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I

(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

460th PLENARY SESSION HELD ON 17 AND 18 FEBRUARY 2010

Opinion of the European Economic and Social Committee on 'Matching skills to the needs of industry and services undergoing change — In what way could the establishment of sector councils on employment and skills at European level contribute to this objective?'

(exploratory opinion)

(2010/C 347/01)

Rapporteur: **Mr KRZAKLEWSKI**
Co-rapporteur: **Mr SZÜCS**

In her letter of 29 June 2009, and under Article 262 of the Treaty establishing the European Community, Margot Wallström, vice-president of the European Commission, requested the EESC to draw up an exploratory opinion on:

Matching skills to the needs of industry and services undergoing change – In what way could the establishment of sector councils on employment and skills at European level contribute to this objective.

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 4 February 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 149 votes to six with five abstentions.

1. Conclusions and recommendations

1.1 The European Economic and Social Committee notes with great interest the details of the idea of setting up sector councils on employment and skills at European level. In the Committee's view, appropriately organised and managed **sectoral councils** involving various stakeholders **should provide crucial support in the process of managing sectoral changes** and, in particular, anticipating the development of the situation in terms of employment and skills needs and **adapting skills to supply and demand**.

1.2 The Committee is convinced that European sectoral councils (ESCs) could support the management of sectoral changes and

help meet the goals of the 'New skills for new jobs' initiative and would be useful when decisions are taken concerning sectoral changes at European level.

1.3 Following an analysis of the advantages and disadvantages considered in a feasibility study of the political options for the various council formats, the Committee is inclined towards supporting the concept of sectoral councils based on the European social dialogue. Sectoral councils could benefit substantially from contact (according to principle of cooperation) with the structures of the European sectoral social dialogue (ESD) and their political activities.

1.4 In the Committee's view, the activities of the European sectoral social dialogue committees (ESSDCs) could serve as an operational model for the ESCs.

1.4.1 However, it is important to emphasise that ESCs can have a broader scope, in terms of the number of stakeholders they comprise, and a more independent role than ESSDCs, focussing more on skills and the labour market than social dialogue.

1.4.2 The Committee believes that those sectors without ESD structures should also have the opportunity to set up ESCs. A new ESC could then serve as a basis for the creation of a new ESSDC.

1.5 The Committee believes that future ESCs should conduct close and regular cooperation with their national counterparts. **The Committee recommends that the ESCs should support the establishment of national councils, where they do not exist, by providing advice and examples of best practice.**

1.6 The Committee believes that, apart from supporting the management of sectoral changes, the most important tasks that the new ESCs could carry out would be:

- analysing quantitative and qualitative labour market trends in the given sector;
- make recommendations to fill and eliminate qualitative and quantitative gaps in the labour market and implementing programmes and measures to achieve this;
- supporting cooperation between businesses and VET ⁽¹⁾ providers.

1.7 The Committee maintains that in order for the ESCs to function effectively it is important that:

- they constitute a platform which should include the social partners, education and training institutions and organisations, institutions, organisations and public authorities, professional associations and organisations providing vocational education and training (VET) and initial vocational education and training (IVET);
- they have a sectoral focus, i.e. they concentrate on sectors in the broad sense and may deal with occupations that are specific to sectors;
- they should take account of the dynamic changes in the scope of sectors and the creation of new sectors;
- they ensure that representatives of employers and employees participate in management and, where appropriate, training organisers and the political authorities too;

- they have a strong strategic partnership, which means building relationships with secondary schools, institutions providing vocational training services for school leavers, higher education establishments, businesses, sectoral councils and regional authorities;
- they apply sound and productive working strategies, focussing on industrial realities and urgent needs, such as the need for information on the labour market and ways of attracting and retaining workers in the sector, and take account of the needs of SMEs;
- they take into account, first and foremost, the situation and needs of the labour market, from a European perspective;
- they encourage the development of an approach that uses a common methodology based upon the tasks (outcomes) done in businesses, in order to produce a clear audit trail from what is done in the workplace through to final training, education and qualifications.

1.8 With a view to strengthening the impact of ESCs on sectoral changes, the Committee proposes that they give consideration to continuing education at all levels, in particular continuing vocational education and training (CVET) – coupled with initial vocational education and training (IVET) – and other forms of development and recognition of skills throughout life.

1.9 The Committee proposes that special attention be given to sectors with strong knowledge-based elements, preferably in connection with aspects such as 'the green economy'.

1.10 The establishment of sectoral councils should, in the Committee's view, be based on the achievements of political processes, such as the **European Qualifications Framework (EQF)**, the European Credit Transfer and Accumulation System (ECTS), the European Credit System for Vocational Education and Training (ECVET), the European Quality Assurance Reference Framework (EQARF) and Europass, and contribute to their further development.

1.10.1 Using the open method of coordination as a basis, it is important to move towards the harmonisation of the continuing training policy.

1.11 The Committee calls for the planned ESCs to carry out continuous cooperation with European universities and higher education establishments, which should create a link between industry and academic research relating to training. Here the University Business Forum has demonstrated the benefits of cooperation for industry and the higher education sector ⁽²⁾.

⁽¹⁾ VET – vocational education and training.

⁽²⁾ Commission Communication 'A new partnership for the modernisation of universities: the EU Forum for University Business Dialogue', COM(2009) 158 final, 2 April 2009.

1.12 While considering the **ties between European sectoral councils**, on the one hand, and **Cedefop and Eurofound**, on the other hand, the Committee points out that structural and information-based support for the work of sectoral councils by Cedefop and Eurofound should be taken into account in the designation of the tasks of these institutions. This requires additional means to resource these foundations.

1.13 The Committee would like to strongly underline the recommendation to the effect that sectoral councils, both at European and national level, should cooperate and even create links with **employment and skills observatories** and their national and European networks. This concerns those councils whose internal structure does not include such observatories. It is recommended that in Member States in which sectoral councils are set up support be given to the creation of such observatories and their network cooperation with regional observatories where they do not already exist.

1.14 As regards **funding for the process of setting up the sectoral councils and their operation** at European level, the Committee believes that resources for this purpose must be earmarked from the beginning of the process of establishing them. Furthermore, it is important to provide for resources to support the councils and the development of labour market and skills observatories that cooperate with them or are incorporated into their structure.

1.14.1 The Committee recommends that, when putting together the pilot ESC project, the Commission should consider the creation of a limited number of councils at first, not setting them up immediately for some 20 sectors. This is linked to budgetary requirements. It will be easier to ensure funding for the establishment of 4-5 councils per year. This kind of medium-term financial guarantee for the ESC project appears to be a critical question.

1.15 The EESC **calls for better professional management** in educational innovation. Improving the EU's education and training systems is essential to increase employability and reduce inequality. The institutional changes in education hardly keep up with the society's needs. Institutions must **take account of the need for a close relationship between changes, innovation, education and training**.

1.16 The EESC calls for the **reintegration of education and training into real life**, bringing it closer to both the public needs and the habits of the new generations of learners.

2. Background to the exploratory opinion

2.1 In her letter of 29 June 2009, European Commission vice-president Margot Wallström asked the European Economic and Social Committee to draw up an exploratory opinion on *Matching skills to the needs of industry and services undergoing change* – In

what way could the establishment of sector councils on employment and skills at European level contribute to this objective?

2.1.1 The letter refers to the current crisis and to the measures that can be taken in the labour market to adapt it to production needs and to introduce greater social management of changes in services and industry.

2.1.2 According to the Commission, in order to achieve this goal, current and future workers must be equipped with the skills that businesses need, enabling them to adapt to change. This was the subject of a recent Commission Communication entitled 'New skills for new jobs' (COM(2008) 868 final), which aimed to identify and assess Europe's skills requirements for the period leading up to 2020 and develop in the EU the capacity to better anticipate and adapt skills and jobs.

2.1.3 On 4 November 2009, the Committee adopted an opinion on this Communication ⁽³⁾.

2.2 Following the publication of the Communication, a feasibility study is now being carried out, at the request of the Commission, on the establishment of sector employment and skills councils at European level. The Committee had access to a provisional version of this study when drawing up this opinion ⁽⁴⁾.

3. Education and training trends and innovations in the European Union

a) Need for innovation in learning systems

3.1 In order to tap fully the potential of the European workforce, it is imperative to strengthen human capital. This is important from the point of view of employability and jobs, the capacity to adapt to change – particularly in the context of the present economic crisis – and also for social cohesion.

3.2 The need for citizens to have greater mobility within Europe is an important objective identified in the Lisbon Treaty. For workers to be mobile across borders and across industries, employers must be able to compare and match what a potential new member of staff can do (outcomes) with what the business needs to be done. This is the key principle behind the Commission's request – **'Matching skills to the needs of industry'**.

⁽³⁾ OJ C 128, 18.5.2010, p. 74

⁽⁴⁾ *Feasibility study on the setup of Sectoral Councils on Employment and Skills at the European Level, carried out by ECORYS/KBA (2009) for the European Commission, DG Employment, Social Affairs and Equal Opportunities.*

3.3 The ESCs to be set up should encourage the development of an approach that uses a common methodology based upon the tasks (outcomes) done in businesses, in order to produce a clear audit trail from what is done in the workplace through to final training, education and qualifications.

3.4 The EESC **calls for better professional management** in educational innovation. Improving the EU's education and training systems is essential to increase employability and reduce inequality. The institutional changes in education hardly keep up with the society's needs. Institutions must **take account of the need for a close relationship between changes, innovation, education and training.**

3.5 Innovation in education has important links with the knowledge and information society. New forms of learning should be considered and given importance by training institutions. New methods of learning, including ICT supported collaborative models, should facilitate **coordination between areas of lifelong learning** – such as adult learning, higher education, school education and informal learning – thus reducing institutional separation.

3.6 **Attaching greater importance to prior learning and its certification** are of strategic consequence, especially in motivating workers to take advantage of lifelong learning opportunities. Accreditation systems and vocational qualifications should increasingly be linked to learning outcomes, bureaucratic barriers should be reduced.

3.7 Policies should integrate **informal and non-formal learning**, acknowledging that lifelong learning is becoming a reality, thanks – amongst others – to digitally and socially networked learning.

b) *Quest for stronger stakeholder involvement*

3.8 The current process of globalisation accompanied by rapid technological changes is giving rise to problems linked to skills gaps in the workforce and the need for better integration of education, training and work. Improving the involvement of stakeholders in lifelong learning should contribute to better conditions for designing, implementing and evaluating the learning system innovation, to manage effectively the changing portfolio of skills and competences. **Enhancing knowledge, awareness and involvement of businesses in this process is imperative.**

3.9 Employers should better accept that training the workforce helps not only to meet actual economic requirements but also support it as tool for boosting human capital in the medium and long term.

3.10 The value of **developing entrepreneurial spirit** should be given greater consideration. The free movement of workers and encouraging the **mobility of the workforce** should be a

more recognised element in promoting labour markets. More and better information on labour markets, their trends and skill requirements should be available, together with **better guidance and support services** for the job seekers.

c) *Education and training closer to real life*

3.11 The EESC calls for the **reintegration of education and training into real life**, bringing it closer to both the public needs and the habits of the new generations of learners. Innovative forms of education should provide opportunity for effective investment in education and bring learning opportunities closer to enterprises.

3.12 A shift is needed **from course-based provision towards learning outcomes-oriented training and vocational qualifications.**

3.13 Working and learning increasingly overlap in the knowledge society. All forms of **workplace learning** should therefore be encouraged. **Enhancing individual motivation to learn** as well as companies' commitment to motivating workers to learn should be priorities in this respect.

4. **Background to sector and transversal councils ⁽⁵⁾ at different levels**

4.1 The purpose of sector and transversal ⁽⁶⁾ **councils** is to gain an insight into the probable development of the situation regarding **employment and skills** needs, in order to provide input into the shaping of policy. The work of the councils may be limited to analysis, or it may also include the adaptation and implementation of policy.

4.2 These councils operate in an organised and continuous way and also provide a platform for various stakeholders who are involved in the management of the councils. The main stakeholders include public bodies, institutions and authorities, social partners, educational and training institutions and research institutes.

4.3 Sector councils may be organised at various geographical levels. Their objective is to study changes in the demand for skills of a single occupation or industrial sector, or a well defined group of these. In some cases national sector councils may have regional branches.

⁽⁵⁾ On the basis of the feasibility study (see footnote 4).

⁽⁶⁾ If all the employees and all the firms in a given area are covered by the activities of the council, it can be described as 'transversal' (cross-sectoral).

4.3.1 In the opinion of the Dublin Foundation, the regional or sectoral level is crucial to the concept of the councils. The foundation stresses that councils at national and European level should act in accordance with the subsidiarity principle. In order to facilitate communication between the bodies managing regional/sectoral councils, it is important to try to take advantage of possible synergies, for example with regard to monitoring and academic research.

4.4 Some councils at national level deal with initial vocational education and training (IVET) and others with continuing vocational education and training (CVET). In some countries, they can deal with both, which produces a synergy effect and makes it possible to avoid duplication.

4.5 Councils analysed in the feasibility study have the same general objective: to improve the balance on the labour market between supply and demand in quantitative (jobs) and qualitative (skills and competences) terms. There are, however, differences in the way in which this general objective is achieved, and also between those councils which concentrate on IVET, on the one hand, and those which deal with CVET, on the other hand (this concerns countries where training is split into IVET and CVET).

4.6 In the majority of Member States the main objective of the **national transversal** (cross-sectoral) **councils** is the identification, quantitative analysis and anticipation of long-term trends on the labour market and putting forward proposals for action in response to emerging trends.

4.7 In many cases **transversal councils** focus not only on quantitative but also on qualitative issues. The members of such councils, for example Denmark's Advisory Committee on Education and Training, advise the education minister, on the basis of labour market trends, not only on matters relating to the definition of new skills and the merging or elimination of existing qualifications, but also on general aspects of vocational education such as the coordination of training programs.

4.8 In some countries regional transversal councils have the same objectives as their national counterparts. They provide research institutes with regional data enabling them to estimate the number of future jobs, and skills needs. It is interesting to note that some regional transversal councils do their best to match future qualitative skills needs with current quantitative data on the number of young people entering IVET.

4.9 The main objective of national sector councils dealing with IVET is to ensure that new workers entering the labour market are equipped with appropriate basic skills.

