee adopted the following opinion by 115 votes in favour with 3 abstentions.

### 1. Conclusions

1.1 National Councils for Sustainable Development (NCSDs) can be a strong and powerful force for sustainable development since they can provide independent advice and foster dialogue with civil society and stakeholders on sustainable development.

1.2 An overview of NCSDs throughout the EU gives a very diverse picture. While some Member States have no or only inactive councils, those that are active differ considerably in their remit, composition, independence, resources and also as to the impact of their work.

1.3 Following the positive experiences in Member States with ‘strong’ NCSDs, the EESC calls on all Member States to strengthen their councils or to create operative and effective councils where they do not yet exist.

1.4 The EESC recommends that NCSDs should:

- include representatives from all the main sectors of society concerned;
- have a sufficient degree of independence from government;
- play an important part in the shaping of sustainable development strategies and in monitoring their implementation;
- be sufficiently funded so that they are able to provide real added value to the debates and the decision-making process;
- pool experience, exchange best practice and maintain open dialogue among the councils, particularly through the strengthening of the European Environment and Sustainable Development Advisory Council (EEAC) network.

### 2. Background

2.1 Sustainable development means satisfying the needs of the present generation without jeopardising the ability of future generations to satisfy theirs. This is one of the overall aims of

the EU, governing all its policies and actions. It is founded on the principles of democracy, gender equality, solidarity, the rule of law and respect for fundamental rights, including freedom and equal opportunities for all.

2.2 In 1992, following the United Nations’ Rio Conference, sustainable development became a globally recognised policy area. The idea of consultative bodies such as NCSDs also stems from the Rio Conference. Agenda 21, also a result of Rio, states that ‘a national strategy for sustainable development should be developed through the widest possible participation’; and in 2002, the Johannesburg recommendations also called for the setting up of sustainable development councils.

2.3 In the EU, the first sustainable development strategy was adopted in Gothenburg in 2001. In order to create a more comprehensive and effective strategy, the Commission started a revision process in 2004, and in June 2006 the Council adopted the renewed strategy for sustainable development for an enlarged Europe <sup>(1)</sup>. This renewed strategy aims to implement Europe’s long-term commitment to achieving the goal of sustainable development.

2.4 Following the recommendations of the UN Conclusions, and subsequently of the EU, institutions known as NCSDs started to be set up in the 1990s in a number of countries, their main aim being to ensure that Agenda 21 was effectively implemented and sustainable development principles put into practice. Some governments established inter-ministerial coordination bodies (e.g. the Hungarian Commission on Sustainable Development, 1993), some chose mixed bodies like the Finnish National Commission on Sustainable Development (1993) and others created councils with a civil society composition, such as the Belgian National Council (1993) and the UK Round Table on Sustainable Development (1994). Other countries followed thereafter; some of the earlier bodies were restructured and others were eventually discontinued.

<sup>(1)</sup> EU sustainable development strategy, Council Conclusions, 26 June 2006.



2.5 The renewed EU strategy states that: 'Member States should consider strengthening, or where they do not yet exist, setting up multi-stakeholder national advisory councils on sustainable development to stimulate informed debate, assist in the preparation of National Sustainable Development Strategies and/or contribute to national and EU progress reviews. National sustainable development councils are meant to increase the involvement of civil society in sustainable development matters and contribute to better linking different policies and policy levels, also by using their network of European Environmental and Sustainable Development Advisory Councils (EEAC)'.

2.6 NCSDs have now been officially established in a number of Member States: Given their different histories Member States' NCSDs take a variety of forms across the EU. There is some form of council for sustainable development or environmental policy in 24 Member States; eight of these have specific councils for sustainable development, and another six have environmental councils made up of stakeholders or experts that are also active in the area of sustainable development. Other countries have governmental coordination bodies called councils, some with civil society involvement. Some of these bodies are inactive. In several countries where regions have considerable powers, regional councils have been set up in addition to the national councils. The rapid growth in NCSDs shows that they have potential and could provide added value to the policy-making processes and the debate across wider society.

2.7 This opinion aims to examine the role of the NCSDs, their remit, composition, resources, working methods, and above all their involvement of civil society. To a certain extent, the opinion also aims to look at the effectiveness of the NCSDs, bearing in mind that such an assessment is always prone to subjectivity. This assessment is based, in particular, on the research conducted by the EEAC network<sup>(2)</sup>, the results of a questionnaire sent out by the EESC to several national focal points and NCSDs, and a number of civil society organisations. In addition, a number of interviews with NCSDs and civil society representatives have been carried out.

### 3. An overview of National Councils for Sustainable Development

3.1 The following overview of the NCSDs shows a highly diverse picture:

#### *The councils' remit*

3.2 Four main tasks of NCSDs can be identified:

- advising government bodies (by assisting in the development of sustainable development (SD) strategies and by issuing reports on specific policies);

- monitoring progress in implementing SD strategies or in achieving specific targets, and drawing attention to short-falls;
- encouraging dialogue and consultation with civil society (by having civil society representatives as council members in the work of the councils, by fostering dialogue among them and with the government);
- communication on sustainable development (by holding public events and by publishing SD information online, in the media, etc.).

3.2.1 These four tasks are not being fulfilled by councils in all Member States. In some of them, the remit is much more restricted, and in others, despite having been assigned these tasks, they are not or only partially fulfilled. This is also reflected in the fact that some councils meet very rarely (2 or 3 times per year). Others meet more often and have additional working groups (working groups set up in project teams working on an actual project, rather than static groups focussed on one topic, seem to be particularly efficient). In some Member States, councils may be given an early input into the national SD strategy while in others their input is sought at a very late stage, if at all. The number of reports produced varies from zero to over 10 reports per year. The well-established councils interact regularly with stakeholders, and organise public events or expert meetings on a regular basis.

#### *Size and composition of the Councils*

3.3 The NCSDs vary in size and composition; the number of members varies from 15, as in Germany, to 78, 81 and 90, as in Belgium, Finland and France, respectively. Most councils comprise civil society representatives (business, trade unions, NGOs and research institutes). Others also include representatives from various government departments. In certain cases, the government coordination body is called a 'Council' and could include a small number of stakeholders. Regional and local governments are often represented too. A number of civil society representatives have voiced discontent about the insufficient involvement of civil society in their national Council and in SD processes in general.

#### *Degree of independence*

3.4 As councils are established and funded by governments there is 'dependence' in this respect. In order to gain the respect of both government bodies and civil society organisations, the councils must achieve the right degree of independence, and striking this balance is a difficult task. The selection process varies, but in general, the government appoints the council members, typically on the basis of nominations by the civil society organisations represented in the council. Another issue concerns the staff working for the council; in several countries,

<sup>(2)</sup> See the list of sources at the end of the text.

the staff comes from government bodies. This may restrict the degree of independence of the council. Moreover, some councils are chaired by a member of the government.

#### *Resources*

3.5 The councils are very unevenly resourced, in terms of both human resources and the budget available. In some countries, where the secretariat is based in a ministry, there is only one administrator who, moreover, is often not working full time for the council. The total number of staff ranges from less than 1 to around 20. The biggest council is the UK Council with 58 employees. Not all councils have their own budget. Budgets range from less than EUR 0,1 million to around EUR 1 million, with the exception of the UK council whose budget is EUR 5,5 million.

#### *Impact*

3.6 Evaluating the impact of the councils' work is not easy, but a few conclusions can be drawn from the information received. For example, it would seem that in several countries where the council has a strong mandate, a large number of the recommendations made by the councils were incorporated in government policies, especially as regards the national SD strategy. Some councils clearly have good access to government ministers and departments and are regularly consulted on policy formation. Others are kept at a distance. It can also be stated that some councils have managed to reach out to a large number of stakeholders and the broader public by attracting a lot of participants to their events, thus ensuring a strong involvement of civil society in SD processes.

#### *Evaluation*

3.7 NCSDs can be a strong and powerful force for sustainable development. They can provide independent advice and a wide range of knowledge; they are in a position to foster dialogue with civil society and stakeholders; they can play an important part in monitoring progress towards longer-term sustainability goals, and exercise a valuable challenge function when progress is falling short.

3.8 While some Member States have no or only inactive councils, those that are active differ considerably in their remit, composition, independence, resources and also as to the impact of their work. This is the result of a variety of factors: the size and political organisation of the country, the role given to sustainable development policies by government, the tradition of civil society involvement, the existence of other bodies partially covering the remit of a council, the will of the government to accept advice from another body, etc.

3.9 The full potential of NCSDs is not exploited in all Member States. In some, the establishment of a council seems

to be more a kind of 'window-dressing' than striving for real input from civil society. However, there are a number of countries with well-established councils that live up to their role and have a real impact.

3.10 Most councils do not seem to have sufficient resources to fulfil all their assigned tasks. A significant amount of manpower and funding is necessary to assemble evidence, analyse policies and their impact, organise council meetings and public engagement processes, produce well-argued and authoritative reports and to promote them actively to government and others.

3.11 In some Member States, the government appears to have a very strong role, e.g. as regards the appointment of council members, the number of government representatives on the council and the staff working for the council. In such cases, there is a certain risk that the government's view may dominate the work of the council, making it less likely that the council can play a significant part in helping governments to transcend shorter-term political considerations and move towards longer-term sustainability goals.

3.12 NCSDs have had mixed experiences in promoting engagement with civil society on sustainable development issues. Councils across Europe could have much to learn from each other in terms of developing good practice in this regard.

3.13 For many sustainable development issues competence is shared between the European Union and Member States. But most councils have a limited capacity to focus on the European aspects or to exercise any influence in Brussels. They have partly addressed this through the creation of the EEAC network, which is becoming an increasingly significant voice for sustainable development in Europe.

## **4. Recommendations**

4.1 Following the positive experiences in Member States with 'strong' NCSDs, the EESC calls on all Member States to strengthen their councils or to create strong councils where they do not yet exist.

4.2 The composition, mandate and functions of NCSDs will differ from country to country depending on local circumstances and political structures. The EESC recommends that Member States give close attention to the following general recommendations on the key aspects of councils.

4.2.1 Membership: NCSDs have more authority and credibility if they include representatives from all the main sectors of society concerned with sustainable development issues. The broader the basis of membership, the higher the probability that solutions which will be broadly accepted can be found.

4.2.2 Mandate and vision: Achieving sustainability requires decision-makers to develop a long-term view and to take account of the needs of future generations and of the planet as a whole, as well as more immediate and short-term political considerations. NCSDs can play an important part in articulating that long-term vision. To play that role effectively they need to have members with vision, authority and standing in society, capable of taking an independent view and of challenging existing policies and practices.

4.2.3 Independence: NCSDs would be able to exercise a stronger influence in the direction of more sustainable development if they had a sufficient degree of independence from government, and were able to take up difficult political issues where there may be some degree of conflict between shorter-term political objectives and longer-term sustainability needs.

4.2.4 Scope: NCSDs should, from an early stage, play an important part in the development of sustainable development (and related) strategies and in monitoring their implementation. This includes addressing a wide range of sustainability issues like climate change, energy and transport policies, biodiversity, rural and agricultural issues, and the overall management of the economy in a sustainable way. NCSDs are likely to be most productive if they are able to both respond to government requests to study particular issues and also to take up other areas they deem to be important on their own initiative.

4.2.5 Access to information: In order to work well, NCSDs need the capacity to gather evidence from all relevant sources and, in particular, to have good access to government information and thinking.

4.2.6 Promoting the engagement of civil society on sustainable development issues: One important role of NCSDs is to increase public awareness. They can have a valuable role in aiding the relevant authorities to incorporate the sustainable development perspective into formal and informal education. They can promote wider understanding of the issues in the media. The publication of annual 'state of sustainability' reports by NCSDs could draw additional attention to the subject and foster public debate.

4.2.7 Resources: The EESC calls on the Member States to ensure sufficient funding of NCSDs so that they are able to fulfil their tasks and provide real added value to the debates and the decision-making process on sustainability issues.

4.2.8 European engagement: The Committee encourages the NCSDs to pool experience, exchange best practice and maintain open dialogue among the councils, particularly through the strengthening of the EEAC network. This would create a strong European voice for sustainable development.

4.3 The EESC also recommends that NCSDs seek to step up their capacity to engage individually and collectively with the European institutions on European aspects of sustainable development policy from the perspective of civil society. The EESC (and specifically the Sustainable Development Observatory) could play a useful role here in facilitating stronger engagement by NCSDs on European sustainability issues. The EESC could seek to engage with the EEAC and its members, on a regular basis on upcoming issues. It could seek to support EU-wide comparative studies on such topics, focusing particularly on the input and role of civil society. It could also seek to highlight and publicise examples of best practice.

4.4 The EESC stresses that broad public participation in sustainable development issues over and above the national councils' activities is also essential. It therefore calls on governments at national, regional and local levels to involve civil society representatives in all policy decisions with a significant sustainability aspect. There are no guidelines laying down minimum standards of good practice in terms of involving the public. To support the participation process, the EESC recommends carrying out regular benchmarking or rewarding of best practices. NCSDs should also ensure that they work closely together with other organisations and institutions that deal with sustainable development in their Member State, including with the national Economic and Social Councils where they exist.

4.5 To conclude, the EESC points out that the work of the NCSDs can only be fruitful if governments are willing to listen to and take heed of their advice and if they take concrete action in shifting national policies towards a more sustainable approach, including the allocation of adequate funding.

Brussels, 12 December 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 better ship dismantling'

COM(2007) 269 final

(2008/C 120/08)

On 22 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

*Green paper on better ship dismantling.*

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 31 October 2007. The rapporteur was Mr Adams.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 13 December 2007), the European Economic and Social Committee adopted the following opinion unanimously.

### 1. Conclusions and Recommendations

1.1 The European Economic and Social Committee (EESC) welcomes the Commission's proposal for action at both the international and regional level to change, as soon as possible, current unacceptable ship dismantling practices.

1.2 As presently structured the international ship dismantling industry ranges from safe, well regulated, dry-dock facilities to beaches where vessels are taken apart by hand with the minimum of health, safety and environmental protection. Most merchant shipping currently ends its life on one of these beaches in South Asia. There is a serious worldwide shortage of dismantling facilities compatible with principles of environmental and social sustainability.

1.3 The Committee is concerned that this situation will be aggravated by the 'bulge' in the number of ships going out of service in the next few years following the global phase out of single hull oil tankers; the current back log of an estimated 15 million Light Displacement Tonnage (LDT) <sup>(1)</sup>; and the recent boom in shipbuilding. Part of the surplus vessels needing to be disposed of in the coming years is a result of actions taken by the International Maritime Organisation (IMO), prompted by the EU to protect its own environment so the EU has a clear responsibility for action.

1.4 It is noted that some ship owners do not make provision in their operating costs for safe, contained, end-of-life ship disposal though a large group <sup>(2)</sup> see the need for action and are beginning to set in place voluntary measures.

1.5 It is also noted that although legal provision exists in the EU which should prevent ships making a final voyage to be dismantled at a location with inadequate facilities, this is easily avoided. The EESC has consistently argued, most recently in March 2007 in its Opinion on the green paper *Towards a future Maritime Policy for the Union* <sup>(3)</sup>, that Member States should

promptly ratify international Conventions on maritime safety and environmental protection and ensure that they are properly enforced.

1.6 It is recognised that the dismantling of end-of-life vessels is a complex issue involving an important contribution in jobs and raw material resources which accrue to the developing countries offering low-cost dismantling. At the same time, the Committee acknowledges that structural poverty and other social and legal problems in some areas of South Asia is strongly linked to the absence or non-implementation of even minimum standards of safety at work, minimum labour standards and environmental protection.

*The EESC therefore recommends the following:*

1.7 A strong international regime for the identification, control and disposal of end-of-life ships should be established through the IMO. This regime must have an equivalent level of control as that found in the Basel Convention: incorporate all relevant International Labour Organisation (ILO) standards; not allow exemptions and prevent end-of-life ships with hazardous waste going to countries that are not party to the convention and which have inadequate facilities.

1.8 However, implementation of such an IMO agreement will take several years, therefore:

- effective voluntary programmes by ship owners to minimise disposal problems should be encouraged and supported;
- the EU should unequivocally apply its existing legislation by enforcement of the Waste Shipment Regulation. Immediate action should be taken to ensure that port states have the power to declare a ship 'end of life' and to support a guidance document clarifying the terms 'intent to dispose' and 'exporting state'. The EESC also requests the

<sup>(1)</sup> European Commission, Environment Directorate-General: *Ship Dismantling and Pre-cleaning of Ships* Final report June 2007.

<sup>(2)</sup> Members of ICS, BIMCO, ESCA, INTERTANKO, INTERCARGO, that together make up a large part of the world's fleet.

<sup>(3)</sup> OJ C 168, 20.7.2007, p. 50.

Commission to urgently devise and implement additional measures to prevent evasion, such as requiring bonds on ships older than 25 years or specified as high risk and linking continued subsidies for the shipping industry to using 'green' ship dismantling and/or pre-cleaning facilities; and

- the EU should develop a third party certification and auditing scheme for safe and environmentally sound dismantling facilities. This has been called for by the ship owning industry and will help create a transparent, level playing field.

1.9 The EESC strongly supports encouraging best-practice ship recycling and the pre-cleaning of ships from gas and toxic waste within the EU. A commitment by member states to deal with all state-owned ships in this way and binding end-of-life clauses when such ships are sold to third parties are initial crucial steps in support of such an approach. Pre-cleaning vessels before export will provide avenues for getting clean secondary steel to South Asian destinations where the demand is high. A pre-cleaning guidance document should be developed for this purpose.

1.10 Providing financial and technical assistance to South Asian countries to improve their facilities — at a minimum converting beach operations to contained pier or dry-dock handling and providing better safety and downstream waste management facilities — will mitigate some of the worst problems.

1.11 The EESC recognises that effective action on this issue will involve extra costs. It supports the outline proposals by the Commission for mechanisms to ensure that provision for such costs become part of the normal operating costs of shipping. In particular further action is urged by the IMO and ship owners, to provide every ship with a recycling fund, either built up over its working life or established as a bond when it is launched. Various financial institutions are well-placed to structure and operate such measures. If such a fund is not made possible, the EU should look into regional mechanisms such as port state taxes or similar.

1.12 Recycling-aware design, identifying existing hazards and substituting as much toxic material as possible from ships when they are built will, in the long term, have a positive effect and

the EESC supports efforts, both through the EU, IMO and by ship owners and builders.

## 2. Introduction

2.1 The context of the Opinion is international shipping and the international shipment of waste. 200-600 large ships are broken up each year and recycled for their steel and other raw materials. Much of this takes place on tidal beaches in South Asian countries, with little regard for workers' safety or environmental protection. It is estimated that in the next eight years some 5.5 million tonnes of hazardous materials will arrive in these dismantling yards in end-of-life ships, notably oil sludge, oils, paints, PVC and asbestos.

2.2 None of the sites used for ship dismantling on the Indian sub-continent has containment to prevent pollution of soil and water and the treatment of waste rarely conforms to even minimum environmental standards. Due to the low level of safety measures, high accident rates are prevalent and long term health risks created through the workers handling toxic material without adequate protection <sup>(4)</sup>.

2.3 The transfer of end-of-life ships from industrial to developing countries is covered by international law on the shipment of waste, and the export from the EU of vessels containing hazardous materials is banned by the EU's Waste Shipment Regulation. However, transfer to ship brokers and re-flagging obscures ownership and responsibility issues making it difficult to enforce existing legislation and allowing scope for irresponsible owners to evade their obligations.

2.4 Part of the solution is to encourage greater capacity in the EU. However, although this would be a positive step, and could be taken up by naval and state-owned ships, it will be unlikely to deal with more than a small percentage of the estimated 105 million LDT that will go for dismantling by 2020 <sup>(5)</sup>.

2.5 The green paper is therefore urgently seeking ways forward which will cost-effectively and comprehensively improve standards in line with existing European and international legislation as mentioned above.

## 3. Summary of the Green Paper

3.1 The conclusions of the November 2006 Council meeting were that environmentally sound management of ship dismantling was a priority for the European Union. The Commission had already set out its position in the Green Paper on Maritime Policy of June 2006 <sup>(6)</sup> where a future EU maritime policy should support initiatives at international level to achieve binding minimum standards on ship recycling and promote the establishment of clean recycling facilities.

<sup>(4)</sup> Young Power in Social Action (YPSA) report (2005) on workers in ship-breaking industries.

<sup>(5)</sup> European Commission, Environment Directorate-General: *Ship Dismantling and Pre-cleaning of Ships* Final report June 2007.

<sup>(6)</sup> COM(2006) 275 final, Brussels 7.6.2006.

3.2 This Green Paper presents fresh ideas in order to continue and intensify the dialogue with Member States and stakeholders, prepare the ground for future action and invites responses to a series of leading questions which highlight the main problems.

3.3 The main purpose of this exercise is the protection of the environment and of human health; the objective is not to artificially bring back ship recycling business volumes to the EU, thus depriving countries in South Asia of a major source of revenue and necessary materials. The final objective is to reach globally sustainable solutions.

3.4 At present there is ship recycling capacity conforming to environmental and safety standards, to handle, at most, 2 million tonnes per year worldwide — 30 % of the predicted total scrapping demand in normal years. Most of these facilities — particularly in China, but also in some EU Member States — cannot offer the same scrap prices and have much higher costs than their competitors in South Asia. These (and all other) facilities will come under pressure shortly as up to 1300 single-hulled tankers have to be taken out of service by 2015 following action taken after the *Erika* and *Prestige* disasters (7). The main concern is that the recruitment of less skilled workers to deal with greatly increased volume will lower safety and environmental standards still further. A peak will be reached in 2010, when it is estimated some 800 single hull ships may be scrapped so the need for action is urgent.

### 3.5 The legal situation

The Basel Convention of 1989 provides a framework for controlling the export of hazardous waste across international frontiers. In 1997 an absolute ban ('The Basel ban') on exports of hazardous waste from OECD countries to non-OECD countries (8) was incorporated into EU law and is binding on Member States. Once a ship has left European waters it is however very difficult to apply the export ban. Further binding rules on ship dismantling are proposed for the draft Convention under discussion by the IMO but the consensus is that the peak dismantling period will be long past by the time this Convention comes into effect.

### 3.6 Economics of ship dismantling

The great majority of ships are now dismantled in South Asia because of the advantages which result from several economic factors. The most important of these are:

- Lower or un-enforced regulatory requirements in waste and health and safety issues.
- Significantly lower wage costs. Beach dismantling does not enable the use of heavy machinery and hence manual labour remains a large element of the cost.
- The supply of ships is irregular and varied. Ships tend to be taken out of service when the freight rates are low and vessels vary widely in design and composition.
- The market for used steel and second hand ship equipment is largely non-existent in OECD countries due to regulatory requirements.

In essence, the Commission makes it clear that the market in South Asia functions because of the extreme externalisation of costs which create highly problematic social and environmental conditions.

### 3.7 Environmental and social impacts

Most ship dismantling takes place on open beaches where containment, reprocessing and disposal facilities are non-existent. A wide range of environmentally damaging substances leach into the soil, sand and sea and the burning of paint and plastic coatings creates atmospheric pollution. Lethal explosions are commonplace, accident rates are high and safety measures are regarded as totally inadequate. Workers are liable to contract irreversible chronic diseases — some 16 % of workers handling asbestos at the Indian yards of Alang were found to be suffering from asbestosis. In Bangladesh more than 400 workers have been killed in accidents and over 6 000 seriously injured in the last 20 years (9).

### 3.8 The international state of play

Since 2005 the IMO, together with the ILO and UNEP (United Nations Environment Programme) has been working towards a binding international regime for clean ship dismantling. A draft convention is being negotiated for adoption by 2009 but will not come into force until some years later. Currently the draft does not apply to warships and state-owned vessels. Still outstanding are questions about external, non-IMO standards, a baseline for ship recycling facilities, reporting requirements — including state-to-state notification, and compliance mechanisms. The Commission suggests that it is unlikely that the proposed convention will ensure an equivalent level of control, enforcement and protection as the Basel Convention.

(7) Regulation (EC) No 417/2002 of EP and Council of 18 February 2002 on the accelerated phasing-in of double hull or equivalent design requirements, for single hull oil tankers and repealing Council Regulation (EC) No 2978/94.

(8) Council Regulation (EEC) No 259/93 of 1 February 1993 on the supervision and control of shipments of waste within, into and out of the European Community (OJ L 30, 6.2.1993, p. 1), as amended.

(9) Young Power in Social Action (YPSA) report in 2005 on workers in shipbreaking industries.

### 3.9 International solutions

The Green Paper suggests that the best medium to long term approach is supporting the in-progress IMO Convention. A particular concern is that the Convention is not strong enough and will come too late to solve the problem of phased-out single hull tankers; this will require an interim solution. The Commission therefore sets out options for improving the European management of ship dismantling which are designed to be mutually supportive of the efforts at the international level — an urgent matter as a critically large volume of end-of-life ships will go for breaking in the next few years.

#### 3.10 Better enforcement of EU waste shipment law

In addition to better cooperation between member states and further guidance on definitions of waste and acceptable recycling facilities, this will involve better enforcement by waste shipment and port authorities in European ports, targeting ships above a certain age (say 25 years) or where there is suspicion they are intended for dismantling. In addition, end-of-life ship tracking needs to be improved and cooperation with key third countries (such as Egypt because of the Suez Canal) enhanced. The Commission also suggests a policy focus on the dismantling of warships and other state-owned vessels.

#### 3.11 Strengthening EU ship dismantling capacity

As ship dismantling capacity in the EU and in other OECD countries (especially Turkey) is barely sufficient for warships and other state owned vessels being decommissioned over the next 10 years there will be a considerable deficit in acceptable dismantling capacity for the foreseeable future. However, such 'green' facilities as do exist cannot compete with the South Asian ship breakers. Until effective international measures are applied which serve to level the playing field the Commission suggests that action should focus on state-owned vessels. Member States, acting as they should in an exemplary manner towards the disposal of warships, could ensure that the capacity of 'green' facilities are utilised. By including end-of-life disposal clauses in any sale agreement of warships to non-EU countries, this responsibility can be appropriately extended.

3.11.1 For the substantially larger merchant fleet initiatives are needed to induce changes in the current practices of the shipping industry. For example, as mentioned below, a funding system whereby ship-owners and others contribute to the safe and environmentally sound dismantling of ships worldwide.

#### 3.12 Technical assistance and transfer of technology and best practices to recycling States

In spite of severe social and environmental drawbacks, ship dismantling is a vital contributor to the economic development of some South Asian countries. Thus encouraging an upgrading of facilities in these countries through technical assistance and better regulation needs to be considered. However, it is acknowledged that the absence or non implementation of elementary rules on safety at work and environmental protection is strongly linked with structural poverty and other social and legal problems. In order to achieve sustainable change, any assistance would have to be embedded in a wider framework.

#### 3.13 Encouraging voluntary action

A ship-owner is best placed to ensure safe disposal and there are examples of positive voluntary agreements between European ship-owners and dismantling yards to provide support for upgrading facilities. In the short term there will also be some benefit in promoting voluntary codes and agreements, with awards and certification under a corporate social responsibility umbrella <sup>(10)</sup>. Socially responsible accounting practice and voluntary agreements may be effective when they are properly designed and are the quickest way to improve things. However, if it then turns out that the commitment is not followed up in practice, legislation may still be necessary.

#### 3.14 Ship dismantling fund

It is discussed whether direct financial support for clean ship dismantling facilities in the EU or to ship-owners who send their vessels to 'green' yards, either for full ship dismantling or for decontamination, should receive consideration. Emphasis is put on the high cost of such support and possible conflict with the 'polluter pays' principle. The Green Paper therefore suggests that the principle that the cost of sustainable end-of-life disposal should be factored into the operating costs of a vessel should become standard practice.

3.14.1 Setting up a sustainable ship dismantling fund as a mandatory element of the new international regime on ship dismantling via the IMO could also be a positive step. A precedent exists in the existing oil pollution funds under the MARPOL Convention.

#### 3.15 Other options

Several other measures might be useful to assist the process of upgrading the ship dismantling industry in the short and medium term. In summary these are:

a) EU legislation, in particular on single-hull oil tankers.

<sup>(10)</sup> E.g. as developed by Marisec ([www.marisec.org/recycling](http://www.marisec.org/recycling)) and the European Community Shipowners Association.

- b) *Streamlining of shipping aids with a link to green ship dismantling.*
- c) *Establishment of a European certification system for clean ship dismantling and awards for exemplary green recycling.*
- d) *Intensifying international research on ship dismantling.*

#### 4. General comments

4.1 Much ship recycling takes place in a way that contravenes internationally accepted standards on worker health and safety and environmental protection.

4.2 It is vital that the EU ensures that the maritime and safety protection it has imposed, for example for single hull tankers, does not translate to simply transferring the harm to developing countries, but in fact is addressed by full implementation of the Waste Shipment Regulation, which incorporates the Basel Convention, including the Basel Ban Amendment, and its principles.

4.3 Beyond technical and financial assistance to improve the conditions at the ship dismantling facilities in developing countries, funds will be required for the remediation of contaminated soil and water and other damages caused by uncontrolled

shipbreaking activities. It should however also further be stressed that the types of problems endemic to the situation on the ground in developing countries cannot be addressed by simply providing technological advancement alone.

4.4 The EESC supports the Commission's concern on this issue and also its approach, which involves applying a wide-ranging mix of measures. Due to the urgent need to improve facilities and conditions, particularly in Bangladesh, rapid progress on determining the most effective forms of assistance, regulation and incentives should be prioritised so that proposals can be defined in a White Paper and appropriate impact assessments set in hand. The shipping industry also recognises the need to improve health and safety standards in ship recycling yards around the world <sup>(1)</sup> and is positive about the role the EU can play in this and in influencing the IMO.

#### 5. Specific comments

5.1 To ensure clarity and brevity the specific comments resulting from the Committee's work on this issue have been condensed into practical action points and are presented in the Conclusions and Recommendations section (points 1.1 to 1.12) which prefaces this Opinion.

Brussels, 13 December 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(1)</sup> Ship Recycling — The Way Forward, BIMCO, ECSA, INTERTANKO, INTERCARGO.



**Opinion of the European Economic and Social Committee on the ‘Green Paper from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: Adapting to climate change in Europe — Options for EU action’**

COM(2007) 354 final

(2008/C 120/09)

On 29 June 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 from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions — Adapting to climate change in Europe — Options for EU action.*

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 27 November 2007. The rapporteur was Mr Osborn.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 12 December 2007), the European Economic and Social Committee adopted the following opinion by 127 votes to one with two abstentions.

## 1. Summary and recommendations

1.1 Climate change is one of the greatest challenges facing the world in the 21st century. Action to limit these changes by limiting emissions of greenhouse gases is the top priority. But it is also important to plan in good time for adapting to such changes as have now become unavoidable. The Green Paper is a welcome first step for Europe in facing up to this.

1.2 The EESC recommends that an over-arching European adaptation strategy should now be put in place as a framework, outlining the actions that will need to be taken at European level, at national level, and by other actors.

1.3 In the EESC’s view the following key points should be covered in the development of the European and national adaptation strategies:

- Strategies should deal with planning for all the topics identified in the Green Paper including coast protection, floods and droughts, water resources, fires, public health, agriculture and biodiversity, land-use and infrastructure planning, building and construction etc.
- The need for adaptation should take a much larger share of European budgets in future programmes, and should be built into the criteria for assessment of programmes and projects.
- Substantial new and additional resources should be committed by Europe and its members states to assist adaptation in the developing world.
- Mitigation and adaptation strategies must match up and complement one another. Risk assessment and management should be a crucial tool in establishing priorities.
- European research into adaptation climate change impacts and adaptation should be substantially increased.

- European civil society, including consumers and the general public, should be more extensively engaged in order to spread wider public understanding of the problems of climate change and the behavioural changes that will be needed to limit further climate change and to adapt to the changes that are now unavoidable.

- An independent body should be established to monitor progress on adaptation to climate change and mitigation measures in Europe, and to maintain pressure for the necessary action and implementation of commitments.

## 2. General comments

2.1 Climate change is one of the greatest challenges facing the world in the 21st century.

2.2 The world has so far concentrated primarily on trying to mitigate the impact of climate change by limiting the emission of greenhouse gases. It is now however becoming increasingly clear that past emissions alone will cause a significant further warming of the atmosphere and seas over the next century and beyond. This will have major impacts on climate and weather related events, and on the physical and natural environment throughout the world. We now therefore need to focus more closely on these unavoidable impacts of global warming and climate change, and how best to adapt to them.

2.3 Such action must not diminish the efforts to limit emissions so as to mitigate further climate change. On the contrary, a proper understanding of how difficult adaptation could become should help to reinforce everyone’s determination to achieve substantial reductions in emissions. To allow emissions to continue to rise unchecked would condemn future generations to much more painful and expensive adaptation.

2.4 Mitigation and adaptation strategies must match up and complement one another. We need to establish credible and deliverable strategies for restricting greenhouse gas emissions to tolerable target levels or ranges over realistic time-scales. The adaptation strategies must then map out how the world can best adapt to the most probable ranges of unavoidable climate change which those mitigation targets imply. Risk assessment and management will be a crucial tool in establishing the level of action needed and the order of priorities.

2.5 The Commission's Green Paper helpfully maps out many of the sectors that will be affected by climate change, and the kind of issues that will arise.