4.10 The main objective of national sector councils dealing with continuing vocational training is to raise the level of skills of those already on the labour market. To this end the councils define the

training needs of workers and either provide training themselves or finance courses run by external providers.

4.11 National or regional councils differ in the **tasks** they perform. The following are examples of the tasks carried out by sector and transversal councils:

- analysing quantitative labour market trends;
- analysing qualitative labour market trends;
- proposing policy to address quantitative shortfalls;
- proposing policy to make good qualitative shortcomings;
- proposing an updating of the process for acquiring qualifications and certification;
- promoting cooperation between firms and VET providers;
- implementing (quantitative and qualitative) programmes and activities to address shortcomings.

4.11.1 Only a few sector councils in the Member States carry out all these tasks. Virtually all sector and transversal councils carry out analyses of quantitative and qualitative labour market trends. A rather smaller number of sector and transversal councils also prepare policy proposals. The majority of them carry out or commission research.

4.11.2 It is much more common for the councils to analyse qualitative labour market trends and draw up proposals for policies, for example policies aimed at developing outline vocational teaching programmes, and to sketch out ways of overcoming qualitative shortcomings. Many councils are involved in supporting cooperation between firms and VET providers.

4.11.3 Some national councils implement programmes and activities aimed at reducing the skills gaps on the labour market. Regional transversal councils in the new Member States in particular formulate proposals for policies to correct qualitative shortcomings.

4.12 The tools used by the various councils are closely matched to their objectives and tasks. Data on quantitative and qualitative labour market trends are particularly important to the councils. The general trend is for these data to be collected and analysed by external organisations, with the exception of cases where the structure of the council incorporates, for example, a labour market observatory.

4.12.1 A distinction should be drawn between the collection and analysis of labour market data on the one hand and the adoption of political decisions on how to react to labour market trends on the other.

4.13 The management boards of sectoral councils currently operating in the EU and elsewhere include representatives of employers (usually in a management role), employees and, in certain cases, representatives of training suppliers and government (local authorities in the case of a regional council). Either a small board is established (with a view to strengthening the decision-making process) or quite a large board, with a view to making it as representative as possible. As a rule, members of the council board must come from industry and enjoy considerable prestige in the sector and credibility.

4.13.1 In assessing the management of councils, it is stressed that the council's agenda should not include matters relating to labour relations, which are the domain of the sectoral dialogue committee. At the same time, by taking on many of the other very significant issues for employers and employees, the council's activities help to relieve tensions which emerge in social dialogue.

4.13.2 Sectoral councils often cooperate within the framework of an organisation. In Canada this role is fulfilled by the Alliance of Sector Councils, where information and tools are exchanged and joint procedures are planned, for example with regard to development of national vocational standards.

5. Detailed comments

Labour market observatories as an important basis for the effective operation of sector councils

5.1 There are various labour market observatories operating in the Member States at national, sectoral and regional level. Sometimes the structures of observatories function within existing employment councils or operate under a different name.

5.1.1 These observatories:

- monitor labour market trends and policies,
- collect, analyse and interpret data,
- pass on data to users in accordance with their needs.

5.1.2 Linking these observatories together in national and international networks is of key importance. The observatories cannot work in isolation from each other in a European and global market which is characterised by flexibility.

5.1.3 Each observatory, as a forecasting tool for anticipating changes in the labour market more effectively, will develop and become more important if, while concentrating on its own objectives, it maintains regular, systematic contacts with other observatories.

5.2 The task of employment and skills observatories is to provide strategic information to various participants in change. Apart from the social partners and government bodies these include small and medium-sized enterprises, training institutions, local authorities, employment services and business support services.

5.3 A labour market observatory's activities should include:

- identifying training priorities and ensuring more effective interaction between the development of skills and job creation;
- monitoring labour market changes and needs;
- analysing labour and education statistics;
- providing information services and a service for facilitating the transition from education or training to work, the main aim of which is to:
- monitor educational and training pathways leading to employment,
- identify changes and reciprocal dependencies between supply and demand in economic sectors and various occupations;
- coordinating research and surveys as well as helping to promote innovation and development policy;
- disseminating information on employment and skills among various target groups.

5.4 An observatory may provide systematic analyses of the labour market at national, local and sectoral level. It carries out comparative analyses at sectoral level and examines the need for various occupations and specialisations at regional, local and sectoral level with a view to pinpointing future demand for skills.

5.5 Observatories may carry out the following tasks, supporting or complementing the operation of sector and transversal councils for the labour market and skills:

- carrying out and analysing forecasts of social and economic changes at national, sectoral and regional level, thus making it possible to identify and define new jobs emerging in sectors or regions which are particularly at risk;
- updating the definitions of traditional sector patterns with a view to more effective adaptation of employee skills;
- encouraging the development of partnerships in the area of change and innovative activities by:
- setting up networks bringing together other observatories and stakeholders,

- developing continuing training strategies,
- providing vocational counselling services,
- drawing up training programmes with the involvement of firms, sectors and local employment initiatives.

5.6 Labour market observatories bringing together various stakeholders should also participate in the debate between interested parties, for example sectoral and transversal employment councils, on the development of the European, national, sectoral, regional and local economy. The observatories play a particularly important role in identifying new jobs and in understanding new economic activities, employment patterns and skills.

5.7 As regards current relations between sectoral councils and labour market observatories, in several EU countries (e.g. France and Sweden) there are sectoral labour market observatories which identify training needs in the sector on behalf of national CVET

sectoral councils (in France the observatory carries out such research on behalf of the Commission for Sectoral Training Funds ⁽⁷⁾).

5.7.1 At the request of regional horizontal councils, regional labour market observatories in certain Member States identify those sectors which are growing or declining. The result of this identification process is a broadened and consistent type of information which is taken into consideration by regional authorities, the social partners and training providers in the discussion on types of IVET and VET courses for which there is a need in the range offered by regional training institutions.

5.7.2 In the case of planned ESCs, in the Committee's view the role of European observatories that cooperate with them could be played by the Dublin Foundation (Eurofound) Cedefop, especially in the course of pilot projects. In future, ESCs could cooperate with supranational network structures of labour market observatories.

Brussels, 17 February 2010.

The President
of the European Economic and Social Committee
Mario SEPI

⁽⁷⁾ On the basis of the feasibility study (see footnote 4).

Opinion of the European Economic and Social Committee on 'The Lisbon Agenda and the internal market'

(own-initiative opinion)

(2010/C 347/02)

Rapporteur: **Mr Edwin CALLEJA**

On 26 February 2009, the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on

The Lisbon Agenda and the Internal Market.

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 1 February 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February 2010), the European Economic and Social Committee adopted the following opinion by 184 votes to 16 with 34 abstentions.

1. Conclusions and recommendations

1.1 The Lisbon Strategy's goal is to make Europe the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion and respect for the environment by 2010. After the 2005 revision national governments took ownership of their own national reform programmes and are conducting a yearly review of progress achieved on the set goals of sustainable development. Although the objectives will not be achieved by the target date of 2010, better governance at European level should help the achievement of the short-term actions required. The next review of the Lisbon Strategy is now overdue. However, the Council is set to dedicate its Spring session to take decisions in this regard. The Commission document on 'Consultations on the Future "EU 2020" Strategy' ⁽¹⁾ provides a good basis for decision.

1.1.1 The EESC therefore urges the EU Commission and Member States to take the necessary important and decisive steps for the completion of the Single Market whilst safeguarding and further developing economic, social and environmental standards. The EESC emphasises the intrinsic link between the Lisbon Strategy and the Single Market notwithstanding the difference in the models of governance between the two. A dynamic Single Market is both a pre-requisite and a support for a successful 'EU 2020' strategy.

1.2 The EESC recommends a change of strategy and attitudes by Member States on Single Market rules and would like to see the following improvements:

- **Better rules:** It is fundamental to have more transparent and unequivocal regulation that can be administered better at a low cost and without a loss of time for business and the citizen at large. These principles need to be followed to facilitate cross-border activities. At the same time it is obvious

that the problems in the financial markets, the need of a greener economy and a strengthening of the industrial and service sectors to take into account demographic change, require a new approach. Better rules do not mean automatically less rules or de-regulated markets, but they must create the necessary conditions to help remove protectionist attitudes and competing regimes that give unfair advantage to some Member States. The rules should take into account economic and social conditions whilst achieving a level playing field for enterprises, ensuring more cohesion and guaranteeing social justice and encouragement for the free movement of human and financial resources.

- **Better implementation:** Rules should be transposed uniformly in all Member States with one consistent interpretation and the least exceptions. Mutual recognition in non-harmonised areas must be improved.
- **Better supervision:** As the guardian of the Single Market, the EU Commission's authority should be strengthened. Supervision and enforcement could be better coordinated by the creation of a single point of reference in each Member State to exercise authority and be held responsible to the EU Commission for uniform application of Single Market rules.
- **More cross-border cooperation, information and rapid complaint handling systems:** Mutual trust and understanding need to be built between the responsible authorities of Member States by creating a stronger working relationship between them. The networks already established by the EU Commission should serve as a basis for cooperation provided these are made operational in all Member States to protect and inform citizens. A fully functioning network provides effective surveillance and will drastically reduce imports not conforming to EU standards from third countries, both to enhance product standards and consumer safety and to provide a level playing field for EU industry.

⁽¹⁾ COM(2009) 647 final, 24.11.2009.

- **More justice for citizens:** Judicial enforcement of Single Market rules will be improved if judges have access to adequate training in European law. In order to resolve the tensions between the freedoms of the Internal Market on the one hand, and fundamental rights on the other, various alternatives are currently being explored by the social partners. Clear principles need to be laid down so that the four freedoms and collective rights of employees will not be in conflict.
- **The continuation and strengthening of the Single Market monitoring exercise:** The best ways of approaching the design and implementation of better regulation and policy are expected to come out of this exercise. These approaches will be pragmatic and address specific issues at country and market levels. This exercise should also investigate and tackle reported barriers to trade within the Single Market ⁽²⁾.
- **Prioritising Single Market issues:** EU priorities should be reviewed for the coming years because outstanding matters in the Single Market agenda might be hampering progress on the Lisbon goals.
- In particular, it is important that the Services directive is implemented in full compliance with the spirit and rules of the Single Market. An important problem in this regard is that there still is no free movement of labour from some of the Member States in the last enlargement. Effective and clear implementing rules are needed for the proper application and achievement of the goals of the Posting of Workers Directive, namely fair competition between enterprises, respect for the rights of workers and avoidance of social dumping.
- One of the problems of the Single Market and the EU is that wages and labour conditions have become a factor of competition. Protection of standards in the labour market will become more important and have to be part of the new EU 2020 Strategy.
- The Single Market stimulates unnecessary and environmentally harmful transport over long distances. That is in contradiction with increased demands to the policy of the environment and sustainable development.
- The EESC supports the conclusions of the Council of Ministers of Environment ⁽³⁾ and had the occasion to present its opinion ⁽⁴⁾ underlining the need to internalise external costs to set prices right, recognising the cost of inaction and the value of eco-system services.

⁽²⁾ For an overview of the remaining obstacles to the Single Market, see the EESC-SMO study under http://www.eesc.europa.eu/smo/news/index_en.asp.

⁽³⁾ 14891/09, 23.10.2009.

⁽⁴⁾ OJ C 317, 23.12.2009, p. 80.

1.3 The 'EU 2020' Strategy depends on an efficient functioning of the Single Market. In the next review of the Lisbon process, the EU needs to take bold move towards global economic and social development leadership. This should be done by exploiting the diverse economic competitive advantages which exist in different regions within the Union, operating in an efficient and properly functioning Single Market.

1.4 The 'EU 2020' Strategy must tackle the more urgent issues:

- Implement the recovery plan to take the EU out of the recession and to help Member States to reach the already adopted targets and objectives. The strategy must support the changes needed to direct industry towards a greener strategy and at the same time to influence a change in consumers' habits that supports a greener economy.
- Identify concrete measures and develop guidelines for eco-efficiency with an integrated strategy and an action plan for the promotion of eco-innovation during the course of this year; and the forthcoming European Innovation Plan to create a competitive and harmonised Internal Market in this area.
- Develop a real exit strategy of State intervention in the banking, insurance and financial sectors whilst reinforcing supervision and regulation. This should include a strategic approach towards the gradual reduction of state involvement in sustaining the viability of the financial sector with clear aims towards ensuring efficiency of the sector, reducing the burden from public debt, while safeguarding the contribution of financial activities to economic stability and growth.
- Strengthen the focus on needed structural changes that consider demographic changes and related consequential issues. Concrete action should now be taken to implement the Small Business Act in the Member States.

1.5 A strategy for further enlargement of the EU. Further enlargement should take place only if new entrants achieve before-hand the necessary legal approximation with the *acquis* and fulfilment of all requirements of good governance, rule of law and a sustainable economy.

1.6 Overcoming the financial crisis:

- As the financial crisis has shaken the very foundations of economic and social progress, it must be resolved as smoothly and quickly as possible. Financing business and encouraging investment in R&D is crucial if employment levels and economic well-being are to be maintained.

- An integral part of the solution is restoring confidence in the European financial sector. This can only be achieved by a thorough overhaul of public oversight and regulation that need to be tightened to keep up with the global dimension and operations of the financial markets. It is also highly desirable that binding financial regulation and supervision are coordinated at global level, due to the rapid and massive contagious effects which financial crises in one country have on an increasingly inter-dependent world.
- Member States should support the approach of the European Central Bank (ECB) that takes into account the economic and employment dimensions in parallel to price stability, the responsibility to conduct an ongoing overview of the economy of the Euro area and to make its recommendations to the ECOFIN Council. It is also indicated that a re-consideration be made of the scope and effectiveness of the EURO Group and its contribution to the definition of the monetary policy of the Euro.
- In order not to allow the financial and economic crisis to further aggravate the employment and social situation, all necessary measures at national and EU level need to be taken to adapt social measures to the present circumstances whilst striving to avoid weakening social protection, workers' purchasing power; and preserving cohesion in the internal market, keeping in mind the sustainability of social systems and the necessity of a sound fiscal policy. At the same time labour markets must be stabilised in preparation for the economic upturn by additional and intensive comprehensive steps in the training of workers and implementing measures in further knowledge-based education that should lead to more productive jobs of a higher quality.
- Better means of estimating progress in the social, economic and environment fields. There is a need of developing additional indicators, other than GDP, to have a better understanding of progress in sustainable development and well-being.