2.6 In the EESC's view there is now a strong case for the establishment of an over-arching European framework strategy dealing with the whole range of adaptation issues, and outlining the actions that will need to be taken at European level, at national level and by other actors.

2.7 This European Adaptation Strategy should itself call for the creation of National Adaptation Strategies by an appropriate date followed by regular national reporting on their implementation.

2.8 A European adaptation strategy will need to have a robust external dimension setting out how Europe plans to help other parts of the world to cope with their adaptation problems.

2.9 Europe will need strong and independent institutional arrangements to organise the necessary research and monitoring, and to hold the political bodies to account to deliver the necessary actions in good time. Civil society needs to be fully involved in the work of these institutions.

### 3. Specific Comments

3.1 The EESC believes that the specific action areas identified in the Green paper are broadly the right ones. Following the Green Paper the EESC recommends that the European Union and its Members states should now develop concrete programmes and actions on each of these topics within the framework of their overall strategies. Timetables and plans need to be established, and appropriate financial resources mobilised.

3.2 On most of the topics the primary responsibilities for organising the necessary works will lie with national and local authorities. But there should be an important role for the European Union in setting the framework and in stimulating and supporting the national efforts on adaptation. In particular the Committee suggests that the EU should:

- Undertake detailed research and monitoring to provide more detailed forecasts and scenarios of the likely pace and impact of climate change in the different parts of Europe and help to co-ordinate the separate research undertaken at many different levels on these issues throughout Europe.

- Develop methodologies for assessing impacts and developing appropriate adaptation strategies, and promote exchange of experience and best practice on this.

- Stimulate the development of national, regional and local adaptation strategies and implementation plans, and encourage the dissemination of best practice and experience building on what has already been done at the different levels.

- Identify trans boundary issues where co-ordination of action between neighbouring countries or across Europe may be necessary (for example relocation of communities or of agricultural or other economic activities; the protection of habitats and biodiversity; practical support in the event of major floods, fires, pandemics etc.).

- Assess the differential economic impacts of climate change as between different parts of the Union and the need for cohesion or structural fund support for adaptation programmes.

- Assess the differential impacts of climate change as between households and individuals, and as between SMEs and the adequacy of insurance and compensation arrangements throughout the Union.

- Identify any areas where European legislation or initiatives could play a useful part, e.g. by establishing standards for assessment of potential climate change related impacts and appropriate responses.

### 4. Comments on specific topics

4.1 **Coast Protection** — Sea levels will rise as ice melts and sea temperatures increase. In some places it may be necessary to construct or reinforce physical barriers to protect land and settlements. In others managed retreat and the recreation of protective sea marshes may be the more appropriate strategy coupled with relocation of occupiers of vulnerable properties.

4.2 **Flooding** — Climate change is likely to lead to more variable weather patterns with longer periods of drought punctuated by episodes of more intense rainfall leading to rapid run-off and flooding. Flood defence plans need to be updated to take account of these new weather conditions. In some cases new programmes of flood defence works will be needed. In others appropriate flood plains or catchment areas may need to be created or re-established to receive flood waters. Development may need to be restricted in such areas, and relocation considered.

4.3 **Water Resources and Shortages** — Water resources are already under pressure in several parts of Europe and these pressures are likely to become more acute as climate change leads to longer periods of low rainfall and drought. Measures may be needed to bring new sources of water to affected areas (e.g. through such measures as desalination or long distance transfers) and to manage the uses of water more efficiently. Incentives to promote efficient use of water (including water

pricing) need to be strengthened. It may also be necessary to discourage activities such as intensive agriculture or tourism in the worst affected areas. (The EESC is currently preparing a separate more detailed opinion on water scarcity and drought.)

4.4 The risk and incidence of serious fires is already increasing in areas such as the south of Europe that are becoming hotter and drier and may become more severe as temperatures rise further. Protective measures and response capacities will need to be strengthened and co-ordinated better. (EESC is preparing a separate more detailed opinion on natural catastrophes and civil protection.)

4.5 **Public Health** — Climate change may have consequences for public health in a variety of ways. It may cause widespread dissemination of vectors of disease, including in particular a northwards movement of a number of diseases previously confined to the tropics. Temperature extremes may also have more direct impacts. Plans need to be made to prepare for these changes.

4.6 **Agriculture** — Agriculture will be very strongly affected by climate change. Changes in temperature and rainfall will affect the suitability of land for different agricultural purposes, and will lead to big changes in the quality and quantity of production that can be achieved and hence on the viability of different farming regimes in different parts of Europe.

4.6.1 The health check of the CAP to be undertaken in 2008 should provide the opportunity to make further changes to encourage farmers to adapt their farming practices to the changes in climate that are now in prospect.

4.6.2 Agricultural research into new crops and methods of cultivation better suited to emerging climatic conditions needs to be expanded. Similarly the impact of climate change on the prospects for rearing animals in different parts of Europe need to be assessed along with ways of dealing with climate change induced spread of diseases. (The EESC will shortly be preparing a separate more detailed opinion on climate change and agriculture.)

4.7 **Biodiversity** — Climate change will bring about major changes in the habitats of plants and animals throughout Europe. In some cases particular species will no longer be able to survive in the changed habitats or will become critically at risk. Some species may successfully migrate to new habitats through natural processes. Other will need assistance in the transition if they are to survive. Existing biodiversity strategies and programmes will need to be updated and resources committed to implementation if this transition is to be accomplished without major species loss.

4.8 **Trees and forests** will also be substantially affected by climate change. Some areas may become less hospitable to particular species. Other areas may actually become more favourable for some species. Programmes of planting, replanting, tree

care and forest management will need to be adapted accordingly.

4.9 **Land-Use Planning** — The planning of urban and other settlements and of transport and infrastructure will increasingly need to take account of changes in temperature and weather regimes. These considerations need to be factored into design standards and into professional practice and training. Individual development programmes and projects will similarly need to take these climate change impacts into account. Impact assessment methodologies will need to be adapted appropriately.

4.10 **Buildings** — The building and construction business will be severely affected by climate change. We need stricter minimum regulations for energy efficiency in buildings, better building standards etc. Information also needs to be made more accessible for citizens on best-practice, and on what methods, materials and subsidies are available for renovations of older buildings and new construction to reduce energy consumption and make them more appropriate for changing temperature and weather conditions.

4.11 **EU Budget** — In the annual budget, the EESC recommends that the heading 'adaptation' should appear for the policy areas where immediate investments will be needed (e.g. energy, research, agriculture, transport, building standards, natural disaster assistance, biodiversity protection, public health policy, etc.). The next Financial Framework should give a much higher share of available resources to programmes concerned with mitigation and adaptation to climate change. Member States should make similar changes in their own national budgets and spending programmes.

4.12 **Structural Funds** — In the European Regional Development Fund, the Cohesion Fund and the IPA (Instrument for Pre-Accession Assistance) there are criteria to support environment projects, but nothing is explicitly mentioned about adaptation to climate change and often the impact assessments are not adequate (many transport and energy projects are clearly harmful to the environment and the climate). In the next reviews of all these programmes much larger percentages of the available funds should be devoted to supporting measures for the mitigation of climate change and adaptation to it.

4.13 The **European Investment Bank (EIB)** and the **European Bank for Reconstruction and Development (EBRD)** should build climate change into their budgetary processes and into their criteria for evaluating projects and programmes.

4.14 **The Insurance Industry** has taken a great interest in climate change, and is increasingly factoring climate change considerations into its decisions on what events it is willing to insure against and on what terms. The EU and its member states should institutionalise an ongoing dialogue with the insurance industry so as to ensure that the insurance sector plays its full part in helping business and others to adapt to climate change.

4.15 **Developing countries** — Many developing countries will have more serious adaptation problems than Europe and fewer resources to deal with them. Some of the least developed countries have done very little to contribute to the problem of climate change but will be amongst the worst affected and have an extremely strong claim in equity and justice for co-operation and support. They will need support from the developed world, including human, technical and financial resources to help them adapt appropriately. Europe should take a leading role both in providing additional resources for adaptation measures within its own collective and national development assistance programmes, and in helping the international financial community to adjust to the adaptation challenge.

4.16 Some parts of the world will become much less hospitable to human settlement (and in extreme cases may even become virtually uninhabitable) either as a consequence of sea level rises or as a result of extreme weather conditions. Climate change may lead to growing pressures for increased migration into Europe from other parts of the world, as well as population shifts within Europe. Development agencies and other relevant Government Departments will need to be ready to help developing countries identify such situations in good time and to help plan for any necessary relocation programmes.

4.17 The potential impacts of climate change at national and local level in Europe, and the likely pace of change are still only imperfectly understood, and a great deal of further research and analysis will be needed to improve and refine the forecasts. The European Environment Agency might have a useful role as a coordinating point for all the relevant research, monitoring, analysis and forecasting in this field, and as disseminator of best available information to decision-takers and others concerned with the detailed implementation of adaptation strategies. The EESC itself stands ready to play its part in promoting deeper and more widespread understanding of the impacts of climate change in the different parts of Europe and of the adaptation measures needed.

4.18 Civil society will need to be deeply engaged in the process of adaptation to climate change. Local communities, businesses and other organisations of all kinds will be increasingly affected by climate change, and will need to be involved

with the response. People and organisations of all kinds need a deeper understanding of the changes that are already happening and are likely to happen in the future within their own lifetimes and those of their children. They also need a much fuller understanding of what will be involved for them in mitigating climate change and in adapting to it. Increasingly knowledge about these matters should become a core part of the curriculum in formal and informal education.

4.19 The EESC stresses the importance of involving civil society at all levels and of communicating with consumers and the general public. It fully supports the Green Paper's suggestion for sectoral Working Groups with interested parties to assist in developing the sector specific responses that will be needed. One important task for such groups should be to develop techniques for assessing risk levels, and auditing the readiness and preparedness of organisations and communities for responding to extreme weather events and other disasters that may become more severe or frequent as climate change progresses.

4.20 There are important roles for regional and local government authorities to co-ordinate and stimulate activity at their levels, and to mobilise public response and engagement. Public authorities at all levels can also play a crucial part in showing the way through appropriate planning of their own buildings and developments and in their procurement policies.

4.21 The Green Paper suggests the creation of a European Advisory Group for Adaptation to Climate Change with representatives of civil society, policy makers and scientists to act as an Expert group while the strategy is being developed. The Committee can support the idea of such a group.

4.22 In addition, the Committee suggests that the EU should consider establishing an independent monitoring body with an independent chairman, charged with keeping under review the progress of the whole climate change strategy (both adaptation and mitigation). It should report regularly and publicly on progress and give early warnings if action seems to be falling behind commitments and according to the requirements of the situation. The EESC itself also intends to keep progress in this area under regular scrutiny.

Brussels, 12 December 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 Council Regulation on the common organisation of the market in wine and amending certain Regulations'**

COM(2007) 372 final — 2007/0138 (CNS)

(2008/C 120/10)

On 7 September 2007, the Council decided to consult the European Economic and Social Committee, under Articles 36 and 37 of the Treaty establishing the European Community, on the

*Proposal for a Council Regulation on the common organisation of the market in wine and amending certain Regulations.*

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 27 November 2007. The rapporteur was **Mr Kienle**.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 12 December), the European Economic and Social Committee adopted the following opinion by 109 votes to five with 12 abstentions.

### 1. Summary of EESC conclusions and recommendations

1.1 The European Economic and Social Committee (EESC) welcomes the Commission's recommendation in its proposal on reform of the European market organisation in wine to maintain a specific market organisation for wine. The Committee would have liked the European Commission to take on board more of the recommendations it elaborated in its opinion of 14 December 2006 on the *Communication from the Commission to the Council and the European Parliament — Towards a sustainable European wine sector* <sup>(1)</sup>.

1.2 The EESC repeats its point that the main aim of the reform must be to improve the competitiveness of European wines and win back market shares. As far as the reform and external trade provisions are concerned, the Commission should take more account of the fact that Europe's wine sector leads the global market.

1.3 The EESC notes that wine and wine-growing are important and integral aspects of Europe's culture and way of life. Wine-growing shapes the social and economic environment of many European wine-growing regions. The Committee therefore believes it is important that both the objectives and the measures of the reform should reflect not just the economic effects, but also the consequences for employment, social structures and the environment — in particular through grubbing-up programmes — as well as consumer protection and health. The European Commission's proposal falls short in this regard.

1.4 The EESC would point out that wine-growing provides a livelihood for 1.5 million mainly small, family-run businesses in the European Union and at least seasonal employment for over 2.5 million workers. The Committee is therefore particularly concerned that the reform should give preference to measures

that have a positive impact on the incomes of wine-growers and job opportunities in Europe's wine-growing sector.

1.5 The EESC considers the European Commission's proposal to provide the wine-producing Member States with an individual national budget envelope as an important fillip to subsidiarity and consideration of regional differences. However, the list of support instruments must be extended if the objectives of the reform are to be achieved.

1.6 The EESC regards the proposals submitted by the European Commission on consumer information measures as inadequate. It welcomes the proposals for promotion in export markets, but believes this idea should be extended to include the internal market.

### 2. Proposals of the Commission

2.1 The European Commission is proposing reform of the market organisation for wine mainly in the following areas:

- support measures within a national budget envelope to restructure and convert vineyards, fodder crops, mutual funds, harvest insurance and promotion of wine on third markets;
- financial transfer to rural development;
- changing wine-making provisions, especially as regards oenological practices, increasing alcohol strength, and acidification;
- changing labelling requirements, in particular for the indication of provenance and origin, as well as adaptation of other labelling requirements;
- producer and inter-branch organisations;

<sup>(1)</sup> OJ C 325, 30.12.2006, p. 29.

- relaxation of planting rules from 2013;
- voluntary grubbing-up programme;
- dismantling of current market mechanisms;
- transfer of powers from the Council of Ministers to the European Commission.

### 3. General comments

3.1 The EESC broadly endorses the objectives of the European Commission proposal. However, it considers that certain adjustments and improvements are needed in the case of the measures recommended.

3.2 The EESC reiterates its call for the competitiveness of European wine producers in the internal market and export markets to be improved, for Europe as a business location to be strengthened, for quality measures to be supported and for there to be more focus on market developments and consumer preferences. The Commission does not take enough account of these issues in its current proposal.

3.3 The EESC also thinks it is important to make the economic objectives specific and to supplement them with social and employment policy objectives. These would include improving the income of wine-producing holdings, making it easier for young wine-growers to develop their businesses, and providing sustainable employment opportunities and appropriate remuneration for permanent and seasonal workers.

3.4 The EESC still has reservations about transferring powers from the Council of Ministers to the Commission, e.g. in relation to authorisation of more recent wine-making practices, since the Commission has not adequately defended the interests of European wine producers when negotiating bilateral agreements.

3.5 The EESC re-affirms its view that current funding must be increased to take account of the accession to the EU of two new wine-producing countries.

3.6 The EESC again calls for improved and more comprehensive market monitoring, so that better data on production, trade and consumption are available as the basis for organisation of the wine market. The general data used hitherto are important, but inadequate. It is also necessary to provide updated information on changes in production structures, distribution channels and consumer behaviour.

3.7 The EESC agrees with the Commission's view that the new market organisation in wine should come into effect as soon as possible. However, it considers a 'phasing-out period' to be necessary so that businesses can adapt to the new framework gradually if required.

3.8 The EESC is pleased that the European Commission has modified its proposal for a grubbing-up programme. However, it would make sense for these measures to be carried out under regional or national structural programmes, in order to avoid

the negative effects of one-off grubbing-up measures (e.g. fallow land surrounded by vineyards) and ensure systematic implementation.

3.9 The EESC reiterates its objection to complete liberalisation of planting rules, as this would jeopardise the economic, social, environmental and landscape maintenance objectives of wine market reform.

### 4. Specific comments

#### 4.1 Title II: support measures; Chapter 1: support programmes

4.1.1 The EESC welcomes the fact that its views have basically been taken on board in so far as the proposals provide for more account to be taken of regional differences and more consistent implementation of subsidiarity in the wine sector through the introduction of national budget envelopes. However, it regards the support measures provided for as inadequate.

4.1.2 The EESC agrees with the European Commission that a more consistent and more appropriate Community framework should be maintained. Within that framework, it should fall to the Member States to select measures for their wine-producing regions. Producer organisations, sectoral associations, regulatory bodies and other organisations with equivalent objectives should play an important role here.

4.1.3 The EESC would like to see a comprehensive list of measures that reflect the goals of the market organisation. It refers to its previous opinions on reform of the CMO in wine <sup>(2)</sup>, in which it already called among other things for programmes to promote product quality in wine-growing, cellaring, marketing and consumer information, measures to support disadvantaged areas, and the possibility of direct area payments.

4.1.4 The EESC reiterates its call for coherent, integrated measures with a view to maximising efficiency. Such measures should be incorporated into comprehensive plans for the entire production chain, from wine-growing to processing and marketing of the product. This also includes measures to develop alternative market outlets for all grape products.

4.1.5 The EESC once again urges that a special programme be introduced to promote disadvantaged wine-growing areas, such as steep and sloping vineyards, and areas subject to extreme climate conditions.

4.1.6 The EESC welcomes the fact that the EU Commission has placed considerable emphasis on export promotion measures within the national budget envelope. Measures are also needed to inform consumers in the internal market about wine-growing and in particular about the advantages of moderate wine consumption and the dangers of alcohol abuse. It reiterates its call for support to be given to setting up a European market monitoring system.

<sup>(2)</sup> OJ C 101, 12.4.1999, pp. 60-64 and document cited in footnote 1.

4.1.7 The Committee does not regard immediate abolition of intervention measures as feasible. It therefore recommends that aids should be provided within the national envelopes during the 2008-2010 'phasing-out period' for distillation to produce potable alcohol and for private storage support.

4.1.8 The Committee believes that the national financial envelopes should include crisis management measures based on shared responsibility among wine-producers. Existing measures (harvest insurance and mutual funds) are not adequate for managing economic crises. This makes it necessary to consider whether existing emergency distilling arrangements are effective and whether an emergency distillation system could be provided for within the national financial envelopes.

4.1.9 The prevailing ban on overpressing of grapes, grape mash and wine lees has proved an effective way of ensuring the quality of wine products and preventing abuse, and should therefore be retained. Member States should be authorised to raise the percentage of production for distillation during certain years.

4.1.10 The EESC notes the European Commission's elaboration of a proposal for allocating the budget for the national financial envelopes. Special financial provisions should be set out for the new Member States, for which no background information is available, according to the amount of land planted with vines.

## 4.2 Chapter 2: Financial transfer

4.2.1 In various opinions the Committee has emphasised the importance of the second pillar for the future development of rural areas, to which the European wine-producing areas also belong. But even taking account of this fundamental broad objective, the EESC considers that, with a view to resolving the specific problems of the wine sector, all the measures discussed in connection with the reform of the wine market should be financed from the wine budget. This budget must therefore not be reduced, either through cuts or transfers of funding.

## 4.3 Title III: regulatory measures; Chapter 2: Oenological practices and restrictions

4.3.1 The EESC believes that it is absolutely essential to establish an internationally recognised definition of 'wine'. This would also make it necessary to lay down recognised production methods. It should be made clear that 'fruit wines' are not covered by the wine market organisation.

4.3.2 The EESC believes that measures to bring wine-making practices into line with OIV standards should be incorporated more consistently into the strategic thrust of bilateral or international trade agreements. The authorisation of any practice for imported wines that is approved elsewhere in the world would conflict with the proposed closer alignment of European wines

with OIV standards and lead to further distortions in competition. The EESC is also against the proposal to allow for wine exports oenological practices that are banned on the internal market.

4.3.3 The EESC recommends that a catalogue of authorised oenological practices should be attached as an appendix to this directive and that the Council should retain its powers to update these practices and authorise new ones.

4.3.4 The EESC is pleased that the European Commission has distanced itself from the proposal to authorise the production in Europe of wine made from imported grape must or must concentrate and the proposal to authorise the blending of EU products with products from other countries.

4.3.5 The EESC calls on the Commission to take account in its proposals for production rules of the varying location, climate and weather conditions in the European Union. It notes that this issue is very sensitive and must not lead to rifts within the European wine sector or even a boycott of the reform proposals. The EESC, however, supports the demand for tighter control of oenological practices in order to enhance and guarantee the quality of wines.

4.3.6 The EESC therefore bases its assessment of the Commission's proposals on its previous opinion, the analyses set out by the Commission, the proposed liberalisation of wine production methods, recognition of wine production processes in bilateral agreements, and on the objectives of the reform, especially increasing competitiveness and reducing production costs. After weighing up the pros and cons of the Commission's proposals, the EESC advocates a general continuation of the existing rules governing the use of sucrose and aid for must concentrate.

## 4.4 Chapter III: Designations of origin and geographical indications

4.4.1 The EESC welcomes the European Commission's elaboration of detailed proposals on labelling wines according to their provenance. It shares the Commission's view that the concept of quality wines in the Community is based inter alia on the specific characteristics attributable to the wine's geographical origin. Protecting the designation of origin and geographical indications is a high priority. For this reason the use of a designation of origin or geographical indication should be conditional on production within the delineated geographical areas.

4.4.2 The EESC welcomes the fact that the European Commission has now explained and elaborated its proposals such that it is possible to maintain tried-and-tested quality policy systems that are not, or not solely, based on the principle of designations of origin. Quality wine testing in particular has proved effective in many countries for producers and in particular consumers.

4.4.3 Many questions nevertheless remain regarding the compatibility with Commission Regulation (EC) No 753/2002 of 29 April 2002 laying down certain rules for applying Council Regulation (EC) No 1493/1999 as regards the description, designation, presentation and protection of certain wine sector products<sup>(3)</sup>. The EESC therefore calls for an equivalency table to be presented from which the impact on geographical and traditional designations can be ascertained.

#### 4.5 Chapter IV: Labelling

4.5.1 The EESC regards the Commission's proposals in respect of labelling as highly complex, and it expects the Commission to carry out an accurate simulation of the impact of the proposed changes.

4.5.2 The EESC draws attention to the fact that, following a debate lasting a number of years, labelling law has been amended only very recently. It therefore calls upon the Commission to explain what new factors now come into play that were not assessed in the debate which has just come to an end.

4.5.3 The EESC welcomes moves to simplify labelling provisions, provided that they promote improved consumer information. Such changes must not, however, increase the risk of distorting competition or misleading consumers, resulting in a flood of legal disputes. The proposal by the European Commission for the grape variety and vintage year to be optionally indicated for wines without a designation of origin or geographical indication should also be regarded as questionable from this perspective. This proposal can only be endorsed if a control and certification system is provided for to ensure the traceability of such wines so as to protect consumers and prevent misinformation and unfair competition.

4.5.4 The EESC draws attention to the growing linguistic diversity in an ever larger European Union. This linguistic diversity may give rise to trade barriers, as is currently the case with regard to the indication of sulphite use. It should therefore be possible to give mandatory information on labels, e.g. ingredients, using readily comprehensible symbols.

#### 4.6 Title V: Production potential

4.6.1 The EESC welcome the fact that the Commission has modified its proposals on grubbing-up rules and reduced the budget envisaged. It recognises the importance of grubbing-up

as an instrument of market organisation which is to be offered as part of the regional or national structural programmes for limited periods of three to five years within the overall Community framework. Grubbing-up should be offered as a voluntary measure for removing vines from land that is not suitable for viticulture and as a cushion against the social effects of withdrawal from production of businesses that are not viable.

4.6.2 The EESC is pleased that the Commission has changed its original deadlines for liberalising planting rules. However, the EESC is still against full liberalisation — even at a later point — since this would jeopardise the economic, social, environmental and landscape maintenance objectives of the wine-market reform. It is not acceptable to shift wine production from culturally valuable man-made wine-growing landscapes to areas that are cheaper to cultivate, owing to general responsibility for employment, the economy and infrastructure of wine-growing regions, the social fabric, the environment and nature conservation.

4.6.3 If the EU planting regulation, together with a ban on new planting, is to be abolished, an enabling framework should be created to make it possible for wine-growing regions to continue applying or develop their planting rules in accordance with the objectives of the European wine market organisation.

#### 4.7 New title: promotion and information

4.7.1 The EESC believes that the Commission proposals fall short of what is needed in order to win back market shares from wines from third countries, especially the New World.

4.7.2 The EESC calls on the Commission to provide, within the national budget envelopes, for promotion of consumer information and sales promotion measures not just in export markets, but also within the internal market. With this aim in mind, particular attention must be paid to providing comprehensive information on the benefits of moderate wine consumption as an integral part of a healthy diet and a modern lifestyle.

4.7.3 The EESC stresses that any information and promotional measures should include all products made from grapes.

4.7.4 The EESC recommends that communication measures for wine products be linked to tourism, gastronomic activities and other products in wine-growing regions.

Brussels, 12 December 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

<sup>(3)</sup> OJL 118, 4.5.2002, pp. 1-54.



## APPENDIX

## to the Committee Opinion

The following amendments were rejected by the assembly, but were supported by more than a quarter of the votes cast:

**Point 4.3.6**

Replace the final sentence with the following:

'After weighing up the pros and cons of the Commission's proposals, the EESC advocates a general continuation of the existing rules governing the use of sucrose and aid for must concentrate, considers that the possibility of using sucrose may be continued, in conformity with the law and traditions, for those countries that make use of this practice. However, in order to guarantee equal treatment of EU wine producers, aid for rectified must concentrate will have to be maintained and brought into line with the new market conditions relating to lower sugar prices. This aid, which is necessary if substantial parity of cost is to be maintained, must not affect the national envelopes, but constitute a separate heading in the wine budget.'

*Reason*

The reform of the CMO in sugar, which is already in effect, together with the comprehensive reform of the CMO in wine, entail a radical change in the structure of production costs for wine; if there is a real desire to retain the 'status quo ante' and to respect the principle of not distorting competition — given that sugar and must are effectively competing products in wine enrichment processes — then adjustment of aid for must concentrate, and its budget status separate from the national envelopes must both be ensured.

*Voting*

For: 25 Against: 54 Abstentions: 8

**Point 4.3.7**

Add the following new point:

'4.3.-

Given

that the use of sucrose to enrich wines means adding a product not obtained from grape-processing, and in keeping with its official concern for transparent labelling and consumer protection, the EESC considers that the practice should be indicated on the labels of wines enriched by means of this method.'

*Reason*

It is the fundamental and non-negotiable duty of the EESC to uphold at all times maximum transparency of information for users of goods and foodstuffs.

*Voting*

For: 30 Against: 70 Abstentions: 21

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**Opinion of the European Economic and Social Committee on the 'Future outlook for agriculture in areas with special handicaps (upland, island and outlying areas)'**

(2008/C 120/11)

On 27 September 2007, the European Economic and Social Committee, acting under Rule 29(a) of the Implementing Provisions of the Rules of Procedure, decided to draw up an opinion on the

*Future outlook for agriculture in areas with specific natural handicaps (upland, island and outlying areas).*

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 27 November 2007. The rapporteur was Mr Bros.

At its 440th plenary session, held on 12 and 13 December (meeting of 12 December), the European Economic and Social Committee adopted the following opinion by 127 votes to one, with six abstentions.

### 1. Conclusions and recommendations

1.1 On 13 September 2006, the European Economic and Social Committee adopted an own-initiative opinion on the *Future outlook for agriculture in areas with specific natural handicaps (upland, island and outlying areas)* <sup>(1)</sup>.

1.1.1 In this opinion, the EESC devoted the whole of chapter 4 to the problems faced by upland areas, and among other things emphasised the need for:

- a specific EU policy for upland areas;
- a harmonised EU definition;
- priority for upland areas when allocating appropriations under the second pillar;
- consolidation of compensation measures for upland farmers;
- integration of agricultural and regional policies to ensure they have a greater impact on upland areas.

1.2 On 7 December 2006, during the policy dialogue concluding the Committee of the Regions' plenary session, Commission president José Manuel Barroso spoke out in favour of drawing up a **Green Paper on the future of policies for upland areas**.

1.3 The EESC therefore feels it appropriate to draw up an additional opinion, in order to express its views on the principles which could underlie such a Green Paper.

1.4 Upland areas provide all European citizens with numerous services as well as public and economic benefits, for example:

- reduced natural risks, to the benefit of people living in both upland areas and elsewhere, e.g. as a result of protecting transport corridors;

- landscapes which can be used for leisure and tourism (essential for citizens of an urbanised continent and for European competitiveness);

- significant biodiversity;

- unique water reserves;

- high-quality products, especially foodstuffs.

1.5 Unless upland areas are appropriately managed by people who live there, the production of such goods and services will be jeopardised.

1.6 Today, we have to face up to major new challenges, both present and future, such as intensifying economic competition, demographic change, climate change, etc. Although these challenges concern all regions, they have a much stronger impact on mountainous areas and a specific approach is therefore needed.

1.7 However, most existing policies which apply to upland areas are sectoral and are often adopted outside these areas without paying sufficient attention to their specific features. Policies on upland areas tend to be unimaginative, they often cover other areas, and fail to take the specific features of upland areas sufficiently into account. At the same time, European and national policies are increasingly focusing on the comparative strengths of regions requiring promotion or development.

1.8 Despite their importance at European level, upland areas are to some extent neglected by European policies, and there is a serious failure to acknowledge their considerable potential in terms of contributing to European growth and diversity, particularly in view of their innovative approaches.

1.9 The EESC is therefore in favour of a much more consistent and integrated policy approach. Upland areas require a cross-sectoral and territorial approach to their sustainable development.

<sup>(1)</sup> OJ C 318, 23.12.2006, p. 93.

1.10 A **Green Paper on the future of policies for upland areas** would help to rationalise and consolidate existing policies and initiatives at European level in order to make them more effective in the specific context of upland areas. This particularly applies to agriculture in upland areas, as mentioned in this opinion. In most European upland areas, farming is the foundation on which other socio-economic, agro-industrial and tourism-related activities are built, and it determines the attractiveness of such regions. The Common Agricultural Policy therefore has a key role to play and must be included in the review of European policies in upland areas envisaged by the Green Paper.

1.11 The EESC therefore calls for the Green Paper on the future of policies for upland areas to be added as soon as possible to the European Commission's work programme in order to define the issues of strategic importance for upland areas in the Member States of the European Union, to clarify the respective tasks of the various levels of authority and economic sectors and coordination between them, to consolidate specific statistical data used as a basis for policies in such areas, to study ancillary and support measures to be put in place in such areas in the light of the strategic objectives defined

by the European Union, and to promote the development of European and national policies.

1.12 By making it easier to tap into the comparative strengths of upland areas, the Green Paper on the future of policies for upland areas will also tie in with the re-launched Lisbon strategy and the Gothenburg strategy. It will therefore contribute to the objectives of growth and employment, and will help the European Union to become a more internationally competitive knowledge-based economy in the years to come. Upland areas have a major contribution to make to Europe as a whole, and it is important to make the best possible use of their potential for innovation and growth.

1.12.1 At the EESC's plenary session of 11 and 12 July 2007, Ms Danuta Hübner, Commissioner for regional policy, referred to the EU's territorial agenda and announced that in 2008 a report on territorial cohesion would study the impact of major future challenges on the regions and means of dealing with them. The EESC urges that the specific features of upland, island and outermost regions be taken sufficiently into account in the current discussions on the EU's cohesion policy and in the preparation of the Territorial Agenda.

Brussels, 12 December 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 Regulation of the European Parliament and of the Council amending Regulation (EC) No 998/2003 on the animal health requirements applicable to the non-commercial movements of pet animals as regards the extension of the transitional period’**

COM(2007) 572 *final* — 2007/0202 COD

(2008/C 120/12)

On 23 October 2007, the Council decided to consult the European Economic and Social Committee, under Articles 37 and 152 (4 (b)) of the Treaty establishing the European Community, on the

*Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 998/2003 on the animal health requirements applicable to the non-commercial movements of pet animals as regards the extension of the transitional period.*

Since the Committee unreservedly endorses the contents of the proposal and has already set out its views on the subject in its earlier opinion CESE 1411/2000, adopted on 29 November 2000 <sup>(1)</sup>, it decided, at its 440th plenary session, held on 12 and 13 December 2007 (meeting of 12 December), by 131 votes with 4 abstentions to issue an opinion endorsing the proposal and to refer to the position it had taken in the abovementioned document.

Brussels, 12 December 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(1)</sup> OJ C 116 of 20.4.2001, p. 54-56.

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

- **'Proposal for a Decision of the European Parliament and of the Council amending Council Directives 76/768/EEC, 88/378/EEC, 1999/13/EC and Directives 2000/53/EC, 2002/96/EC and 2004/42/EC in order to adapt them to Regulation (EC) ... on Classification, Labelling and Packaging of Substances and Mixtures, and amending Directive 67/548/EEC and Regulation (EC) No 1907/2006'**
- **and on the 'Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 648/2004 in order to adapt it to Regulation (EC) No ... on Classification, Labelling and Packaging of Substances and Mixtures, and amending Directive 67/548/EEC and Regulation (EC) No 1907/2006'**

COM(2007) 611 *final* — 2007/0212 (COD)

COM(2007) 613 *final* — 2007/0213 (COD)

(2008/C 120/13)

On 13 November 2007, the Council decided to consult the European Economic and Social Committee, under Article 95 of the Treaty establishing the European Community, on the

*Proposal for a Decision of the European Parliament and of the Council amending Council Directives 76/768/EEC, 88/378/EEC, 1999/13/EC and Directives 2000/53/EC, 2002/96/EC and 2004/42/EC in order to adapt them to Regulation (EC) ... on Classification, Labelling and Packaging of Substances and Mixtures, and amending Directive 67/548/EEC and Regulation (EC) No 1907/2006*

*and on the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 648/2004 in order to adapt it to Regulation (EC) No ... on Classification, Labelling and Packaging of Substances and Mixtures, and amending Directive 67/548/EEC and Regulation (EC) No 1907/2006.*

The EESC endorses the contents of these proposals and feels that they require no comment on its part.

The Committee decided, at its 440th plenary session, held on 12 and 13 December 2007 (meeting of 12 December), by 139 votes with 3 abstentions, to issue an opinion endorsing the proposals.

The Committee will set out its views on the content of the Commission proposal on CLP of substances and mixtures <sup>(1)</sup> in an Opinion <sup>(2)</sup> that is currently underway and scheduled for adoption at the Committee Plenary in March 2008.

Brussels, 12 December 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

<sup>(1)</sup> Proposal for a Regulation of the European Parliament and of the Council on classification, labelling and packaging of substances and mixtures, and amending Directive 67/548/EEC and Regulation (EC) No 1907/2006 — COM(2007) 355 *final*.

<sup>(2)</sup> NAT/367 — Rapporteur Mr Sears.

## Opinion of the European Economic and Social Committee on the 'Impact of the territoriality of tax law on industrial change'

(2008/C 120/14)

On 16 February 2007, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on the

*Impact of the territoriality of tax law on industrial change.*

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 13 November 2007. The rapporteur was Mr Schadeck and the co-rapporteur was Mr Gay.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 13 December), the European Economic and Social Committee adopted the following opinion by 102 votes to seven with six abstentions.

### Part 1 — Conclusions and recommendations

A. Europe's economy is highly integrated into the global economy. The degree of integration varies across the sectors; it is particularly marked in the case of the industrial activities most susceptible to globalisation. Consequently, the European Union's (EU) economic and tax policies must also be defined in relation to global change. Although this opinion is focused on the impact of the territoriality of tax law on industrial change within the EU, the Union should not be viewed in isolation from the rest of the world.

B. The EU and each of its Member States are responsible for managing economic, financial, social and environmental policies, the requirements of which go beyond market dynamics. It is therefore important to ensure that the territoriality of tax law has a positive impact on industrial change at EU level, which must of course respond to market dynamics, but which also benefits from being framed by the abovementioned policies, within a broader context. The very nature of the Lisbon process hinges on a delicate balance between its various strands (competitiveness, social dimension, environmental protection) which must be nurtured, with due regard also for tax competition between the Member States <sup>(1)</sup>.

C. The EESC notes that tax competition is one of the aspects of the single market that can lead to distortions of competition. With it comes the need for transparency rules and the identification of abuse and harmful practices <sup>(2)</sup>. It also requires indicators to act as a good yardstick for gauging the tax competition

<sup>(1)</sup> 'Tax competition exists where decisions taken by a government [national, regional, or local] directly affect the capacities of other governments and where market mechanisms are insufficient to control this interplay'. (Source: OECD); for more details, cf. Appendix 1.

<sup>(2)</sup> Harmful tax measures are defined broadly by the Code of Conduct for business taxation as those 'which affect, or may affect, in a significant way the location of business activity in the Community'. Then the Code defines as 'potentially harmful' those measures which 'provide for a significantly lower effective level of taxation, including zero taxation, than the levels which generally apply in the Member States in question' (cf. [http://ec.europa.eu/taxation\\_customs/taxation/company\\_tax/harmful\\_tax\\_practices/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/company_tax/harmful_tax_practices/index_en.htm)).

situation. The EESC notes, however, that taxation is not a critical factor in SMEs' investment decisions. It has much more bearing in the more mobile multinational companies.

D. Tax competition does not solely concern company taxation. With the increasing mobility of financial assets, this competition also affects personal investment income and taxation of capital.

E. The EESC believes that coordinating tax provisions across the various governments can be a lever for strengthening the operation of the internal market by eliminating tax dysfunctions and compliance costs, particularly in border regions. The EESC reaffirms the recommendations it made in its opinion on *Fiscalis 2013* <sup>(3)</sup>.

F. In the Committee's view, the lack of coordination between Member States' national direct tax systems is leading to non-taxation <sup>(4)</sup>, abuse and other distortions to the operation of the internal market. This situation can also lead to destabilisation or even the erosion of total EU tax revenues.

G. Unlimited intra-EU tax competition risks, on the one hand, making the least mobile taxpayers — such as small businesses and services that cannot be relocated — part of a narrower tax base and, on the other hand, bringing about a

<sup>(3)</sup> OJ C 93, 27.4.2007.

<sup>(4)</sup> Double non-taxation may result from the lack of coordination between national tax systems, 'for example, in relation to the qualification by Member States of debt and equity. One Member State may consider a transaction to be a contribution of equity rather than a loan and therefore not treat the income from the capital as taxable, whereas another Member State may consider the loan to be debt and allow the interest paid as a deduction for the company paying the interest. This may result in a deduction in one Member State without corresponding taxation in another Member State. Another area concerns the use of hybrid entities, i.e. entities which are regarded as a corporate body (opaque) by one Member State and as non-corporate (transparent) by another Member State; this difference in qualification by Member States may lead to double exemptions or double deductions' (Source: Commission Communication entitled 'Co-ordinating Member States' direct tax systems in the Internal Market' (COM(2006) 823 final, point 3).

re-distribution of the tax burden between taxpayers and consumers to cover public expenditure and social transfers. The latter could undermine social cohesion.

H. SMEs and service companies are the least well-equipped to benefit from tax competition. The Committee advocates introducing support services and training programmes for their managerial staff (just as for public officials) as well as the establishment of suitable data bases, particularly in the EU's border and peripheral regions, to help such companies with the procedures required for branching out internationally.

I. The Committee feels that the fight against tax fraud must be a priority and draws attention to the conclusions of its recent opinion on the subject <sup>(5)</sup>.

J. The transfer of the tax burden onto the least mobile production factors may decrease the competitiveness of the businesses concerned and their jobs vis-à-vis their foreign competitors. This burden transfer may be detrimental to the rate of national GDP growth, which may lead to a reduction in public investment capacity in the absence of new budgetary resources.

K. Tax competition prompts Member States to improve their grip on public expenditure. The Committee would urge that this not be detrimental to either the range or quality of public services. Such services are vital for retaining and attracting wealth- and job-creating economic activities, which — ultimately — increase the tax base. Tax competition must not be prejudicial to collective social protection coverage or funding.

L. The Committee supports the commitment made by Member States to eliminate *harmful* tax competition and a number of harmful tax measures by 2010 at the latest, as set out in the Code of Conduct adopted in 1997 <sup>(6)</sup>. It also calls on the Commission to continue its work in this regard, which it began at that time.

M. The Committee also supports the Commission's policy aimed at ensuring that State aid, including selective tax breaks for business, contributes to the pursuit of sustainable industrial change and regional development objectives whilst also being compatible with EU competition policy.

N. The Committee calls for the introduction of a common consolidated corporate tax base (CCCTB) <sup>(7)</sup> in a bid to simplify and render more equitable and transparent tax practices across the Member States. This would enable maximum benefit to be derived from the internal market, whilst safeguarding Member States' budgetary and fiscal sovereignty and protecting them

from potential clashes with Treaty provisions. Given that the CCCTB will probably be introduced on the basis of enhanced cooperation, the EESC hopes it will be adopted by as many Member States as possible.

O. The Committee calls for more information on the content, practicalities and development of the CCCTB project before updating its opinion on this complex strategic issue, while in the meantime referring to its exploratory opinion, issued in 2006, in response to a request from Commissioner Kovács <sup>(8)</sup>.

P. However, the EESC would raise a number of points and questions concerning the CCCTB. It feels that this optional project should be adopted by as many Member States as possible (via transitional measures, if necessary) and that the Member States should ultimately apply a single tax base to all taxpayers at the end of a coexistence period. Furthermore, consideration should be given to whether the common base applied to companies operating on external markets will be entrusted to a transnational body. Finally, we should also consider the effects of the common base on tax rates, i.e., the risk of their increasing dispersion. In this case, a minimum rate could be established, which could be set just below the current average rate of the new Member States.

Q. The EESC recommends that the Commission step up its monitoring of tax practices in certain tax havens that try to tap into the taxable income of Member States' tax systems.

## Part 2 — Background

### 1. Subject of the opinion

1.1 Taxation (the level of tax burden and the amounts of tax levied) is often cited as one of the criteria for evaluating how attractive an area is for industrial, financial and commercial activity. There is not, however, agreement as to the relative weight of this criterion in comparison with others, such as the proximity of markets, production costs, the availability of skilled workers, public infrastructure and facilities, public funding, etc.

1.2 Tax systems are complex and comparing them is not easy. It is vital, however, to consider whether the tax incentives of the various authorities achieve the aims for which they were designed, to assess the impact that any decision seeking to facilitate positive industrial change in their areas could have and relate this to the estimated cost.

1.3 The aim of the opinion is to provide guidelines for anticipating and managing industrial change, aiding continued growth in European competitiveness under the Lisbon objectives and creating a true internal market, with healthy competition that is undistorted, or at least permissible (compatible with the internal market rules).

<sup>(5)</sup> Opinion on the *Communication from the Commission concerning the need to develop a coordinated strategy to improve the fight against fiscal fraud* (OJ C 161, 13.7.2007, p. 8).

<sup>(6)</sup> Available at: [http://ec.europa.eu/taxation\\_customs/taxation/company\\_tax/harmful\\_tax\\_practices/index\\_en.htm#code\\_conduct](http://ec.europa.eu/taxation_customs/taxation/company_tax/harmful_tax_practices/index_en.htm#code_conduct). See also Appendix 4.

<sup>(7)</sup> Cf. the recent Commission Communication on *Implementing the Community Programme for improved growth and employment and the enhanced competitiveness of EU business: Further Progress during 2006 and next steps towards a proposal on the Common Consolidated Corporate Tax Base (CCCTB)* (COM(2007) 223 final, 2.5.2007).

<sup>(8)</sup> ECO/165 — CESE 241/2006, OJ C 88, 11.4.2006.

## 2. Tax competition and mobility of economic factors

2.1 This mobility is increasing within the EU, for the following reasons:

- large companies view the EU internal market as one single market, their domestic market;
- e-commerce recognises no national borders;
- production and distribution value chains are becoming more and more fragmented and their components increasingly mobile <sup>(9)</sup>;
- improvements in transport infrastructure and reduced costs resulting from the restructuring of freight transport encourage companies and their subsidiaries to spread out geographically;
- multinational mergers and acquisitions of companies are increasing;
- the enlargement of the EU is also contributing to the mobility of economic investments, people and capital; and
- increasing levels of language proficiency and training are helping to increase people's mobility.

2.2 All Member States utilise all aspects of their tax system, both specific and structural, to attract investment and economic activity to their country, thus increasing their employment potential and tax base.

For their part, taxpayers (both companies and individuals) look outside of their country to optimise their financial situation. Their tax liability is one strategic factor, being subject to the disparities across the national tax systems.

2.3 Such tax competition to attract investment also exists within individual States.

2.4 It is not easy, however, to measure its actual impact on the mobility of production factors and capital. While many studies have been carried out, there has been no real consensus on their conclusions, save that tax is only one of the factors determining the location of mobile investment. This point will be expanded on later.

2.5 With its enlargement from 15 to 27 Member States, the EU has undoubtedly become more diverse. All of the new Member States are marked by their specific geographical, historical, cultural, social, political and economic context, and come with their own specific industrial fabric, as well as their own particular tax laws.

<sup>(9)</sup> Cf. Committee opinion on the *Value and supply chain development in a European and global context* (CCMI/037 — OJ C 168, 20.7.2007, p. 1).

## 3. Impact of taxation on industrial change

### a) Labour and capital taxation

3.1 Taking the EU as a whole, total tax and social security revenue amounts to approximately 39 % of EU GDP on average and can be broken down as follows <sup>(10)</sup>:

Corporation tax	10 %
Income tax	25 %
Social security contributions	26 %
Indirect taxation	30 %
Other taxes	9 %
TOTAL tax and social security revenue	100 %

3.2 Indirect taxation is essentially made up of consumption taxes — particularly value added tax (VAT), which is harmonised at EU level — as well as certain taxes and duties levied on specific goods and services, which are partly harmonised at EU level, such as excise duty. Given that indirect taxation plays only a secondary role in the issue of the location of industry, this opinion is primarily focused on labour taxation (§ 3.2.1) and the taxation of capital invested by business (§ 3.2.2).

3.2.1 **Employee income tax and total social security contributions** correspond to approximately half of the total revenue from tax and other charges. As this taxation is directly labour-based, it clearly increases salaried-worker labour costs. Given that the cost of labour is a crucial financial factor for industry, it therefore follows that taxes and other charges — including social security — on employee income risks having a direct or indirect impact on the competitiveness of EU industry. There is a direct impact when public authorities collect taxes and employers' social contributions from companies. When taxes and social security contributions are deducted from employees, they firstly reduce employees' net income. They may then also indirectly impact on the negotiation of gross salaries, or even prompt migration to other regions and discourage the development of any activities other than low-wage-cost manufacturing.

3.2.1.1 Higher labour costs naturally lead companies to increase labour productivity by increasing the share of capital investment. This is particularly marked in Member States where labour costs are highest. Conversely, the relative cost of labour is one variable (among others) that drives companies to locate their labour-intensive operations in Member States with the lowest labour costs. Given that taxes and social security contributions tend to be higher in Member States with above-EU-average salaries (inclusive of employers' social security contributions and taxes), the tax burden on labour increases the labour cost differential and thus steers job creation towards Member States with a more competitive cost structure.

<sup>(10)</sup> Source: OECD, *Revenue Statistics 1965-2004: 2006 Edition*. The data refers to the EU-15.



3.2.1.2 From the consumer's point of view, the sale price of manufactured products is clearly influenced by all cost factors, including taxation. Indirect taxes are levied on the product at the point of sale to the consumer, and are neutral. VAT is levied at the same rate within the consumer's Member State, regardless of whether the product was manufactured in a company in that country, in another Member State, or outside the EU. On the other hand, taxes levied within the EU at the different stages of production, particularly the burden of taxes and charges on labour costs, are purely national charges, which affect products at their place of production. It follows that consumers can choose between products subjected to varying levels of taxation, depending on the country of production. Furthermore, even if labour taxes and social security contributions were harmonised within the EU, the consumer would still have the choice between EU-made products subject to a somewhat heavy tax and social contribution burden, and products coming from outside the EU, subject to different — and sometimes much lower — taxes and charges. It is therefore important to not only coordinate labour tax and social contribution structures within the EU but also to factor into the analysis aspects regarding trade between the Union and the rest of the world.

3.2.1.3 The EESC recommends that the Commission step up its monitoring of tax practices in certain tax havens that try to tap into the taxable income of Member States' tax systems.

3.2.2 **Capital taxation** primarily concerns companies themselves, but also concerns investors, or specifically, shareholders.

3.2.2.1 Corporation tax is levied at nominal levels<sup>(11)</sup> which vary substantially between the Member States (see table in Appendix 2). Belgium, Germany, Spain and Malta have rates between 34 and 38 %, while Cyprus, Ireland, Lithuania and Latvia have rates between 10 and 15 %.

Generally, the new Member States have much lower corporation tax rates than the old Member States: the average for the EU-15 is 29,5 %, while for the EU-10 it is 20,3 %<sup>(12)</sup>.

3.2.2.2 However, the nominal rates give an incomplete picture of the tax levied. In fact, the actual tax levied must take account of the means of determining the taxable income and of the different technical processes used to determine the tax rate.

<sup>(11)</sup> The *statutory tax rate* is the legally imposed rate.

The *effective tax rate* is the amount of tax an individual or firm pays when all other government tax offsets or payments are included, divided by the individual or firm's total income or taxable income.

The *implicit tax rates* are defined for each economic function. They are computed as the ratio of total tax revenues of the category (consumption, labour, and capital) to a proxy of the potential tax base defined using the production and income accounts of the national accounts.

The *overall implicit tax rate on capital* is computed as the ratio between revenue from all capital taxes, and all (in principle) potentially taxable capital and business income in the economy. It aims at representing the average tax burden falling on capital income.

(Source of the above definitions: European Commission, DG TAXUD — Cf. *Structures of the taxation systems in the EU, 1995-2004*).

Comparative tables for nominal and implicit rates on capital within the EU are included in Appendices 2 and 3. It is not possible to include an equivalent table for effective rates, given the differing methods of calculating them.

<sup>(12)</sup> Source: European Commission, *Structures of the taxation system in the European Union: 1995-2004*, p. 83 (doc. TAXUD E4/2006/DOC/3201). Data on Bulgaria and Romania are not available to date.

It is therefore useful to also consider the implicit tax rate on capital, which compares the tax levied on companies with their gross operating surplus<sup>(13)</sup> (see table in Appendix 3).

3.2.2.3 The discrepancy between the two measuring instruments is striking:

- Some Member States have a very high nominal corporation tax rate, but seem in fact to impose a relatively low tax burden on their companies.
- Other Member States have an 'attractive' (very low) nominal corporation tax rate, but seem however to impose a relatively high tax burden on their companies.
- Clearly, certain Member States apply a high rate to a narrow tax base while others apply a lower rate to a broader base. The effective tax burden is clearly the result of these two variables, so that it is not possible to base the analysis solely on the nominal tax rates. This theory is borne out by the figures for Ireland and Germany, for example<sup>(14)</sup>.

3.2.2.4 These statistics in themselves illustrate the complexity of the tax issue<sup>(15)</sup>. Rather than draw premature conclusions from this, we shall merely focus on the differences between the Member States, differences which, in certain situations, can mean that a given industrial company operating on the EU market can face tax costs — including social security contributions — that vary greatly from one Member State to the next.

#### b) The company's value added chain

3.3 Traditional small and medium-sized enterprises (SMEs) are more and more open to market globalisation — whether participating in it or subject to it — particularly those located in border and peripheral regions of the EU. Often taking the form of individually- or family-owned companies, these SMEs do not benefit as much from tax competition as large multinational corporations. They do not have the organisation, management capabilities, the means or the knowledge to derive maximum benefit from this competition. Rather, ensuring compliance regarding tax returns in different countries, and varying national tax bases, rates, exemptions, write-off rules, etc., entail extra costs for SMEs and represent a barrier to accessing external

<sup>(13)</sup> For a more detailed methodological analysis and presentation of the data, cf. *op. cit.*, pages 84-87.

<sup>(14)</sup> With regard to Germany and Ireland, another indicator tends to confirm the aforementioned paradox. Taxes on capital represent 15 % of total taxation in Germany, whereas in Ireland the figure is 28 % (source: *Structures of the taxation systems in the EU, 1995-2004*, European Commission, Table C.3\_T).

<sup>(15)</sup> Within this opinion, it will not be possible to analyse such data for each Member State and provide detailed explanations, nor to tally these statistical indicators with other data bases.

markets. At the same time, however, these internationalised (or aspiring-to-be internationalised) SMEs represent one of the best assets for growth, in terms of creating wealth, added value, innovation and, of course, jobs, in line with the Lisbon process. Support is needed to help businesses with these procedures. With a view to easing the transition, SME managerial staff must receive training, like that given to public officials.

3.4 Many companies that do impact significantly on intra-Community trade — especially those involved in international trade, beyond the EU — generally operate under another economic model, i.e.:

- such companies take the form of limited liability companies, whose shareholders are not necessarily based in the same region or Member State as the company's head office;
- they generally take the form of parent companies and subsidiaries, making up a broadly integrated group of companies;
- the group's various entities operate in several Member States, and
- each of the group's units has a specific function, each is involved in creating added value and the value-added chain is clearly demarcated between the various companies, each assuming a particular function within the overall strategy.

3.5 Modern industrial groups carry out a range of interlinked economic functions (value and supply chain management, organisation of the various production phases, optimising of intangible assets such as expertise, patents, brands, etc.) with the ultimate aim of marketing their products in line with a strategy based on systematic market analyses. The location of these different economic functions fits into an overall strategy, one factor of which is taxation.

3.6 In such a group structure, both the individual legal entities and the overall group should be analysed. The group assigns economic functions to its various entities in accordance with market-based economic data, with a view to optimising the group's overall efficiency and profitability. Member States are entitled to refine their tax systems in order to fuel economic activity. Business is also entitled to treat taxation in the same way as other costs incurred.

3.7 Each legal entity is bound by the tax law in force at its location and information on the tax system is one of several decision-making factors at play in the overall management of the group.

3.8 The situation pertaining to industrial groups operating within EU markets is therefore very complex. Rather than

discussing the location or relocation of a group, it would be more appropriate to carry out a functional analysis of the industrial fabric and to determine the location factors pertaining to the various economic functions at Member State and EU levels, and perhaps beyond. Certain economic functions are more mobile than others and, for certain mobile functions, taxation has more bearing on location than for other functions. While it is clearly the case that taxation is one of the decision-making factors, it would, however, be wrong to overestimate its influence on the choice of location.

#### 4. The framework for competition between Member States based on company taxation

4.1 Tax competition within the EU is currently framed by three sets of measures:

- the code of conduct and system of communicating changes in tax law, introduced in 1997, has established an active dialogue with finance ministers, aimed at ensuring that legislative measures do not promote harmful tax competition (points 4.2 to 4.4);
- EU competition law, particularly regarding State aid, aims to ensure that the introduction of certain tax measures or the practical application of tax law does not effectively grant certain companies State aid that is contrary to the proper operation of the internal market (points 4.5 to 4.7);
- the majority of Member States have introduced legislative measures aimed at preventing the creation of artificial and abusive structures designed to allow companies to enjoy preferential tax regimes (point 4.8).

4.2 **The code of conduct**, which is not legally binding, commits Member States to respecting the principles of healthy tax competition. Following this process, a range of legislative, regulatory and administrative tax measures were identified, which have — or could have — a significant impact on the location of business within the EU. The Member States made a firm commitment to roll back existing tax measures that constituted harmful tax competition by 2010 at the latest, without exception <sup>(16)</sup>.

4.3 The Committee welcomes the results of this code of conduct, as by eliminating *harmful* tax practices <sup>(17)</sup>, the Member States are thus increasing *healthy* tax competition within the EU and helping to complete the internal market.

The Committee would encourage the Commission to continue this initiative by expanding the scope of the code of conduct and assessing certain tax measures introduced in recent years.

<sup>(16)</sup> For certain measures, a deadline as late as 2016 has been agreed.

<sup>(17)</sup> See definition provided in footnote 2.

4.4 In parallel with this, a **system of communication** has been established between the Member States and the Commission, aimed at checking that changes in tax law are consistent with EU policy. Member States have undertaken to refrain from introducing any measures deemed harmful to the EU's interests.

4.5 Under the **provisions of the Rome Treaties, Member States are prohibited from granting aid to business**, including tax breaks, that would distort or risk distorting competition within the single market and responsibility is bestowed on the Commission for monitoring this. In 1997, when beginning work on the code of conduct, finance ministers meeting in the ECOFIN Council gave the Commission a clear mandate to pursue its action on State aid aimed at eliminating any Member State tax legislation not in keeping with the above-mentioned Treaty provisions.

4.6 Over the last ten years, the Commission has gradually stepped up its action in this area. It has not only launched a clarification process — in consultation with the Member States — which provided clearer criteria on which to base its action in a range of areas, but has also undertaken specific actions against particular tax measures adopted by certain Member States.

4.7 Unlike the code of conduct, which is non-binding politically, State aid law is legally binding. The Commission has a great deal of authority in this area and can prohibit the entry into force of an incompatible aid measure, require that it be modified, or even compel the Member State concerned to recover any aid incompatible with the internal market, where it has not been notified prior to implementation. In this case, recipient companies are obliged to pay back any tax benefits granted to them.

4.8 The majority of Member States have **tax provisions aimed at combating tax evasion and the transfer of activities** to tax havens. In fact, all Member States want to attract economic activity to their countries, to generate tax revenue from such activity and to avoid the relocation of tax bases abroad.

4.8.1 Although the tax measures adopted vary from one Member State to the next, the question sometimes arises as to whether such provisions are compatible with the internal market and free movement within the EU, given that the tax law applied by all Member States must comply with EU law. The European Court of Justice has clarified its position on this matter: essentially, the provisions aimed at combating tax evasion and the transfer of revenue to tax havens are in principle incompatible with the principle of free movement within the EU; such provisions could, however, be justified only where they are limited to combating commensurately the establishment of artificial and abusive structures.

4.9 The Committee feels that the fight against tax fraud must be a priority and draws attention to the conclusions of its recent opinion on the subject <sup>(18)</sup>.

4.10 Article 93 of the EC Treaty provides for the adoption by the Council, acting unanimously, of 'provisions for the harmonisation of legislation concerning turnover taxes (...) to the extent that such harmonisation is necessary to ensure the establishment and the functioning of the internal market'.

4.11 The European Commission has undertaken several interesting initiatives aimed at completing the internal market through measures affecting company taxation. In particular, the Commission confirmed on 3 May 2007 that it would continue its efforts to introduce a common consolidated corporate tax base (CCCTB). During the first half of 2008, the taxation Commissioner intends to present a proposal for a Directive aimed at implementing the CCCTB by 2010. The EESC shares the Commission's view that the CCCTB could make a major contribution to the success of the internal market, although it means more transparency and therefore more active tax competition. The Committee urges the Commission to persevere with its work, despite the complexity of the issues. At this stage it seems premature, however, to comment on this plan in more detail, since the Commission has not yet presented a detailed model for the definition of a consolidated common base and for the introduction of a consolidated tax system across the EU's 27 Member States. Nevertheless, the Committee would raise a number of points and questions concerning the future of the CCCTB company taxation project.

#### 5. Points and questions that the Committee would raise regarding the common consolidated corporate tax base (CCCTB)

5.1 Given that the CCCTB could be optional for Member States (probably on the basis of enhanced cooperation), the EESC hopes it will be adopted by as many Member States as possible, via transitional measures, if necessary.

5.2 If the CCCTB system is optional for business, this will mean that the administrations of participating Member States will have to deal with two different tax and returns systems. Is this conceivable at a time when most Member States are seeking to increase public service productivity?

5.3 If the CCCTB system is adopted by multinationals, is there not a risk of distortions in treatment (formalities, accounting and tax systems) between companies within a given Member State which is in favour of the application of the CCCTB?

<sup>(18)</sup> Opinion on the Communication from the Commission concerning the need to develop a co-ordinated strategy to improve the fight against fiscal fraud. (ECO/187 — OJ C 161, 13.7.2007, p. 8).

5.4 With regard to the two previous points, should we not be aiming for a single system to be gradually applied to all taxpayers within the same Member State?

5.5 If the CCCTB system is to bring more transparency, should the declaratory common base be entrusted to a transnational body?

5.6 With the CCCTB system, tax differences hidden in the calculation of tax bases will be reflected in the rates within the Member States that have opted for the CCCTB. Will the common tax base system not result in a greater dispersion of tax rates (at least nominal rates)? There is a risk of renewed competition over published tax rates. A Commission study

(2001) noted that the dispersion of nominal rates was the primary cause of tax-competition-related economic distortion!

5.7 If tax rate differentials were to remain (contrary to the recent trend towards convergence) — or even increase — between the Member States that opt for the CCCTB, could we envisage the introduction of a minimum rate for these Member States? This rate could be set just below that adopted by the new Member States, for example. The situation will remain unchanged for these countries with regard to the import of foreign capital. The other Member States could adopt a higher tax rate without fear of overly aggressive external fiscal policies affecting their economic capital.

Brussels, 13 December 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

### Opinion of the European Economic and Social Committee on the 'Impact of European environmental rules on industrial change'

(2008/C 120/15)

On 16 February 2007 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on the

*Impact of European environmental rules on industrial change.*

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 13 November 2007. The rapporteur was **Mr Pezzini** and the co-rapporteur was **Mr Nowicki**.

At its 440th plenary session, held on 12-13 December (meeting of 12 December), the European Economic and Social Committee adopted the following opinion by 137 votes to 1 with 1 abstention.

#### 1. Conclusions and recommendations

1.1 Environmental policy is currently one of the main social challenges facing public authorities and economic decision-makers. The slow global response to environmental problems can no longer be an excuse for putting off the legislative and behavioural changes needed to achieve the EU's fundamental objective, i.e. to achieve sustainable development.

1.2 European industry has great potential to become a sustainable economy, but its success will increasingly depend on its ability to innovate in the area of industrial change. This change is necessary as a result of opening up markets, and globalisation and technological and behavioural changes, which are accelerated by a growing acceptance of the need to protect the environment and natural resources.

1.3 The Committee believes that all economic and social operators — whether public or private — and politicians and public authorities must be fully aware of the fact that we are facing a new industrial revolution that places quality of life and of the environment at the heart of development and requires a new, integrated approach to planning, production and consumption, and to conserving and managing natural resources.

1.4 The Committee believes there is an urgent need to move on from a defensive, knee-jerk approach to one that is decisive and proactive, preparing the future by launching at EU- and Member State level a clear, stable framework of positive actions on a sustainable basis to speed up:

— the development and application of clean product and process technologies;

- the promotion of a genuine entrepreneurial spirit that is alive to eco-friendly manufacturing issues;
- training for skilled technicians.

1.5 The EESC believes it is important that this new pro-active approach should be based on prevention rather than on corrective work after the event, and on uniform procedures for all players as part of a European environmental code that is useful for the legislator, operators and consumers.

1.6 The Committee is convinced that technological development and innovation must primarily be the responsibility of the entrepreneur and public authorities: however, both entrepreneurs and the authorities must be motivated, encouraged and supported by appropriate European, national and local policies, and by public-private partnerships that simplify and free up resources; this is essential to meeting the challenges.

1.7 The Committee believes it is essential that, at EU level, new and sustainable industrial initiatives be incorporated into the Structural Funds, Community innovation, research and training programmes, and relevant financial instruments.

1.8 The Committee would remind the Commission and the Member States of the need to speed up adoption of concrete simplification measures in order to eliminate unnecessary burdens and to reduce the increasing costs resulting from the bureaucratic and technical burdens imposed by current environmental legislation; the latter will have to be streamlined and consolidated for consistency.

1.8.1 Close coordination is needed, along with a range of policies and instruments at various levels, in addition to securing the clearest possible environmental policy that is user-friendly and does not entail additional costs, especially for SMEs. 'Less but better lawmaking' must translate into consolidated, consistent regulatory texts in the field of the environment, providing legal certainty and transparency for adjusting to industrial change, and focusing on how best to protect resources and the environment and apply sustainable, competitive technological innovations in the global marketplace. SMEs must have the capacity to be able to absorb the compliance costs without undermining their competitive advantage.

1.9 The Committee would stress the importance of rapidly adopting an integrated long-term Community strategy to provide certainty for public and private decision makers and make it possible to cope with the technological and organisational changes needed to comply with high standards of environmental protection.

1.10 The Stability and Growth Pact might need to be modified to better reflect the Lisbon Strategy and Gothenburg objectives on environmental sustainability in order to encourage — clearly and transparently and without distorting competition — the long-term public investment that is needed, and which should be excluded from the definition of 'public deficit'.

1.11 The Member States should include details of their annual environmental investment plans in their annual reports

on the Lisbon process, along with the results of *ex-post* assessments of their legislative and financial activities. The available data should specify better the environmental aspect, which should become an integral part of the Commission's summary report, to be presented annually to the Spring European Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions.

1.12 The Committee believes it is important that national policies should highlight the positive impacts of the various economic instruments and fiscal incentives on the environment. This is particularly the case for taxation — where it is hoped EU solutions can be found <sup>(1)</sup> — and which impacts on:

- production and employment;
- use of natural resources;
- environmental pollution levels;
- choosing high levels of environmental protection;
- environmental technology innovation for processes, products and organisation.

1.13 There is a need to move more quickly to define quantifiable, shared objectives in order to act on the ambitious decisions taken by the Spring European Council and the subsequent Environment Council.

1.14 The Committee reaffirms the vital role that the social partners and organised civil society representatives must play at various levels — starting with the European level — in inter-sectoral and sectoral discussions to address problems relating to competitiveness, energy and the environment; these have a significant impact on many industries as they require important structural changes — particularly in manufacturing — and call for a closely coordinated, integrated approach, backed up by a constant drive towards simplification and an attack on red tape.

1.15 The Committee believes that problems relating to the environment, the sustainable use of natural resources and the creation of new eco-friendly market opportunities and new and better jobs that are eco-aware must be accompanied by a business-friendly, employee-friendly environment that is capable of supporting the latter's capacity for innovation and the economic, social, cultural and training efforts they are constantly called upon to make in order to keep abreast of market competition.

1.16 As the EESC and leading figures from the Commission, the Council and the European Parliament have often said, it is essential to reduce the administrative and bureaucratic burden on firms in order to unleash their economic and social energy and to refocus it on the sustainable modernisation of the productive and organisational environment and structures.

<sup>(1)</sup> Cf. Eurovignette system — Directive 2006/38/EC amending Directive 1999/62/EC on the charging of heavy goods vehicle for the use of certain infrastructure.

1.17 An integrated, proactive enterprise policy is required, one capable of combining a commitment to environmental protection with enhanced competitiveness, and of safeguarding quality of life and employment, boosting employment levels and providing knowledgeable, skilled human resources: the RTD, Innovation and Competitiveness and Life Plus programmes must be strengthened by making them more accessible, and they must be compatible with structural and regional cohesion instruments.