1.7 Improving European positioning in the global market

1.7.1 Europe needs to be better positioned on the international stage. This can be achieved by resolving internal economic, social and environmental challenges and strengthening European integration and international cooperation.

1.7.2 EU industry should be encouraged to go into technology-intensive sectors that have primarily an in-built climate-friendly strategic approach. This will give the EU a leading competitive edge, improving external trade and creating 'green' jobs for workers whilst aiming at and ensuring long-term economic sustainability.

1.7.3 Innovative thinking is required to achieve this balance so that social and environmental progress can contribute to competitiveness.

1.7.4 The further reduction of economic and legal barriers should significantly contribute to further intensification of intra-market integration and to the overall effect of enhancing Europe's competitiveness⁽⁵⁾. More involvement of social partners and organised Civil Society in the new 'EU 2020' Strategy will help to achieve faster progress.

1.7.5 The global dimension requires further joint efforts. Each Member State should tackle its own national agenda whilst working with others towards achieving set common goals. These should include:

- A commitment to playing a strong role in the world whilst taking into account the shifting centre of gravity towards Asia and the emerging countries.
- A strategic energy policy supported by bilateral agreements between the EU and other countries together with the development of a new low-carbon, intelligent and decentralised energy infrastructure.
- The EU should insist on those countries with whom it conducts trade exchanges to accede to, and abide by, relevant international treaties and conventions of UN, and its agencies such as the ILO, and other international bodies that set standards concerning the environment, rights of workers, including equal pay for equal work and the prohibition of child labour.

2. Introduction

2.1 The Lisbon objectives

2.1.1 In launching the Lisbon Agenda, the European Council of Spring 2000 set a strategic goal for the Union to be achieved by 2010 in its efforts to become the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion and respect for the environment. Europe remained committed to adapting several existing policies, institutional arrangements and financial instruments to its strategic priorities. The EESC has underlined the importance of the Lisbon Strategy and considered it to be of great benefit in maintaining the momentum for reforms that would strengthen the Single Market and assist its further development and consolidation⁽⁶⁾. Reforms in the goods, services, labour and capital markets are expected to contribute towards achieving a fully functioning and efficient Single Market and to further integrate Member States in a post-2010 economic area that is more competitive and nearer to achieving the goals of the Lisbon Agenda whilst ensuring a balance between the economic, social and environmental pillars of sustainable development.

⁽⁵⁾ OJ C 277, 17.11.2009, p. 6.

⁽⁶⁾ OJ C 77, 31.3.2009, p. 15.

2.2 *The second phase of the Lisbon Agenda*

2.2.1 This began with the mid-term review in 2005 with each Member State responsible for implementation at national level. Priorities were to be clarified and new political and financial instruments were launched. New integrated guidelines were adopted for economic and employment policies, and these were to be incorporated in national reform programmes.

2.3 *Lisbon Agenda post-2010*

2.3.1 The European Council of March 2008 also defined a mandate to start a process of reflection on the future of the Lisbon Agenda post 2010 with a focus on:

- investment in human capital and modernising labour markets;
- unlocking business potential;
- investing in knowledge and innovation;
- climate change, energy and related investment in infrastructures.

2.4 *Europe embroiled in the financial crisis*

2.4.1 The European Union is now in the midst of the current global financial crisis that started in the USA, but has now taken on pandemic proportions, spilling over into the global economy and harming investment, depriving businesses of much-needed credit lines, and contributing to a decrease in world trade not seen since the last World War. Throughout the Union the social consequences in terms of job losses and reduced spending power of workers are reaching alarming proportions and there does not seem to be any immediate prospect of recovery. The European Central Bank has so far taken measures to defend the Euro against inflation and deflation. Member States should support the approach of the European Central Bank (ECB) that takes into account the economic and employment dimensions in parallel to price stability and that gives it responsibility to also conduct an ongoing overview of the economy of the Euro area and to make its recommendations to the ECOFIN Council. In this spirit Member States should review the scope and effectiveness of the EURO Group and its contribution to the definition of the monetary policy of the Euro. The opening up the markets in the financial sector was a positive step. However, public oversight and regulation did not keep pace with the global dimension of the financial markets. These are additional challenges that Europe has to face and overcome by reviewing and strengthening regulation.

2.5 *A setback for the Single Market and Lisbon Agenda*

2.5.1 **The Challenges of Globalisation.** Given this situation in the EU, it is evident that the Single Market and the Lisbon Agenda will be seriously affected. Globalisation and its challenges will be still there after the crisis. So Europe needs to be better positioned

on the international stage achieving progress on resolving internal economic, social and environment challenges and strengthening European integration and international cooperation. For this strategy to be effective and in keeping with the revised priorities of the Lisbon Agenda, a balance has to be reached between the economic, social and environmental dimensions of development.

2.5.2 *Social Cohesion*

2.5.2.1 When the Lisbon Strategy was launched in the year 2000, social cohesion was and still remains an important consideration. But progress on poverty and inequality issues has been rather disappointing both between and within Member States. Poverty and inequality are still considered to be amongst the biggest problems in Europe. The revision of the Lisbon Strategy has to take poverty and social cohesion more seriously with more ambitious targets for economic and social development that should lead to a drastic reduction of poverty and inequality issues.

2.5.2.2 The differences between welfare systems in the EU are obvious. Some of the differences are caused by totally different tax systems and tax competition. Corporate taxes and taxes on dividends and interests are high in some countries, low in others. Flat tax models have increased the differences in income tax and revenues between the Member States. Social expenditures as a percentage of GDP is over 30 in some countries and under 15 percent in some countries with low flat tax. All the countries face problems for the future of their welfare systems.

2.5.2.3 Higher education standards, better and more marketable skills, more researchers should be the mainstays of a higher degree of competitiveness for a greener European Industry that must take the lead in innovation, with higher technology, more productivity and value-added. This should create more and better quality jobs and an acceleration of economic and social development, leading to a reduction in poverty and inequality.

2.5.2.4 The Open Method of Coordination (OMC) and a strong emphasis for simultaneous and interactive action at EU, National and Regional levels, are indicated. The involvement at member state level of national parliaments, social partners and the rest of organised civil society should give a sense of understanding and ownership of the main problem areas and the action to be taken.

2.5.2.5 Public services providers are part of the needed response to the problems of social cohesion and the current economic and financial crisis because they are performing important work in governments' efforts to stabilise both the economy and labour markets. The public sector acts as a catalyst for economic growth and provides the infrastructure for private business prosperity. Better public services (e.g.: education, health and social care, etc) should be fundamental in the new European strategy for economic growth and employment and for the interest of all European citizens.

2.6 Reversing the recessionary trends

2.6.1 A more efficient Single Market should help in the medium-term development of the EU and should also contribute to a speedier recovery from the current financial and economic crisis. Structural reforms should be designed to achieve a sound, long-term recovery. Without losing sight of the social balance required, they should also aim to reverse the present recessionary trends, and avoid any further deterioration of productive capabilities in the EU. There would be a vast sense of purpose and direction if Member States can find the synergies and resolve to act together to direct their economies back to sustainable growth. Member States should be ready to encourage Internal Market demand and restore consumer purchasing power in consonance with progress achieved to end the present financial and economic crises and the accompanying recession.

3. General comments

3.1 This opinion has identified certain areas where the Single Market could contribute to the Lisbon Agenda after 2010. These are considered below.

3.2 Size of the Internal Market

3.2.1 Trading of goods within the EU's Internal Market is almost double the trade with the rest of the world, reflecting integration efforts over the years ⁽⁷⁾. Europe's Single Market for goods is seen as having a strong competitive advantage and provides Member States with a good basis for achieving success on external markets and creating more wealth and jobs for its citizens. Further enlargement of the EU will eventually be considered and therefore the size of the Single Market is bound to increase.

3.3 Progress on continuing and implementing the Single Market

3.3.1 The Single Market project is 'work in progress' but certain key issues require urgent action. Correctly applying the Single Market 'acquis' is of key importance. Balance and consistency between the various interests has to be maintained. Moreover, competition between Member States in the Single Market should be geared to giving the EU consumer improved quality and safer products at the best price whilst giving industry a stronger and more efficient base for expanding its external trade. A report published in January 2009 ⁽⁸⁾ identifies aspects of the 1992 Internal

Market programme which have not yet been achieved. The report finds that current regulations lead to different interpretation and implementation and lack of harmonisation. It also mentions high administrative costs and how the complete removal of existing barriers on enterprises could be achieved.

3.3.2 A new concept of internalising all external costs of all modes of transport has been introduced by the EU. The EESC has already had the opportunity of commenting on this situation ⁽⁹⁾ and repeats its recommendations that the desired effect can only be achieved if this principle is applied on the same scale wherever external costs arise. Among the Council conclusions of 23 October 2009 it underlined the need to apply this principle as a means to set prices right, and invited Member States to intensify discussion on how to make best use of cost-effective economic instruments to better reflect true environmental costs and benefits, and assign a predictable price for carbon emissions. The Council also invited the Commission to identify concrete measures and develop guidelines for eco-efficiency in the new 'EU 2020' strategy and to present an integrated strategy and an action for the promotion of eco-innovation during the course of this year and to the forthcoming European Innovation Plan to create a competitive and harmonised internal market in this area. Currently, the external costs are not passed on to the individual modes of transport and their users. This can confer a competitive advantage on those modes of transport which have borne high costs on society. Internalisation would eliminate these distortions in competition, causing a shift to more environmentally-friendly modes of transport. It is important to apply this principle more effectively because it may also be associated with changes in supplier and user structures in transport.

3.4 The services sector

3.4.1 The Internal Market for services still shows signs of weakness. It is hoped that progress will be registered as a result of the coming into force of the Services Directive at the beginning of this year. Cross-border issues are still very sensitive areas especially in the energy, postal and financial services sectors. On some issues European solutions are inconceivable because of Member States' resistance, and a field of tension exists with a tendency towards increasing protectionism. Governments need to resist such short-term and short-sighted measures. They should monitor the situation and make sure that there is no lowering of social quality, environmental and safety standards in the areas mentioned above. The EESC calls on Member States to give the necessary training to administrative staff if a smooth transition is to be achieved in the implementation of the Services Directive. The service sector has to be developed to meet also the challenges of demographic changes, which will also challenge the Single Market – taking into account that some social services are not a part of the Services Directive.

⁽⁷⁾ Internal Market Scoreboard, December 2008.

⁽⁸⁾ *When will it really be 1992 – Specific Proposals for Completing the Internal Market*, published by the Dutch employers' federations VNO – NCW, MKB (see http://www.eesc.europa.eu/smo/prism/moreinformation/literature/7/index_en.asp).

⁽⁹⁾ OJ C 317, 23.12.2009, p. 80 and CESE 1947/2009, 17.12.2009 (TEN/356).

3.5 Monetary union

3.5.1 The monetary union and the success of the euro are fundamental for deeper integration and reinforcement of the internal capital market. Indeed, in periods of economic slowdown the Internal Market and the eurozone have shown that they provide stability for firms as intra-trade activity declines less than extra-EU trade activity. These indications point towards the potential of further integration.

3.6 External effects of the euro

3.6.1 It is estimated that trade has increased by almost 5 percent since the introduction of the euro ⁽¹⁰⁾. Markets will benefit further from a deepening of the eurozone, including coordination of macroeconomic policies, external representation and regulation of financial markets especially in the light of the current economic downturn.

3.7 Constraints to implementation of the four freedoms

3.7.1 Freedom of movement has contributed to a strengthening of the economy of European Member States, as it enhances competition and provides consumers with a wider choice and better quality products at lower prices. It also helps firms within the EU to compete in third country markets. However, there is evidence of unclear implementation rules under the Posting of Workers Directive that give rise to unfair competition between enterprises, lack of respect for workers' rights and social dumping.

3.7.2 Over recent years, employment guidelines mainly focused on labour mobility as a means of improving the structure of the labour market. The promotion of active labour market principles, flexicurity schemes negotiated between social partners and governments, the motivation for continuous learning and training, the setting up of robust, adequate and sustainable social security systems, the facilitation of equal opportunities, safeguarding gender equality, reconciling jobs and private and family life and eliminating all forms of discrimination are essential for the labour market to contribute more to the Lisbon objectives.

3.8 Regulatory constraints

3.8.1 Since the 1980s, EU regulations have focused on the freedom of movement of goods, services, labour and capital. The regulatory environment in which businesses operate is a crucial element of their competitiveness and their ability to grow and create jobs. Rules can establish fair competition but they could also

hamper a good business climate. Regulations therefore need to be reviewed and simplified so that firms will adapt quickly to changes whilst maintaining fair and relatively secure markets. Coordinated action should be taken by all 27 Member States to effectively stabilise Europe's market system. Measures need to be implemented rapidly to ensure that banks focus more effectively on their core business of providing liquidity to the real economy using stable sources of funding generated by savings from the economy itself, leaving more risky and speculative activities in the financial markets to separate operators specialising in this field.

3.8.2 Over the past five years, the Single Market has undergone significant improvements within the legislative framework for the free movement of goods and services. Such improvements were mainly due to the Mutual Recognition Regulation which laid down common technical rules. These are reducing additional administration and production costs. The Accreditation and Market Surveillance Regulation has in principle also enhanced free movement by promoting improved standards for the benefit of consumers and promoting safety of goods sold.

3.8.3 It is important to bring about harmonised standards with free movement of goods, services, labour and capital. Certain constraints are still impeding a fully functioning Single Market.

3.8.4 There are networks already established by the EU Commission that should be operational in all Member States with enough resources to exercise their function. The EESC refers in particular to the Internal Market Information system (IMI), the Rapid Alert system for non-food dangerous products (RAPEX), the Rapid Alert System for Food and Feed (RASFF) and SOLVIT. These instruments provide information and protection to EU citizens' interests and ensure a smoother operation and monitoring of Single Market rules. Generally, an enhanced awareness by the general public should facilitate the implementation of useful reforms towards the enhancement of the Single Market.

3.9 Environmental externalities

3.9.1 In the medium to long term the EU must 'as a Community become the most energy and resource-efficient economic area' and climate policy must be geared towards sustainability. All possibilities for saving energy must be examined and local, renewable and regional structures must be utilised. Improving energy and resource efficiency will become one of the key elements of a new strategy.

3.9.2 For better sustainable economic development a stronger interface is required with the EU external action to shape globalisation and to promote international strategic convergence for sustainable development.

⁽¹⁰⁾ Study on the Impact of the Euro on Trade and Foreign Direct Investment (http://ec.europa.eu/economy_finance/publications/publication12590_en.pdf).

3.9.3 In this respect, for the goods market to contribute more to achieving the Lisbon objectives, a common EU voice needs to be raised insistently and consistently in international negotiations.

3.9.4 There needs to be further investment in research on energy and climate change. Future industry investment in the EU should be based upon a strategic energy policy supported by bilateral agreements between the EU and other countries. The development of a new low-carbon, intelligent and decentralised energy infrastructure is also important.

3.10 *Security of supply of energy products and basic commodities*

3.10.1 On the one hand, it is essential that the EU economy has continuous and secure access to energy and basic commodities, which means that the EU should achieve an ever-higher degree of self-sufficiency in this respect.

3.10.2 In the context of the wide fluctuations in energy and commodity prices over recent years, the euro has provided shelter against financial market turbulences and its strength alleviated some of the effects of price hikes experienced two years ago when there was a strong demand on global food and energy markets.

3.10.3 The openness of capital markets is also important in this respect, especially between Member States. This should be encouraged so as to finance trade in energy supplies and to promote investment in the energy sector.

3.10.4 The EU internal energy market also needs to be transformed into a genuinely cohesive system operating under a unified policy with full inter-connectivity and operability that guarantees fair competition and safeguards the rights and interests of consumers. EU Competition policy, the strengthening of national regulatory authorities and a policy of services of general interest would ensure that consumers have adequate, safe and un-interrupted supplies of an energy mix that is both sustainable and affordable.

3.11 *Transport and communication infrastructure*

3.11.1 In the context of globalisation, transport is key to the proper functioning of the Single Market. It enhances cross-border co-operation and exchanges between Member States. Efficient transport systems enable economic efficiency through a wider variety of goods at competitive prices. The intra-European rail infrastructure is an efficient and environment-friendly means of carrying merchandise, as opposed to road transport which contributes to higher emissions.

3.11.2 The Maritime Transport Strategy 2009-2018 will also contribute to sustainable economic development. As the number of ships operating in short sea trade and in international trade increase, the issues of climate change and other environmental problems will however need to be tackled.

3.11.3 Changes in the EU's transport system are expected to reduce infrastructure saturation whilst helping the EU economy adapt to the challenges of globalisation. An efficient transport system enhances business and job opportunities whilst ensuring long-term competitiveness inside and outside the EU. Transport also fosters innovation and encourages economic growth.

3.11.4 Inter-operability and connectivity issues between member countries need to be assessed especially with respect to energy networks and access for all citizens to broadband internet. These issues would affect peripheral regions in particular.

3.11.5 Peripheral regions are still at a great disadvantage where it concerns air services. The EU should make a fresh approach to this problem and aim at giving citizens of these regions equivalent facilities enjoyed by those living in mainland Europe.

3.12 *Competitiveness in the Single Market*

3.12.1 The Lisbon strategy has been quite successful in some aspects of the goods market. The European Single Market has made trade easier for goods and consumers enjoy a much wider choice of products at very competitive prices. However, there is a need for fair competition which should be achieved by effective surveillance at national level through cooperation between Member States.

3.12.2 There does seem however to be a delivery gap between commitments at national and European level. As international competition for goods and services increases, improving the competitive performance at European level becomes increasingly urgent. There is strong evidence to suggest that better coordinating efforts on R&D between clusters of SMEs and large firms produce improved competitiveness effects that extend beyond the Internal Market.

3.12.3 It is also important to note that the establishment of the EMU helped the EU market to become more competitive through lower and more transparent costs of cross-border activities. This also facilitated the entry of new firms in the European market whilst least efficient firms were eliminated or taken over. However, there is still room for improvement with regard to flexibility in the Internal Market and labour mobility. In fact, the main weakness identified for all markets is that the European Single Market needs to ensure that the remaining internal barriers are removed.

3.13 *The external dimension of the Single Market*

3.13.1 Europe's openness to the rest of the world has contributed to its prosperity. It is therefore in its interest to develop its external agenda, to protect and serve the interests of its population. Future policies should now move away from the inward-looking syndrome that has been the focus since the Rome Treaty of 1957. The EU should now be rather looking towards the globalised economy with a determination to play a full role whilst taking into account the shifting centre of gravity towards Asia and the emerging countries especially the so-called BRICs – Brazil, Russia, India and China. The EU should also develop economic cooperation with neighbouring countries in the framework of the European Neighbourhood Policy including the Eastern Partnership and Union for the Mediterranean with the aim of extending the Free Trade Area. Open market principles should be a condition to such partnership arrangements. At the same time deepening and perfecting the Internal Market are key if the EU is to retain its role as a world market leader.

3.13.2 Europe also has a duty to address global problems and to help set the pace and tone of globalisation. The EU has followed other major trading blocs in its quest for trade liberalisation in the global market for goods and services. It is negotiating bilateral free trade agreements with Korea, ASEAN and India. The progress achieved in the Transatlantic Economic Council has also been positive. This strategy in part reflects the lack of belief that negotiations of the Doha Round will be successfully concluded within a short time. In fact such bilateralism could defeat the whole purpose of multilateral trade negotiations. The political case of reciprocity in the opening of international markets needs to be insisted upon and the conclusion of the Doha round should still be a priority. The EESC appeals to the EU Commission and Heads of Government of Member States that in trade liberalisation talks they should insist on third country governments to respect human rights, the ILO conventions and the safeguarding of natural, economic and cultural resources.

3.13.3 It is desirable, and indeed overdue for the EU to have a single and unitary protection of the Community Patent. Intellectual property rights need to be strongly enforced, and trade in illegally copied branded products needs to be combated effectively ⁽¹¹⁾.

3.13.4 The absence of effective market monitoring and surveillance in the EU has been accentuated in recent years by reports of sub-standard food and toy products imported from third countries. Due to lack of proper monitoring of goods imported from third countries, EU consumers are being exposed to possible health hazards and to sub-standard and inferior quality. This also distorts competition in the market and may also negatively affect future investment and employment in Europe.

3.13.5 A firm and concerted strategy should also be considered as a means to protect European consumers from imports of goods and services from third countries that do not respect technical, social and environmental standards and working conditions. Member States should ensure that the standards set by the ILO, the UN and its agencies and other international conventions concerning individual rights, freedom of association, the right of workers to organise and bargain collectively and the abolition of child and forced labour are respected by countries with whom the EU Member States have trade arrangements.

3.13.6 The current crisis has shown that there is an increased interdependency between countries within the global financial and trading markets. The world financial systems need to be strengthened by means of rules that promote prudence, improve coordination and communication between monitoring authorities and central banks; and that not only enhance transparency but also keep a stricter check on movements of laundered money that is related to drugs, crime and illegal arms dealing.

3.13.7 Within this context, the EU model of social dialogue should be emulated by countries outside the Union, and the EESC should step up efforts to promote this concept.

3.14 *The social dimension*

3.14.1 The further development of the Internal Market requires the acceptance of European citizens. The social dimension of the Internal Market is now strengthened by the Charter of Fundamental Rights incorporated in the Lisbon Treaty. This should enhance the importance of organised Civil Society in the further development of the Internal Market.

3.14.2 The EU post-2010 strategy should promote a fairer and more equitable society by safeguarding and developing its model of society in line with an integrated development policy. Each Member State should adapt to globalisation and technological change by improving the quality and the availability of continuous education and training. This time of crisis should be used to encourage a knowledge lift to prepare the workforce for the future. The unemployed should be given the chance to re-train and enrol on education programmes, including higher education, that will enable them to re-enter the labour market with prospects of better conditions of employment for themselves and more encouragement for their employers to invest in new market demands that are expected to be generated by more technologies in the years to come. The Globalisation Fund and the European Social Fund should be better used and adapted to challenges of this nature in the Internal Market. In view of the fall-out from the economic crisis, urgent consideration should be given to re-formulate programmes aimed especially to combat poverty.

⁽¹¹⁾ OJ C 116, 28.4.1999, p. 35 and OJ C 221, 7.8.2001, p. 20.

4. Concluding remarks

4.1 In the current crisis the EU needs to adapt the medium to long term measures of the Lisbon strategy. It needs to add short term actions to its structural reform agenda, while continuing to invest in the future. This could be achieved mainly through further investment in R&D, innovation and education, encouraging actively the free exchange of knowledge between Member States

and support to businesses (especially SMEs) to be able to contribute to a more dynamic Single Market. Actions towards a greener economy are also important as a means of creating new jobs and technologies whilst securing alternative energy supplies and achieving environmental goals. This could be done if European governance was strengthened so as to improve the collective dimension of the European Union and to avoid duplication of effort and resources.

Brussels, 17 February 2010.

*The President
of the European Economic and Social Committee*
Mario SEPI

APPENDIX

to the opinion of the European Economic and Social Committee

The following amendments, which were supported by at least a quarter of the votes cast, were defeated in the course of the debate (Rule 54(3) of the Rules of Procedure):

Point 1.2, indents 8, 9 and 10

- *'In particular, it is important that the Services directive is implemented in full compliance with the spirit and rules of the Single Market. An important problem in this regard is that there still is no free movement of labour from some of the Member States in the last enlargement. Effective and clear implementing rules are needed for the proper application and achievement of the goals of the Posting of Workers Directive, namely fair competition between enterprises; and respect for the rights of workers and avoidance of social dumping.'*
- *One of the problems of the Single Market and the EU is that wages and labour conditions are very diverse among the Member States but also among regions and are therefore have become a factor of competition. Protection of standards in the labour market based on ILO conventions will become more important and have to be part of the new EU 2020 Strategy.*
- *The increase of trade inside the Single Market leads to the increase of stimulates unnecessary and environmentally harmful transport over long distances. It is therefore necessary that the aspects of impact of transport on That is in contradiction with increased demands to the policy of the environment and sustainable development are taken into consideration when defining the transport policy in the EU 2020 Strategy.*

Reason

The word dumping is now generally used only in the context of international trade law, where dumping is defined as the act of a manufacturer in one country exporting a product to another country at a price which is either below the price it charges in its home market or is below its costs of production. The term of 'social dumping' is therefore wrongly used in the above mentioned case of posting of workers directive since the costs of the company (usually from the economically less developed Member State) supplying its products and services to other Member State are not below its costs. The use of the term of 'social dumping' directed against the new Member States is offensive and should be avoided.

To indicate the differences in wages and labour conditions as a problem of the Single Market is contradictory to the simple fact that wages are always part of the competition among the companies which is the basis of the free market economy and is beneficial to the consumers. Regarding the protection of the labour market standards it is necessary to indicate what kind of standards should be protected. There are ILO conventions signed by most of the Member States that define these standards.

To blame the Single Market for the increase of harmful transport is a one sided argument. In the same way we should blame the free movement of people to increase the environmental burden. It is necessary to take the environmental and sustainable development aspects into consideration when defining the EU 2020 Strategy.

Result of the voting:

For: 93

Against: 131

Abstentions: 8

Point 3.7.1

'Freedom of movement has contributed to a strengthening of the economy of European Member States, as it enhances competition and provides consumers with a wider choice and better quality products at lower prices. It also helps firms within the EU to compete in third country markets. There still is no free movement of labour from some of the Member States in the last enlargement. Effective and clear implementing rules are needed for the proper application and achievement of the goals of the Posting of Workers Directive, namely fair competition between enterprises and respect for the rights of workers. However, there is evidence of unclear implementation rules under the Posting of Workers Directive that give rise to unfair competition between enterprises, lack of respect for workers' rights and social dumping.'

Reason

There are still restrictions to the free movement of workers inside the Single Market in spite of the proofs that removal of the restrictions did not worsen the situation in the labour market of countries that removed the restrictions.

The word dumping is now generally used only in the context of international trade law, where dumping is defined as the act of a manufacturer in one country exporting a product to another country at a price which is either below the price it charges in its home market or is below its costs of production. The term of 'social dumping' is therefore wrongly used in the above mentioned case of posting of workers directive since the costs of the company (usually from the economically less developed Member State) supplying its products and services to other Member State is not doing it below its costs. The use of the term of 'social dumping' is offensive and should be avoided.

Result of the voting:

Amendment 5 (point 3.7.1) was bound to amendment 3 (point 1.2, indents 8, 9 and 10) and fell as a result of the voting on this.

Point 3.8.1

'Since the 1980s, EU regulations have focused on the freedom of movement of goods, services, labour and capital. The regulatory environment in which businesses operate is a crucial element of their competitiveness and their ability to grow and create jobs. Rules can establish fair competition but they could also hamper a good business climate. Regulations therefore need to be reviewed and simplified so that firms will adapt quickly to changes whilst maintaining fair and relatively secure markets. Coordinated action should be taken by all 27 Member States to effectively stabilise Europe's market system. The EESC recommends that banks focus on financing businesses, leaving the more speculative transactions that take place on the financial markets to be carried out by operators specialising in these kinds of transactions. Measures need to be implemented rapidly to ensure that banks focus more effectively on their core business of providing liquidity to the real economy using stable sources of funding generated by savings from the economy itself, leaving more risky and speculative activities in the financial markets to separate operators specialising in this field.'

Reason

The first part of the deleted sentence is unrealistic. What measures are to be implemented? If no explanation is given, it is better not to refer to them since it causes confusion and uncertainty. Moreover, the current problem is not one of sources of funding, but of confidence in the real economy.

I believe that point 1.6 of the opinion perfectly elucidates the current financial problems and their solutions.

Result of the voting:

For: 82

Against: 127

Abstentions: 19

Opinion of the European Economic and Social Committee on 'Integration and the social agenda'

(own-initiative opinion)

(2010/C 347/03)

Rapporteur: **Luis Miguel PARIZA CASTAÑOS**
Co-rapporteur: **Pedro ALMEIDA FREIRE**

On 16 July 2009 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

Integration and the Social Agenda

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 26 January 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 158 votes to three with three abstentions.

1. Conclusions and proposals

1.1 As an institution that is strongly committed to promoting and developing the Social Policy Agenda and fostering the integration of migrants and ethnic minorities, the European Economic and Social Committee has decided to draw up this own-initiative opinion in order that **the EU may strengthen the links between its integration policies and the Social Policy Agenda**.