1.18 Community efforts to develop the information society must aim, in their education and training programmes, to integrate environmental issues, starting with primary school and encompassing professional, managerial and scientific training.

1.19 Social, economic and environmental issues must be considered consistently in terms of their domestic and international implications, so that firms can compete on an equal footing in the global market and that sustainable development can take account of the new greater interdependence that has emerged between countries and major continental economic areas.

1.20 Europe must be able to speak with one voice in bilateral and multilateral arenas in order to ensure that WTO and bilateral agreements contain a social dimension that is also flanked by a strong environmental protection dimension

## 2. Introduction

2.1 The Brussels European Council of 8 and 9 March 2007 focused particularly on the environment and climate change, and set specific objectives.

2.1.1 The declared objective is to cut CO<sub>2</sub> emissions by 20 % to 30 % by 2020 and by 60 % to 80 % by 2050, compared to 1990 levels.

2.2 The Commission's 2007 annual progress report on the Lisbon Strategy for growth and employment focused on climate change, eco-innovation, energy efficiency, renewable energy sources and energy markets.

2.2.1 The report stressed that committed action in these fields would lead to effective solutions to environmental problems, sustainable use of natural resources and to the creation of new market opportunities and new jobs.

2.3 The Environment Council of 20 February 2007 stressed that the EU's renewed sustainable development strategy and the Lisbon Strategy for growth and employment are complementary and that the Lisbon Strategy makes a vital contribution to the key objective of sustainable development. It also restated the importance of improving environmental protection, which should be seen as one of the three key pillars of sustainable development, and the need to mainstream environmental issues into all policies.

2.4 A properly designed environmental policy that takes due account of the need for adjustment periods and is inspired by the principles of better regulation and simplified legislation and bureaucracy can make a positive contribution towards competitiveness, growth and employment by actively promoting eco-innovation and efficient resources. Any legal tinkering that makes endless changes to current legislation should be avoided.

2.5 The Council has asked the Commission to present in the near future a green paper on market-based instruments for environmental management. The green paper will need to suggest new cost-effective environmental policy instruments to be used in conjunction with Member State regulation and financial incentives. These measures should avoid producing unfair distortions; they should also aim to achieve environmental efficiency in each individual production sector, ensuring local solutions can be applied to local problems.

2.5.1 As the Committee has emphasised, '... 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 Council's review of the *EU Sustainable Development Strategy* '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' <sup>(2)</sup>.

2.6 It is therefore essential that the CCMI should discuss the broad theme of the impact of European environmental rules on industrial change, taking account of the experience that the EESC and the CCMI have acquired in preparing various opinions on the subject.

2.7 The Competitiveness Council of 4 December 2006 emphasised the need to promote eco-innovation (particularly in industry), competitiveness and R&D, exploiting to the full the potential of lead markets in sectors such as:

- safe, sustainable, low environmental-impact technologies;
- eco-product design;
- renewable energy sources;
- energy efficiency and preservation of natural resources;
- water supply services.

To these should also be added efficient use of materials <sup>(3)</sup>.

2.7.1 The aim is to put Europe at the forefront of eco-innovation and make it the most efficient place in the world in terms of energy use.

<sup>(2)</sup> Cf. Exploratory opinion NAT/348 — OJ C 168, 20.7.2007 — rapporteur: Mr Ribbe.

<sup>(3)</sup> EESC opinion on Sustainable development as a driving force for industrial change, CCMI/029 — OJ C 318, 23.12.2006.

2.8 The CCMI has, in recent times, considered in depth the effects of action to contain demand in two opinions adopted by the European Economic and Social Committee on 25 September 2003 and 14 September 2006 <sup>(4)</sup>: 'Industrial change: current situation and prospects — An overall approach'; and 'Sustainable development as a driving force for industrial change'. The main aim was to study the dynamics of 'a development that meets the needs of today without endangering the supply of the needs of future generations' <sup>(5)</sup>.

2.9 This own-initiative opinion, however, aims to look more closely at the issue from the supply side in terms of environmentally-sustainable production, and to analyse European environmental provisions that have enormous bearing on distribution and production operations, with an increasing impact on products, processes and supply of services.

2.10 Once the operational impact of the Integrated Product Policy (IPP) has been assessed, it will become an essential part of the Community's sustainable development strategy. All products have an impact on the environment, either during production, use or final disposal. The same is true of services. Furthermore, the EU is trying to encourage economic operators and civil society players to get involved in environmental protection through measures such as the eco-label, the Community's Eco-management and audit scheme, or through voluntary agreements.

2.11 Effective environmental protection requires an accurate assessment of the impact of human decisions and actions on the environment. The repercussions for the environment can thus be examined both upstream, using the environmental impact assessment system for public and private projects, and downstream, through environmental control in the Member States, involving all stakeholders.

2.11.1 The same attention should be paid to sustainable industrial policy and to sustainable consumption.

2.12 Moreover, damage to protected natural areas, the aquatic environment and soil contamination are now subject to sanctions. The 'polluter-pays' principle became a reality with the adoption in 2004 of the environmental liability directive, according to which those who are responsible for environmental damage can be required to pay for remedial work. Moreover, there are European regulations covering waste management, packaging, noise, water, and atmospheric pollution, climate change, natural and technological risks, and on accidents involving certain dangerous substances <sup>(6)</sup>.

2.13 The systematic incorporation of environmental requirements in product design <sup>(7)</sup> to reduce the negative impact on

the environment throughout the life cycle of the product is a wide-ranging objective in an increasingly globalised market. It is the subject of specific European regulation and is included in the priorities of the EU's 6th Environmental Action Programme (2002-2012) which provides for the development and implementation of seven thematic strategies <sup>(8)</sup>, on which the EESC has already expressed its views, and which concern — both in general and in specific terms — the productive and distributive system.

2.14 The CCMI fully endorses the aim to take on board environmental requirements in the initial planning stages for products and production and distribution processes, if performed as an integral part of the Lisbon Strategy, in order to return competitiveness to a European industry that is changing, not just in terms of sustainable, cohesive development, but also in terms of simplification and streamlining technical and administrative burdens for firms, particularly smaller ones.

2.15 A coherent framework of measures to integrate ecological requirements into the design, development, distribution and disposal stages of all energy-consuming products covers over 70 % of products currently circulating freely in the single market <sup>(9)</sup>. The framework is not limited to energy performance but covers all types of environmental impact (solid, gas, noise and electromagnetic emissions, etc.).

2.16 However, the production and distribution system is affected by a wide range of environmental impact regulations which radically transform the way products are manufactured and services are supplied in the European Union. This body of legislation needs transparency, simplification and consolidation. Indeed, the Community's environmental policy commitment cuts across all other policy measures, whether it be those involving technical standardisation, regulation of chemical substances under the REACH regulation, employment policy or those relating to the single market and exchange of goods and services.

2.17 Policy implementation must take account of collateral impact, which often reduces the scope of the main objectives <sup>(10)</sup> but has serious unintended consequences for the economy unless a comprehensive assessment is carried out as part of an integrated framework <sup>(11)</sup>.

<sup>(4)</sup> CCMI/002 and CCMI/029 — OJ C 318, 23.12.2006.

<sup>(5)</sup> CCMI/029 — OJ C 318, 23.12.2006, paragraph B.

<sup>(6)</sup> Council Directive 96/82/EC of 9 December 1996 on the control of major-accident hazards involving dangerous substances (Severo II Directive).

<sup>(7)</sup> Directive 2005/32/EC of the European Parliament and of the Council of 6 July 2005 establishing a framework for the setting of ecodesign requirements for energy-using products and amending Council Directive 92/42/EEC and Directives 96/57/EC and 2000/55/EC of the European Parliament and of the Council.

<sup>(8)</sup> The thematic strategies are:

- air pollution;
- marine environment;
- sustainable use of natural resources;
- waste prevention and recycling;
- soil protection;
- use of pesticides;
- urban environment.

<sup>(9)</sup> Cf. Directive 2005/32.

<sup>(10)</sup> Cf. TEN/274, rapporteur: Mr Iozia, and TEN/287, rapporteur: Mr Zboril.

<sup>(11)</sup> Cf. Opinion TEN/286 on Progress in the use of biofuels, rapporteur: Mr Iozia.

### 3. The current framework of Community environmental measures

3.1 Environmental policy is currently one of the main social challenges facing public authorities and economic decision-makers. The slow global response to environmental problems can no longer be an excuse for putting off the legislative and behavioural changes needed to achieve the EU's fundamental objective, i.e. to achieve sustainable development, which is global challenge facing our partners throughout the world.

3.2 Sustainable development must lead, in the Committee's view <sup>(12)</sup>, to a more prosperous, fairer European society that guarantees a cleaner, safer, healthier environment, and that provides a better quality of life and work for us, our children and our grandchildren. This, however, will require greater consistency between EU policies and instruments, in order to ensure a proactive rather than bureaucratic approach that respects the economic and social dimensions of industrial change and enhances the ability of firms to compete efficiently in a global context.

3.3 Scientific and technological progress is essential to reconcile economic growth with social and environmental sustainability, as the Committee has emphasised: 'Top performances in the scientific and technical field, and their conversion into 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' <sup>(13)</sup>.

3.4 In the 7th Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013), the priority given to the environment is clear. In this context, the EESC has highlighted that 'environmental protection is of fundamental importance for the quality and very foundations of life of both present and future generations. Recognising and resolving the problems involved — be the causes man-made or natural — is a particularly ambitious and potentially vital goal. This task is closely linked with the most diverse research and policy fields: economy, energy, health and agriculture, including monitoring tasks and, in view of the global aspects, international agreements' <sup>(14)</sup>.

3.4.1 European Technology Platforms <sup>(15)</sup> provide an important instrument for unblocking Europe's innovation potential, as does the Environmental Technologies Action Plan, which addresses lead markets.

<sup>(12)</sup> OJ C 117, 30.4.2004 on the Sustainable Development Strategy.

<sup>(13)</sup> OJ C 325, 30.12.2006 on Unlocking and strengthening Europe's potential for research, development and innovation, rapporteur: Mr Wolf (exploratory opinion).

<sup>(14)</sup> OJ C 185, 8.8.2006 on specific programmes of the 7th FP 2007-2013, rapporteurs: Mr Wolf and Mr Pezzini.

<sup>(15)</sup> European Technology Platforms (ETP) are informal private organisations that unite all important (stakeholders) around a common vision and approach for the development of technologies in a particular field or in certain areas, focusing on strategic issues where the EU's future growth, competitiveness and sustainability depend on major technological progress. At the beginning of 2007 there were 31 ETPs. — Cf. Third Report on European Technology Platforms at the launch of FP7, European Commission, March 2007.

3.4.2 The manufacturing sector will continue to play a significant role in European economic activity provided that it develops with a constant eye on the new parameters for quality of life and the environment and on healthy management of resources in terms of:

- new business models;
- products and services with high added value;
- hi-tech industrial engineering, using advanced eco-technology processes;
- emerging productive technologies and sciences, in order to establish ecology and technology standards;
- updating RTD models and training infrastructures by incorporating the new environmental parameters;
- developing green procurement;
- new forms of financing for environmental technologies, as provided for under the Action Plan <sup>(16)</sup>;
- better application of research and technical standards.

3.5 The priority objectives of the **2007-2013 cohesion policy instruments** devote ample space to sustainable development and aim to encourage synergies between the social and environmental dimensions, with a total budget of EUR 308 billion: 'Environmental protection needs to be taken into account in preparing programmes and projects with a view to promoting sustainable development' <sup>(17)</sup>.

3.5.1 The ERDF supports programmes pertaining to regional development, economic change, and strengthening competitiveness and regional cooperation throughout the EU. Its funding objectives include environmental protection, research and risk prevention in this important sector, particularly in lagging regions.

3.5.2 The cohesion fund helps to promote intervention in the environment and trans-European transport networks. It is currently available for Member States with a gross national income (GNI) less than 90 % of the Community average <sup>(18)</sup>, although funding is scarce for railway infrastructure compared to road transport, with worrying repercussions for the environment and quality of life.

3.5.3 Cohesion expenditure is to be refocused on common themes, including research and technological development, innovation and entrepreneurship, the information society, transport, energy — including renewable energy sources, environmental protection and issues linked with human resources and labour market policy.

<sup>(16)</sup> Cf. COM(2004) 38 final: Stimulating Technologies for Sustainable Development: An Environmental Technologies Action Plan for the European Union.

<sup>(17)</sup> Decision 2006/702/EC: Decision of the Council of 6 October 2006 on Community strategic guidelines on cohesion.

<sup>(18)</sup> Article 2 *et seq.*, Council Regulation (EC) No 1084/2006 of 11 July 2006 establishing a cohesion fund and repealing Regulation (EC) No 1164/94.



3.5.4 Furthermore, the Committee points out that 'the Structural and Cohesion Funds effectively amounted to an early incarnation of the Lisbon Strategy, in all of its dimensions: growth, cohesion, more and better jobs, environmental sustainability, etc., they helped consolidate the European social model' <sup>(19)</sup>.

3.5.5 The Competitiveness and Innovation Framework Programme 2007-2013, which was warmly welcomed by the Committee <sup>(20)</sup>, also includes the **Intelligent Energy — Europe Programme**, which aims to promote sustainable development in the energy field and to improve energy efficiency, security of supply and renewable sources. The **LIFE PLUS** financial instrument, albeit underfunded <sup>(21)</sup> aims to contribute to: the development and demonstration of innovative policy approaches and instruments; consolidating the knowledge base for development; assessment, monitoring and evaluation; capacity development; exchange of good practice; improvement of environmental governance; dissemination of information; and to raising awareness of environmental issues.

3.5.6 The individual funding granted by the EIB for environmental protection projects is also worthy of note, as previous Committee opinions have pointed out. These loans represented a third of all individual funding, which amounted to EUR 10,9 billion in the European Union in 2005.

3.5.7 As the Committee has stressed, 'In a context like ours, open to global competition, any governance strategy for socially responsible local and regional development must secure a sustainable trend towards economic development and high social standards' in order 'to enable high levels of environmental and social sustainability in the development of both production and consumption' <sup>(22)</sup>.

3.5.8 Furthermore, the Committee also believes that, since 40 % of CO<sub>2</sub> emissions come from cities, an urban planning policy must be a priority 'also with a view to meeting EU target values and complying with EU rules on inner-urban air quality ...' <sup>(23)</sup>.

3.6 Moreover, it must be pointed out that the current rules on **state aid in the field of the environment**, on which the EESC has commented <sup>(24)</sup>, recognises three main types of aid:

- operating aid, granted for the management of waste and energy conservation;

<sup>(19)</sup> OJ C 93, 27.4.2007, rapporteur: Mr Derruine.

<sup>(20)</sup> OJ C 65, 17.3.2006, rapporteurs: Mr Welschke and Ms Fusco.

<sup>(21)</sup> OJ C 255, 14.10.2005, rapporteur: Mr Ribbe.

<sup>(22)</sup> OJ C 318, 23.12.2006 on the Territorial governance of industrial change, rapporteurs: Mr Pezzini and Mr Gibillieri.

<sup>(23)</sup> OJ C 168, 20.7.2007 on Transport in urban and metropolitan areas, rapporteur: Mr Ribbe.

<sup>(24)</sup> OJ C 318, 23.12.2006 on state aid reform, rapporteur: Mr Pezzini, in particular point 3.10: 'The Community framework for state aid to environmental protection will remain in force until 2007. Here, too, it is important to pursue the Lisbon objectives, facilitating the introduction of the CO<sub>2</sub> emissions trading scheme (ETS National Allocation Plans) as part of the Kyoto Protocol objectives.'

- aid for environmental assistance/advice, intended for small and medium-sized enterprises (SMEs) <sup>(25)</sup>;

- aid for investment needed to meet environmental objectives, to reduce or eliminate pollution and pollutants or to adapt production methods in order to protect the environment.

The rules must be reviewed by the end of 2007.

3.7 The Committee believes the following action is required immediately:

- improve and strengthen the Emission Trading Scheme <sup>(26)</sup>;

- develop carbon capture and storage;

- limit transport emissions;

- focus on sustainable growth;

- investigate the potential for energy efficiency gains through better consumer information and implementation of the guidelines for buildings' energy use, and the forthcoming European Charter on the rights of energy consumers <sup>(27)</sup>.

3.7.1 Thus far, improvements in fuel efficiency have been partly cancelled out, in particular by the increase in passenger and goods transport, which has produced a net increase in greenhouse gas emissions (cf. database of the International Climate Change Partnership — European Environment Agency) <sup>(28)</sup>. At local level serious problems remain, not least traffic congestion, noise pollution and particulate matter emissions, although progress in filter technology might yield good results in the future <sup>(29)</sup>.

3.8 **On the regulatory and legislative level**, including from the environmental standpoint, implementation would not appear satisfactory, given that the latest Internal Market Scoreboard, presented in February 2007, shows that highest number of infringements of single market provisions are to be found precisely in the environmental field. These now account for over 18 % of all infringements. When energy and transport infringements are added, this rises to one third of all infringements <sup>(30)</sup>.

<sup>(25)</sup> Cf. COM(2007) 379 of 8.10.2007, in particular paragraphs 5.2, 5.3, 5.4 and 5.5.

<sup>(26)</sup> OJ C 221, 17.9.2003 on the Proposal for a Directive of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, COM(2001) 581 final — 2001/0245 (COD), OJ C 221 of 17.9.2002, pp. 27-30.

<sup>(27)</sup> Cf. COM (2007) 386, on which the EESC (Section for Transport, Energy, Infrastructure and the Information Society) is currently drafting an opinion.

<sup>(28)</sup> OJ C 80, 30.3.2004 on *Project mechanisms-Kyoto (II)*. Rapporteur: Ms Nouail Marliere.

<sup>(29)</sup> OJ C 318, 23.12.2006 on the Thematic Strategy on the Urban Environment, rapporteur: Mr Pezzini.

<sup>(30)</sup> Cf. Scoreboard 15 bis, Internal Market, December 2006, page 21 ([http://ec.europa.eu/internal\\_market/score/docs/score15bis/score15-bis\\_en.pdf](http://ec.europa.eu/internal_market/score/docs/score15bis/score15-bis_en.pdf)) 'Breakdown of infringement proceedings per sector—Figure 16: "Environment", "energy and transport" and "taxation and customs union" account for half of the infringement proceedings'.

3.8.1 The first piece of Community legislation to have the 'polluter pays' principle amongst its prime objectives was Directive 2004/35/EC of 21 April 2004, on environmental liability with regard to the prevention and remedying of environmental damage, which the Committee warmly welcomed<sup>(31)</sup> because the intention is to prevent damage and to return nature to its original condition.

3.8.2 In 2006, revisions of a number of pieces of legislation were undertaken, for reasons including improving, simplifying and streamlining regulatory, legislative and administrative machinery. These include:

- Directive 2002/95/EC (RoHS), which provides for the prohibition and restricted use of lead, mercury, cadmium, hexavalent chromium and some flame retardants in electrical and electronic equipment;
- Directive 2002/96/EC, also known as the WEEE Directive, aiming to prevent and restrict waste flows of equipment to rubbish dumps by means of re-use and recycling policies for equipment and components;
- the IPPC Directive on Integrated Pollution and Prevention Control;
- the Framework Directive on Waste<sup>(32)</sup>, merging three previous directives.

3.8.3 The Committee believes that these provide excellent opportunities for manufacturers to integrate environmental aspects into their long-term industrial strategy, and to create market opportunities through the improved environmental performance of products and production processes.

3.8.4 With regard to the Integrated Product Policy (IPP) strategy, special importance must be attributed, as the Committee stressed in its opinion on the subject<sup>(33)</sup>, to the EUP Framework Directive 2005/32/EC on the Eco-design of energy-using products, which covers all equipment that uses energy, whether electricity or fossil-fuelled, and aims to promote a framework integrating environmental considerations into the design stage for numerous industrial sectors.

3.8.5 Regulation EC/1907/2006, best known as REACH — Registration, Evaluation and Authorisation of Chemicals — will replace some forty regulations, creating a single system for all chemical substances. The Committee has, in the past<sup>(34)</sup>, expressed concern over its complexity and the length of the technical annexes.

3.9 With regard to voluntary measures, there are now useful instruments ranging from Environmental Agreements and the European ecolabel scheme to the Community eco-management and audit scheme (EMAS), to which can be added the proposed frameworks for corporate social responsibility and the development of socially responsible territories.

<sup>(31)</sup> OJ C 241, 7.10.2002, rapporteur: Ms Sanchez, in OJ C 241 of 7.10.2002.

<sup>(32)</sup> COM 2005/667 final.

<sup>(33)</sup> OJ C 117, 30.4.2004, rapporteur: Mr Pezzini.

<sup>(34)</sup> OJ C 294, 25.11.2005, rapporteur: Mr Braghin.

3.9.1 The **Environmental Agreements** action plan, presented by the Commission in July 2002<sup>(35)</sup>, which was the subject of an EESC opinion<sup>(36)</sup>, aimed to secure 'a strategy for further coordinated action to simplify the regulatory environment', in accordance with the mandate issued by the European Council at Lisbon and confirmed at the Stockholm, Laeken and Barcelona summits, in order to provide legal certainty and promote a dynamic climate for economic operators.

3.9.2 Moreover, by 1996 the Commission had already launched voluntary environmental agreements such as self-regulation and co-regulation instruments, which have the advantage of capitalising on the forward-looking approach of industry, and supplying effective, tailored solutions to problems. These instruments can be used more quickly and they significantly improve 'legislative methods to make them less complex, more flexible, closer to Union citizens and easier for the public to understand', as well as promoting 'the adoption of voluntary environmental agreements at Community level'<sup>(37)</sup>.

3.9.3 The Committee would also stress here that 'the Commission should always consider whether its intended objectives actually necessitate a regulatory framework or whether, in fact, self-regulation or co-regulation would be sufficient. The EESC believes that among the various options, the aim must be to choose the one which can meet the same objectives at a lower cost and with a lower administrative burden, and which can ensure maximum transparency and stakeholder participation'<sup>(38)</sup>.

3.9.4 With regard to the **European ecolabel**, which firms can request pursuant to Regulation (EC) 1980/2000 to promote products with a smaller environmental impact than other products of the same category and to provide consumers with clear, scientifically proven product information, its potential success could only be mitigated by the proliferation of Community labels and of additional national ecolabels: 'The reference to adoption of different systems of environmental labelling (including green claims and self-declarations) prompts certain reservations owing to the need to provide for further instruments and monitoring mechanisms at national level to assess their validity. In this connection, it should be remembered that the ESC, in its opinion on the new eco-label Regulation<sup>(39)</sup>, expressed its opposition to the proliferation 'of green labels because they could generate confusion in consumers and prove misleading'<sup>(40)</sup>.

3.9.5 The Committee warmly welcomed<sup>(41)</sup> voluntary application of the Community eco-management and audit scheme (EMAS), regarding it as 'a useful instrument for achieving the main objective of promoting sustainable production and

<sup>(35)</sup> COM 2002/412 Communication from the Commission on Environmental agreements at Community level within the framework of the action plan on the simplification and improvement of the regulatory environment.

<sup>(36)</sup> OJ C 61, 14.3.2003, rapporteur: Mr Gafo Fernández.

<sup>(37)</sup> OJ C 61, 14.3.2003.

<sup>(38)</sup> EESC exploratory opinion CESE 562/2007 fin — INT/347: Simplification of the regulatory environment for the machinery sector, rapporteur: Mr Iozia.

<sup>(39)</sup> OJ C 296 of 29.9.1997.

<sup>(40)</sup> CESE 925/2001, rapporteur: Mr Pezzini.

<sup>(41)</sup> OJ C 258, 10.9.1999, rapporteur: Mr Pezzini and CESE 1160/2006 on Climate change — the role of civil society, rapporteur: Mr Ehnmark.

consumption (development) patterns' and 'to recognise and reward organisations that go beyond minimum legal compliance and continuously improve their environmental performance' <sup>(42)</sup>. By applying EMAS, individual organisations and institutions explore concrete ways to measure and reduce the environmental impact of various activities, for instance energy and materials use and travelling by car or railway or airplane' <sup>(43)</sup>.

**3.9.6 Corporate social responsibility** is — as the Committee has stressed repeatedly <sup>(44)</sup> — 'an important contribution to realising the strategic goal which the EU set itself at the Lisbon Summit' and which cannot, in the Committee's view, be seen in isolation from the notion of socially responsible territories and the territorial governance of industrial change through 'the generation and development of new businesses, new professional profiles and more and better jobs, while preserving the European social model' <sup>(45)</sup> and focusing on a 'knowledge-based economy' and through an integrated territorial approach in order to encourage 'optimising environmental protection during economic and industrial change' <sup>(46)</sup>. During the period 2000-2005, EU expenditure on environmental protection reached an annual average of circa 1,7 % of industry value added <sup>(47)</sup>.

**3.9.7** The integration of environmental aspects into European standardisation has been addressed in several EESC opinions <sup>(48)</sup>, where the Committee states it is 'convinced of the need to speed up the standardisation process without weighing it down, thereby ensuring development and high quality in all spheres of the internal market, including the environment. The aim must be to make the process efficient and inexpensive and to minimise red tape, whilst building the capacity of Member States' institutions as a preparatory measure.'

**3.9.8** The Committee would reiterate the need for compatibility between environmental regulations and non-binding standards, which are based on greater awareness of environmental considerations and quality; furthermore, there is a need to promote more flexible codes of conduct that can provide eco-friendly standardisation processes for firms and for SMEs in particular.

<sup>(42)</sup> EESC members have called repeatedly for the Committee's headquarters to undergo EMAS certification, as the Commission has suggested for its own buildings.

<sup>(43)</sup> OJ C 318, 23.12.2006 — the role of civil society, rapporteur: Mr Ehnmark.

<sup>(44)</sup> OJ C 169, 6.7.1992 on the Green Paper Promoting a European framework for corporate social responsibility, rapporteurs: Ms Hornung-Draus, Ms Engelen-Kefer and Mr Hoffelt; OJ C 223, 31.8.2005 on Information and measurement instruments for CSR in a globalised economy, rapporteur: Ms Pichenot; OJ C 325, 30.12.2006 on Implementing the Partnership for growth and jobs: Making Europe a pole of excellence on corporate social responsibility, rapporteur: Ms Pichenot.

<sup>(45)</sup> OJ C 185, 8.8.2006, rapporteur: Mr Ehnmark.

<sup>(46)</sup> OJ C 318, 23.12.2006 on The territorial governance of industrial change: the role of the social partners and the contribution of the Competitiveness and Innovation Programme (own-initiative opinion), rapporteurs: Mr Pezzini and Mr Gibillieri.

<sup>(47)</sup> Industry GVA is currently 22 % of GDP (71 % services; 5 % construction and 2 % agriculture), source: EUROSTAT.

<sup>(48)</sup> 29.11.2001; OJ C 117, 30.4.2004 and OJ C 74, 23.3.2005, rapporteur: Mr Pezzini.

**3.9.9** The Committee believes that it is particularly important to align **public procurement** contract details with environmental protection and sustainability requirements, both in public works and concessions, and in the 'excluded sectors'.

#### 4. General comments

**4.1** The Committee believes that, given the close interconnection between competitiveness, energy and environmental issues, which have a significant impact, in particular on many basic and intermediate goods industries, thus requiring major structural adjustment in the manufacturing industry, there is a need for a closely coordinated, integrated approach to a number of policies and instruments, at various levels, backed up by simplification procedures and a continuous attack on red tape, especially for SMEs.

**4.2** In order to ensure the coherence of individual initiatives, whilst improving both sustainability and competitiveness, the Committee believes there is a need for:

- the balanced participation of all stakeholders with the objective of creating a stable and predictable regulatory framework where competitiveness, energy and environment go hand in hand;
  - a fair balance between standardisation and regulation and voluntary self-regulation;
  - support mechanisms to encourage structural adjustment and the quest for new, clean, competitive technologies;
  - training and reskilling for firms, including both management and workers, in order to pursue sustainable industrial change that can create new jobs and new competitive potential;
  - a systematic *ex-ante* and *ex-post* impact assessment of regulatory and voluntary instruments and policies to ensure consistency, effectiveness and sustainability;
  - greater involvement of consumers, producers and distributors, both upstream, in the design stage, and downstream, in the monitoring and evaluation of application and compliance with implementing measures;
  - safeguarding the European single market to provide a proven, genuinely level playing field — including from the standpoint of environmental standards — at internal and international level;
- 4.3** Measures to integrate environmental considerations into industrial activities have yielded important results, enabling the EU manufacturing industry to achieve a reduction of over 11 % in carbon dioxide emissions from 1985 to 2000, while output in the sector grew by 31 % over the same period <sup>(49)</sup>. Moreover, manufacturing has been totally decoupled from emissions of acidifying gases and ozone precursors, whilst it has been relatively decoupled from the use of energy and raw materials.

<sup>(49)</sup> Cf. EIPRO, Commission, JRC, May 2006.

4.4 The Committee is convinced that environmental protection can offer new opportunities for dialogue between the social partners and civil society — both at inter-professional and sectoral level — with a view to launching sustainable industrial change processes.

4.5 More resources must be dedicated to research and design in order to resolve problems at source and maintain high production and employment levels, rather than resorting to exchanges of certificates without getting to grips with the real problems.

4.5.1 The Committee believes that using a long term view and roadmaps to address the challenges posed by environmental objectives makes it easier — as in the case of the European Steel Platform — to fine-tune and coordinate the instruments and resources available, in order to make the most of access to scientific excellence and technological know-how.

4.5.2 National legislation transposing European directives and regulations should give various incentives to encourage a new approach to product design, making recycling of these products more effective.

4.6 Competitiveness, energy and environment policies are closely intertwined and have a significant impact, particularly on many basic and intermediate product industries.

4.7 Support for a sustainable industry requires the balanced participation of all stakeholders, in order to create a stable and predictable regulatory framework where competitiveness, energy and environment go hand in hand. Issues to be addressed include:

- concrete implementation of better regulation principles;
- climate change, particularly the emissions trading scheme;
- initiatives to promote energy-efficiency and renewables;
- the operation of energy markets, particularly the electricity market;
- implementation of the thematic strategy on the prevention and recycling of waste, and related legislation;

Brussels, 12 December 2007.

- the improvement of resource efficiency and the uptake of environmental and other innovative technologies.

4.8 With regard to environmental policies that target 'local public services' such as air quality and municipal parks, it is obvious that changes in 'environmental quality' have considerable local repercussions in terms of housing costs, employment, involvement of the less well-to-do classes in environmental protection decisions and, ultimately, their ability to apply efficiency standards in order to save energy.

4.8.1 Turning to employment, while obsolete jobs are largely being replaced by jobs created in the public and private sectors, the tertiary sector requires a huge training programme to refocus professional profiles towards an environmental approach, backed up by a European strategy for sustainable mobility.

4.9 In order to strengthen the effectiveness and positive impact of environmental protection measures, the Committee believes there is a need to ensure there is an international dimension to Community coordination actions. It is important that Europe can ensure maximum global commitment and compliance with environmental protection requirements, including by inserting appropriate environmental compliance clauses in negotiated agreements. In particular the rules of international commerce ought to take account not just of social but also of ecological dumping<sup>(50)</sup>, and encourage environmental technology transfers and the implementation of eco-innovation across the globe<sup>(51)</sup>.

4.10 In this connection, there is a need to encourage and support initiatives to define ambitious but feasible roadmaps, in order to develop international sectoral benchmarks for energy efficiency and the reduction of harmful emissions, based on best available technologies (BAT<sup>(52)</sup>).

4.11 The European Union must persist with the industrialised countries and major emerging countries — in particular China and India — in its quest for new avenues that can lead all countries towards sustainable development. This could involve reframing Community development policy<sup>(53)</sup>.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

<sup>(50)</sup> Cf. Green Paper on Better Ship Dismantling, COM(2007) 269 of 22 May 2007.

<sup>(51)</sup> Council Conclusions on giving a new impetus to EU environment policy, 28.6.2007.

<sup>(52)</sup> BAT = Best Available Technologies.

<sup>(53)</sup> See the Sustainability Impact Assessments (SIA) under the EPA negotiations with ACP countries (cf. Exploratory opinion REX/189 — OJ C 65, 17.3.2006, rapporteur: Mr Pezzini, co-rapporteur: Mr Dantin).

**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 on Promoting solidarity between the generations’**

COM(2007) 244 final

(2008/C 120/16)

On 20 June 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

*Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Promoting solidarity between the generations.*

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 14 November 2007. The rapporteur was **Mr Jahier**.

At its 440th plenary session, held on 13 December 2007, the European Economic and Social Committee adopted the following opinion by 106 votes to 21 with 28 abstentions.

## 1. Background

1.1 The principle of solidarity between the generations is one of the structural keys to the European social model. Owing to demographic imbalances, it must be reinforced through new commitments and solutions, striking a new financial equilibrium. Therefore, to maintain this principle of solidarity between the generations, an active approach must be taken by the public authorities, at various levels, and all the social players must be involved in guaranteeing high-quality social services of general interest for families, young people and all those unable to support themselves, together with lasting pension and social security systems.

1.2 In connection with these issues, particularly the reconciliation of working and family life, the promotion of equal opportunities and of employment (especially for women), the EESC recently stated its position in a series of opinions <sup>(1)</sup>, the recommendations of which are fully reiterated in the analyses and proposals made herein.