1.2 2010 will be a very important year for social policy in the EU: it will be the European Year of Combating Exclusion and Poverty, the EU 2020 Strategy will be drawn up, and a new Social Agenda will be adopted.

1.3 The EESC believes that the 2010 review of the Social Agenda should take greater account of the social effects of immigration.

1.4 As immigration/integration and the social agenda fall within the remit of different Commissioners and different Directorates-General, the EESC proposes that political and administrative cooperation within the European Commission be improved.

1.5 Integration policies must be linked to the main objectives of EU social policy; thus, all people – including third-country nationals, EU citizens from immigrant backgrounds and minorities – will be able to benefit from them. Moreover, the fight against social exclusion should be geared towards all people, including immigrants, whether they be EU citizens or third-country nationals.

1.6 The EESC considers it a priority to strengthen integration at European level, taking account of the economic crisis, the

situation of immigrants and minorities in terms of employment, social inclusion, gender equality, poverty, education and training, healthcare, social protection and the fight against discrimination.

1.7 The approach of diversity through immigration should be included across the board when specific policies and measures are drawn up and implemented, in tandem with the development of specific policies and initiatives for the integration of immigrants and ethnic minorities.

1.8 Consequently, taking into account the experience gained from other policies, the **Committee proposes that a process of mainstreaming integration** be provided for in the EU's different political, legislative and financial instruments, in order to promote integration, equal treatment and non-discrimination.

2. Presentation

2.1 The European Union is taking on a common immigration policy, to which the Committee is contributing through its opinions, highlighting the importance of integration as 'the key to successful immigration'. It recognises the need for European societies to improve their ability to manage the diversity inherent in immigration in order to increase social cohesion.

2.2 In the last ten years, immigrants have made a significant contribution to Europe's economic and social development ⁽¹⁾. Many men and women from countries outside the EU have entered European labour markets, helping to boost the economy, employment, social security contributions and tax revenues.

⁽¹⁾ COM(2008) 758 final.

2.3 The EESC has proposed the concept of 'civic integration' which is based on 'bringing immigrants' rights and duties, as well as access to goods, services and means of civic participation progressively into line with those of the rest of the population, under conditions of equal opportunities and treatment' ⁽²⁾.

2.4 2010 will see the renewal of the Lisbon Strategy with the EU 2020 Strategy, and the Social Agenda, and the review of the Integration Fund; the EU also has the Lisbon Treaty and the Charter of Fundamental Rights, a new Commission ⁽³⁾ will have been convened, and the Parliament will be in the first half of its new term.

2.5 2010 will also be the European Year for Combating Poverty and Social Exclusion, which will provide an opportunity to renew our commitment to solidarity, social justice and greater inclusion.

2.6 Integration policies must be linked to the main EU social policy objectives. The EESC therefore proposes that political and administrative cooperation within the European Commission be improved.

2.7 With the economic crisis, many immigrants are finding themselves among the most vulnerable social groups, and are becoming the first victims: they are the first to be laid off, have greater difficulties rejoining the labour market, and run the risk of falling below the poverty line, particularly if they are female ⁽⁴⁾.

2.8 Often, the children of immigrants are also more likely to drop out of school.

2.9 The EESC believes that efforts to combat discrimination must be stepped up by implementing existing legislative instruments and strengthening public policies and social commitments to integration.

2.10 Alongside the economic crisis, in the political and social debate in some Member States, increasingly vehement verbal attacks are being made on the rights of immigrants, which is leading to tougher legislation and heightened xenophobia.

2.11 Some governments are also cutting the public resources earmarked for integration policies even though, in times of crisis, investment in social policy should be increased rather than decreased.

2.12 The EESC believes that an adequate integration policy is a factor for economic efficiency and social cohesion, as part of an appropriate common immigration policy.

⁽²⁾ OJ C 125, 27.5.2002.

⁽³⁾ Issues relating to integration and those relating to the Social Agenda fall within the remit of different Commissioners and different Directorates-General.

⁽⁴⁾ Eurostat.

2.13 Integration policies vary greatly throughout Europe, owing to the differences between social and political norms and legal systems. However, the objectives of integration are linked to social policies in every Member State.

2.14 In the EU, immigrants join the population at different rates. At present, migration processes are lower in the new Member States in central and eastern Europe, and greater in southern and western Member States. Experience shows, however, that in the future all European countries will experience high levels of immigration.

2.15 The Committee wishes to stress that the links between immigration and development must be strengthened within the framework of a comprehensive European immigration policy. The EESC has drawn up two opinions based on this approach ⁽⁵⁾.

3. Integration

3.1 The social integration process takes place in various areas of people's lives: family, neighbourhood and city, workplace, trade union, business organisation, school, training centre, association, place of worship, sports club, the armed forces, etc.

3.2 As integration is a social process that occurs within social structures, good governance is required to ensure that this social process is accompanied by appropriate policies on the part of the public authorities. In keeping with the powers they have in the various Member States, local and regional authorities possess political, legislative and budgetary instruments that they must put to good use in integration policies.

3.3 Common Basic Principle 10 (Appendix 1) proposes that integration form part of all policy portfolios at all levels of government (mainstreaming).

3.4 The EESC has drawn up a number of own-initiative opinions ⁽⁶⁾ calling for proactive integration policies in the EU, with a two-way focus, targeting both the host societies and immigrants, the purpose being to achieve a society in which all citizens, regardless of where they come from, have the same rights and obligations, and share the values of a democratic, open and pluralist society.

⁽⁵⁾ See the following EESC opinions:
OJ C 44, 16.2.2008, p. 91.
OJ C 120, 16.5.2008, p. 82.

⁽⁶⁾ See the following EESC opinions:
OJ C 27, 3.2.2009, p. 95.
OJ C 125, 27.5.2002, p. 112.
OJ C 80, 30.3.2004, p. 92.
OJ C 318, 23.12.2006, p. 128.

3.5 The EESC believes that civil society organisations can play a crucial role in integration. Both immigrants and host societies must show that they are willing to embrace integration. The social partners and civil society organisations must be committed to the implementation of integration policies and anti-discrimination measures.

3.6 Integration is a social process which involves immigrants and the host society alike. All the different public administrations and social players must demonstrate commitment to this process. European, national, regional and local authorities should draw up programmes reflecting the scope of their respective powers. In order to guarantee the efficacy and overall consistency of the programmes and actions, they must be properly supported and coordinated.

3.7 In another opinion, ⁽⁷⁾ the EESC proposed that the local authorities demonstrate greater commitment, because integration presents a challenge primarily at the local and regional level. These policies will enjoy greater success if they involve local and regional authorities and if civil society organisations are actively engaged in them.

3.8 Integration is a two-way process founded on the rights and obligations of third-country nationals and the host society, enabling immigrants to participate fully. In another opinion, the EESC defined integration as *'bringing immigrants' rights and duties, as well as access to goods, services and means of civic participation progressively into line with those of the rest of the population, under conditions of equal opportunities and treatment'* ⁽⁸⁾.

3.9 The Committee considers that immigrants should adopt a positive attitude towards integration and that the two-way approach demonstrates that integration affects not only immigrants but also the host society.

3.10 Integration and social inclusion policies should focus on various areas: initial arrival, language teaching, laws and customs, combating discrimination, employment and training policies, gender equality, education for minors, family policy, youth policy, housing, healthcare, addressing poverty, extending social services, and making it easier for people from immigrant backgrounds to become active citizens.

3.11 These policies should help people of an immigrant background to live harmoniously in European host societies, which are becoming increasingly diverse in ethnic and cultural terms.

3.12 In 2002, at a conference ⁽⁹⁾ organised in conjunction with the Commission, the EESC proposed that the EU institutions draw up a European programme for integration and set up a Community fund. The Commission launched a pilot programme in the field of integration (INTI), and in 2006 proposed setting up the Integration Fund, which was approved by the Council and is now included in the 2007-2013 budget.

3.13 In November 2004, the Council drew up a number of Common Basic Principles for immigrant integration policy in the European Union ⁽¹⁰⁾. These principles complement the legislative frameworks on human rights, non-discrimination and equal opportunities, and social inclusion.

3.14 The EESC wishes to stress the importance of a **common European approach**, as it brings substantial added value to integration policies and processes by ensuring a cross-cutting relationship with other EU policies such as the EU 2020 Strategy, the Social Agenda and cohesion policy. Such an approach will also strengthen the links between integration and the values and principles of the EU as set down in the European Charter of Fundamental Rights and the European Convention of Human Rights.

3.15 The Integration Fund is a financial instrument intended to boost the development of integration policies with European focus and added value, reflecting the common basic principles. Integration policies are based on Article 63 of the Treaty, and are aimed at third-country nationals, while the ESF is aimed at the entire EU population, including immigrants. The Integration Fund thus complements the ESF.

3.16 The EESC supports the six political objectives of the Integration Fund, and hopes to be privy to the mid-term review of the fund in 2010, in order to propose certain changes.

3.17 The **European Integration Forum** has recently been set up to enable civil society and immigrants' organisations to participate in EU integration policies. The Committee is very much involved in the forum's activities.

3.18 In its conclusions on integration of June 2007, the European Council felt that it was necessary to move forward with the 2005 Common Integration Agenda, and developed the common basic principles.

3.19 The EESC wishes to build on this approach, and considers it a priority to strengthen integration at European level, taking account of the situation of immigrants and minorities in terms of employment, social inclusion, gender equality, poverty, education and training, healthcare, social protection and the fight against discrimination.

⁽⁷⁾ OJ C 318, 23.12.2006, p. 128.

⁽⁸⁾ OJ C 125, 27.5.2002, point 1.4 (rapporteur: Mr Pariza Castaños).

⁽⁹⁾ Conference on *The role of civil society in promoting integration*, Brussels, 9 and 10 September 2002.

⁽¹⁰⁾ Document 14615/04 of 19 November 2004.

4. The Social Policy Agenda

4.1 The international financial situation has led to a serious economic crisis in the EU, which is causing the social situation to deteriorate significantly. The crisis is having a highly detrimental effect on integration.

4.2 Due to the time at which it was drawn up, the Renewed Social Agenda ⁽¹¹⁾ (2008) does not take into account the negative effects of the economic crisis, increased unemployment and the decline in public finances and the social situation.

4.3 The European Commission predicts that economic recovery will be slow and that it will take longer for new jobs to be created.

4.4 The EESC considers that social recovery will, in any event, take much longer than economic recovery. In this context, the role of the European social policy will be key.

4.5 2010 will be a very important year for social policy in the EU: it will be the European Year of Combating Exclusion and Poverty, the EU 2020 Strategy will be drawn up, and a new Social Agenda will be adopted, with the necessary measures and instruments.

4.6 The Renewed Social Agenda (2008), which acknowledges the important contribution of immigration to employment in Europe, proposes that integration be improved and social policies be implemented in the fields of education, healthcare and housing.

4.7 In its January 2009 opinion ⁽¹²⁾ on the Renewed Social Agenda, the EESC recognised the success of this new approach and considered the problems caused by the increase in migratory flows and the inadequacy of social policies, highlighting the need to analyse these further.

4.8 The French presidency of the EU asked the Committee to draw up an exploratory opinion ⁽¹³⁾ on A new European Social Action Programme, which was adopted in July 2008. The EESC believes that the new social action programme should be useful in tackling the difficult economic and social situation. The Committee has proposed that the new programme take into account integration policies, equal treatment, the development of the open method of coordination, and the increase of resources earmarked for the Integration Fund.

4.9 On 6 May 2009, the Parliament adopted a resolution ⁽¹⁴⁾ on the Social Agenda, in which it stated that immigration policy should be based on human rights, strengthen anti-discrimination laws and promote a strategy for integration and equal opportunities.

4.10 Individuals who do not have the right papers ('illegal immigrants') are extremely vulnerable, are open to abuse by exploitative labour networks, to poverty and extreme social exclusion. The Committee therefore proposed, that under the European Pact on Immigration and Asylum, these individuals could be given legal papers, for the sake of social harmony and employment. The EESC also considers that the EU's social policies should not exclude 'illegal immigrants' from the goals and programmes for social inclusion and from the ESF.

4.11 The coming years will see an increase in the internal mobility of European citizens and immigration to Europe by many third-country nationals. These processes will increase the EU's national, ethnic, religious and cultural diversity.

4.12 Nevertheless the current Renewed Social Agenda only takes into account to a limited degree the diversity of European societies, the integration of immigrants and minorities, equal treatment and the fight against discrimination. The EESC believes that the review of the Social Agenda in 2010 should take greater account of the social effects of immigration on both immigrants and the host society.

4.13 Consequently, the links between the Social Agenda and integration should be strengthened, and the EESC therefore proposes that integration should be promoted by mainstreaming it into the EU's different political, legislative and financial instruments.

5. Political scope

5.1 *Children and young people*

5.1.1 Youth policies should consider the needs and circumstances of young immigrants in their transition to adult life and their social integration.

5.1.2 Many young people – sons and daughters of immigrants, achieve professional success and become very active members of their community, but many, even second and third generation immigrant children – are also at a high risk of or are experiencing social exclusion, with high levels of academic failure and thus a higher risk of unemployment.

5.1.3 **Support for families** is fundamental; as proposed by the Committee ⁽¹⁵⁾, the EU should have a more active family policy.

5.1.4 The open method of coordination in matters relating to young people should include indicators for diversity, immigration and non-discrimination.

⁽¹¹⁾ COM(2008) 412 final.

⁽¹²⁾ OJ C 182, 4.8.2009, p. 65.

⁽¹³⁾ OJ C 27, 3.2.2009, p. 99.

⁽¹⁴⁾ 2008/2330 (INI).

⁽¹⁵⁾ OJ C 161, 13.7.2007, p. 66 and OJ C 120, 16.5.2008, p. 66.

5.1.5 It is important to make the most of the opportunities offered by the European programmes for lifelong learning, mobility, entrepreneurship and citizenship among young people, in order to overcome the specific obstacles that young immigrants face, and foster the exchange of experiences.

5.2 Education and training

5.2.1 Member States' integration policies include education and training as key elements in the process. However, young immigrants and minorities face specific obstacles and challenges which require particular attention.

5.2.2 Schools are often overwhelmed by problems and challenges they are ill-equipped to deal with. Schools should be given additional resources, the spirit of openness should be further developed and support in intercultural training and managing diversity given to teachers.

5.2.3 Education quality indicators should be developed, and should be flexible enough to meet the needs of an increasingly diverse student body.