1.3 Although the Commission communication is entitled Promoting solidarity between the generations, it concentrates on the family, including in relation to the new Alliance for Families, recently established by the European Council. The amount of activity currently being witnessed at Community level amounts to an important renewal of interest and action in the area of the family after a long break. It is also — as the Commission's Communication itself states — ‘the first stage in a European response to the challenges laid down by demographic change’. For this reason, the opinion concentrates on these issues.

<sup>(1)</sup> See, above all: EESC opinion of 16 December 2004 on Relations between the generations (rapporteur: Mr Bloch-Lainé) (OJ C 157 of 28.6.2005); EESC opinion of 14 March 2007 on The family and demographic change (rapporteur: Mr Buffetaut) (OJ C 161 of 13.7.2007); EESC opinion of 14 March 2007 on The economic and budgetary impact of ageing populations (rapporteur: Ms Florio) (OJ C 161 of 13.7.2007); EESC opinion of July 2007 on The role of the social partners in reconciling working, family and private life (rapporteur: Mr Clever).

1.4 In 1983, the European Parliament passed a resolution on European family policy which gave the policy visibility at European level for the first time and, above all, paved the way for the creation of a budget heading the following year for promoting pro-family activities.

1.5 1989 saw the first meeting of the Council of family affairs ministers, which adopted some important measures on proposals from the European Commission. Thus the Commission itself was asked to set up a European Observatory on the Social Situation, Demography and Family, now the European Observatory on Demography and the Social Situation (SSO), and a high-level group of government experts on the family. Finally, the Commission created an Interservices Group on the family dimension of various Community policies. On this occasion the Council also opted for institutionalising contacts with family organisations and with the European Parliament's Inter-group on Family and Protection of Childhood.

1.6 In 1994, 1999 and 2004, the Parliament passed new resolutions, while the cross-party group itself was set up in 1988.

1.7 However, one of the consequences of a crisis in 1998 regarding budget headings and their legal basis was to put an end to the heading allocated for supporting families.

1.8 The present Communication is the outcome of the Commission's thinking on demographics which began with the 2005 Green Paper on demographic challenges <sup>(2)</sup> and continued with the Communication entitled *The demographic future of Europe — from challenge to opportunity* <sup>(3)</sup>. It is also part of a wider institutional dynamic launched by the German Presidency

<sup>(2)</sup> COM(2005) 94 final.

<sup>(3)</sup> COM(2006) 571 final, examined by the Committee in an exploratory opinion of 14 March 2007 on The family and demographic change, requested by the German Presidency (rapporteur: Mr Buffetaut) (OJ C 161 of 13.7.2007).

with the conclusions of the Spring European Council and ending with those of the Council of Ministers on the Alliance for Families on 30 May 2007 and reprised in the Conclusions of the European Council of 21-22 June 2007.

1.9 The Communication points out that Europe has essentially three types of intervention to support the family: compensation of direct and indirect costs relating to the family; support services for parents in the form of care and education of children and those in need of care, and adapting employment and working times as well as conditions and access to social services of general interest at local level. These aspects have evolved in very different ways in the various Member States depending on political choices and the goals these entail. While the Commission has difficulty identifying the most effective policies, it nevertheless highlights the way that some countries (the Scandinavian countries) have been successful in finding a mixture of policies promoting reconciliation of work and family life and gender equality, so as to encourage both higher birth rates and a sustained level of female employment.

1.10 Although family policies are, strictly speaking, a matter entirely for the Member States, the Commission points out that the European Union has always sought in its policymaking to take account of the family and the quality of life of its members. Moreover, the balance between family and working life is one of the key planks of Community employment policies as part of the Lisbon Strategy.

1.11 The Commission's Communication goes on to set out the nature of the European Alliance for Families and the Community action geared to supporting it. Particularly important elements of this are a high-level group of government experts on demographic issues, the establishment of European as well as national, regional and local forums and networks, the creation under the auspices of the European Foundation for the Improvement of Living and Working Conditions of an observatory on best practices, and a series of research tools focused particularly on the 7th Framework Programme. Finally, the Commission intends to mobilise the resources of the European Structural Funds to support equal opportunities and the balance between family and working life.

## 2. Remarks and challenges

2.1.1 There is no doubt that the question of inter-generational solidarity is a very broad and involved one and is in turn part of a more complex set of challenges posed by various social, economic and international changes underway, among them population ageing, which will have a substantial impact

on the lives of Europe's citizens in the future, especially on working and social conditions. In its Communication, the Commission notes that the Lisbon strategy provides the basis on which family policy can be modernised by promoting equal opportunities and above all by improving the reconciliation of work and family and private life, which increases women's participation in the labour market. This reconciliation is also highlighted in the integrated guidelines for growth and jobs, according to which employment policy should be tailored to the circumstances of family life and changes in those circumstances during different periods of life. The open coordination method, which affects social protection and social integration, focuses on improving the situation of poor children and their families, supporting long-term care of dependants and modernising pension systems.

2.1.2 The meeting of generations that is played out and develops within the family is an enormous challenge from which Europe is not exempt. The family is the natural forum for solidarity between the genders and through the life cycle. Social change has resulted in the emergence of a wide range of different family structures. When designing measures, account must be taken of all the different family situations, with due respect for subsidiarity and national legislations<sup>(4)</sup>.

2.1.3 The most recent reports on the socio-demographic situation tell us that in several countries the number of family units is growing, while their size is dropping. At the same time, the structure of families is changing far more rapidly than was once the case due to the fall in the number of marriages (down from 8 per thousand inhabitants in the 1960s to 5,1 per thousand in 1999), the higher age at which they are contracted, the increase in separations and divorces, the increase in the number of those who live alone and the increase in children born outside of wedlock. On this last point, the number of children in the EU living with only one parent has risen by 50 % since 1983 and today stands at 13 % (with a peak of 25 % in the United Kingdom)<sup>(5)</sup>. An increasing number of children live in blended families, which have several grandparents and siblings from former families. Adoption of children from outside Europe is increasing, and new family cultures have appeared as a result of immigration.

2.1.4 The fertility rate in Europe is now around 1.45 children per woman and hence well below that required to replenish the population. It is lowest in the Mediterranean countries. The decline in birth rates is an almost universal phenomenon within the European Union and amounts to more than 45 % since the 1960s.

<sup>(4)</sup> See the EESC opinion of 31.1.2006 on the 'Green paper on applicable law and jurisdiction in divorce matters', rapporteur: Mr Retureau (OJ C 24, 31.1.2006), where it is stated that 'the Green Paper (wisely) does not propose to harmonise substantive law.'

<sup>(5)</sup> Eurostat, Population in Europe, 2005. Although the presence of one parent families varies widely among EU Member States (below average in Italy, above in Sweden), composition by sex is almost identical in all countries (with a clear prevalence of women), with the sole exception of Sweden, where 26 % of lone parents are men.

2.1.5 As a result, our societies have ever fewer young people and children and ever more pensioners and older people generally. In 1950, 40 % of the population of the EU-25 were under 25. In 2000, the figure was down to 30 % and in 2025 it will fall to 25 %. By contrast, in 1950 only one person in ten was older than 65, while in 2000 it was already one in six and in 2025 it will be close to one in four. These figures are indicative of profound changes in the structure of consumption, in housing and care needs, in social behaviour and in the actual priorities of public policies.

2.1.6 Of course, Europe's various forms of social security, working conditions and medical advances mean that most older people can count on a substantially longer life and a relatively comfortable income. Nevertheless, serious problems of poverty affect at least a sixth of women over 65 and in general around a quarter of the elderly living alone<sup>(6)</sup>. Poverty and exclusion among elderly women is usually the result of their having a weak or non-existent employment history. Obviously, this situation becomes graver for those over seventy and eighty, creating an increasingly unsustainable burden on families, in so far as the social security and care system is unable to provide adequate services.

2.2 According to Eurobarometer<sup>(7)</sup>, 97 % of Europeans view the family to be one of the most important things in their lives, coming immediately after health. This favourable view becomes even more positive when Europeans are asked about the future<sup>(8)</sup>. The importance of the family is evident when help is needed: 70 % say they turn to their partner, while 25 % turn to another family member, notably in cases of illness (88 %) and need of advice (78 %) or money (68 %).

2.3 Europe's families are increasingly living on the outskirts of large cities. However, the pattern varies greatly depending on age: the very elderly and the young are more attached to living in big cities, while families with children and people of retirement age tend to relocate to small centres. The difference of location depending on age tends to create new problems in terms of managing services and of social cohesion in large

<sup>(6)</sup> Poverty is calculated here in relation to the income levels of each Member States, so that it appears lower in some of the new Member States (for example, only 6 % in Poland), while markedly higher in others, such as Ireland (44 %), Greece (33 %), Portugal (30 %), Belgium (26 %) and the UK (24 %). Europe's Social Reality, BEPA consultation document, March 2007.

<sup>(7)</sup> Eurobarometer 273, 'European social reality', February 2007.

<sup>(8)</sup> See on this issue the book *Valori a confronto*, ed. R. Gubert and G. Pollini, Milan 2006, which draws on research data of the European Values Study, which involved 40 000 people in 33 European countries (EU and certain countries of the Council of Europe) and was carried out by a number of the continent's universities. 'The demographic future of Europe', a research project carried out by the Robert Bosch Foundation and the German Federal Institute for Population Research, which interviewed 34 000 people in 14 European countries, confirms the strong attachment Europeans have to the family.

urban areas, a phenomenon also aggravated by migratory movements, which tend to be greater in cities where there is a demand for a larger work force.

2.4 The percentage of the European population over the age of sixty-five rose to 17,2 % in 2005 (EU-15). Due to greater life expectancy, women make up the larger part of the growing contingent of the elderly and account in all European countries for more than 50 % of those over sixty-five.

2.5 As far as poverty is concerned, around 72 million people in the EU-25 (i.e. 15 %) are directly affected and 26 million are teetering on the poverty threshold<sup>(9)</sup>. Of these, around 12 million are older persons; 9 % of the EU population have lived in a low-income family for two out of the last three years of their lives; families with several children are at particular risk of poverty. Around 20 % of Europe's 94 million young people under 18 are exposed to the risk of poverty and in the last three decades the child poverty rate has risen in all EU countries and now surpasses that for the population as a whole, with particularly serious peaks for single-parent families, families that experience long-term unemployment or underemployment, and large families. The children of poor families suffer hardship, are gravely disadvantaged, have more health problems and do less well at school, with obvious social, economic and political costs for the future. Such lack of concern for children's rights can cultivate juvenile delinquency and the exploitation and trafficking of children.

### 3. General comments

3.1 Despite the above, the European institutions have so far found it very difficult to see the family as a social structure that plays an essential role in present-day society and for this reason merits greater interest from the Community.

3.2 Although there is no shortage of official declarations from the most disparate public bodies at international and European level ascribing to the family a crucial role in society, in practical terms, Europe appears as yet not to have included the family in its priorities, which rest essentially on two pillars: the forces of the free market and competition, on the one hand,

<sup>(9)</sup> Calculated on the basis of a poverty threshold of 60 % of average income. 'The social situation in the European Union 2004' and Eurostat 2003. See also the latest, 2005-2006, edition of 'The social situation in the European Union', published by the Commission in spring 2007, which dealt with the balance between generations in an ageing Europe.

and equality of opportunity for all citizens, on the other. The reference to these two pillars is evident, for example, within the Lisbon Strategy and the Social Agenda 2005-2010.

3.3 Generally speaking, the European Commission continues to address the issue of the family from the vantage of social policy, employment and equal opportunities <sup>(10)</sup>. As a rule, however, in many documents dealing with matters such as young people, children's rights, education issues and so on, the actual notion of the family almost never appears and the approach focuses essentially on individual rights or on the individual as an economic actor. Rarely is he viewed in terms of his relationships, and first and foremost as part of a family and of a system of social relationships that centres upon the family. However, the family continues to play an important role in sustaining a person's growth, overseeing his integration in society and work and, very often, taking upon itself the burden of illness and of any brief or sustained period of disability and reliance on others. The social services provided by the state or the private or social market remain essential, especially in promoting reconciliation of work and family life, preventing family poverty and unemployment, and supporting and helping families afflicted by illness, substance abuse, child-rearing problems and domestic violence. These services are not enough in themselves to adequately meet the emotional and psychological needs of the individual, be it the person cared for or the carer <sup>(11)</sup>.

3.4 However, the increasing calls from Europe's citizens for attention to be paid to the family do appear to have received a very positive response from the German EU presidency, which proposed a grand alliance between the institutions in order to promote coordinated policies to counterbalance the fall in births and the increase in the number of older people. In the last two years, in fact, there has been a fresh start in all the Union's institutions which is more systematic, strategic and forward-looking and thus offers greater potential.

3.5 First and foremost, there are the important provisions of the Charter of Fundamental Rights of the European Union regarding the family <sup>(12)</sup>, though it is regrettable that the revision of the EU Treaties did not include an explicit reference to 'supporting family life' in Article 3 on the aims of the European Union.

3.6 The EESC expresses its profound appreciation of the Commission's Communication, which sets out a practical

<sup>(10)</sup> Family issues are allocated to DG Employment, Social Affairs and Equal Opportunities. Individual documents can be found on the website of the European Alliance for Families: [http://ec.europa.eu/employment\\_social/families/index\\_en.html](http://ec.europa.eu/employment_social/families/index_en.html). It is regrettable, however, that it is not possible to access all the extensive work carried out for more than a decade before 2000 by the European Observatory on the Social Situation, Demography and Family (established in 1989).

<sup>(11)</sup> Susy Giullari and Jane Lewis, 'The Adult Worker Model Family, Gender Equality and Care'; Social Policy and Development Programme Paper Number 19, United Nations Research Institute for Social Development, April 2005.

<sup>(12)</sup> The articles concerned are: 7, 9, 14, 24-3, 33 and 34.

agenda for lending substance to the proposed Alliance for Families. This is a constructive platform which takes on board a number of the suggestions already formulated by the EESC and more generally in the debate in recent years to respond to demographic challenges, support cooperation and partnership between various players, promote a better response to the needs of families looking after children and other dependents, improve reconciliation of work with both family and private life — including with a substantial investment in quality services for children and for families — and so help to establish a new and more robust solidarity between the generations.

3.7 The deplorable fact remains, however, that the lack of support from some Member States has made it impossible to apply the open coordination method to this area, which would have given the Alliance greater strategic and structural weight. The EESC recognises, nevertheless, that the Communication provides possible foundations on which to develop an organic platform which does not prejudice the possibility of further developments based on more explicit coordination.

3.8 Vigilance will be required, then, to ensure that after the crucial impetus given by the German Presidency, this new work does not get sidelined. As part of the new and increasingly intense interest of various European bodies in social questions and the wellbeing of citizens, the family is emerging as a new focus of attention, thought and action. These initial and diffident openings must be progressively enhanced and extended with a detailed work plan to culminate in the Third European Demographic Forum, scheduled for 2010.

3.9 More generally, the important thing is to give tangible recognition to the practical and substantial contribution that families continue to make to our societies and to the care of people at every stage of their life. In this light account should also be taken of the social and economic utility and of the possible and untenable increase in costs, especially for welfare services, if the family is not sufficiently supported and encouraged in performing its role.

3.10 In this connection, a significant role is already being played by social partners at various levels. As part of their first 2003-2006 work programme, the social partners presented a raft of equal opportunities measures geared particularly to reconciling family and work and all that this entails. Their second programme, for the period 2006-2008, is based on a



wide-ranging analysis of the principal challenges for the labour market <sup>(13)</sup>. The EESC encourages the social partners to continue in this direction.

3.11 But more and more consideration should also be given to the structural dimension of the role of creating and renewing the social and relationship capital which is increasingly recognised as indispensable to the wellbeing of the individual and of society as a whole. There is no doubt that time devoted to children and the family is time taken away from the career. However, it is also an investment in the care and education of people that should be recognised and encouraged: by considering adding to existing measures (benefit payments, tax breaks, parental leave, etc.) some form of recognition in terms of pension contributions for time spent taking care of those members of the household who need help <sup>(14)</sup>. This would thus prevent solidarity between the generations storing up a burden for the future (in terms of insufficient pensions and consequent greater risk of poverty) which will fall predominantly on women.

3.12 For similar reasons, another factor to be taken into account is the giving of unremunerated time, which is hard to quantify and is therefore often unnoticeable, even though it profoundly impinges on the quality of community life, which is increasingly sought after and valued by most people.

3.13 This basic structural dimension of people, which creates and generates the social fabric, must be given more explicit social recognition, in tandem with better development and alignment of all those other conditions of environment and services that can help people to realise the aspiration to start a family, to have the desired number of children and to be able to care for one's loved ones with equanimity.

#### 4. Specific comments

4.1 The Commission's Communication itself sets out some helpful and detailed ways forward in terms of both goals and initial steps (such as the establishment of a high-level group of government experts on demographic questions). The EESC supports these approaches, encourages their elaboration in full and hopes they will be constantly given the appropriate publicity and their progress will be widely reported in order to secure the greatest possible participation in the process.

<sup>(13)</sup> In July 2007 Europe's social partners sent a letter to Commissioner Špidla in which they expressed their willingness to clarify the directive on family leave and the situation regarding reconciliation of work and family life in the EU. To this end organisations have set up a joint working group which is to submit a report to the EU social affairs summit to be held in March 2008.

<sup>(14)</sup> See, for example, the new measures established in Finland, where the social partners negotiated a major reform of the pension system in 2003, which was passed by Parliament in 2004 and brought into effect in 2005. For more information, see [www.tyoelake.fi](http://www.tyoelake.fi) (pages in English).

4.2 Active involvement of local and regional actors is particularly important, given the ever more important and central role these institutions play in the provision of social services and delivering innovation. In this context, it seems worthwhile not only to promote the creation of regional and local forums, but also to call upon the Commission to play an active role, in coordination with interested parties, in preparing, and supporting, a detailed plan for forums and initiatives in all Member States to guarantee maximum involvement in the process.

4.3 The EESC believes that the creation of an observatory on best family policy practices within the European Foundation for the Improvement of Living and Working Conditions should be supported, and recommends that this be achieved through close consultation of civil society players — in particular family associations — at various points during the process, both in identifying these best practices and in appropriate opportunities for comparing and reflecting.

4.4 Vigilance will then be required to ensure that the prime focus of this observatory is not limited solely to family issues involving work, but that it is also directed towards the compilation of a detailed survey on the needs of the family and the generations and on measures and funds available for safeguarding and promoting the development of new forms of solidarity between the generations. This would help to map out the current infrastructures of social citizenship in the Member States <sup>(15)</sup>.

4.5 On the research front, the EESC also proposes the following specific areas for work:

- the role and impact of fiscal policies (regarding both benefit payments and tax allowances) of the various EU countries in supporting or penalising family life, especially concerning children (from birth to care to education) and adults being cared for by families, reconciliation of work and family life and employment of women, as well as a fairer division of responsibilities between men and women;
- policies and actions to promote active ageing: given the ever increasing gap between retirement age and dependency due to illness or advanced age, more initiatives and actions are needed to get older people committed to and involved in social and cultural activities to benefit their own community, since this increases the quality of the social capital in its entirety;

<sup>(15)</sup> See EESC opinion on the Social Policy Agenda (rapporteur: Mr Jahier) of 10 December 2003, OJ C 80 of 30.3.2004.

- a life-cycle prognosis to investigate the possibility of replacing the current longitudinal view of average life cycles <sup>(16)</sup> with an alternative, more flexible, approach in which investment in the family, career-breaks to look after children or others who need care or to follow courses is not seen as the happy exception or as an inevitable detriment to career, especially for women, but instead progressively becomes a normal and ordinary condition for most men and women who so desire <sup>(17)</sup>.
- At the same time, research should take account of the abovementioned steep rise in the number of one-parent families that could lead to more people being alone in their old age and finding it very difficult to meet their financial commitments; in such cases, a more flexible approach to the life cycle could seriously affect their standard of living. Research should therefore also look into measures that could be taken to ensure that pension levels are sufficient to guarantee a decent standard of living for all, while also exploring the individualisation of pension rights between the members of the family.
- The social impact and costs of child poverty (including child trafficking and crime against children), support provided to families in coping with unemployment, illness, substance abuse, mental health problems, domestic violence and child-rearing problems, and obstacles to young people becoming independent and starting a family for both sexes.

4.6 There are two further areas that have been little explored and which the EESC believes need greater and more careful attention from the Commission as part of the present strategy:

- in the main, housing policies are still conceived within a life cycle in which the part devoted to work was absolutely predominant and which no longer seems to correspond to the present reality <sup>(18)</sup>. This is especially true of social housing, be it promoting family crèches or the right of those needing care to live at home and have a real possibility of doing so;
- the situation of disabled or highly dependent people, often living in their own or the family home, is a challenge for the introduction of the type of social services and products that

<sup>(16)</sup> A cycle which today supposes an absolutely rigid sequence of growing up, education and difficult and drawn-out integration into the world of work, with inevitable consequences on family time and possible birth rates, and ending in late adult life with having to face the double burden of supporting children and looking after one's own parents.

<sup>(17)</sup> On this issue, the lines of research envisaged by the Dublin foundation are to be strenuously encouraged and broadened.

<sup>(18)</sup> See also EESC opinion on Housing and regional policy (rapporteur: Mr Grasso, co-rapporteur: Ms Prud'homme) (OJ C 161, 13.7.2007).

help elderly people to live independently in their own home and also a challenge in terms of the isolation of individuals and families which only becomes clear when a tragedy occurs.

4.7 The proposal recently submitted by a broad cartel of European-level family organisations to the various European institutions would seem particularly worthy of attention <sup>(19)</sup>. It is a call for a revision of VAT rates on baby products, beginning with nappies. There has already been a definite political commitment from the Commission (on 19 July 2006) to table a proposal to revise the sixth VAT directive, especially Annex H of Directive 2006/112/EC, which lists the products and services to which Member States are authorised to apply, at their discretion, a reduced rate no lower than 5 % <sup>(20)</sup>. The cost of these articles has a major impact on family budgets throughout Europe. The EESC supports this proposal, which could be a tangible step forward and a matter on which the European Union can encourage the Member States to give substantial economic support to families.

4.8 Finally, two specific steps should be mentioned:

- the need to establish a more precise family mainstreaming of the various EU policies to systematically cover both the impact on families of individual measures applied and the family dimension within the various sectors of the Union's social and economic action. In this connection, the EESC thinks the Commission should relaunch the Interservices group created in 1989 but subsequently abandoned, which would make it easier to coordinate its action in this area;
- the need for systematic consultation of Europe's citizens, and especially family associations and social partners, to enable better on-going assessment of measures taken, more efficient dissemination of information and support for this process either financially or via the establishment of appropriate procedures and forums. The EESC itself could prove to be an excellent institution to give structural stability to this task.

<sup>(19)</sup> On 15 May this year, International Day of the Family, the European Large Families Confederation (ELFAC), together with many other organisations, including COFACE, launched an appeal to the heads of institutions entitled 'Need for reduced VAT on essential items for child raising'. For further information and documents, see [www.elfac.org](http://www.elfac.org).

<sup>(20)</sup> Some Member States already apply a reduced VAT rate to nappies, but it is felt that a more far-reaching decision should be taken which includes the whole gamut of products for babies, from food to clothing, which continue to be taxed at the highest rate.

## 5. Conclusions

5.1 While the scale of the demographic challenge is acknowledged, the issue of solidarity between the generations should not be focused on, and therefore limited to, this alone, but must increasingly be treated as a priority problem of the coming years — involving horizontal centres of responsibility (institutions, social partners, civil society organisations, etc.) and longitudinal ones (young people, old people, etc.) — as these are crucial for Europe's economic, social and cultural development and for the renewal of the very social compact on which our democracies stand.

In fact, over the years, the cultures of solidarity which have characterised Europe's development so far, have afforded original and sustainable solutions which have proved crucial for human, social and economic progress: from national welfare systems to

the relationship between social rights and obligations, from the development of citizenship rights to the intersection and continuity of responsibility between generations in the family.

5.2 As the French writer Antoine de Saint-Exupéry put it, it is important not merely to foresee the future, but to bring it about. What is needed, therefore, is to act to give every citizen a new faith in the future and especially in the family and, above all, the young. In this way, they will no longer be obliged to deal with a social environment whose resources, services and time are so unfavourable that they require the undue postponement of personal family plans and having the desired number of children. Instead, they will experience the sturdiness of a renewed alliance of solidarity between generations and will be empowered to make their own contribution to it, and thus meet the challenges of our times.

Brussels, 13 December 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

#### Rejected amendments

The following amendment, which received at least a quarter of the votes cast, was rejected during the discussion (Rule 54(3) of the Rules of Procedure):

#### Point 4.3

Amend as follows:

*'The EESC believes that the creation of an observatory on best family policy practices within the European Foundation for the Improvement of Living and Working Conditions should be supported, and recommends that this be achieved through close consultation of civil society players — in particular family associations — at various points during the process, both in identifying these best practices and in appropriate opportunities for comparing and reflecting. The EESC calls on the Commission, the European Parliament and the Council to take the necessary steps for the establishment of the family observatory at the Dublin Foundation and to provide the necessary financial means for this purpose.'*

Voting:

For: 63 Against: 67 Abstentions: 22

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## Opinion of the European Economic and Social Committee on the 'Fourth Report on Economic and Social Cohesion'

COM(2007) 273 final

(2008/C 120/17)

On 30 May 2007 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

*Fourth Report on Economic and Social Cohesion.*

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 November 2007. The rapporteur was Mr Derruine.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 13 December), the European Economic and Social Committee adopted the following opinion by 88 votes *nem. con.* with no abstentions.

### 1. Introduction

1.1 Under the terms of Article 159 of the Treaty, the Commission is required to publish at three-year intervals a status report on economic and social cohesion in Europe.

1.2 As the report is published in the year prior to the update of the Lisbon Strategy Integrated Guidelines (IG), the EESC hopes that — as it has already requested — its ideas will be taken on board not only in the next generation regional policy but as and when the new IG are framed <sup>(1)</sup>.

1.3 The new amending Treaty provides innovation with the inclusion of territorial cohesion as one of the general objectives of the EU (Article 3); this was missing until it was added by the Convention on the Future of Europe and confirmed by the 2007 Intergovernmental Conference (IGC).

### 2. General comments

2.1 The communication accompanying the report launches a debate on the future of structural policy by posing a series of questions. In the EESC's view, two questions of major interest needing concrete answers have been omitted:

— it seems pointless to discuss cohesion policy, which accounts for almost a third of the EU budget, if at the same time there is no consideration given to the resources available to implement it. The EESC would point out that the EU budget, as approved in the agreement on the financial perspectives, is insufficient to match Europe's ambitions. With specific regard to structural policy, the same applies: 0,36 % of GDP is insufficient to ensure economic, social and territorial cohesion in Europe <sup>(2)</sup>;

— regarding the role of the social partners and organised civil society: while a group of questions do address the issue of governance, this is limited to a purely political perspective. Yet, regrettably, there is no mention of the social partners or organised civil society, although their role is essential to ensuring that projects meet grassroots needs and enjoy broad public support, and although they contribute to transparency in the use of resources.

2.2 A close reading of the figures presented in the report may be confusing as it is not always clear whether they refer to the EU-15 -25 or -27. When it comes to trends, the reference dates may also lead to confusion. The report often discusses EU-27 cohesion while taking 1996 as the reference date, a time when the number of Member States had just increased to 15. It emerges that the trends outlined do not concern the EU alone, but take in countries that were not — or only slightly — affected (given their trade situation) by EU sectoral policies (internal market, competition, regional policy). In other words, although the contribution of the structural policies is not in doubt, this makes it difficult to draw clear conclusions about their specific contribution to greater cohesion <sup>(3)</sup>.

2.3 The criterion of 75 % of GDP per capita, which is used to define whether or not a region is lagging behind, has been clouded, given that since the recent enlargements, GDP per capita has decreased with the accession of much less prosperous countries than those that joined previously (the statistical effect). It is also the case with the accession of Bulgaria and Romania. We cannot, therefore, directly compare the situation regarding cohesion before 2004 with the current situation. The performance of the twelve regions that have risen above this threshold must be put in context given that we cannot be sure that it is not due to the statistical effect.

<sup>(1)</sup> See § 1.4 of the EESC opinion on the 'Impact and consequences of structural policies on EU cohesion', OJ C 93, 27.4.2007, p. 6.

<sup>(2)</sup> Without wishing to pre-empt the EESC's own-initiative opinion on this issue, some previous proposals are discussed below.

<sup>(3)</sup> EESC Opinion on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

2.4 The report states that by the beginning of the next programming period, 9 of the 12 Member States that joined the EU in 2004 and 2007 will have risen above the threshold of 75 % of EU GDP per capita. As a result, this benchmark will lose relevance. This issue should be addressed right away.

2.5 While the report contains a wealth of detailed information, it is regrettable that this information is not always joined up.

— Thus, for example, reading the following paragraphs together (of Appendix 1): 2.1.3, 3.2, 2.2.4 (in particular, the graph) and 2.2.6, points up the difficulty of combining economic growth with harmonious development (in this case, job creation that benefits all regions). This is a real challenge, particularly for some of the new Member States (Poland, Hungary, Romania, Bulgaria and the Czech Republic).

— While it is true that the former cohesion countries Ireland, Greece and Spain have fully or partly caught up, what about the sustainability of their growth? How can we be optimistic about future developments when there has been a decline in hourly productivity for the past ten years in relation to the EU average or when the growth is based largely on property (Spain)? How can we explain the fact that despite Ireland's strong growth, which has catapulted it to 2nd in the rankings of real GDP per capita, and which has allowed the country to achieve full employment, almost one in five people is at risk of poverty?

— The aspect of quality jobs, which was recognised as a key Lisbon objective in 2000, is conspicuous by its absence in this extensive report <sup>(4)</sup>. We take the view that each Member State must verify unambiguously whether the jobs supported or created by the Structural Funds are jobs that enabled the integration of people into the labour market, decent living conditions and adequate pay.

2.6 The EESC also points to the lack of any reference to the social economy, which accounts for 10 % of EU businesses, or to its role in cohesion (particularly the assistance given to the most vulnerable groups in the labour market). This sector generates quality jobs and contributes to sustainable development insofar as it anchors employment at local level, energises rural areas, creates social capital and provides for the sectoral and territorial restructuring process. In this regard, it would be useful to have statistics of comparable quantity and quality for the Member States so as to improve our understanding of this sector.

<sup>(4)</sup> It is mentioned, but the only information provided refers to education and training, whereas COM(2003) 728 identified 10 dimensions of job quality, which it analysed in terms of a whole range of indicators.

2.7 The EESC feels that several aspects of economic, social and territorial cohesion should be further explored or reviewed, such as equal opportunities in the labour market.

2.8 If we remain to be convinced as to the usefulness of the EU's cohesion policy, the report makes the following new points:

— market forces favour capital cities; workers and the unemployed converge on them, while the *Eldorado* that they seem to promise is often misleading. This aspect must not be underestimated in the debate aimed at promoting mobility as a way of combating unemployment;

— capital cities are often the only motors of growth; only three countries have economically sustainable secondary growth poles with an international profile. This helps to explain why the average regional growth rate varies from 0 % to 8,6 % (1997-2004);

— while a country as a whole may reach the critical threshold of 75 %, driven by its capital city, many regions take a lot longer to get there.

Hence the urgent need for territorial cohesion, which seems to be increasingly asserting itself as the very foundation of economic and social cohesion, to be fully recognised as a general EU objective.

2.9 The EESC welcomes the new light shed on cohesion in Europe by comparing it with its global competitors and by highlighting the role of capital cities, the implications in terms of sustainable development (notably imbalanced development and environmental pressures) and the regional repercussions of climate change.

2.10 The EESC supports the European Union's objective to take the lead in fighting climate change. Nevertheless, if the countries outside the EU do not follow suit, this will jeopardise competitiveness and have an impact on the Union's cohesion policy. Distortion of competition would have the effect of favouring relocation to countries not involved in climate change policy.

2.11 The EESC also welcomes the renewed focus on the territorial dimension of cohesion, which, despite the adoption of the European Spatial Development Perspective (ESDP) (1999), has until now been sidelined. The Urban Development Strategy, the Territorial Agenda and the Leipzig Charter all list a range of key urban development principles, while the EESC has highlighted the role of metropolitan areas and clusters in the context of industrial policy and innovation.

2.12 The final chapter, which explores the link between EU policies and cohesion, is the least convincing: it lists a catalogue of measures taken under the Lisbon Strategy without providing any reliable evidence of their actual impact on cohesion.

### 3. Recommendations

3.1 Without wishing to pre-empt its forthcoming own-initiative opinion in response to the Commission's public consultation on the future of the EU budget, the EESC reiterates some of its previous recommendations.

3.1.1 The Structural Funds are currently limited to the granting of subsidies. In a previous opinion<sup>(5)</sup>, the EESC proposed revising their financial engineering to create a multiplier effect through the involvement of the European Investment Fund and the EIB. It proposed transforming these subsidies into financial products to create a leverage effect. For example, one euro set aside to guarantee a risk capital loan would make it possible to finance five to ten euro of a SME's investment. The JEREMIE model must be extended<sup>(6)</sup>.

3.1.2 Additional resources could also be freed up, without increasing Member States' contributions, to be channelled into projects with European added value (notably the missing links in the trans-European networks (TEN) and the European Globalisation Adjustment Fund (EGF)).

3.1.2.1 The EESC has often criticised the VAT system within the EU budget, on account of its excessively high collection, administrative and monitoring costs<sup>(7)</sup>. These costs must be reduced, thereby freeing up resources for joint projects.

3.1.2.2 The practice of refunding Member States unused appropriations of an already meagre EU budget should be ended. These appropriations represent only a very small percentage of the annual budget. However, over the period 2000-2005, they amounted to almost EUR 45 billion, which could have been put to productive use<sup>(8)</sup>.

3.1.2.3 In view of the fact that all Member States are faced with ageing populations entailing increased social security costs while also being subject to budgetary constraints under the Stability and Growth Pact, public-private partnerships could provide an alternative solution. Such partnerships would hinge on the ability of public administrations (particularly at subnational level) to negotiate balanced agreements with the private sector, which would require administrative capacities to be strengthened.

3.2 The strategic guidelines directing regional policy are aligned with the Lisbon Strategy. The EESC proposes that regional policy take a more balanced approach to the Sustainable Development Strategy, which is devoted to all aspects of cohesion, since the Lisbon Strategy, which ties in with it, focuses on competitiveness<sup>(9)</sup>.

	LISBON	SUSTAINABLE DEVELOPMENT
Timeframe	2010	No deadline; long term
Sphere of action	European Union	Goes beyond the EU sphere because of its external dimension
Priorities <sup>(1)</sup>	Increase growth and jobs; ensure a dynamic and well-functioning euro area; make Europe a more attractive place to invest and work; knowledge and innovation for growth; attract and retain more people in employment and modernise social protection systems; improve adaptability of workers and enterprises and the flexibility of labour markets; increase investment in human capital through better education and skills	Address climate change; promote good health — public health; combat social exclusion and address demographic change; better management of natural resources; make transport more sustainable; fight global poverty, promote development

(1) COM(2005) 141 final *Integrated guidelines for growth and jobs (2005-2008)*; COM(2005) 658 final *Communication from the Commission to the Council and the European Parliament on the review of the Sustainable Development Strategy — a platform for action*.

<sup>(5)</sup> EESC opinion on the *Strategic guidelines cohesion policy 2007-2013*, OJ C 185, 8.8.2006.

<sup>(6)</sup> EESC opinion on the *Communication from the Commission: Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines (2007-2013)*, OJ C 185, 8.8.2006, p. 52.

<sup>(7)</sup> EESC opinion on the *Own resources system*, OJ C 267, 27.10.2005, p. 57.

<sup>(8)</sup> EESC opinion on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

<sup>(9)</sup> 'When it relaunched the Lisbon strategy in March 2005, the European Council reaffirmed that the strategy was to be seen in the wider context of sustainable development whereby present needs should be met without compromising the ability of future generations to meet theirs. The European Council reiterates its attachment to sustainable development as a key principle governing all the Union's policies and activities'. Conclusions of the European Council of June 2005.

3.2.1 The following maps drawn up by ESPON (the European Spatial Planning Observation Network) illustrate the polarisation and increasing metropolitanisation that would occur by 2030 should the Lisbon strategy be further developed along current lines. A cohesion-oriented scenario would enable the economic hub to be extended and, above all, foster the emergence of other growth poles (the Baltic regions; an area to the East taking in Vienna, Berlin, Warsaw and Budapest; the South of France and Catalonia).

3.2.2 The EESC reaffirms<sup>(10)</sup> the importance of developing and implementing dual-level polycentrism in the context of harmonious development, in order to avoid the detrimental effects of polarisation<sup>(11)</sup>. The first level facilitates the emergence of development hubs spread throughout Europe, to disperse growth and jobs beyond the economic hub (the pentagon); the second level consolidates the links and synergies between the large urban centres and the (quasi-)rural areas, mainly to avoid territorial divisions within NUTS itself (the Nomenclature of Territorial Units for Statistics).

3.3 Given the increasing dominance of capital cities as places that generate wealth, industry and jobs, particularly in certain new Member States<sup>(12)</sup> and the strong correlation between GDP growth rates and inflation, the governments and civil society of the countries set to join the euro area should give particular consideration to the impact of the transition to the single currency on their internal cohesion. This may come under pressure where the various regions of an individual country develop unevenly. Therefore, while not disregarding the benefits of the euro<sup>(13)</sup>, though pointing out that the single interest rate policy could fail to meet the specific needs of their national economy, its impact will vary across the large industrial centres (including the capital) and the other regions. To complement this, the Member States' economic policies will need to be coordinated more closely in order to ease this problem<sup>(14)</sup>.

3.4 The importance of services of general interest (SGI) is again stressed in the report. In view of the new protocol on general interest services to be defined by the 2007 IGC, the EESC repeats its call for 'common benchmarks and standards' to be defined at Community level 'for all services of general interest (both economic and non-economic), including social services of general

<sup>(10)</sup> See the EESC opinions on *European metropolitan areas: socio-economic implications for Europe's future*, OJ C 168, 20.7.2007, p. 10; on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6; and on the *Territorial Agenda*, OJ C 168, 20.7.2007, p. 16.

<sup>(11)</sup> See in this regard the study drawn up by the European Parliament's REGI committee, *Regional disparities and cohesion: what strategies for the future?*, May 2007.

<sup>(12)</sup> This issue will be considered in a forthcoming opinion to mark 10 years of EMU in 2008.

<sup>(13)</sup> This issue will be considered in a forthcoming opinion to mark 10 years of EMU in 2008.

<sup>(14)</sup> 'When it relaunched the Lisbon strategy in March 2005, the European Council reaffirmed that the strategy was to be seen in the wider context of sustainable development whereby present needs should be met without compromising the ability of future generations to meet theirs. The European Council reiterates its attachment to sustainable development as a key principle governing all the Union's policies and activities'. Conclusions of the European Council of June 2005.

interest, to be set out in a framework directive, adopted under the co-decision procedure, whereby a Community framework can be established which reflects their specific characteristics'<sup>(15)</sup>.

3.5 'In the Committee's view [a view that has been echoed by the European Parliament in its recent reports], cohesion should not be understood solely in terms of GDP. It therefore calls for a more representative indication of cohesion [which should include] in addition to GDP, parameters such as employment and unemployment levels, the extent of social protection, the level of access to general interest services etc.'<sup>(16)</sup>. These indicators should also be complemented by indicators of income inequality (Gini coefficient or inter-quintile ratio) and of CO<sub>2</sub> emissions (per inhabitant or change since 1990). In general terms, it is vital to build up the EU's statistical tools, particularly at NUTS level, and to forge closer links between Eurostat and national statistics offices in order to gain access as soon as possible to the most comprehensive and accurate data available<sup>(17)</sup>.

3.6 The EESC proposes considering whether it would be more pertinent, during the next Structural Fund allocation phase, to use the economic indicator of Gross National Income (GNI) rather than GDP, as is already the case for the Cohesion Fund. This would enable commuters to be taken into account, whose economic impact helps close the gaps, as highlighted in a section of the report, while encouraging mobility at all levels, as well as foreign direct investment (FDI) flows, from which part of the revenue returns to the country of origin. Thus, GNI, unlike GDP, takes account of inflows and outflows. There is a considerable difference between the two in certain countries (Luxembourg, Ireland, the Czech Republic, Estonia, Cyprus, Hungary and to a lesser extent Poland and Romania) which could result in a sub-optimal allocation of Structural Funds. It should also be noted that this data is not available at NUTS level, something which must be rectified as far as possible.

#### 4. Answers to certain consultation questions

4.1 *How can the regions react to restructuring pressures from dynamic competitors in low-and medium-tech sectors?*

4.1.1 With regard to the qualitative upgrading of EU businesses, it is clear that the 7th Research and Development Framework Programme (RDFP) and the Competitiveness and Innovation Framework Programme (CIP), which are both aimed at boosting SMEs and the regions of knowledge, remain too top-down in their approach. Links with 'networks of centres of technological and scientific excellence' and industrial parks should be promoted, as should 'structured bridges between academia, industry and government'. That said, it must be borne in mind that the innovation mantra entails a risk of further fragmentation if new areas of responsibility are not formed in order to guide the

<sup>(15)</sup> See the EESC opinion on the *Communication from the Commission — Implementing the Community Lisbon programme: Social services of general interest in the European Union*, OJ C 161, 13.7.2007, p. 80.

<sup>(16)</sup> See paragraph 1.3 of the EESC opinion on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

<sup>(17)</sup> 'When it relaunched the Lisbon strategy in March 2005, the European Council reaffirmed that the strategy was to be seen in the wider context of sustainable development whereby present needs should be met without compromising the ability of future generations to meet theirs. The European Council reiterates its attachment to sustainable development as a key principle governing all the Union's policies and activities'. Conclusions of the European Council of June 2005.

public through the changes<sup>(18)</sup>. This requires a more serious focus on the *quality* of jobs given that ‘as well as increases in R&D investment and investment generally, and investment in education and training in view of the requirements of the knowledge and information society, improving the quality of working life is a key to increasing the growth in productivity and innovativeness of businesses. This is proven by studies into the relationship between quality of work and productivity and into the significance that “good work” has from the point of view of the employees concerned for their job motivation and readiness to enhance output’<sup>(19)</sup>.

4.1.2 With regard to industrial policy, ‘identifying synergies and involving stakeholders in achieving structural change [...] can allow industrial change to be managed in a socially acceptable way if the social partners are systematically involved in anticipating and managing change, and the dual objective of making businesses competitive and minimising the negative social impact is consistently pursued’<sup>(20)</sup>.

4.1.3 In cross-border regions, industrial change could be facilitated ‘by setting up the optional transnational framework for collective negotiation as announced in the 2005-2010 social agenda’<sup>(21)</sup>.

4.1.4 ‘The Committee supports the request made by the European Parliament for an assessment of relocations and the follow-up given to them at territorial level (jobs destroyed/created, types of job, impact on economic, social and territorial cohesion) and to make specific proposals in the form of periodic reports’<sup>(22)</sup>.

4.1.5 One tranche of the unused budget appropriations could serve to swell the coffers of the European Globalisation Adjustment Fund (EGF) — the new instrument that provides prompt temporary support to workers who have been made redundant and who are ‘victims of globalisation’. We would also propose that the eligibility threshold be revised downwards by reducing the number of workers made redundant required to trigger the fund, given that SMEs represent 99,8 % of companies (of which 91,5 % are micro-enterprises) and 67,1 % of total employment.

4.1.6 The stipulation within the general provisions on the Structural Funds regarding the seven-year period during which a company which has received such aid must commit to maintaining its investment in the recipient region must be retained.

4.1.7 It appears from our initial assessment that the JEREMIE initiative is overly concentrated in key sectors and that SMEs outside of these sectors are not deriving sufficient benefit.

<sup>(18)</sup> EESC opinion on *The territorial governance of industrial change: the role of the social partners and the contribution of the Competitiveness and Innovation Programme*, OJ C 318, 23.12.2006, p. 12.

<sup>(19)</sup> EESC opinion on *Quality of working life, productivity and employment in the context of globalisation and demographic challenges*, OJ C 318, 23.12.2006, p. 157.

<sup>(20)</sup> EESC own-initiative opinion on *Social dialogue and employee participation, essential for anticipating and managing industrial change*, OJ C 24, 31.1.2006, p. 90.

<sup>(21)</sup> EESC opinion on the *Communication from the Commission: Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines (2007-2013)*, OJ C 185, 8.8.2006, p. 52.

<sup>(22)</sup> Report on relocations in the context of regional development (rapporteur: Hutchinson, 30 January 2006).

4.1.8 Not all EU regions will be capable of being at the leading edge of the knowledge economy for want of infrastructure or human capital, or because their size prohibits economies of scale. These regions will have to position themselves in relation to neighbouring metropolitan areas by developing their residential economy or by specialising in areas with less marked agglomeration effects or where a lower critical mass is required. The EESC is opposed to rural areas being assimilated into agricultural areas, with no other prospects in view.

4.1.9 One possible alternative lies in tourism and related activities. This requires that ‘new rural professions [...] be created: specialised trade in local products; traditional crafts and food products; sports and environmental leisure services; audiovisual and virtual reality facilities; cultural promotion; childcare, campsites and hostels; natural medicine; aesthetic enhancement; traditional construction and revival of trades; internet cafés; promotion of local property; advice on the new activities; production of goods and services usually consumed in tourist accommodation; specialised attention for the elderly’<sup>(23)</sup>. The utmost attention should be paid to supporting ecotourism, which is based on biological management. The goal of ecotourism is to educate people towards development that is sustainable, respects the environment and does not disturb the balance of nature. The European Social Fund and the EAFRD have a contribution to make here.

4.1.10 Cultural tourism can open up interesting opportunities for many regions. To this end, ‘the European Union could use competitions and reward schemes in its programmes in order to promote best practices in the management of cultural tourism services, particularly in the “European Capitals of Culture” programme and the future “European destinations of excellence” programme. The EU could also provide advice for cities and regions which decide to apply for these two programmes, and grant them more substantial funding than at present and maybe fast-track Structural Funds appropriations for them’<sup>(24)</sup>.

#### 4.2 To what extent is climate change a challenge for cohesion policy?

4.2.1 The EESC shares the view of ESPON<sup>(25)</sup> that the consequences of climate change will vary across the regions, requiring differentiated responses. For regions within the economic hub, ‘the objective has to be to maintain their economic productivity while reducing negative agglomeration economies such as air pollution and CO<sub>2</sub> emissions [...]. Innovative and efficient collective transport systems have to be developed and land use managed in a controlled way. In the Southern European regions, but also in mountainous areas, the main challenge will be [...] the limitation of uncontrolled land use

<sup>(23)</sup> EESC opinion on *The contribution of tourism to the socio-economic recovery of areas in decline*, OJ C 24, 31.1.2006, p. 1.

<sup>(24)</sup> EESC opinion on *Tourism and culture: two forces for growth*, OJ C 110, 9.5.2006, p. 1.

<sup>(25)</sup> ESPON: *Scenarios on the territorial future of Europe*, May 2007.



and construction. Remote areas [...] need innovative solutions to provide for the necessary levels of accessibility [...] [while avoiding measures with] negative long-term effects'.

4.2.2 The EESC proposes complementing and bolstering the budget of the Solidarity Fund, which currently provides rapid aid in the event of a natural disaster. In order to further emphasise the EU's commitment to combating climate change, which requires longer term measures, the EESC proposes that henceforth the Solidarity Fund should also co-finance preventive risk management projects.

4.2.3 Clear and transparent criteria ought to be used for the selection of projects to be financed under different budget headings and programmes. These should include sustainability criteria, such as the impact of the project on the environment, health, creation or loss of jobs and EU competitiveness <sup>(26)</sup>.

4.3 *How can cohesion policy better promote harmonious, balanced and sustainable development taking into account the diversity of EU territories, such as least favoured areas, islands, rural and coastal areas but also cities, declining industrial regions, other areas with particular geographic characteristics?*

4.4 The EESC has repeatedly advocated the implementation of polycentrism within the EU. The Fourth report highlights the dominance of the economic hub (or *pentagon*) and the growing importance of the capital cities, as well as the ensuing social and environmental costs. The EESC also advocates fostering secondary growth poles and metropolitan areas, and consolidating synergies and complementarities between urban areas and the more remote regions <sup>(27)</sup>. There could be a regular report on the socio-economic situation of metropolitan areas, which would require the development of a statistical monitoring tool <sup>(28)</sup>. The EESC also feels that, to this end, territorial pacts for development within the context of globalisation could prove useful, especially where they form part of a forward-looking approach to fostering the cultural growth of society that engages everyone <sup>(29)</sup>.

4.4.1 The EESC advocates using the 'Socially Responsible Territories' model (i.e. territories that, as stated in the Bristol Accord <sup>(30)</sup> of December 2005, aim to develop sustainably,

<sup>(26)</sup> EESC opinion on *The role of sustainable development within the forthcoming financial perspectives*, OJ C 267, 27.10.2005, p. 22.

<sup>(27)</sup> EESC opinion on *The Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

<sup>(28)</sup> See the two EESC opinions on *European metropolitan areas: socio-economic implications for Europe's future*, OJ C 302, 7.12.2004, p. 101 and OJ C 168, 20.7.2007, p. 10.

<sup>(29)</sup> EESC opinion on *The territorial governance of industrial change: the role of the social partners and the contribution of the Competitiveness and Innovation Programme*, OJ C 318, 23.12.2006, p. 12.

<sup>(30)</sup> www.odpm.gov.uk

taking into account the economic, social and environmental aspects of their own activities as well as the socioeconomic implications of an ageing population) for urban development. It is thus essential to maintain and foster the involvement of society stakeholders in agreeing on the direction to be taken, as promoted by the 6th Framework Programme for Research and Development (FPRD). The 7th FPRD provides for specific activities relevant to human development and ageing <sup>(31)</sup>.

4.4.2 Given that areas with job-creation and industrial potential can go beyond the national sphere, the Interreg funds should be bolstered to promote cross-border cooperation <sup>(32)</sup>.

4.4.3 As regards the outermost regions, *'the EESC welcomes the Commission's intention, within the convergence objective, to set up a specific compensation mechanism covering all the handicaps of the outermost regions, as well as regions with permanent structural handicaps'* <sup>(33)</sup>. Given that 50 % of R&D expenditure is concentrated in only a few regions, the EESC calls for *'more incentives for technology transfer between the regions'*. The EESC believes that *'a European policy for regions with permanent handicaps should be based on three major principles'*, namely: 1) permanence (the *catch-up* concept not being relevant to these regions), 2) positive discrimination, designed to bring about real parity with the other regions and 3) proportionality, to take account of the diversity of the geographic, demographic and environmental characteristics of the regions as well as the constraints that they face. To eliminate the inequality, interventionist measures of a social nature could be envisaged, such as: *'direct aid for certain commercial activities or services providers, special fares for residents on sea or air transport, the existence of high-quality public services'* <sup>(34)</sup> and so on.

4.4.3.1 The Commission is right when saying that accessibility constraints for islands can be translated into the fact that *'travel time by car or train [is] increased by the sea crossing'*. Accessibility is *'a particular problem'* that islands have to cope with. And the Commission is also right when it stresses the problem of the small size of their population. In fact, most of the islands cannot rely on their domestic market. However, other problems also determine their *'long-term development prospects'* for example the limitation of the resources, natural risks and fragile environment.

<sup>(31)</sup> EESC opinion on the *Communication from the Commission to the Council and the European Parliament on a Thematic Strategy on the Urban Environment*, OJ C 318, 23.12.2006, p. 86.

<sup>(32)</sup> See paragraph 3.4 of the EESC opinion on the *Proposal for a Regulation of the European Parliament and of the Council establishing a European grouping of cross-border cooperation (EGCC)*, OJ C 255, 14.10.2005, p. 76.

<sup>(33)</sup> EESC opinion on the *Third report on economic and social cohesion — A new partnership for cohesion: convergence, competitiveness, cooperation*, OJ C 302, 7.12.2004, p. 60.

<sup>(34)</sup> EESC opinion on *How to achieve better integration of regions suffering from permanent natural and structural handicaps*, OJ C 221, 8.9.2005, p. 141.

4.4.3.2 Article 16 TEC states that ‘... the Member States, each within their respective powers and within the scope of application of this Treaty, shall take care that such services operate on the basis of principles and conditions to enable them to fulfil their mission’.

4.4.3.3 Another measure could be a universal service (US) model for public services sectors whose application in these areas is enshrined in European Union policy documents and regulation. This measure is highlighted in the Green Paper on Services of General Interest <sup>(35)</sup>.

4.4.4 The EESC stresses the importance of penalising companies that receive EU aid but relocate within 7 years. Public resources cannot be wasted through subsidising jobs cuts.

4.5 *What are the impacts of the challenges identified in the report for key elements of social cohesion such as inclusion, integration and opportunity for all? Are further efforts needed to anticipate and counteract these impacts?*

*Given wide differences in birth rates, death rates and migratory flows at regional level, what is the role of cohesion policy in responding to demographic change?*

4.5.1 The cross-sectional dimension of gender equality is mentioned explicitly in the Structural Fund regulations. However, it seems that efforts made in this regard have been almost exclusively focused on labour market issues. The Member States must be encouraged to adopt an integrated approach (possibly by means of the Lisbon Strategy Integrated Guidelines and, where appropriate, via individual recommendations). In order to assess operational programmes, data broken down by gender is a crucial requirement.

4.5.2 To enable couples to decide how many children they would like to have, the Member States should introduce a range of measures such as ‘direct financial support, changes in taxation, and the provision of economically viable public or private facilities (e.g. crèches of various kinds, including company or inter-company crèches) all-day schooling and services; thus, it is the quality of facilities that matters, not the quantity’ <sup>(36)</sup>. Moreover, the EESC notes that following the Barcelona European Council (June 2002), the Member States agreed ‘to provide child care by 2010 to at least 90 % of children between three years old and the mandatory school age and at least 33 % of children under three years of age’. There is also a need to establish ‘a fixed threshold for public funding for family- and child-related policies — i.e. investments in the future — so that available resources are not, potentially, subsumed in the overall costs of an ageing society — costs which an ageing electorate may consider a top priority’ <sup>(37)</sup>. In this regard, it would be worth

considering setting up a *demographic fund*. It would be aimed at supporting national efforts to promote higher birth rates and female participation in the labour market by making more EU funds available for investment in facilities for childcare and care of the elderly as well as in the renovation/modernisation of schools, particularly in rural areas.

4.5.3 In tandem with demographic support, other measures are needed, including ‘safeguarding and improving the health and safety of children; providing quality education for all; proposing assistance and support systems enabling parents to meet their needs and difficulties. Special attention should be paid to families and children living in extreme poverty, those needing specific support, and those from migrant backgrounds. Although the EESC acknowledges the ageing of the European population and believes that demographic renewal is essential for the survival of the continent, it points out that a reduction in widescale unemployment, access to lasting employment for 25-35 year-olds and real job security in general should make it possible to finance retirement (whether active or not)’ <sup>(38)</sup>. The European Social Fund must make a significant contribution to this venture.

4.5.4 The EESC also believes that ‘a set of common objectives on access to housing; minimum standards on the quality of housing which define the concept of decent housing [should be established at EU level]’ <sup>(39)</sup>.

4.5.5 ‘European financial institutions [should] earmark resources at very low rates for integrated building programmes for young people, families with children, immigrants, older people, the disabled, at-risk social groups and so on, thus encouraging worker mobility, improving the social mix and providing affordable solutions for occupants. (...) The EESC notes that the use of the JESSICA programme will provide the elements necessary to set up a guarantee fund for larger-scale social housing projects and it calls for this question to be considered during the mid-term review of the Structural Funds’ <sup>(40)</sup>.

4.6 *What are the key future skills that are essential for our citizens in facing new challenges?*

4.6.1 The territorial pacts for development referred to in the answer to question 2.1, offer an interesting approach to addressing this issue insofar as the range of different situations and specific challenges requires the use of different instruments and competences (cf. 1.1). The social partners, who each year since 2002 present a report to the Spring European Council on their involvement in the lifelong learning initiative, must be actively involved.

<sup>(35)</sup> COM(2003) 270 final.

<sup>(36)</sup> EESC opinion on *The family and demographic change*, OJ C 161, 13.7.2007, p. 66.

<sup>(37)</sup> Ibid.

<sup>(38)</sup> Ibid.

<sup>(39)</sup> EESC opinion on *Housing and regional policy*, OJ C 161, 13.7.2007, p. 17.

<sup>(40)</sup> Ibid.

4.6.2 The EESC would like to point out that 'the key condition for using ICT in lifelong learning, particularly in the Community's rural areas and small towns, is support from the EU and the governments of Member States for broadband internet connections <sup>(41)</sup>, that provide access to e-learning systems (...) In this context, the EESC appeals to the Commission to recognise access to broadband as part of a wider strategy aimed at ensuring that eAccess is accorded the status of general interest. (...) Special consideration must be given to the risk of a generation gap emerging' <sup>(42)</sup>.

4.7 Given the need for efficient management of cohesion policy programmes, what is the optimum allocation of responsibility between the Community, national and regional levels within a multi-level governance system?

4.7.1 The EESC would firmly reiterate its opposition to any attempt to renationalise Cohesion Policy, which incontestably provides European added value in terms of solidarity, growth and jobs, and whose impact on the ground is visible to the European public.

4.7.2 The EESC points out that, according to the Treaty (Articles 2, 158 and 159), all policies — EU, national, horizontal and sectoral — must contribute to the objective of cohesion. Therefore, it is important that cohesion, and particularly its territorial dimension, be taken into account in the integrated guidelines and impact analyses <sup>(43)</sup>.

4.7.3 The EESC welcomes the IGC's inclusion of territorial cohesion as one of the objectives of the EU and the Commission's plan to set up a new territorial cohesion unit within DG REGIO. This unit should ensure that sectoral policies do actually converge towards the objective of cohesion. In particular, in view of the fact that projects eligible for EU funding need to be co-funded by national governments, consideration should be given to the budgetary criteria laid down by the Stability and Growth Pact, and to their impact on the funding of trans-European networks, and specifically on the missing sections.

A number of general guidelines need to be called to mind. Some were already included in the Treaties, others were introduced following the 2007 Intergovernmental Conference. They stipulate that: *The Union must, in the definition and implementation of its policies and actions:*

<sup>(41)</sup> Broadband Internet access — Communications channel with high capacity, enabling quick, easy access to information and e-learning systems (source — <http://www.elearningeuropa.info/>).

<sup>(42)</sup> EESC opinion on *The contribution of IT-supported lifelong learning to European competitiveness, industrial change and social capital development*, OJ C 318, 23.12.2006, p. 20.

<sup>(43)</sup> EESC opinion on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

— take into account the requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health. (New Article 9 of the Treaty on the Functioning of the European Union).

— aim to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. (New Article 10 of the Treaty on the Functioning of the European Union).

— integrate environmental protection requirements (...) in particular with a view to promoting sustainable development (Article 6 of the Treaty Establishing the European Community, maintained in the new Treaty).

The provisions set out in the Charter of Fundamental Rights, recognised in the Treaty on European Union (Article 6) must also be taken into consideration in defining and implementing the structural policies.

4.7.4 The EESC strongly regrets that this consultation process does not address the role of the social partners and organised civil society in the framing, development and implementation of the Structural Funds. They have a crucial role to play in adapting co-funded projects to local conditions and needs, insofar as these are in line with the strategic guidelines. 'The Committee calls for guidelines to be drawn up in future for the conduct of consultations on Member States' strategic and programming documents. (...) The Member States should explain how they organise feedback on how the partnership principle is implemented in the context of the monitoring committees. The Committee believes that the Member States and regional authorities should make greater use of the potential existing within civil society organisations by involving them in the preparation of promotion plans. Grass-roots initiatives should also be supported by allocating adequate financial resources for this purpose from the funds available for the promotion of and information about the Structural Funds. In the case of cross-border or interregional programmes, it would also be worth promoting joint consultations and socio-occupational partnerships which are also cross-border or interregional' <sup>(44)</sup>.

4.7.5 Following on from the Open Days and the Regions for Economic Change initiative, the EESC strongly advocates:

— the creation of a European tourism agency which could act as a monitoring centre and provide the Community, the Member States and the regions with reliable and comparable data on tourism <sup>(45)</sup>;

<sup>(44)</sup> See the EESC opinions on the *Communication from the Commission: Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines (2007-2013)*, OJ C 185, 8.8.2006, p. 52. and on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

<sup>(45)</sup> EESC opinion on *Tourism and culture: two forces for growth*, OJ C 110, 9.5.2006, p. 1.

- the introduction of *European green city* awards in order to encourage local communities and their public and private players to optimise their efforts <sup>(46)</sup>;
- the introduction of a technical assistance facility for housing projects in cooperation with representatives and networks of local and regional authorities and supported by the European Commission and the Member States (to build on projects and methods for effectively integrating housing projects in urban regeneration programmes) <sup>(47)</sup>.

Particular emphasis should be put on the dissemination of experience and best practices.

#### 4.8 *What are the new opportunities for co-operation between regions, both within and outside the EU?*

4.8.1 The EESC believes that a forum bringing together metropolitan areas and the Commission could promote polycentrism and increase knowledge of these areas. A working party could be set up to identify and disseminate best practice <sup>(48)</sup>.

Brussels, 13 December 2007.

4.8.2 Legal entities created both under the EGCC and other Structural Funds must be responsible for coordinating the various sources of financing, and for the preparation and realisation of fund projects supporting industrial policy in the given region. This financing would be accessible to the representatives of the various parties involved in the regions. The establishment of such legal entities will create an incentive for cross-border cooperation and give such regions a greater sense of identity and increase their desire to harmonise their regulations <sup>(49)</sup>.

4.8.3 In this context, joint consultations and socio-occupational partnerships which are also cross-border or interregional should be promoted, as should social dialogue initiatives at these levels, particularly by setting up the optional transnational framework for collective negotiation as announced in the 2005-2010 social agenda <sup>(50)</sup>.

4.8.4 Another area where regional cooperation could promote cohesion is the energy sector, since it has an impact on production costs, families, and economic development. This could be done through forms of interregional energy exchanges between regions that have greater quantities and lower cost resources vis-à-vis poorer regions. Nowadays, this can be done via a regulated system of networks, which is, however, more flexible and involves activating the 'power exchange'.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

<sup>(46)</sup> EESC opinion on the *Communication from the Commission to the Council and the European Parliament on a Thematic Strategy on the Urban Environment*, OJ C 318, 23.12.2006, p. 86.

<sup>(47)</sup> EESC opinion on *Housing and regional policy*, OJ C 161, 13.7.2007, p. 17.

<sup>(48)</sup> See the two EESC opinions on *European metropolitan areas: socio-economic implications for Europe's future*, OJ C 302, 7.12.2004, p. 101 and OJ C 168, 20.7.2007, p. 10.

<sup>(49)</sup> EESC opinion on *The management of industrial change in cross-border regions following EU enlargement*, OJ C 185, 8.8.2006, p. 24.

<sup>(50)</sup> EESC opinion on the *Communication from the Commission: Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines (2007-2013)*, OJ C 185, 8.8.2006, p. 52.

## Opinion of the European Economic and Social Committee on 'Migration and development: opportunities and challenges'

(2008/C 120/18)

At its plenary session held on 16 February 2007, the European Economic and Social Committee decided to draw up an opinion, under Rule 29(2) of its Rules of Procedure, on

*Migration and development: opportunities and challenges.*

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 October 2007. The rapporteur was **Mr Sukhdev Sharma**.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 12 December), the European Economic and Social Committee adopted the following opinion by 125 votes in favour with 5 abstentions.

### 1. Executive Summary

1.1 This own-initiative opinion outlines policy suggestions on issues relevant to the highly interconnected fields of Migration and Development.

1.2 In focussing on practical examples, suggestions and potential mutually beneficial cooperation arrangements, migration can be viewed as a 'tool for development'. By introducing specific measures, the Committee wishes to move the debate from the policy level to the programming level.

1.3 A beneficial application of Migration and Development policies is best achieved by means of better facilitating the role of remittances (3.4-3.8) in order to increase recipients' income-levels and possibly by means of regulating migratory flows to benefit least developed countries or certain low-income sections within developing countries (4.2). Concepts of Co-Development have the potential to channel private remittances to infrastructure projects that benefit the general public (5.1-5.2). Other forms of Co-Development engage with Diaspora organisations to mobilise human resources and or monetary resources for foreign direct investments, knowledge and technology transfers, and social and cultural remittances (5.3-5.8). Migration and Development policies can mitigate the negative affects of brain drain by creating brain trust and by facilitating circular and virtual migration patterns (6.2-6.6.4). Lastly, the Committee argues that Migration and Development policies can only be successful, once they are mainstreamed into other relevant policy fields and policy coherence is ensured (7.1-7.3).

1.4 This Opinion complements the Committee's Opinion on 'EU immigration and cooperation policy with countries of origin to foster development' by Rapporteur: Mr Pariza Castaños<sup>(1)</sup>. Additionally, it is supportive of the Commission's

<sup>(1)</sup> SOC/268 Immigration and cooperation for development dated 4 June 2007.

Communication on 'Circular migration and mobility partnerships between the European Union and third countries'<sup>(2)</sup>.

### 2. Migration and globalisation

2.1 The process of globalisation has led to the liberalised movement of capital, goods, and services. The movement of people, however, still remains globalisation's most restricted branch. In order to give less-developed economies a bigger share of the economic growth driven by globalisation, more attention should be given to the free movement of people. This opinion follows the school of thought that migration is a chance for developing countries to participate more equally in today's globalised economy. Migration has the potential to decrease inequality; however, migration must not be seen as a substitute for traditional development aid.

2.2 Two considerations set the stage for creating a concept that values migration as a link between globalisation and development. Firstly, demographic trends indicate that already existing labour shortages in EU countries are expected to increase in the near future, especially within the labour-intensive service sectors. Secondly, the World Bank projects that the potential of well-managed migration could in the near future yield significant monetary assistance in the form of remittances to people of poor countries<sup>(3)</sup>. Remittance flows within the OECD countries, but also from OECD to developing countries and even between developing countries are steadily increasing<sup>(4)</sup>. Thus, international migration can be an important component in achieving the Millennium Development Goals. Remittances as well as the concepts of co-development and circular migration have significant developmental potential. More importantly, their developmental potential is fuelled by the labour market needs of Western Europe.

<sup>(2)</sup> 16.5.2007 COM(2007) 248 final.

<sup>(3)</sup> World Bank 2006. Global Economic Prospect.