5.2.4 The framework provided by the open method of coordination for education should serve to identify good practices in response to academic failure among young people of an immigrant background.

5.2.5 This will mean defining **indicators** such as: socio-economic status; completion of studies (compulsory schooling) by young people; the diversity and intercultural skills of teaching staff; the education system's capacity to allow social mobility; the concentration of pupils from an immigrant background; the promotion of multilingualism in the education system; and how open education systems are for all children and young people, etc.

5.2.6 In its opinion on *Migration, mobility and integration* ⁽¹⁶⁾, the EESC stressed that the disadvantages facing people from a migrant background carry over into adult education too: they participate less in continuous training and the courses they are offered usually concentrate on the acquisition of language skills. To improve integration, the scope of continuous training should be extended to the entire population, with particular focus on equal access for people from immigrant backgrounds.

5.2.7 Education and training programmes in Europe should include schemes that teach the customs, history, values and principles of European democracies, as well as knowledge of the culture and values of the societies of origin of the immigrant population (where numbers allow).

5.3 Employment

5.3.1 The EESC is currently drawing up an exploratory opinion ⁽¹⁷⁾ at the request of the Spanish presidency on the '**Integration of immigrant workers**', which also contains proposals for the European Social Agenda.

5.3.2 **Access to the labour market** is key, and is an essential part of the integration process, because decent jobs are vital to immigrants' self-sufficiency, and they facilitate social relations and mutual understanding between the host society and immigrants.

5.3.3 However, immigrant workers often find themselves at a disadvantage and suffer direct or indirect discrimination. They also face legal difficulties in getting their qualifications recognised, while some immigration laws restrict career development and changes of activity.

5.3.4 As a result, immigrant workers often have poor-quality jobs, with lower pay and under precarious conditions. Women, in particular, find themselves in this difficult situation.

5.3.5 Those without identification papers, whose situation is not legally recognised, face the most precarious conditions: they work in the informal economy and may find themselves exploited.

5.3.6 The new generation of employment policies, along with the initiatives of the European Social Fund and the Progress programme, should include specific criteria and indicators for improving immigrants' access to socio-occupational pathways to integration, including self-employment. These pathways could include (in addition to learning the language and culture) measures to boost immigrants' training in new technologies and the prevention of occupational risks.

5.3.7 The EESC believes that legislation and public policies must complement one another through cooperation with the **social partners**, because integration into the labour market is also an issue of society's attitudes and of commitment on the part of unions and employers.

5.3.8 Immigrant workers are more willing to **relocate**, but national legislation prevents and restricts such mobility. The Directive on the status of third-country nationals who are long-term residents ⁽¹⁸⁾ (which has been poorly transposed in some national legislation) could facilitate mobility. The **EURES** network could also be used more effectively to boost the mobility of immigrant workers in the EU.

⁽¹⁶⁾ OJ C 218, 11.9.2009, p. 85.

⁽¹⁷⁾ EESC exploratory opinion on the *Integration of immigrant workers*.

⁽¹⁸⁾ Directive 2003/109/EC.

5.4 *Entrepreneurship among immigrants*

5.4.1 Many migrants decide to be self-employed or start up their own business. The number of businesses started up by people of immigrant background is constantly increasing.

5.4.2 The EESC considers that the EU should support migrants' entrepreneurship and ESF instruments to promote entrepreneurship should consequently take the immigrant population into account.

5.4.3 Employers' organisations and chambers of commerce should also open their doors to entrepreneurs from immigrant backgrounds and actively promote their access to management positions.

5.4.4 Many business initiatives by immigrants are furthermore developed within the **social economy**, and so the Committee considers that they should be supported by the ESF instruments and the national authorities.

5.5 *Social protection*

5.5.1 A number of different national pension systems operate in Europe. It must be ensured that immigrant workers pay into pension systems and are entitled to receive the corresponding benefits without discrimination.

5.5.2 The portability of pensions should be guaranteed, in order to improve mobility, and to ensure that in returns procedures, the corresponding pension rights are respected.

5.5.3 The open method of coordination should include indicators to assess whether immigrant workers are covered by pension systems without exclusions or discrimination.

5.6 *Housing*

5.6.1 The economic crisis has in many cities led to an increase in the number of homeless people, many of whom are of an immigrant background.

5.6.2 Many people, especially young people, are now finding it hard to access housing.

5.6.3 Immigrants and minorities also have many specific difficulties in accessing decent housing. As a result, the EESC considers that Member States' *housing policy* should form a part of policies on integration, combating poverty and social exclusion.

5.6.4 Most Europeans, including immigrants and minorities, live in urban environments. In another opinion⁽¹⁹⁾, the EESC highlighted the role of local and regional authorities in integration policies. A good *urban policy* can encourage integration and prevent the rundown urban ghettos which form in some cities.

5.6.5 Housing policies should therefore include criteria, measures and indicators to remove existing obstacles. A proactive approach is required, involving all layers of society together with the public authorities and social partners.

5.7 *Healthcare and other services*

5.7.1 In some Member States, national legislation leaves many immigrants without access to healthcare systems and thus severely unprotected.

5.7.2 The system of coordination in the field of healthcare and European legislation on immigration must guarantee the immigrant population access to public health services and high-quality healthcare under equal conditions. Healthcare systems must therefore be brought into line with social diversity.

5.7.3 The Committee wishes to emphasise that in some Member States, many healthcare professionals and carers are immigrants.

5.7.4 Efforts should also be stepped up in the field of occupational health, because immigrant workers are often exposed to greater risks and are not familiar with laws and prevention programmes.

5.7.5 In some Member States, people from immigrant backgrounds do not have full access to **social services**, and these services are not set up to deal with the diversity of populations. The Committee proposes that the Commission assess the quality of public services from the viewpoint of integration, diversity and non-discrimination.

5.7.6 In the EESC's view, immigrants should not be discriminated against in healthcare and social policies, because they pay taxes and social security contributions, just as the rest of the population does. Given the current economic crisis and budgetary problems, it must be ensured that everyone pays their taxes and social security contributions, to guarantee sustainable public services.

5.8 *Poverty and social exclusion*

5.8.1 Many people from an immigrant background live in poverty or are at risk of falling into poverty. The current economic crisis, growing unemployment and under-employment are exacerbating these situations. People from an immigrant background and minorities must be able to access retraining programmes, unemployment protection, housing and other public social services.

5.8.2 In 2010, the EU will celebrate the European Year of Combating Exclusion and Poverty. The Committee believes that **active inclusion** targeting immigrants and minorities should be improved, in order to guarantee the minimum wage, boost access to public services and resources, and to the labour market.

⁽¹⁹⁾ OJ C 318, 23.12.2006, p. 128.

5.8.3 The EESC calls attention to the actions of some criminal networks that exploit illegal immigrants, (particularly in the areas of trafficking and prostitution of women and minors). Along with the legal and policing measures to fight these gangs, there should be policies to assist and protect victims.

5.9 Combating discrimination

5.9.1 The European Parliament ⁽²⁰⁾ recently adopted a resolution on the new Directive against discrimination, which complements the three directives ⁽²¹⁾ already in place. The EESC also delivered an opinion ⁽²²⁾ endorsing the Commission proposal and recommending that multiple discrimination be taken into account.

5.9.2 The new directive implementing Article 19 of the Treaty on the Functioning of the European Union will, once adopted, extend the principle of non-discrimination to areas such as education, health, social protection and housing. The EESC calls on the Council to adopt this directive, taking account of the Committee opinion.

5.9.3 People from an immigrant background, whether women, men, old or young, often face situations of discrimination, which are made worse by the fact that these individuals' legal status as third-country nationals offers them less legal protection. Many people suffer multiple discrimination.

5.9.4 The EESC proposes that the European Commission draw up an action plan to combat multiple discrimination and offers its services to assist with this task.

5.9.5 The European Union Agency of Fundamental Rights ⁽²³⁾ should continue to draw up reports on the direct or indirect discrimination suffered by many immigrants.

5.10 Gender equality

5.10.1 Women of immigrant background face specific problems due to the fact that they are women, and integration policies therefore need to adopt the appropriate gender perspective.

5.10.2 The EESC considers that the Common Basic Principles for integration and the Social Agenda must reinforce the gender-based approach, to ensure that migrant women and women from ethnic minorities enjoy equal opportunities and do not face discrimination.

⁽²⁰⁾ European Parliament Resolution of 2 April 2009 on the Proposal for a Council Directive on Implementing the principle of equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation.

⁽²¹⁾ Directive 2000/43/EC; Directive 2004/113/EC; Directive 2000/78/EC.

⁽²²⁾ OJ C 182, 4.8.2009, p. 19 and OJ C 77, 31.3.2009, p. 102.

⁽²³⁾ The EU-MIDIS ('European Union Minorities and Discrimination') Survey asks 23 000 members of immigrant and ethnic minority groups about their experiences of discrimination, racially-motivated crime and policing in the EU.

5.11 Immigration and development

5.11.1 In other opinions, the EESC has proposed ⁽²⁴⁾ that immigration policy could contribute to the economic and social development of the countries of origin, and that the EU should consequently make immigration legislation more flexible.

5.11.2 In its foreign policy, the EU should, within the United Nations, promote an international legislative framework for migration and sign the convention ⁽²⁵⁾ currently in force.

6. Instruments of the Renewed Social Agenda

6.1 Mainstreaming

6.1.1 Mainstreaming integration will involve (re)organising, developing and assessing political processes, so that integration, equal opportunities and treatment and non-discrimination against immigrants could be included in all the objectives, actions and instruments of the Social Agenda, at all levels and stages, by all those involved in its adoption.

6.1.2 Because cultural models differ across the European Union, mainstreaming should ensure, in a global framework, that people's experiences, skills, interests and needs are included, in an approach based on integration and diversity, in all initiatives of any type and social range, and that actions are assessed.

6.1.3 The first step in the process should be to conduct an impact assessment in order to anticipate requirements and ensure that social diversity is properly taken into account in all the areas concerned. This will mean speeding up the process to define integration indicators, complementing those covered by the open method of coordination for social inclusion. The European Integration Forum could take part in drawing up these indicators.

6.1.4 For this mainstreaming to be successfully implemented, political leadership and the involvement of all public and private stakeholders are key. To this end, a framework for cooperation must be designed, through which decision-making processes can be developed with a view to achieving change.

6.2 Legislation

6.2.1 The Committee considers that the quality of common European legislation on immigration should be improved and that the directives should afford immigrants adequate protection. With this aim in mind, the EESC has drawn up an own-initiative opinion ⁽²⁶⁾, which proposes that EU immigration policies and legislation fully respect human rights.

⁽²⁴⁾ OJ C 44, 16.2.2008, p. 91.

⁽²⁵⁾ UN Convention on the protection of the rights of migrant workers.

⁽²⁶⁾ OJ C 128, 18.5.2010, p. 29

6.2.2 After the adoption of the Stockholm Programme, the EESC believes that it will be easier to progress with harmonising legislation on immigration and asylum.

6.2.3 The new anti-discrimination legislation now being drawn up on the basis of Article 13 of the Treaty should be taken into account when European immigration legislation is drafted.

6.3 Social dialogue

6.3.1 The social partners have a responsibility to promote, through dialogue and negotiation, equal treatment in companies. The EESC and the Dublin Foundation held a hearing as part of the opinion-drafting process ⁽²⁷⁾. The conclusions of that hearing, set out in Appendix 3 below, could prove extremely useful to the social partners and the Commission, so that integration into the labour market takes place on a level playing field, without discrimination between workers from the host country and immigrants.

6.3.2 Social dialogue in different areas can promote the active inclusion of workers from immigrant backgrounds and minorities. Where business is concerned, it is easier to ensure the active participation of workers of an immigrant background.

6.3.3 Europe's social partners should be properly consulted and their opinion should be taken into account when the new Social Agenda is drawn up.

6.3.4 The Spanish presidency of the EU has requested that the EESC draw up an exploratory opinion ⁽²⁸⁾ on the *Integration of immigrant workers*. In it, the EESC proposes a number of initiatives to improve integration in terms of employment.

6.4 Civil dialogue

6.4.1 Together with social dialogue, civil dialogue is an excellent governance procedure that forms part of the European social model and, in the EESC's opinion, is an essential instrument for the implementation of the European Social Agenda and for integration.

6.4.2 At the European level, in integration policy and in the Social Agenda, there is a need to further involve civil society organisations specialising in human rights and in assisting immigrants and minorities.

6.4.3 The European Integration Forum should be consulted and should play an active role in drawing up the EU's new Social Agenda.

6.4.4 The European Union should continue to promote intercultural dialogue, which goes hand in hand with integration and the social policy objectives.

6.5 The open method of coordination

6.5.1 As recommended by the European Commission and the EESC, an open method of coordination should be established in the field of immigration policy.

6.5.2 The Council has decided to improve the current form of coordination and give the Commission a more substantial role. The EESC supports this decision, but believes it should be more ambitious.

6.5.3 This method of coordination should provide specific qualitative and quantitative indicators, which could be drawn up in collaboration with the EESC and the European Integration Forum.

6.5.4 The different open methods of coordination that exist in the field of social policy should improve the goals and indicators for integration in policies for employment, social protection, healthcare, combating poverty and social exclusion, etc.

6.6 Funding

6.6.1 In the Committee's view, the synergies and complementarity between the Social Fund and the Integration Fund should be further developed.

6.6.2 *The European Social Fund* is aimed at those facing particular difficulties in finding work, such as women, young people and older workers. It helps businesses and workers to adapt to the changes brought about by new technologies and the ageing of society. The ESF should incorporate the approach of diversity through immigration more fully into its goals and programmes both in the current programming period (2007/2013) and in future.

6.6.3 After 2013, the *Integration Fund's* financial resources will also need to be increased and the Commission given greater management powers.

6.6.4 The *Progress* programme, which aims to provide financial support in order to meet the EU's objectives in the field of employment and social affairs, should also strengthen integration and diversity among its five main areas for action (employment, social protection and integration, working conditions, non-discrimination and diversity and gender equality).

7. More inclusive European citizenship

7.1 Europe's democracies are open, free societies that should be based on the inclusion of all people. Integration policies and immigration legislation should never be used as political excuses for excluding immigrants and minorities from the right to citizenship.

⁽²⁷⁾ OJ C 318, 23.12.2006, p. 128.