<sup>(4)</sup> According to the World Bank from 2001 to 2005 remittance flows have doubled to a record of US Dollar 249 billion in 2005, of which developing countries received 180 billion — four to five times the amount of official development assistance (World Bank (2006): International Migration Agenda and the World Bank — Managing Risks and Enhancing Benefits). Oxfam estimates the yearly inflow of remittances to developing countries to be USD 80 billion (International Development Committee Inquiry on Migration and Development, Oxfam, 2003). The Global Commission on International Migration estimates the total remittances received by developing countries at USD 93 billion annually (Migration and Development, Policy Analysis and Research Programme, 2003). In sum, remittances make up 2.2 % of the gross domestic product of all developing countries (International Monetary Fund 2005).

2.3 This opinion underlines the need for a well-developed, comprehensive and integrated approach to Migration and Development policies, which has the potential to create a 'win-win' situation.

2.4 Such an approach recognises the imbalance of the positive and negative impact of migration on developing countries and addresses the cost and benefit factors accordingly. While in some countries migration eases the pressure from over-population and unemployment, and the deliberate export of skilled labour establishes overseas sources for future remittances, foreign direct investments and knowledge transfers; for other countries the permanent outflow of human resources severely hampers development. Therefore, well managed migration enhances the positive effects of migration while at the same time mitigates its negative impact.

2.5 The Committee supports the assessments of leading international development organisations such as the World Bank, the UK Department for International Development, Oxfam and others which all highlight the developmental potential of international migration to achieve relief from poverty and sustain economic development in source countries. Remittance transfers lead to significant income increases for recipient households, and are a powerful driver for short-term poverty relief and, if managed carefully, can even lead to long-term sustainable development. The latter is supported by concepts of 'co-development' such as Diaspora philanthropy, social remittances, knowledge transfers, and transnational business networks.

2.6 The strength of well managed Migration and Development policies should be their ability to protect vulnerable countries, (almost all of sub-Saharan Africa), from migration inflicted development constraints. Developing countries that benefit least from remittances and philanthropy often bear the highest costs of migration: the loss of highly skilled and talented people. Models of circular and virtual migration can address, to a certain extent, the shortfalls of unchecked emigration. Migration and Development policies can address the needs and particularities of sectors particularly vulnerable to migration, such as the educational or health care sector. Unless strong migration regimes prevent the loss of skilled health care personnel in severely HIV/AIDS-affected areas, other development efforts will not be sustainable. Bilateral and regional migration partnerships between destination countries and countries of origin can play an important role protecting these sectors which are crucial for their development.

2.7 The Committee has taken note of the many ways and means migration profoundly impacts on source and destination countries. Some are only recognised years after migratory movements have begun. An issue of increased concern is for the children of migrants who remain in source countries and their health and educational prospects in single-parent households.

On a societal dimension, migration-affected areas show signs of a distorted gender-ratio which most certainly will leave an imprint on the socioeconomic framework conditions for long-term development. These concerns must be considered when planning and implementing international migration policies.

2.8 The Committee highlights the existing socioeconomic interdependence between the host and source country. Economically successful migrants in host countries tend to remit more. Similarly, socially well-integrated migrants have a potentially bigger impact on co-developing their country of origin through philanthropy, social remittances and circular or virtual migration, in comparison to less well integrated migrants. Consequently, host countries must consider concepts that prevent brain waste: these range from better social integration in general, to achieving an equalisation of wages and to improving working conditions; including access to unions, or addressing the often problematic legal status of migrants. This approach maximises the migrants' input for the host society and additionally increases their development potential.

2.9 Similarly interconnected are concepts designed to confine irregular migration. Irregular migration harms destination countries due to its links to illicit employment. It equally poses a threat to the (irregular) migrants because they often are in a weak position of a dangerously exploitive relationship facing harsh working conditions with few health and safety standards. Furthermore, irregular migration harbours negative developmental consequences: there is limited opportunity for integration in host countries and the high costs of such migration diminish the prospects for remittances to source countries. Nevertheless, regularising the status of undocumented migrants remains a human imperative, as well as an economic and social necessity. Increasing the opportunities for regular migration enhances its development potential, while at the same time reduces the demand for criminal organisations involved with smuggling and human trafficking. Legal migration therefore minimises exploitation.

2.10 The Committee recognises that South-South migration is the most common form of international migration. Neighbouring countries or the immediate region are the most chosen destinations for international migrants<sup>(5)</sup>. Moreover, when considering the fact that migration involves risk-taking and requires financial resources, skills and networks, it becomes obvious that, especially for poor people, movement within national borders is by far the most prevalent form of migration<sup>(6)</sup>. Therefore, a comprehensive approach to Migration and Development policy must also consider the potential impact of regional and internal migration on poverty reduction and economic development.

<sup>(5)</sup> Especially South Africa bears the extra burden of being an often sought immigration country to the whole region.

<sup>(6)</sup> See DFID report: 'Moving out of poverty — making migration work better for poor people' (<http://www.dfid.gov.uk/pubs/files/migration-policy-paper-draft.pdf>).

2.11 The Committee urges Member States to apply the standards codified in the International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families (1990).

### 3. Migration and poverty relief — facilitating remittances

3.1 The Committee recognises the development potential of remittances between migrants and their families remaining in their country of origin. Research suggests that remittances directly increase the income-level of its recipients thereby alleviating poverty.

3.2 However, an unspecified but significant share of remittances — between one and two thirds — flows through informal channels. This has negative consequences for migrant and recipient, as well as for the host and source country. Due to the lack of competition amongst financial service providers in the informal sector, migrants and recipients have no choice but to accept high transaction costs which in turn erodes the income of migrants. For financially weak developing countries, remittances offer a major source of foreign currency and, if channelled through official banking institutions, improve financial development by increasing aggregate levels of deposit and credit intermediated by the local banking sector (7). Remittances thereby generate a positive macroeconomic development. Host countries generally connect security concerns with the informal banking sector; money-laundering or the financing of terrorist organisations both of which most often take place using informal financial transaction methods.

3.3 There are many reasons why migrants often choose irregular channels over official banking services for remittances. A large number of migrants choose irregular transfer channels because official service providers are too costly, too slow, and too bureaucratic or simply not accessible. Migrants also display a lack of trust in their home country's banking institutions or fear exchange rate fluctuations. Poor recipients, especially those living in remote, rural areas, have no physical access to banking facilities. Many more cannot afford the fees required to maintain a bank account. Remittance fees disproportionately impact on low-income families who are sending regular but small amounts of money. For undocumented migrants banking channels are not accessible because they lack documentation which is a prerequisite for opening bank accounts.

3.4 The Committee encourages Member States, the Commission, Parliament and Council to consider the following initiatives as a tool to foster development.

(7) Consequently, banks are able to raise cheaper and longer-term financing from international capital markets by securitising future remittances.

3.4.1 Foreign currency savings accounts for migrants living and working abroad should be made available by domestic banking institutions in countries of origin.

3.4.2 Banking services should be made available for low-income families by offering affordable banking rates and should also be provided to currently 'unbanked' communities. The latter could be achieved by linking banking services to more wide-spread service industries such as postal or retail networks or existing credit unions. A decrease of remittance fees, however, should not be off-set by unfavourable exchange-rates, dictated to the benefit of the banking institution.

3.4.3 Competition amongst remittance service providers must be strengthened to lower transfer costs. NGOs and public authorities in host countries can encourage competition by disseminating information on the comparative prices of service providers. An exemplary measure is the webpage [www.sendmoneyhome.org](http://www.sendmoneyhome.org). Additionally, increasing the financial literacy of migrants is a key activity civil society should facilitate, in cooperation with financial institutions.

3.4.4 Upgrading the banking technology in source countries could significantly reduce transaction costs, increase processing speed and enhance transaction security. Satellite-based information technology in remote areas to support an enhanced management and wire transfer system would further increase efficiency. The introduction of debit cards or mobile telephony add-on services is an innovative solution to extend outreach. All these capacity-building measures require investments that could be spurred by official development assistance or through public-private partnerships.

3.4.5 The stringent identification requirements are a deterrent to undocumented migrants wishing to open a bank account. Banks should develop ideas about improving access to banking services for undocumented migrants. Member States should consider reasonable changes to the regulatory environment set for the banking sector, to enable this process.

3.5 Lowering the costs of remittances is a necessary first step to enhancing their developmental impact. Facilitating the flow is a second step. Destination countries should therefore build remittance partnerships with source countries that receive large volumes of remittances. These partnerships could appropriately facilitate measures to improve access for poor people to banking institutions, strengthen the ability of financial service providers to facilitate remittance flows, and to create incentives for using formal transfer channels.

3.6 The Committee urges banking institutions operating from within the European Union to develop bank service policies with a strong corporate social responsibility focus that realises the banks' central role in addressing the needs of migrants and migrant families.

3.7 The Committee strongly encourages partnerships that pilot initiatives to foster the developmental use of remittances by lowering costs and increasing access. Two exemplary models are outlined below:

3.7.1 The mobile operator trade body GSM Association and the payment processing firm MasterCard have set up a system that will allow migrants to put cash onto their mobile phone, and order it to be sent to a mobile phone number abroad, where the recipient receives a text message saying that money has arrived.

3.7.2 The UK-based Lloyds TSB bank in collaboration with the Indian ICICI bank allows non-resident Indians to make remittances free of cost to India as long as a minimum balance in their ICICI account is being maintained.

3.8 Especially in times of conflict and crisis or after natural disasters, remittances have proven to be an effective and fast mechanism to address the needs of refugees and victims in countries of origin. Humanitarian aid organisations and first responders should consider providing access to remittances as part of their post-conflict/post-disaster aid packages.

#### 4. Migration and closing the inequality gap — regulating regular migratory flows for the benefit of underdeveloped regions

4.1 Despite their potential to induce real-time poverty-relief for its recipients, the developmental impact of remittances as private transactions is limited, since the benefit of receiving remittances from abroad is generally not for the poor. In contrast, people who are able to bear the initial costs of migration are those from lower middle-income households. Additionally, remittances primarily flow to large emigration countries with deliberate human capital export policies. Less than one third goes to the very least developed countries. The continuous inflow of remittances is highly dependent on a continuous outflow of migrants and therefore vulnerable to changes of immigration policies or the economic growth in host countries.

4.2 To leverage its poverty-relief impact and close the inequality gap at the same time, destination countries must not only better manage and facilitate remittance flows as indicated above, but also better manage the preceding migration flows.

Restrictions to legally accepting migrants in destination countries will consequently negatively impact the flow of remittances to source countries. Destination countries can furthermore effectively determine the direction of remittance flows by giving 'preferential immigration status' to specific immigrant groups from certain countries or regions of origin. This ensures that pre-existing migrant networks do not lead to regional bias in a country, nor do they lead to further increases in inequality levels in source countries. Thus, the host country proactively assists the least developed regions in source countries and helps to reduce thereby the inequality gap. Yet another step to ensure that remittances reach the least developed is by targeting members of these low-income households and facilitating their migration process.

#### 5. Migration and (co)-development

5.1 Co-development describes activities by migrants that compliment, not substitute, development. These activities are characterised by needs-based programming, sustainability and the ability to connect Diaspora groups to communities in source countries. One form of co-development that reaches all income levels of the recipient community are remittance-based investments in infrastructure for education and basic health services. The Committee therefore supports the embedding of remittances in co-development.

5.1.1 An exemplary initiative is the matching fund programme. Every remittance that migrants channel towards communal development purposes in their country of origin is matched by an equal amount by each of the institutional partners of the programme<sup>(8)</sup>. Ideally these partners are development aid organisations that bring management expertise and experienced personnel into the programme in cooperation with local government to achieve sustainability. These matching funds programmes should be made widely public and easily accessible through information platforms that also promote the use of official banking channels for remittances. Once successful 'matching funds programs' are identified, additional 'matching' partners from the private sector ought to be included. Especially companies that employ a significant portion of migrants as well as financial services providers that facilitate remittance transfers should be encouraged to participate and to exercise their share of corporate social responsibility. These public-private partnerships benefit all participants: the developmental impact increases because of larger collective remittances and companies and banks build trust towards their customers. However, the Committee is aware that cooperation between countries of origin and host countries must take account of all the players: not only

<sup>(8)</sup> An example is the immigrant community in the United States from the State of Zacatecas, Mexico. Under the 'Three for One' programme, each dollar sent by migrants' associations is matched by a dollar from the federal Mexican government and another from the State of Zacatecas. In any case, for such initiatives to be successful, immigrants must be socially well-integrated in the host communities in order to be able to organise themselves.



governments and official authorities, but also the social partners and civil society organisations. In this way, the development of anti-corruption practices and charters would prevent the growth of practices siphoning off the amounts transferred.

5.2 Other forms of co-development focus on steering remittances to entrepreneurial or investment-related activities.

5.2.1 Incentives that source countries can offer in order to increase overall remittance flows for co-development, range from income tax exemptions for migrants when investing in local businesses to exemptions from import duties for business investments.

5.2.2 The Committee encourages banking institutions and development agencies to test pilot programs that link remittances and micro-finance institutions in developing countries.

5.2.3 Banking institutions in source and host countries should be encouraged to develop remittance partnerships to facilitate the cross-selling of complementary financial services, e.g. offering small business credits or housing credits, along with remittance services.

5.2.4 To support and increase these activities development agencies and civil society organisations should inform migrant communities in host countries about investment possibilities, provide business training and facilitate networks that link migrants to capital-needy entrepreneurs in countries of origin. Migrant entrepreneurs in host countries and entrepreneurs in source countries should be linked in strategic business and development networks.

5.3 Some of the measures mentioned above require the cooperation of Diaspora organisations in host countries. The network of ties between Diaspora and source country is mainly the result of individuals or groups acting on their own initiative. These networks are a major source of foreign direct investments, knowledge and technology transfers, philanthropy and social as well as cultural remittances. They may even play a role in peace and reconstruction processes. However, the least developed countries lack the capacity to track migrants abroad and build Diaspora networks to tap these resources for development (remittances, investments, skills, knowledge).

5.4 The challenge is therefore to build capacity in Diaspora organisations that originate in least developed countries and target development for the lowest income sections.

5.5 The process of capacity-building must take into account the fact that Diaspora communities are in most of the cases informally and loosely organised; they have country-specific structures and operate along idiosyncratic dynamics of interaction with their country of origin.

5.6 Identifying adequate Diaspora groups and enhancing their ability to contribute to the development of source countries can result in the creation of *brain trust*. This is achieved by human capital programs that enlist migrants (or their offspring) for public or private sector development programs. These programs tap into language skills as well as cultural competencies and make recently acquired professional skills, expertise, and contacts available to developing countries.

5.6.1 A necessary step to initiate capacity-building efforts for Diaspora organisations and least developed source countries is the process of identifying and mapping these organisations and networks. The Committee therefore recommends building voluntary registers of skilled migrants from *brain drain* affected countries residing in host countries and of migrant businesses from small and medium size developing countries, currently operating within host countries.

5.6.2 Once identified, Diaspora organisations should be enabled to link with countries of origin and contribute to development. Destination countries and international development organisations should offer platforms and forums, travel stipends, fellowships, and business meetings to facilitate this process.

5.7 The existence of Diaspora communities does not guarantee an automatic positive development impact on the source country. The political and socioeconomic conditions and policies of the developing country play an equally important, if not predetermining role. However, migrant organisations should in general be more involved with development issues. Therefore development organisations are asked to approach migrant organisations to discuss useful cooperation.

5.8 The Committee supports the creation of a specific Migration and Development Fund to enable the abovementioned development activities.

## 6. Migration and mitigating the affects of *brain drain* — creating *brain trust* plus facilitating *circular* and *virtual* migration

6.1 The voluntary outflow of human capital often generates economically beneficial consequences for source countries. International migration eases the pressure from over-population and unemployment for many source countries. Some countries successfully export labour deliberately in order to build overseas pools for remittances, foreign direct investments and knowledge transfers. However, the permanent outflow of human resources, especially the highly skilled and talented, hampers development in the least developed countries which possess neither the economical nor the institutional capacity to build replacements.

6.2 The Committee therefore urges all actors to, firstly, take all necessary steps to mitigate the effects of *brain drain* and secondly, develop plans to prevent further depreciation of human capital in vulnerable economies and sectors. The Commission has already highlighted in its recent communication that mitigating the effects of *brain drain* involves concepts of *circular* and *virtual* migration<sup>(9)</sup>. Ethical codes of conduct, higher incomes and compensation funds are ways to prevent skilled professionals from leaving. Furthermore, well-tailored outsourcing from OECD countries to developing countries can decrease the migratory pressure in these specific countries. However, similar considerations which are being discussed to prevent *brain waste* in developed destination countries should be applied to workers employed in out-sourced industries in developing countries.

6.3 Facilitating *circular* and *virtual* migration builds upon the abovementioned capacities of Diaspora groups and their ability to connect with their country of origin — the creation of *brain trust*. Skilled migrants who have acquired tertiary education or professional training in destination countries can be an asset to source countries if they are enabled to transfer their skills and services.

6.4 Creating *brain trust* is a complementary concept to *brain drain* because the net-loss in source countries ideally feeds into the migration-based *brain trust* in destination countries. But more importantly, *brain trust* potentially mitigates some of the detrimental effects of *brain drain* in source countries. Individual migrants can offer their skills or organisational capacities to their country of origin either on a temporary basis — temporary return — or on a virtual basis by means of web-based applications and online platforms.

<sup>(9)</sup> Communication from the Commission on Circular migration and mobility partnerships between the European Union and third countries.

6.4.1 Visa regimes should be tuned accordingly in order to allow for professionals to more easily 'commute' between host and source country. International development organisations should consider schemes for development that *virtually* transfer services and knowledge of highly skilled migrants, such as cardiologists in destination countries using the internet to analyse medical records from the source country, geologists providing access to state-of-the-art laboratories in host countries, or financial analysts assessing business plans for micro finance programmes. Offering multiple-entry visas is a mechanism to facilitate *circular* migration.

6.4.2 Another powerful incentive for return and or *circular* migration is the portability of pensions' benefits and social security benefits of migrants from host to source country.

6.4.3 Developing countries need to be made aware of the existing possibilities of co-development and furthermore be encouraged and enabled to build network links with their Diaspora communities abroad.

6.4.4 These concepts of course require the successful integration of migrants into the host society. Destination countries must reduce existing *brain waste*, (migrants working in jobs below their originally acquired education and training), by better assessing their skills and consequently recognising degrees and certificates from source countries. This increases their contribution to the host society and their developmental impact on source countries.

6.5 Regulating emigration must be a maxim in regards to particular sectors such as education and health care. Protecting these particular vulnerable sectors from *brain drain* requires measures that address the push and pull factors of migration.

6.5.1 The Committee urges that developed countries must not recruit human capital from these vulnerable developing countries. The British government has implemented an exemplary code of conduct on ethical recruitment, which binds public and private medical institutions to not hire new personnel in developing countries facing a human resource crisis in the health care sector.

6.5.2 Similarly, labour immigration policies of destination countries can be adjusted to keep the flow of highly skilled people from at-risk developing countries to a minimum.

6.6 Depending on the resources available to at-risk and particularly vulnerable developing countries, several options are available to counter the impact of *brain drain*.

6.6.1 One option is to build a human capital surplus which opens the possibility to pursue an export-oriented (human) development strategy. These training efforts could be financed by exit taxes for highly skilled professionals who chose to migrate. These taxes might be levied on the emigrant or the destination country.

6.6.2 Repayment agreements (compensation funds) between migrant and source country prior to departure can discourage permanent migration and the source country is being reimbursed for costs of the education and training initially provided <sup>(10)</sup>.

6.6.3 The creation of *brain trust* for severely *brain drain*-affected source countries.

6.6.4 Highly skilled professionals who come to acquire further training or pursue specialisation in non-developing countries can be granted provisions of re-entry by host countries or easily accessible short-stay visas. These mechanisms of *circular* migration can encourage return migration to source countries.

Brussels, 12 December 2007.

## 7. Mainstreaming Migration and Development policies and ensuring policy coherence

7.1 The Committee acknowledges, as initially mentioned, that South-South migration as well as regional migration has a significantly larger migratory dimension than international migration between developing and developed countries. More attention should therefore be devoted to regional approaches of Migration and Development as already undertaken by the African Union.

7.2 The Committee wishes to highlight the need to mainstream 'migration and development policies' into the migration and integration policies of host countries and into national developing strategies of source countries as well as poverty reduction strategies of international development organisations.

7.3 The Committee notes that policy coherence is highly beneficial to the anticipated outcome of migration and development policies. Trade and security policies should not undermine the pro-development efforts of migration and development policies. Equally importantly, the Committee is urging its Member States to aim at policy coherence, by not arguing for different policies at the national and at the European Union level.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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<sup>(10)</sup> For further details on possible compensation funds between migrant and source countries please refer to the EESC Exploratory Opinion 'Health and Migrations' (rapporteur Mr Sharma and co-rapporteur Ms Cser) (OJ C 256, 27.10.2007).

**Opinion of the European Economic and Social Committee on ‘The EU’s relations with Moldova: What role for organised civil society?’**

(2008/C 120/19)

At its plenary session held on 15 February 2007 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on

*The EU’s relations with Moldova: What role for organised civil society?*

The Section for External Relations, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 15 November 2007. The rapporteur was Ms Pichenot.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 12 December), the European Economic and Social Committee adopted the following opinion by 117 votes to two with one abstention.

## 1. Conclusions and recommendations

### 1.1 Promote the role of civil society in EU-Moldova relations

1.1.1 The year 2005 marked a **turning point** in EU-Moldova relations. With the adoption of the EU-Moldova action plan (2005-2008), the establishment of an EU delegation in its capital city and the appointment of the EU Special Representative to the negotiations on the Transnistrian conflict, the conditions for implementing the Partnership and Cooperation Agreement have improved considerably. Against this backdrop, this first EESC opinion on EU-Moldova cooperation is aimed at promoting the role of civil society in order to build on this momentum and embark on a joint agenda by means of initiatives in the near future.

1.1.2 Strengthened cooperation between the EU and Moldova can only be based on a shared understanding of common values, notably the upholding of fundamental freedoms, a commitment to a democratic society open to all and to the principle of dialogue that is based on the independence of civil society partners. Civil society will hold the key to Moldova’s very identity. Fundamental to it is the rich human landscape that has built up within the country from the convergence of different cultures and languages. This richness is a considerable asset.

1.1.3 Undoubtedly, as in other CIS countries that have gone through the same historical experience, Moldova has no tradition or experience of independent civil society organisations. However, in view of ongoing developments, the Committee considers it vital to pursue contacts aimed at identifying progressive-minded partners with shared values.

1.1.4 The EESC stresses the extent to which the success of the EU-Moldova Action Plan <sup>(1)</sup>, under the European Neighbourhood Policy, hinges on the ability to **associate and involve civil society organisations** in its implementation. It therefore advocates that the Commission send out a clear signal by proposing criteria, procedures and instruments that would

enable more effective involvement of civil society. Nonetheless, the EESC commends the efforts of the EU delegation in Chisinau, in its focus on increasing contacts with Moldovan civil society. This will pave the way to a formal involvement of civil society representatives in the review of the action plan in April 2008 and in the next stages of an enhanced partnership.

1.1.5 The EESC recommends building a sustained and forward looking relationship with Moldovan civil society, beginning by structuring our relations. To this end a **conference** should be organised in 2008, prepared for by means of a prior mission, aimed at identifying partners that are committed to operating in a transparent manner. This event, which would include local and regional players, would be aimed at jointly drafting a work plan based on the proposals set out below:

- evaluating existing **information and consultation** mechanisms in Moldova, both governmental and European, including an assessment of the implementation of the action plan (2005-2008);
- preparing and **training civil society** for pursuing the partnership after 2008; and
- Moldovan organisations’ access to the **mechanisms of the EU financial instrument**.

This work plan will require a commitment to finance civil society initiatives through EU programmes.

1.1.6 After a review of the 2008 conference with Moldovan civil society, new initiatives should be launched. **Constructive** relations should be pursued via the Committee’s *neighbourhood group*, i.e. taking account of the principles that are fundamental to good governance and sustainable development. At the core of this incentive-based approach will be the principles laid down in the GSP+ agreement, namely:

- the 16 core human and labour rights UN/ILO conventions <sup>(2)</sup>;

<sup>(1)</sup> Cf. Appendix A.

<sup>(2)</sup> EESC opinion on the Proposal for a Council Regulation applying a scheme of generalised tariff preferences, rapporteur: Mr Pezzini, adopted on 9 and 10 February 2005 (OJ C 221, 8.9.2005, p. 15).

— the 11 conventions related to environment and governance principles <sup>(3)</sup>.

1.1.7 Thus the EU will provide an incentive to Moldova's civil society organisations towards meeting the European standards of independence, representativeness and transparency. Within each action plan progress report, the Commission should continue to include a specific section on respect for fundamental rights, including freedom of association and expression and add to this a review of trade union rights.

1.1.8 In the EESC's view, there must be a shift in priorities towards the gradual re-appropriation by the Moldovans themselves of the tools and expertise provided to them by international and European institutions. The EESC backs the Council of Europe's call for civil society support in combating corruption (a principle of the GRECO <sup>(4)</sup> approach). It calls for cross-border cooperation in the fight against organised crime.

1.1.9 The Committee backs the cooperation initiative taken by European and international donors aimed at ensuring consistency in their actions. It recommends that these poverty reduction programmes pursue priority actions on basic social services, with particular focus on improving living conditions in orphanages, lowering the price of antiretroviral drugs and helping to rehabilitate victims of human trafficking.

1.1.10 The prolonged drought of summer 2007 plunged the country into a difficult situation given the ensuing poor harvests, which led to bankruptcy and excessive debt. The government appealed for international food aid and FAO technical aid. The Committee considers it particularly important to forge links with civil society organisations working in the agri-food industry. As a short-term measure, the European Commission has allocated EUR 3 million in humanitarian aid to Moldova's most vulnerable rural communities.

1.1.11 The EESC considers it particularly important that there be common networks and projects linking all Moldovans, including organisations from the Transnistria region. The Committee encourages the EU to sustain its efforts towards a solution to the Transnistrian conflict that maintains its territorial unity and to pursue its border assistance mission (EUBAM).

1.1.12 The EESC recommends facilitating the exchange of democratic practices between civil society organisations, by inviting our Moldovan partners to access EESC publications available on the Internet (particularly in the Romanian language) as well as the work of national ESCs, available through the CES link. The Committee encourages the national ESCs within the Member States (particularly in Romania and Bulgaria) and the IAESCSI <sup>(5)</sup> to work together towards bringing Moldovan society

into contact with the tools and practices of European civil society.

1.1.13 The EESC hopes to see more effective participation by Moldovan civil society in regional Western Balkan and Black Sea dialogue, particularly through interregional and cross-border cooperation within this area of imminent strategic importance. EU-Moldova cooperation can be seen against the backdrop of strengthened cooperation with neighbouring countries, particularly Russia.

## 1.2 *Strengthening support for promising organisations and reconciliation bodies*

### 1.2.1 Establishing constructive social dialogue

In view of its weak industrial relations, the EESC points out Moldova's commitment not only to the ILO Conventions but also to the Council of Europe's Social Charter and its complaints mechanism. It suggests that the ILO offer technical assistance in handling labour disputes through specific courts.

### 1.2.2 Giving substance to the commitment to encourage contacts with European society

The EESC firmly supports the conclusion of the visa facilitation and readmission agreements which will establish a visa facilitation system, particularly with a view to increasing promising exchange programmes involving students, scientists, journalists and civil society representatives. It recommends broadening access to the EU's programmes, particularly for young people by means of Erasmus Mundus. The visa facilitation and readmission agreements, signed in October 2007 <sup>(6)</sup>, will also help stem the flood of requests by Moldovans seeking Romanian citizenship.

The Committee calls on the Moldovan government to involve civil society in European and international events (WTO, OSCE, the Council of Europe and the International Francophone Organisation). The EESC urges Member States to pursue and fund contacts and exchanges with Moldovan civil society (university bursaries, twinning schemes, cross-border cooperation, etc.).

### 1.2.3 Taking account of environmental performance

The EESC advocates supporting environmental organisations that are working towards the destruction of non-transportable weapons and ammunition stockpiles, military waste, industrial discharges and the cleaning-up of water pollution.

<sup>(3)</sup> See appended list.

<sup>(4)</sup> The Council of Europe's *Group of States against Corruption*.

<sup>(5)</sup> International Association of Economic and Social Councils and Similar Institutions (IAESCSI).

<sup>(6)</sup> Ratification of these agreements is expected by the end of 2007.

## 2. Key features of Moldova's socio-economic situation

2.1 With a per capita GDP of approximately USD 1 000, Moldova is the poorest country in Europe and the only one classified as low-income by the World Bank. Its population is declining (to less than 4 million in 2004), due to increased mortality (particularly among men), a decline in the birth rate and significant emigration.

2.2 While poverty reached dramatic levels between 1999 and 2005, it has since decreased, but still remains at a high level of approximately 30 % on average. The alleviation has been uneven, generating pockets of absolute poverty (USD 2/day) particularly affecting children and older people. Poverty rates in rural areas and small towns are still at around 40 to 50 % of the population.

2.3 Too many children are at risk of exploitation through homelessness, child labour, trafficking and prostitution. This level of poverty has also considerably increased the phenomenon of *social orphans* — children who cannot be supported by their parents and are put into state institutions

2.4 Women are subject to discrimination, which has been heightened by the very difficult social situation. They are faced with high levels of unemployment, deskilling, low wages and the seasonal nature of agricultural work. They are more exposed than men to the risk of poverty, particularly due to reduced social benefits (health, education and family) and pension levels. This situation leads women, often mothers, to take up illegal or dangerous offers whereby they risk becoming victims of human trafficking. The majority of such victims are young women seeking employment.

2.5 In 2004, Moldova undertook a poverty reduction and growth programme, supported by the World Bank, the UNDP and other donors. In December 2006, the various contributing financial institutions and the EU set up a coordination framework — an exemplary method for ensuring consistency and efficiency in conditionality management — and committed EUR 1 billion of aid and loans over the next four years.

### 2.6 Downturn in labour market

2.6.1 The labour market situation greatly deteriorated in Moldova during the 1990s, in tandem with the economic collapse. In the wake of the Russian crisis in August 1998, employment levels fell before increasing again in 2003. Unemployment levels dropped from 11 % in 1999 to approximately 7,4 % of the registered workforce by the end of 2006. Approximately 35 % of the workforce is engaged in undeclared work <sup>(7)</sup>.

2.6.2 Although real earnings have continued to grow, the average salary remains very low, amounting to USD 129 in 2006 <sup>(8)</sup>. However, other sources of income should also be taken into account. Firstly, a high proportion of families receives remittances from family members abroad. Also, undeclared work remains rife: according to the official statistics body, over

200 000 workers (i.e. 15 % of the working population) are employed by unregistered companies, while 35 % of the staff of recognised companies are not declared by their employers (particularly in construction, agriculture and forestry).

2.6.3 Many Moldovans have left their country to work abroad, the majority illegally. This — somewhat seasonal — exodus estimated at up to 1 million adults amounts to approximately 30 % of the entire labour force. Among the negative consequences of this emigration are the loss of human capital and the impact of this on social protection funding. Given the level of poverty, it is likely that economic migration will continue in the coming years.

### 2.7 Weaknesses of the Moldovan economy

#### 2.7.1 An isolated economy under Russia's influence

2.7.2 The collapse of Moldovan GDP in the 1990s resulted from external factors such as a loss of markets, energy dependence, emigration of qualified workers and the secession of the industrial region of Transnistria.

2.7.3 Despite a marked upturn in growth since 2000 (up to 6-8 % per annum), the economy remains very vulnerable (4 % growth in 2006) and further weakening is possible in 2007. The main cause of this slowdown is the doubling of gas prices imposed by the distributor Gazprom in 2006.

2.7.4 Irritated by the pro-European stance of the Moldovan president, Russia closed its market to imports of Moldovan wine as a means of exerting political pressure. Thus, in 2006, Moldova lost one of its main sources of export revenue (Moldovan wine represented 35 % of exports, of which 85 % went to the Russian market).

#### 2.8 An economy dominated by the agri-food industry

2.8.1 Moldova remains a predominately rural country. The agri-food industry accounts for more than 30 % of GDP <sup>(9)</sup> and a significant proportion of exports (65 %). Family farming is a key factor in the self-sufficiency of towns and rural areas. The agri-food industry also plays an important role in the economy. The quality and quantity of harvests affect light industry sectors both upstream and downstream (artificial fertilisers, bottles, packaging).

#### 2.9 The key role of migrants' remittances to their families

2.9.1 After this deep recession, there is no doubt that the few positive economic results achieved are not due to a reconstruction of the economy but to massive inflows of remittances (30 % of Moldovan GDP) from Moldovans working abroad: between 600 000 and one million working in Western Europe (19 % in Italy) and Russia (60 %), who sent home EUR 1 billion in 2006.

<sup>(7)</sup> Statistical data from the Moldovan public authorities.

<sup>(8)</sup> Statistical data from the Moldovan public authorities.

<sup>(9)</sup> Statistical data from the Moldovan public authorities.

2.9.2 In the absence of a favourable investment climate, these inflows do not serve to fund new economic activities. These financial inflows lead to increased property prices, a strong demand for imported products and inflationary pressures.

### 3. Democracy, respect for human rights and good governance

#### 3.1 Human development

3.1.1 Moldova is ranked 114th in the 2006 UNDP Human Development Index, the lowest ranked of the European countries and one of the lowest of the former Soviet countries.

3.1.2 The lack of media independence and of respect for human rights, together with problems regarding the operation of the judicial system, all hinder initiatives by the Moldovan people and the organisational capacity of civil society.

3.1.3 Media independence is one of the key issues highlighted in a recent Council of Europe report (September 2007) <sup>(10)</sup>. The reform of legislation on freedom of expression is certainly important but is not sufficient to ensure such freedom in practice. Impartiality and ethics are also necessary within journalism. This is dependent on journalists being free from pressure from political authorities, particularly in the audio-visual media.

#### 3.2 High levels of corruption

3.2.1 Organised crime is a key security issue hindering institutions and investment. The crimes involved are very harmful: encouraging tax evasion, smuggling and corruption. *Transparency International's* 2006 world corruption index ranked Moldova at 81st place with a score of 3.2 out of 10, placing it among the countries considered very corrupt. A slight rise in the rankings indicates that the will exists among the government and civil society to combat corruption.

#### 3.3 Fragility of democratic rights in a tradition of authoritarian power

3.3.1 The EESC calls on the Moldovan authorities to take on board the conclusions of the international observers (a 100-strong team from the OSCE) that scrutinised the June 2007 local elections, with a view to addressing all of the areas that fall short of EU standards on elections and to ensuring that the 2009 parliamentary elections are more democratic.

3.3.2 Council of Europe reports have encouraged Moldova to continue its efforts, particularly regarding the independence and effectiveness of the judiciary, media pluralism and strengthening of local democracy. Moldova has been a beneficiary of the European Initiative for Democracy and Human Rights (EIDHR)

in the context of the regional projects for 2002-2004 and since 2007. The EIDHR supported civil society initiatives aimed at promoting democracy and human rights.

#### 3.4 Transnistria: a geopolitical neighbourhood challenge

3.4.1 Transnistria, which is reliant on Russia's support and the presence of a Russian military contingent, represents a source of tension and insecurity at the EU's border and is one piece of the geopolitical puzzle of the region.

3.4.2 The search for a political settlement on the secession of Transnistria is one of the priorities of the EU Action Plan. The EU took renewed interest in the dispute, ahead of Romania and Bulgaria's accession, which left Moldova on the EU's new external border. The EU stepped up its involvement in the issue in 2005 by appointing a special representative (Mr Kalman Miszei from March 2007) with observer status in the so-called 5+2 format negotiations. These talks are currently stalled.

3.4.3 Furthermore, this region is known as a hub of organised crime (trafficking of arms, strategic material, money laundering, drugs, and human trafficking) profiting not only local criminal gangs but also those from Russia, Ukraine and other countries.

#### 3.5 European Union Border Assistance Mission to Moldova and Ukraine (EUBAM)

3.5.1 Moldova's relations with Ukraine, by which it is landlocked, are complicated by the Transnistrian conflict and EU-Russia relations, adding to Moldova's troubles. Moldova was both a crossing point and source of trafficking since the Moldovan border was very porous and an outlet to the Black Sea via the port of Odessa.

3.5.2 The EU Border Assistance Mission to Moldova and Ukraine (EUBAM), launched by the EU in December 2005, represented a crucial step in stabilising the country and countering smuggling, following a joint request from the Ukrainian and Moldovan presidents. About one hundred customs officials and border guards from 17 EU countries observe and assist the work of their Moldovan and Ukrainian counterparts, thus exerting significant pressure on the self-proclaimed government of Transnistria. This mission concentrates its efforts on the people and areas at risk and has achieved real success.

3.5.3 In November 2006, the mission was enhanced by the introduction of an automated system for exchanging information to increase the effectiveness of the border controls. The mission has recently been extended until November 2009. The EESC hopes that efforts will be sustained to secure this border.

<sup>(10)</sup> Council of Europe committee report on the *Honouring of obligations and commitments by Moldova*, September 2007.

#### 4. Overview of Moldovan civil society and its work

##### 4.1 Main findings from the EESC mission in 2004

4.1.1 A difficult political and economic context has meant that circumstances have not been ideal for civil society activities. The number of men or women potentially available for work in civil society organisations, whether at national or local level, has been greatly depleted, owing in particular to emigration, especially among young adults with a good level of education. Relations between them and State organisations have been no more than sporadic. Centralised administrative structures have hindered the development of social movements. In brief, deep-rooted paternalism in Moldovan society gives the State the main responsibility for the population's well being. The role of president is clearly an incarnation of the desire of most of the population to be led by a strong man.

4.1.2 Aside from the status of political parties, the constitution makes no mention of civil society organisations or of the right to hold meetings. However, the right to *form unions and be members of them* (Article 42) does figure, while freedom of association (Article 40) is also recognised. Conditions for the establishment of non-governmental organisations improved with the *law on public bodies and foundations* (1997). In practice, there are overlaps, with people who work for the State or hold posts within the governing parties also working for bodies representing economic or political interests.

4.1.3 According to observers, particularly from the Council of Europe <sup>(11)</sup>, legislation on the judicial system has been reformed to ensure respect for law in general and civil society in particular. However, Moldova continues to be subject to a Council of Europe monitoring procedure, chiefly aimed at ensuring the independence of the judiciary.

##### 4.2 Update on civil society in 2007, according to expert studies <sup>(12)</sup>

4.2.1 According to various sources, there has been an impressive increase in the overall number of NGOs. The number has risen from approximately 3 000 in 2004, according to an EESC study, to over 7 000 in 2007 <sup>(13)</sup>, although the

<sup>(11)</sup> (Council of Europe, 14 September 2007) *Honouring of obligations and commitments by Moldova*.

<sup>(12)</sup> Studies on Moldovan civil society: *The European Union and Civil Society in Moldova* — conclusions of the AETI/ECAS conference of June 2006; *Stepping up dialogue between the government and Moldovan civil society on the implementation of the EU-Moldova action plan*, conclusions of the Eurasia Foundation conference, Moldovan minister for foreign affairs and USAID, April 2006; *Strengthening the NGO sector in Moldova's conflict zone*, IMAC, February 2007; *Study on the development of NGOs in Moldova for a meeting of donors*, UNDP project, May 2007; *Study of NGOs active in the social field in Moldova*, EU project, TRANSTEC, May-June 2006; *Increasing the financial sustainability of Moldovan civil society organisations*, UNDP & Soros, 2005. *Survey on the development of NGOs in Moldova*; Council of Europe follow-up report, September 2007; *Countries in transition 2007: Moldova*, CEPES, George Dura and Nio Popescu 2007; *The situation in Transnistria*, People in Need CZ, November 2006.

<sup>(13)</sup> UNDP study, May 2007.

study states that 54 % cannot be contacted. According to these estimates, currently less than 20 % of the organisations registered are active. Furthermore, there has been a substantial increase in the number of local- and regional-level NGOs, including in the Transnistria region.

4.2.2 The geographical concentration of NGOs around the capital, Chisinau, remains predominant, although it is shrinking in relative terms. Over the last four years, 67 % of registered NGOs were established at national level and 82 % at local level <sup>(14)</sup>. NGO areas of activity concern all categories of Moldovan society, but their main activities are often guided by external donors.

4.2.3 It would appear that there is still little contact between unions and employers' organisations and various interest NGOs. This is owing to mutual ignorance and mistrust. One exception coming to light in Transnistria is the emergence of relations between several NGOs and a group of businessmen.

4.2.4 The entry into force of the EU-Moldova action plan in 2005 gave civil society a boost — particularly the NGO scene — with the implementation of a large number of projects, despite the lack of consultation in the preparation for the plan.

#### 5. Changes in the structure of the Social partners

##### 5.1 Employers' organisations

5.1.1 Since 1999, the chamber of commerce and industry (CCI), linked to *Eurochambres*, has been the main employers' organisation. It represents over 1 500 companies from all sectors. The Moldovan CCI no longer delivers certificates of origin for products marketed in the CIS while their responsibility for the control of exports to the EU, has now passed to customs, to enable them to benefit from the GSP. It is becoming primarily a chamber of commerce that serves business. The CCI supports the export of Moldovan products and the creation of joint ventures with foreign companies. It offers companies a number of services <sup>(15)</sup>. The CCI is included in the official representation delegation to the ILO and houses a European information centre. Mr Tarlev, prime minister since 2001, previously held an important position within the Moldovan CCI. SMEs with fewer than 30 employees have formed a separate association with close organisational and financial links to the CCI.

5.1.2 There is currently a 'national employers' confederation', which also plays a part in representing Moldova at ILO international conferences, and which represents employers in meetings between both sides of industry organised by the Moldovan presidency. In 2006, the government made employers' fees to their organisations tax deductible, in a positive response to a complaint made to the ILO.

<sup>(14)</sup> UNDP study, 2007, p. 3.

<sup>(15)</sup> CCI information memo, May 2007.



5.1.3 The social partners have made three new collective bargaining deals at national level and 11 sectoral and local collective agreements. Their real efforts remain restricted to social dialogue, given that the CCI, although recognised by the IOE, remains first and foremost a chamber of commerce serving business.

## 5.2 *Developments in the trade union situation*

5.2.1 Until 2000, workers in Moldova were represented by the General Federation of Unions of the Republic of Moldova (FGSRM), a unitary federation set up in 1990 using the model provided by union organisation in the Soviet Union. In 2000, the structure became a 'confederation': the Confederation of Unions of the Republic of Moldova (CSRM). Internal tensions appeared in this organisation as result of conflicts between farming, industry and services, between Moldovan and Russian speakers and between the nationalist right-wing and the communist party. In 2000 a number of professional federations (14 industrial federations and also cultural and public sector federations) left the CSRM and formed a new confederation 'CSL SOLIDARITATEA'. Following the resignation of the CSRM's management, the organisation found a new leader, Petru Chiriac. Despite mediation efforts by the International Trade Union Confederation (formerly the ICFTU), of which the CSRM had been a member since 1997, an attempt at reunification proved impossible. The reasons included personality clashes, disagreements over the distribution of union assets and above all differences in political sensitivities between the CSRM, which was closer to the right-wing, Christian-democrat and democratic Moldovan-speaking parties and Solidaritatea, which from the start was closer to the predominantly Russian-speaking communist party.

5.2.2 The union split became more complicated after 2001 with the electoral success of the communist party and the election of their leader, Vladimir Voronin, as president of the Republic. The decision by Solidaritatea to cooperate with a view to securing social progress, and the CSRM's adoption of a more demanding and critical stance, have made relations between the authorities and the two union organisations tense. The government, helped by its links with the communist party and the administration, has chosen to systematically favour Solidaritatea and to weaken the CSRM.

5.2.3 Repeated and systematic interference by public authorities led the CSRM, supported by the former ICFTU and by professional federations (the IUF and the PSI) to file a complaint in January 2004 to the Committee on Freedom of Association (CFA) of the International Labour Organisation (ILO) concerning the violation of the freedom of association. In its interim report in 2006, the CFA called for independent enquiries on the various instances of interference mentioned by the complainants. It also noted that Moldova had no mechanism for dissuasive sanctions against violations of union rights, or for ensuring international standards in this area are upheld. The ILO Bureau organised a mission in 2005. The ICFTU drew the European Commission's attention to the situation in the country by submitting a critical report in 2005 in the context of the GSP allocated to the country. To date the Moldovan government has taken no measures to correct its legislation or to step into line

with the CFA's recommendations. Despite the evidence listed in the complaint to the CFA, the Moldovan authorities considered the situation as essentially a rivalry between the two union organisations.

5.2.4 In reality, the authorities have been more and more open in calling for the reestablishment of a single central union (cf. the speech by President Voronin at the Solidaritatea congress in 2005). Since 2005-2006, the balance of power between the two organisations has gradually tipped (in 2001, the CSRM had 450 000 members and Solidaritatea had 200 000). By 2006, Solidaritatea had clearly become the larger organisation. In June 2007, a congress reunified the two organisations. The International Trade Union Confederation (ITUC) has already stated that it does not intend to transfer the CSRM's affiliation to the new 'reunified' organisation. It will first have to demonstrate its independence in relation to the public authorities and clearly demonstrate its commitment to the principles of freedom of association and the right to collective bargaining.

## 6. **Overview of associations and NGOs**

### 6.1 *Key facts from the 2004 EESC study*

6.1.1 The number of NGOs registered at local and national level in Moldova has reached approximately 2 800 since independence in 1991. Many of the NGOs on the State register, particularly those set up by economic players or the authorities, had a provisional mission to fulfil at the beginning of the transition period. In view of this, they cannot be considered to be independent civil society players. Organisations that have held major demonstrations in conjunction with the opposition to the communist government since 2001 should also be counted.

As in other transition countries, NGO activities focus on the country's capital, in an attempt to exert an influence on those in power. In the political context, the interference suffered by NGOs is increasing, particularly in their new fields of activity, such as youth policy, consumer protection and the environment. In Transnistria, their activities are curtailed by strict political supervision.

6.1.2 A few major donors (Soros, USAID, Eurasia, Hebo and British Peace Building) are active in the fields of education, culture and human rights.

6.1.3 Youth organisations, whose recruitment base is diminishing owing to rising emigration, are calling on their government for a pro-European policy that is more than just rhetoric. They hope that the EU will offer them the opportunity to take part in exchange programmes. Most civil society representatives are of the opinion that future Community programmes should be negotiated and carried out not only with the government (as was the case for TACIS), but also with representatives of active NGOs.

### 6.2 *Observations on recent developments on the NGO scene, according to expert studies*

6.2.1 During the last elections in 2005, for the first time, some 200 NGOs formed a united and independent coalition, which organised a national observation campaign. This 2005

'civic coalition' <sup>(16)</sup>, which gained a high profile in the media, resurfaced during the 2007 elections, helping to increase NGO credibility among the population.

6.2.2 There are three main categories of NGO in Moldova. The first includes major, well-known and well-equipped organisations, based in the capital and belonging to international networks <sup>(17)</sup>. The second category encompasses a large number of less-developed NGOs, often one-man shows, with little operational capacity and in need of funding. The third group is made up of a few government-operated NGOs 'GONGOs', which, as in other countries, are set up and financed entirely by the government.

6.2.3 In Transnistria, the GONGO category is omnipresent as the Smirnov regime continues to need allies in civil society in order to support its strategy and keep it in power. A recent study conducted by a Czech NGO also mentioned two other categories among the 900 NGOs in Transnistria, namely traditional organisations such as workers', women's and youth movements, as well as small NGOs open to contacts with Chisinau and international networks <sup>(18)</sup>. A certain number are choosing to register with the Moldovan authorities in order to qualify for European aid.

### 6.3 *Current mechanisms for civil society consultation and negotiation with the social partners*

6.3.1 Since 2005, various government ministries have begun or stepped up dialogue with a section of civil society, in the following forms: a monthly consultative meeting at the ministry for foreign affairs and European integration, and a national conference in April 2006 which produced 18 conclusions for improving cooperation between the government and civil society. Meanwhile, other ministries, the justice, agriculture and finance ministries in particular, have had regular contacts with elements of civil society. There are several projects under way, in particular with the UNDP, to facilitate registration and to improve the precarious financial situation of many NGOs.

6.3.2 Since 2006, the Moldovan parliament, at the instigation of Marian Lupu, has implemented the concept of cooperation between the parliament and civil society, with highly ambitious objectives, proposing a series of mechanisms and forms of cooperation including 'permanent on-line consultation', ad hoc

meetings and public hearings with parliamentary committees, and an annual conference.

6.3.3 For two years, several NGOs have been attempting to play an active part in implementing the various areas of the EU action plan, encouraged in particular by the positive experiences of their Romanian and Ukrainian neighbours. This approach has also been encouraged by the European Parliament, which adopted a report in May 2007.

6.3.4 As regards industrial relations, it is hardly surprising that social dialogue in Moldova is a slow process. There used to be a 'republican commission for collective bargaining', but it acted more as a centre for information on decisions taken than as a real venue for consultation and dialogue. The partners had no say on this commission's agenda, and it was not therefore possible to discuss the complaint or the follow-up to the CFA's recommendations. The commission did not have its own secretariat, nor did it have decentralised regional or sectoral structures. It should also be noted that the CGSRM had developed various cooperation programmes with the Transnistrian confederation, with the support of the former ICFTU and European trade union organisations.

6.3.5 In 2006 a law was adopted on the organisation and functioning of a national collective agreement commission with sectoral and territorial committees. Twelve of the national commission's 18 members are nominated by the social partners.

To conclude, it is still much too early to assess the real results of the recent consultation and negotiation mechanisms or the effectiveness of this cooperation initiated by the government. It will be measured in the long run on the basis of clearly defined principles and methods.

In view of the ongoing developments in EU-Moldova relations and taking account of the fact that these new forms of social and civil dialogue are only in their early stages, the EESC hopes to engage in contacts with Moldovan civil society.

The Committee recommends holding a conference as from 2008 so that the initial contact with civil society coincides with the preparation of a new framework between the EU and Moldova.

Brussels, 12 December 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

<sup>(16)</sup> Evaluation report by the Eurasia foundation (October 2005).

<sup>(17)</sup> See examples quoted in the report 'NGO Scores for Moldova', 2005, published by US AID.

<sup>(18)</sup> Ondrej Soukop, *NGO People in need*, Prague 2007.

## Opinion of the European Economic and Social Committee on the 'Implementation of the Lisbon Strategy: Current Situation and Future Prospects'

(2008/C 120/20)

On 27 September 2007 the European Economic and Social Committee decided, under Rule 29(2) of its Rules of Procedure, to draw up an opinion on

*Implementation of the Lisbon Strategy: Current situation and future prospects.*

The Committee Bureau instructed the *ad hoc* Group of the Bureau 'Lisbon Group' to prepare the Committee's work on the subject. The rapporteurs were Mr van Iersel and Mr Barabás.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr van Iersel as rapporteur-general and Mr Barabás as co-rapporteur at its 440th plenary session, held on 12 and 13 December 2007 (meeting of 13 December 2007) and adopted the following opinion by 122 votes to 1 with 12 abstentions.

### 1. Conclusions and Recommendations

1.1 The EESC considers it desirable that organised civil society in the Member States, in particular national Economic and Social Councils (ESCs), where these exist <sup>(1)</sup>, are involved in the implementation of the Lisbon Agenda as acting partners. To that end the EESC proposes the following:

1.1.1 Besides governments, societal circles have to foster creative approaches and take effective practical and concrete measures in view of change. Additional partnerships and new alliances are needed to make the Lisbon process a success and endorse its implementation <sup>(2)</sup>. To that end the present opinion deals primarily with the contribution of national ESCs and organised civil society.

1.1.2 Following good practices in several Member States, information, consultation and transparency are needed everywhere for the benefit of the design and the implementation of the National Reform Programmes (NRPs), and the implementation of country specific recommendations.

1.1.3 It is also important for organised civil society to be involved at an early stage in the formulation of the future prospects for the next cycle after 2010 which should be based on growth, jobs, social cohesion and sustainable development.

1.1.4 The EESC emphasises that effective implementation will enhance the desirable visibility and long-term consistency of the Lisbon agenda.

1.1.5 Exchanges of views and practices between the EESC and the national ESCs regarding the NRPs and the Lisbon

agenda could be very useful. The EESC can be supportive in this process.

1.1.6 All national ESCs should be included in the Commission's yearly consultation rounds. Commission representatives could be invited by national ESCs and civil society organisations to discuss ideas and desirable approaches in national context.

1.1.7 Regarding the work in the Council, the EESC is interested in participating in the Lisbon Methodology Working Group, under the auspices of the Council's Economic Policy Committee.

1.1.8 The EESC suggests that the European Council gives the EESC a mandate to publish each year a report containing information, as available, on the involvement of organised civil society, and of national ESCs where they exist, in the progress of the Lisbon Strategy, including concrete suggestions and desirable improvements <sup>(3)</sup>.

1.1.9 The approach of the EESC corresponds with the actions taken by the European Parliament and the Committee of the Regions *vis-à-vis* national parliaments and the regions. The EESC is in favour of further strengthening the cooperation.

### 2. Introduction

2.1 Since 2005 the Lisbon process has made progress both in content and institutionally. There is growing unanimity among Member States that structural adjustments regarding competitiveness — knowledge based society — sustainable growth and employment are needed.

<sup>(1)</sup> The institutional framework in this respect is very diverse in the EU: ESCs are present in a significant number of Member States, in most 'new' Member States there are so-called Tripartite Commissions (social partners plus government), in a limited number of Member States there are no ESCs. The EESC is trying to collect as many contributions from representative bodies as possible, to be appended to this opinion in a joint report to the European Council.

<sup>(2)</sup> See Resolution of the EESC on 'The implementation of the renewed Lisbon Strategy' (OJ C 97, 27.4.2007).

<sup>(3)</sup> The EESC notes that it is in no way interfering in Member States, and in particular in Spain, in the existing procedure of consultation, competencies and legitimacy of social partners.

2.2 Institutionally, the methodology of the relaunched Lisbon Strategy has undergone beneficial changes. These include:

- clear agenda for Integrated Guidelines;
- detailed National Reform Programmes (NRPs);
- clarification of the role of the Commission;
- monitoring of national processes by the Commission;
- country specific recommendations;
- peer pressure.

2.3 Practical evidence proves that the combination of a well-defined and agreed European agenda and the revival of a valuable open coordination method which respects subsidiarity is starting to pay off. Among Member States there is an increasing openness to mutual understanding and critical exchanges of views on adjustments. As a result of the new methodology, a growing number of Member States are more willing to look beyond national borders and to examine best practices.

2.4 Nonetheless, there is a gap between rhetoric and reality. The real issue is implementation, which is often incomplete or inaccurate. In many cases concrete goals, measurable objectives and timetables are lacking.

2.5 Moreover, there are substantial differences among Member States. Not all Member States accept critical comments from partner countries or from the Commission easily. There is now, in the context of the Multilateral Surveillance, a certain degree of reciprocal analysis of the NRPs by the Member States.

2.6 In the majority of governments a Mr/Ms Lisbon has been nominated as coordinator. This provision should be beneficial to streamlining cooperation between the Commission and governments, and to transparency. In most cases, though, this minister/state secretary still has to define his/her role inside the government as well as in relation to Parliament and society.

2.7 There is a saying that the Lisbon Strategy is Europe's best kept secret as the expression 'Lisbon Strategy' is rarely used. Since its relaunch in 2005, however, not least by the adjustments in the methodology reforms along agreed lines are gradually taking place in Member States.

2.8 The process is now on track, but the next two years will be critical with regard to its continuation and deepening. Above all, it is crucial that the Lisbon process has a clear and accepted structure, that it is recognised as a Europe-wide strategy, also by non-governmental actors, and that it leads to adjustments and to a convergence of governmental policies.

### 3. Co-responsibility of the EESC, national ESCs and organised civil society in the Lisbon process

3.1 The Lisbon Agenda is about enabling European society to cope with the challenges of the 21st century and to guarantee its position and role vis-à-vis an increasing number of world actors. It is also about spirit and attitude.

3.2 This process cannot simply be limited to policy makers, legislators and high level groups. It should be a **process for all, with all and by all**, for two reasons:

- input from many circles in society is desirable to define the best possible approaches;
- implementation in Member States depends largely on cooperation between all the stakeholders concerned. Co-ownership is key.

3.3 Co-responsibility and an active engagement of social partners and other civil society organisations would reinforce the process, as it would combine top-down and bottom-up approaches. They would also trigger an indispensable high quality public support.

3.4 Hitherto, in many Member States national ESCs and civil society have had only limited access, if any, to the Lisbon process. Further steps are needed to foster their co-responsibility. In Member States where national ESCs do not exist other institutionalised ways of involvement should be developed.

3.5 Social partners and other civil society organisations have to participate in all stages of the Lisbon process during the calendar year. These stages are: evaluation (of the ongoing cycle), preparation, implementation and follow-up actions of the NRPs and country-specific recommendations in the longer term.

3.6 The EESC considers it desirable that the national ESCs commit themselves to the Lisbon agenda in four ways:

- via satisfactory information and consultation;
- by critically examining national implementation;
- by making concrete proposals;
- by giving more visibility to the Lisbon agenda in giving more profile to the national debate.

3.7 In countries without national ESCs or Tripartite Commissions other ways have to be found to engage social partners in the consultation process. This goes also for organised civil society <sup>(4)</sup>.

<sup>(4)</sup> An example could be Sweden where the Government is consulting the social partners several times a year (in preparation of the NRP) as well as, in separate meetings, organised civil society.

3.8 It must be emphasised that the same method should be followed at regional and local level, which are often decisive for real implementation. Also, at regional level partnerships with the social partners and the civil society organisations concerned must be encouraged in view of territorial and social cohesion.

3.9 Moreover, in order to translate the Lisbon Strategy action plans into reality at regional and local level, they need to be underpinned by efficient management and implementation of the Structural Funds.

3.10 As far as the EESC itself is concerned, its role is four-fold:

- It is to present views of organised civil society.
- It may act as a channel for information which expresses the views of the national ESCs and of other civil society organisations, bringing an added value to the debate in the Commission and the Council.
- The EESC may serve as a forum for the exchange of views and best practices in coordination with national ESCs and it may provide a forum for discussion between them and the Commission <sup>(5)</sup>.
- The EESC can add to the dissemination of the objectives and results of Lisbon process.

#### 4. Work on priority themes decided by the 2006 Spring Council

4.1 At its July 2007 plenary session, the EESC adopted, as requested, four own-initiative opinions:

- 'Employment of priority categories' <sup>(6)</sup>
- 'Investment in Knowledge and Innovation' <sup>(7)</sup>
- 'Business potential, especially of SMEs' <sup>(8)</sup>
- 'The definition of an energy policy for Europe' <sup>(9)</sup>.

National ESCs participated in the preparation of these own-initiative opinions and their contributions are annexed to the opinions. Subsequently, the EESC has adopted a further opinion on the better integration of climate change strategy into the Lisbon Strategy.

4.2 These own-initiative opinions, also presenting thematic contributions from national ESCs on key issues as identified by the Council, have provided concrete input for the Commission's report, and will serve to launch a wider debate in view of the Lisbon Summit of March 2008.

<sup>(5)</sup> In this respect, it is worth noting that the European Parliament has also recently set up a coordination structure together with national parliaments.

<sup>(6)</sup> 'Employment of priority categories (Lisbon Strategy)', OJ C 256 of 27.10.2007, p. 93.  
([http://www.eesc.europa.eu/lisbon\\_strategy/eesc\\_documents/index\\_en.asp](http://www.eesc.europa.eu/lisbon_strategy/eesc_documents/index_en.asp)).

<sup>(7)</sup> 'Investment in Knowledge and Innovation (Lisbon Strategy)', OJ C 256 of 27.10.2007, p. 17.  
([http://www.eesc.europa.eu/lisbon\\_strategy/eesc\\_documents/index\\_en.asp](http://www.eesc.europa.eu/lisbon_strategy/eesc_documents/index_en.asp)).

<sup>(8)</sup> 'Business potential, especially of SMEs (Lisbon Strategy)' OJ C 256 of 27.10.2007, p. 8.  
([http://www.eesc.europa.eu/lisbon\\_strategy/eesc\\_documents/index\\_en.asp](http://www.eesc.europa.eu/lisbon_strategy/eesc_documents/index_en.asp)).

<sup>(9)</sup> 'The definition of an energy policy for Europe (Lisbon strategy)', OJ C 256 of 27.10.2007, p. 31.  
([http://www.eesc.europa.eu/lisbon\\_strategy/eesc\\_documents/index\\_en.asp](http://www.eesc.europa.eu/lisbon_strategy/eesc_documents/index_en.asp)).

4.3 The present own-initiative opinion is, in the first place, a contribution to the debate in the Council. Its aim is primarily to specify the role of the social partners and other civil society organisations in the process.

4.4 In the process of preparing its opinion the EESC has also benefited from the contribution of its 'Liaison Group with European Civil Society Organisations and Networks'. That contribution is also appended to the present opinion.

#### 5. Involvement of the social partners and organised civil society

5.1 It is of great importance that the Lisbon Agenda be discussed publicly across society as a desirable European agenda that fits with national circumstances, procedures and legal requirements.

5.2 The Commission's documents should be well focused so as to incite wider debate in society. A search for fruitful new partnerships requires focus and identification, on the one hand, and information and communication, on the other.

5.3 More debate and transparency means more public awareness. It may also foster creativity and openness to unconventional proposals and solutions. In various countries, beneficial measures and practices and/or negotiations between the social partners at sectoral or company level often result in interesting micro-economic developments.

5.4 Most important is the way the social partners and other civil society organisations that have the competences to participate in the process, are involved in the NRPs and in carrying out EU recommendations.

5.5 Involvement of all these actors may also bring about greater convergence between the domestic agendas which is desirable because of increasing economic interdependence in Europe, and the corresponding spill-over effects.

5.6 There is practical evidence that in cases where the social partners and other civil society organisations actively take co-responsibility, the Lisbon process functions better. Lisbon presupposes a non-antagonistic culture of cooperation. There are indications that such cooperation is underway in Member States.

5.7 The degree to which the social partners and other civil society organisations are involved varies between Member States <sup>(10)</sup>, partly due to the different statutory regulations of the ESCs and similar organisations and partly to the degree of information and consultation, which is still less developed.

<sup>(10)</sup> See footnote 3.

5.8 The Commission should encourage all the Member States to include civil society organisations and, in those countries where they exist, national ESCs, in national consultations.

5.9 During the consultation rounds with some Member States, the Commission also meets with social partners. This practice should gradually be extended. It could allow the Commission to play a more intensive monitoring role. Moreover, in those countries where the government is part of the ESC or Tripartite commission, it would be advisable for the Commission to meet social partners separately.

5.10 It would be helpful for national ESCs to exchange their experiences regarding consultation and involvement <sup>(1)</sup>. These could include:

- information and consultation on the Lisbon Agenda in the national context;
- the way ESCs present their opinion to the government;
- the extent to which these opinions are reflected in government policies.

5.11 In order to promote convergent practices among national ESCs, bilateral or trilateral meetings (forums, roundtables) might also be useful.

5.12 The EESC could contribute by collecting examples of good practice in relation to information and consultation across Europe and by drawing up a list of interesting practices and measures promoted by social partners and other civil society organisations in the Member States.

5.13 As regards contributions from Member States without an ESC, the EESC may cooperate directly with national civil society organisations through its Members that employ fact-finding missions in various forms, for example by holding hearings at national level.

## 6. Sharing best practices

6.1 There is certainly an added value in presenting concrete microeconomic examples of instances where national objectives have either been, or are expected to be, attained with the participation of social partners and organised civil society in the Member States.

6.2 Examples include:

Research, Innovation, Knowledge

- Promotion of the knowledge-based society

<sup>(1)</sup> An illustrative example of monitoring of national NRPs is the Greek ESC that has set up an observatory for the Lisbon Strategy. This creates a visible tool to follow its progress or lack of progress. Other ESCs are interested in following this example.

- Education at all levels, including professional training — New skills for new opportunities

- New start for lifelong learning pacts and open learning centres

- Cooperation between universities/research institutes and SMEs

- Implementation of the European Technological Institute

- Innovation platforms with the participation of the private sector.

Entrepreneurship and Competitiveness

- Promotion of start-ups and entrepreneurship

- Special attention for SMEs: legal conditions; risk capital

- One-stop shops for businesses

- Reduction of administrative burdens and, in particular, an identification of areas where such a reduction would be most effective

- E-government

- Innovation subsidies for SMEs ('innovation vouchers')

- Specific tax measures.

Labour market and Employment

- Innovative ideas and measurable objectives to create employment for young and elderly people

- Social inclusion for vulnerable groups

- Gender equality

- Fostering the creation of sustainable jobs

- Desirable approaches regarding part-time work

- New ideas and ways of implementation regarding 'flexicurity'

- New partnerships at local and regional level

- Social Economy enterprises.

Furthermore, effective and concrete measures, including timetables, related to energy and climate change need to be discussed.

In all these cases, discussions among stakeholders in one or more Member States are underway. National ESCs and organised civil society have their own views on practical applications. The discussions among government officials and politicians would certainly be enriched by well-channelled bottom-up proposals, which would illustrate the manifold potentialities in European society.

6.3 Wider discussion involving stakeholders would help to set new concrete objectives for the Open Method of Coordination. This may include a system of benchmarking, indicators and peer reviews to measure the degree of engagement of organised civil society.

6.4 It would also be interesting for the Commission and the Council to know what issues national ESCs are discussing among themselves. The EESC might list those of horizontal

European significance. The more these discussions concern concrete approaches and measures promoting Lisbon objectives, the more attention they will attract in government circles.

6.5 Implementation and the way it is secured by goals, measurable objectives and timetables is key. Organised civil society as a whole and especially national ESCs can play an effective role in identifying deficiencies and helping to find sustainable solutions.

Brussels, 13 December 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 Council Directive on the structure and rates of excise duty applied to manufactured tobacco (Codified version)'**

*COM(2007) 587 final*

(2008/C 120/21)

On 24 October 2007 the Council decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

*Proposal for a Council Directive on the structure and rates of excise duty applied to manufactured tobacco (Codified version).*

Since the Committee unreservedly endorses the content of the proposal and feels that it requires no comment on its part, it decided, at its 440th plenary session of 12 and 13 December 2007 (meeting of 12 December 2007), by 129 votes in favour with six abstentions, to issue an opinion endorsing the proposed text.

Brussels, 12 December 2007.

The President  
of the European Economic and Social Committee  
Dimitris DIMITRIADIS

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