⁽²⁸⁾ EESC exploratory opinion on the *Integration of immigrant workers*, rapporteur: Mr Pariza Castaños.

7.2 The EESC believes that the foundation of our democracies should be broadened to include new citizens with equal rights and obligations. National and European citizenship rights should include diversity in all its forms, without discrimination.

7.3 The EESC reiterates the proposal made in another opinion ⁽²⁹⁾ whereby Union citizenship should be granted to third country nationals with long-term resident status. The Committee proposes that the Commission, the European Parliament and the Council take this proposal into account in their objectives for the new term of office.

7.4 The European Commission should adopt a new initiative to promote civic-mindedness amongst third-country nationals and encourage them to participate in social and political life.

8. The new European Commission

8.1 With a view to achieving integration, the EESC believes that, in the new Commission, it is not appropriate for immigration

issues to be covered by the same department as security, when there is a separate portfolio for justice and fundamental rights.

8.2 Linking immigration to security sends a negative message to European society and to immigrants, which is at odds with the first of the basic common principles for integration – its two-way focus. There are too many messages in Europe that make immigration a crime!

8.3 The Committee believes that a more integration-friendly message would be conveyed by placing immigration and asylum under the portfolio of justice and fundamental rights.

8.4 In this context, it is particularly necessary to step up the mainstreaming of integration in the Social Agenda and other Community policies, especially when it comes to defending and protecting immigrants' fundamental rights.

Brussels, 17 February 2010.

*The President
of the European Economic and Social Committee*
Mario SEPI

⁽²⁹⁾ Own-initiative opinion, OJ C 208, 3.9.2003.

Opinion of the European Economic and Social Committee on 'The impact of the Economic Partnership Agreements on the outermost regions (Caribbean region)'

(own-initiative opinion)

(2010/C 347/04)

Rapporteur: **Mr COUPEAU**

On 26 February 2009, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

The impact of the Economic Partnership Agreements on the outermost regions (Caribbean region)

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 2 February 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion unanimously.

1. Conclusions and recommendations

1.1 The Economic Partnership Agreement (EPA) signed on 15 October 2008 by the 15 members of the Caribbean ⁽¹⁾ Forum of ACP ⁽²⁾ States (Cariforum) and the EU is particularly broad in scope. However, there are a certain number of factors which, although mentioned by the EPA, hinder the objectives of regional integration, sustainable development and cooperation between the Cariforum States and the outermost regions (hereafter ORs). Although the ORs have a long European tradition, they are geographically, historically, culturally and economically linked to the Cariforum States. Their strategic position enables them to entertain lasting trade relations with the neighbouring islands, making them the first European regions to be concerned by the EPA.

1.2 The EESC acknowledges the complexity of negotiations, potential risks and opportunities that the EPA represents for both the Cariforum States and the ORs and, more generally, for the EU.

1.3 The EESC strongly recommends that local authorities in the ORs be consulted in all discussions relating to the EU-Cariforum EPA. Although, unlike the Cariforum States, these outermost regions are also French departments of America (DFA), there is still much they can contribute when it comes to building true regional integration.

1.4 The EESC believes that it is also important to involve civil society and local authorities from the ORs in the debates and various monitoring committees set up to implement the EPA, in order to achieve the goal of regional integration underpinning this agreement.

1.5 The gradual integration of the Cariforum States into the world economy cannot succeed until the transportation difficulties (infrastructure and means of transport) have been resolved. The EESC recommends that the Commission make transportation part of a broader approach, and that it look more closely into the specific solutions proposed together by the Cariforum States and the ORs.

1.6 With a view to boosting trade relations in the Caribbean, the EESC recommends that the parties concerned consider advance reductions of customs duties between the ORs and the Cariforum States.

1.7 The EESC welcomes the fact that the EPA takes into account the need for a clear procedure on sanitary and phytosanitary measures (SPS). Nevertheless, the EESC recommends that the ORs be included in the authority empowered to implement SPS measures to encourage intraregional trade and in the negotiations relating to bilateral arrangements. The EESC also recommends endowing these outermost regions with their own 'OR' designation so that it is clear that their products offer particular quality and comply with EC legislation.

1.8 The EESC expressly recommends managing the ORs' fisheries and aquaculture zones in agreement with the Cariforum States.

1.9 Lastly, the EESC recommends structuring services more effectively so that a true Caribbean tourist industry can be created.

1.10 The EESC is mindful that the notions of environmental and social protection have been included in the agreement, and it should be in a position to present a forward-looking analysis covering the entire region.

⁽¹⁾ On 11 December 2009, Haiti joined the agreement.

⁽²⁾ The ACP States comprise the 79 African, Caribbean and Pacific States that signed the Lomé Convention in 1975, and the Cotonou Agreement in 2000.

2. Introduction and general comments

2.1 Articles 349 and 355 of the Treaty on the Functioning of the European Union recognise the particularity of the outermost regions. In 1986, the European Commission created an interdepartmental group for the ORs, entrusted with the task of coordinating Community actions for these regions and liaising with the national and regional administrations concerned. Since 1989, these regions have benefited from a specific programme to boost socio-economic measures aimed at achieving greater convergence with the rest of the EU.

2.2 Article 239 of the EU-Cariforum EPA takes into account the geographical proximity of the Caribbean ORs (Martinique and Guadeloupe) to the Cariforum States: *'in order to reinforce economic and social links between these regions and the Cariforum States, the Parties shall endeavour to specifically facilitate cooperation in all areas covered by the present Agreement as well as facilitate trade in goods and services, promote investment and encourage transport and communication links between the outermost regions and the Cariforum States'*. This article also provides for the joint participation of the Cariforum States and the ORs in framework and specific programmes in areas covered by the EPA.

2.2.1 The EESC also wishes to emphasise the importance of the Dutch overseas territories of Bonaire, Curaçao, Saba, Sint Eustatius, Sint Maarten and Aruba, which are located in the Caribbean region. Although from a European standpoint these islands are 'overseas countries and territories', which distinguishes them legally from the ORs in the Caribbean, the EESC is keen to point out that the regional integration sought by the EPA will not be achievable if better account is not taken of those territories that have links to EU Member States (Netherlands, UK, France).

2.3 The EESC has sought to study the economic and social impact of this agreement on the Caribbean region, and in particular on the ORs, with the aim of determining the short and long-term effectiveness of efforts to facilitate integration in terms of goods, services, cooperation and good economic governance through trade-related fields (competition, investment, intellectual property, etc.).

2.4 **Regional integration in the broadest sense of the term (European OR strategy)** is one of the main aims of the EPA, but it is also an aim that concerns the ORs, so that they may be more effectively included in the region. However, a certain number of factors included in the agreement are harmful both to regional integration and to the effectiveness of the EPA.

2.4.1 The failure to consult the regional and general councils of the ORs in the context of the EPA negotiations has downplayed their role in the Caribbean. These councils have a good measure

of experience in offensive and defensive ⁽³⁾ sectors in the ORs and, as a result of the regional steering committees, are always ready to report on their findings; the *Etats généraux de l'outre-mer* (Overseas Convention) set up at the initiative of the French government also provides many responses to the obstacles caused by the EPA. Moreover, owing to their geographical and cultural proximity, these institutions already have a number of links with the Cariforum States.

2.4.2 The ORs' absence from the EC-Cariforum Committee on Trade and Development, the EC-Cariforum Parliamentary Committee and, above all, the EC-Cariforum Consultative Committee reduces their influence in the EU. The EESC therefore recommends including, as appropriate, members of parliament, civil society members or representatives of local authorities from the ORs in the various monitoring committees mentioned above.

2.4.3 Direct exchanges with civil society from the Cariforum States are hampered by the failure to consult civil society in the ORs, which faces daily problems caused by the difficulties in trading with the Caribbean countries (infrastructure, quotas, negative lists).

2.4.4 The EESC calls upon the parties concerned to encourage the ORs' inclusion in the Caribbean regional institutions such as Cariforum and the OECS ⁽⁴⁾, with observer status. Indeed, a number of decisions involving the Caribbean region are taken by these bodies and, as long as the ORs are absent, even as observers, there cannot be true regional integration.

2.5 Transportation

2.5.1 The EESC stresses that goods and services can only be liberalised if there are adequate means of transport and infrastructure. The Caribbean region does not have sufficient transport means. While there are two airlines and two shipping companies that transport people between the islands, these do not provide a regular service, and do not allow for the transportation of goods. Despite the EUR 275,6m granted to the ORs (Guadeloupe, Martinique and Guyana) to offset the additional costs caused by their geographical location, the Caribbean ORs suffer from high charges on cargo, and from European cabotage legislation that does not take island regions properly into account.

⁽³⁾ The outermost regions' consultative committees have determined a certain number of sectors in which they have significant market share and which are key for their economies ('sensitive' sectors) and sectors which are at risk and could, without EU support, quickly disappear altogether ('defensive' sectors).

⁽⁴⁾ Organisation of Eastern Caribbean States, which comprises nine Caribbean countries.

2.5.2 To overcome these problems, the ORs and Cariforum States considered a cargo or ferry system. However, owing to a lack of funds, these projects could not be completed.

2.5.3 Article 37 of the EPA refers to transport in the context of a chapter on agriculture and fisheries, but does not provide clear solutions, even though the ORs and the Cariforum States had already considered joint solutions.

2.5.4 In the context of the next EDF programme, it would be useful to set up an ambitious structural policy designed to provide the entire Caribbean with a transport system that is suitable for island regions.

2.6 **The settlement of civil and trade disputes** was not covered at all by the EPA. In the event of a dispute between a company from a Cariforum State and one from an OR, there are no provisions to settle conflicts of jurisdiction, legislation or the exequatur procedure. The agreement only provides solutions for settling disputes resulting from the interpretation and application of the EPA. However, it would be helpful to include legal options that correspond to the scope of an agreement such as the EPA.

3. Specific comments – Analysis of the Caribbean region

3.1 Agriculture

3.1.1 **Bananas** are produced in large quantities in the Caribbean, and are one of the main economic resources of the ORs. Employing over 10 000 people, banana exports account for 14 % and 24 % respectively of exports from Guadeloupe and Martinique to the EU. Bananas play a key economic and social role in the ORs. The EU has always been aware of the strategic challenges of the banana-growing industry: the POSEI aid programme approved by the Commission on 22 August 2007 earmarked a yearly sum of EUR 129,1m for these outermost regions. However, this aid seems to be far from enough: in addition to the problems caused by weather conditions, bananas from the outermost regions are under threat from banana growers elsewhere, whose market share in the EU has reached 73,4 % since the market was liberalised (according to the French Office for the development of the overseas agricultural economy - ODEADOM ⁽⁵⁾). What is more, on 15 December 2009, the EU initialled an agreement with Latin American banana-growing countries aiming to reduce customs duties on bananas from EUR 176 to EUR 114 per tonne by 2017, thus making the situation of the ORs and certain Cariforum States even more uncertain.

3.1.1.1 Bananas are also a strong interest for the other Cariforum States. For example, in Dominica, bananas alone account for 18 % of GDP and employ 28 % of the workforce. The crisis in the

banana sector does not only affect the ORs, as in Saint Lucia, there are now only 2 000 planters as compared to 10 000 in 1990.

3.1.1.2 The EESC believes that it would be beneficial to set up a professional inter-Caribbean organisation in order to provide the EU with a greater share in the distribution of Caribbean bananas. This would be particularly useful given that some Cariforum States (such as Saint Lucia and Dominica) supply bananas to other countries (such as Canada) with health and traceability standards similar to those in the EU.

3.1.2 **Sugar cane - Rum:** the sugar cane sector is also very important for the ORs, covering 32 % and 13 %, respectively, of the utilised agricultural area in Guadeloupe and Martinique, and employing over 6 500 people full time. Sugar production for the 2006-2007 season stood at 5 849 tonnes for Martinique and 80 210 tonnes for Guadeloupe. Rum production amounted to 79 352 HPA ⁽⁶⁾ in Martinique and 74 524 HPA in Guadeloupe, and is thus of significant strategic importance in the market outside the ORs.

3.1.3 **Fruit and vegetables** are not sufficiently exploited as a resource, given the richness of the soil in these outermost regions. However, it should be noted that the ORs have opted to diversify their agricultural production. In 2006, Guadeloupe produced 17 218 tonnes of fruit while Martinique produced 8 666 tonnes. The same year, Guadeloupe produced 43 950 tonnes of fresh vegetables and Martinique produced 37 892 tonnes. Guadeloupe also produces aromatic plants and plants used in perfumery (vanilla), coffee, cocoa, spices, medicinal plants (horticultural area of 179 ha), and Martinique produces mainly pineapples and certain spices (horticultural area of 105 ha). It is therefore an agricultural sector for the future, insofar as these ORs wish to increase trade with other Caribbean countries, in terms of both regional and international trade and R&D.

3.1.3.1 The aim of this diversification is to fully meet internal food requirements (self-sufficiency), as agriculture in the ORs tends to be dominated by banana and sugar cane crops for export. For example, in 2008, pork imports grew by 10 % in Martinique and 68,2 % in Guadeloupe. Meanwhile, vegetables account for 67 % of Guadeloupe's total imports of fresh produce. To achieve this self-sufficiency, farmers in the ORs recently opted to form interprofessional organisations grouping together players in the production and processing sectors, suppliers and distributors. The entire chain is represented, and each member has a key role to play in the interprofessional decision-making process ⁽⁷⁾. However, this legal system does not exist in the neighbouring islands, whose lack of organisation hinders their agricultural trade with the ORs.

⁽⁵⁾ French Office for the development of the overseas agricultural economy (ultramarine)

⁽⁶⁾ Hectolitres of pure alcohol.

⁽⁷⁾ IGUAFLHOR is Guadeloupe's fruit, vegetable and horticultural inter-professional body.

3.1.4 Obstacles to trade in agricultural products between the ORs and the Cariforum States

3.1.4.1 Agriculture is at the heart of the region's means of subsistence and development, and is therefore a defensive sector for the ORs. The region's main concerns are food security, the lack of infrastructure and the customs duties restricting regional trade and social protection.

3.1.4.2 As regards food security, the fruit and vegetables produced by Cariforum States do not fully meet European legislation. Although they use HACCP ⁽⁸⁾ methods, production does not meet the standards of EU law. This matter is complicated by the fact that the ORs lack certain products that are available in large quantities in the Cariforum States.

3.1.4.3 Article 40 of the EPA states that, with regard to food security, the parties may, in situations giving rise or likely to give rise to 'major difficulties', invoke the safeguard clause. However, it may be difficult for the ORs to access this option quickly. Moreover, the SPS measures laid down by the agreement ⁽⁹⁾ aim to achieve intra-regional SPS legislation in accordance with WTO standards, in order to harmonise measures with the EU and achieve bilateral arrangements on recognition of the equivalence of SPS measures. However, the ORs, bound by EU legislation, do not always have an 'OR' designation for their agricultural and fisheries products as requested on numerous occasions by the EESC ⁽¹⁰⁾, local authorities ⁽¹¹⁾ and MEPs ⁽¹²⁾. The ORs are not part of the authority empowered to implement SPS measures to encourage intraregional trade, or in the negotiations relating to bilateral arrangements.

3.1.4.4 The EESC shares the EPA's desire to develop export marketing capabilities for 'both for trade between Cariforum States and between the Parties, as well as the identification of options for the improvement of marketing infrastructure and transportation' (Article 43(2)(b)). The EPA also states that the identification of financing and cooperation options for producers and traders is a key aim in terms of agriculture and fisheries.

3.1.4.5 Certain processed products (jams, coffee, etc.) from the ORs are penalised by 'negative lists' (customs duties) at customs in certain other Caribbean countries, making them harder to sell. In spite of EPA Articles 9 et seq. on customs duties, and given the ORs' particular situation within the Caribbean and their specific status as recognised by Articles 349 and 355 of the Treaty on the Functioning of the European Union, the EESC recommends that the parties concerned consider advance reductions of customs tariffs between the ORs and the Cariforum States in order to encourage trade relations in the Caribbean.

3.2 Fisheries

3.2.1 Major progress still remains to be made with regard to fisheries, after an initial disagreement on whether fisheries should be part of an EPA or covered by a separate agreement. The EU refused to deal with issues relating to regional fisheries under a separate agreement, instead preferring to sign bilateral agreements on access to fisheries.

3.2.2 In Article 43.2(2)(e), the EPA provides for assistance to Cariforum operators in complying with national, regional and international technical, health and quality standards for fish and fish products.

3.2.3 The EU's aim is to foster a long-term approach to fisheries management by means of the Common Fisheries Policy (CFP). The CFP is governed by the precautionary principle, in order to protect and conserve bioaquatic resources and minimise the impact of fishing on marine ecosystems. However, the situation is not the same for all of the Caribbean region, as the ORs remain subject to very strict legislation (no-fishing zones, regulation of spiny lobster, conch and sea urchin fishing, Fish Aggregating Devices ⁽¹³⁾, etc.) which the Cariforum States are not bound by. Management of fisheries is devolved to each Member State; however, this does not take into account the specific features of the Caribbean, and penalises distant-water fisheries in the region.

3.2.4 The EESC therefore recommends managing fisheries in the Caribbean basin in agreement with the Cariforum States.

3.3 Aquaculture

3.3.1 Fishing in the Caribbean mainly concerns species found close to the coast: conch (large marine gastropod whose meat is used in many local dishes), grouper, spiny lobster, snapper and a number of other reef-dwelling species. Pelagic stocks are only beginning to be fished now, due to a lack of deep sea vessels and problems resulting from the tropical waters.

⁽⁸⁾ Hazard Analysis and Critical Control Point: self-control system originally developed in America, used in the agri-food sector and based on seven key principles. The system identifies, assesses and controls significant food safety hazards. The system is included in certain EU acts (Directive 93/43 – food hygiene) and missing from others (Regulation 178/2002).

⁽⁹⁾ Article 52 et seq. of the EPA.

⁽¹⁰⁾ OJ C 211, 19.8.2008, p. 72

⁽¹¹⁾ *Etats généraux de l'outre-mer*.

⁽¹²⁾ e.g. Madeleine Degrandmaison MEP.

⁽¹³⁾ Memo from the Directorate-General for Internal Policies of the Union, Fisheries in Martinique, January 2007.

3.3.2 In recent years, local market demand has grown as a result of tourism. In addition, there are incentives to export to the American and European markets, resulting in over-fishing which, eventually, will lead to a sharp drop in fish stocks throughout the region.

3.3.3 Today, almost all the Caribbean countries import seafood products. Previously, the abundant stocks meant there was no need for aquaculture, and most of the countries in the region do not have any great fish farming traditions. Therefore, despite the growth in aquaculture worldwide, the Caribbean has barely developed its aquaculture production.

3.3.4 It was only after 2000 that aquaculture saw a real improvement. In 2004, Martinique's aquaculture sector produced 97 tonnes (10 tonnes of giant river prawns, 12 tonnes of John Dory and 75 tonnes of red drum).

3.3.5 The aid granted to the ORs for aquaculture production essentially come from the regional councils and the FIFG ⁽¹⁴⁾. However, this aid does not seem sufficient, given the size of the market lead of certain Caribbean states (the FAO estimated Jamaica's production at 6 000 tonnes in 2002), and because this aid does not remove the need for the ORs to import seafood from Venezuela, the EU and certain Asian countries.

3.3.6 The EESC strongly recommends developing common aquaculture in the Caribbean via funds such as the EDF and EAFRD.

3.4 Tourism

3.4.1 Tourism is a major source of income for the ORs. The Caribbean has an innate advantage: its natural environment for tourism cannot be compared with any other region in the world. It occupies a unique geographical location and is one of the world's biggest tourist markets. Moreover, taking the global tourism market into consideration, the tourism products on both sides of the Atlantic are leading to new, stricter standards in order to meet the needs of the tourists visiting the Caribbean.

3.4.2 However, the EESC must highlight the disparities in tourist infrastructure between the ORs and the other Caribbean States which focus on mass tourism and a more diversified offer (cruises, nautical tourism and, to a lesser extent, ecotourism), while the ORs are restricted to catering for more seasonal, essentially French-speaking niche tourism. This disparity is possible due to the somewhat precarious social situation suffered by workers in the Cariforum States.

3.4.3 The EESC also emphasises that tourism between the islands is fairly limited. Apart from the cruise sector, only two airlines and two shipping companies transport people between the

Caribbean islands. Moreover, when inhabitants of a Cariforum State wish to go to the neighbouring ORs, they must request a visa, which means they may have to wait several months before they are able to travel. Together, these two factors restrict tourism as well as regional trade relations.

3.4.4 The EESC is pleased that the EPA took account of tourism services with a number of rules relating to the prevention of anti-competitive practices, SMEs, quality and environmental standards, cooperation and technical support. However, there are no provisions mentioning Caribbean tourism, in particular with the ORs; the EPA only refers to the temporary presence of people for professional reasons.

3.4.5 The Caribbean area as defined by the Secretariat of the United Nations ⁽¹⁵⁾ has 250 million inhabitants, and the Caribbean islands alone are inhabited by 41 million people. However, this area is also characterised by the difficult connections between islands, which does not encourage regional tourism. Therefore, it would be harmful for both the ORs and the Cariforum States to miss out on the opportunity of Caribbean tourism in its broadest sense.

3.4.6 The EESC believes it would be profitable to create a Caribbean tourism area by structuring services more effectively.

3.5 Services

3.5.1 Trade in services is booming, and the sector is enjoying real success, making it an 'offensive' sector for the ORs. Although exports of goods account for less of the Caribbean economy than they used to, exports of services have increased, mainly due to tourism. The region is fully aware of the potential offered by trade in services. Tourism, insurance, construction, environmental services, renewable energy, consultancy (quality and marketing), skilled maintenance, communications and transport are all sectors that encourage trade and economic growth in the region.

3.5.2 The EESC believes that the ORs have an important role to play in the export of services in the Caribbean, as countries such as Haiti and the Dominican Republic, which alone have almost 20 million inhabitants, are keen to acquire healthcare or business services based on the OR model. With regard to mobile telephony, some operators are already present in certain Caribbean States (Dominican Republic) but could, and would, like to strengthen their position.

⁽¹⁴⁾ Structural instrument for fisheries guidance, used by the Commission to adapt and modernise facilities in the sector.

⁽¹⁵⁾ The Caribbean area includes the Antilles (Greater Antilles and Lesser Antilles), the Yucatán peninsula, the Caribbean coast of Central America, and the coasts of Colombia, Venezuela and the Guyana Shield.

3.5.3 Despite Articles 75 et seq. of the EPA, which only cover trade between the Cariforum States and mainland Europe, by speeding up the liberalisation of services in the Caribbean (Dominican Republic), including the ORs, it would be possible for both parties to the agreement to make the most of certain opportunities and thus generate a win-win situation.

3.6 SME/SMI

3.6.1 SMEs and SMIs need a stable environment with transparent rules and access to the most advanced processes. Since 2000, three-quarters of the companies that form the economic fabric of the ORs are small businesses with no employees (INSEE ⁽¹⁶⁾). In 2007, there was a sharp rise in the number of business start-ups. Industry (18 %), wholesale and retail (12,8 %) and, above all, services (just over 50 % of business start-ups) all increased considerably.

3.6.2 SMEs/SMIs in the overseas departments will inevitably incur higher costs and prices than neighbouring countries, but

also offer the quality guarantees of the EC standard. These guarantees imposed on the ORs, not applied by the Cariforum States, must become the subject of an 'OR' designation (see also point 3.1.4.3).

3.6.3 On the whole, the EESC believes that it would be extremely useful to improve access to such structures to ensure that the Caribbean market functions well. Thus, on the combined basis of the work embarked upon by the Commission ⁽¹⁷⁾ and the EESC ⁽¹⁸⁾ within the EU, it would be helpful to propose specific solutions for the creation of small and medium-sized production units. By establishing payment deadlines, cutting red tape, setting up networks, promoting investment or boosting lifelong learning within small and medium-sized enterprises, the Caribbean region could gain lasting competitiveness.

3.6.4 Therefore, in the context of the regional development programme and/or the next EDF programme, it would be useful to set up a far-reaching policy to encourage the creation of SMEs/SMIs networked with the entire Caribbean region.

Brussels, 17 February 2010.

*The President
of the European Economic and Social Committee*
Mario SEPI

⁽¹⁶⁾ French national institute for statistics and economic studies.

⁽¹⁷⁾ COM(2007) 724 final and COM(2008) 394 final.

⁽¹⁸⁾ Opinion on *The different policy measures, other than suitable financing, that would help SMEs to grow and develop*, OJ C 27, 3.2.2009, p. 7; opinion on *International public procurement*, OJ C 224, 30.8.2008, p. 32; 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 - 'Think Small First' - A 'Small Business Act' for Europe*, OJ C 182, 4.8.2009, p. 30.

Opinion of the European Economic and Social Committee on 'Future strategy for the EU dairy industry for the period 2010-2015 and beyond'

(own-initiative opinion)

(2010/C 347/05)

Rapporteur: **Frank ALLEN**

On 16 July 2009 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on the

Future strategy for the EU dairy industry for the period 2010-2015 and beyond.

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 28 January 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 152 votes to six with six abstentions.

1. Conclusions and recommendations

1.1 The EU dairy industry is of long term strategic importance in its role of supplying high quality safe dairy products to EU citizens. The EU must never become dependant on non-EU sources of milk supply. The EU must continue to maintain the highest standards of animal welfare, hygiene, traceability, animal medicine, environmental protection, and sustainable production.

1.2 Farmers will continue to produce good quality milk provided it is profitable to do so (but not on a long term basis if it is unprofitable). EU milk production will decline and vanish altogether from some areas unless we stabilise prices and such prices return a profit. The LFAs need special attention. Milk farmers must also receive a financial return for delivering multifunctional agriculture, that being 'public service non-commodity goods' such as maintaining and developing the rural landscape, biodiversity, natural habitats and rural art and culture. In the new Member States, the possibility of coupled direct payments for milk producers should be considered.

1.3 Major resources need to be devoted to innovation, research and development and livestock breeding to ensure the Dairy industry becomes more efficient at farm level and at processing level. This must include better utilisation of grass and feed inputs at farm level and new products at processing level. There is also a need for new and better technology at farm and processing level. Major investment to develop the sector is vital. We must become world leaders in this area.

1.4 It is essential to prevent a recurrence of the price volatility that occurred in 2007/08. This must be achieved by the use of adequate support measures plus proper monitoring of the market to ensure a reasonable balance between supply and demand.

1.5 The EU has the option to react to the market situation by using the quota system and other market organisation instruments (at least until 2015).

1.6 In line with the Commission Communication of July 2009 a road map must be developed and implemented to deal with the issue of why consumer prices have remained 14 % higher than before the dairy price surge occurred. We must have transparency throughout the food chain.

1.7 To ensure the viability of the EU dairy industry after 2015, various agricultural policy measures will still be necessary, combined with a safety-net system in order to support and stabilise prices and prevent them from falling below a certain level, limit excessive price fluctuations, and also provide sufficient reserve stocks to cover unforeseen shortages or natural disasters. A system with supply and demand-related market measures is essential to ensure a sustainable and environmentally-friendly dairy industry in the period after 2015. Food in general, and milk in particular, are too important for the well-being of citizens to be subject to the vagaries of a free, unregulated market system.

2. Introduction

2.1 Dairy farming is one of the main agricultural activities in the EU. In 2008, one million farmers produced 150 million tons of milk with a value of over EUR 40 billion, which is 14 % of the value of EU agricultural production. Over 60 % of beef produced in the EU comes from dairy herds. According to figures from the International Dairy Federation (IDF), the EU is the world's biggest milk producer at 27 % of world production, followed by India at 20 % and the USA at 16 %.

2.2 The dairy sector, from collection to processing, employs around 400 000 people in the EU.

2.3 Dairying plays a very important part in maintaining the economic and social structure in the Less Favoured Areas (LFA). Indeed 60 % of EU25 dairy farms are in LFAs. Dairying is one of the most suitable enterprises to keep farming families in the LFAs and along with cattle and sheep farming plays a major role in maintaining and developing the landscape and the environment.

3. Background

3.1 Global dairy markets have seen major price swings over the last two years. In 2007 and early 2008 we saw a record increase in global prices of dairy commodities, which gave rise to substantial price increases for milk and milk products. This was followed in the 2nd half of 2008 by an even more dramatic collapse in such prices.

3.2 Most milk products are consumed in the region where they are produced. Around 8 % of global dairy production is traded on the world market and consequently a small change in global production can have a significant influence on the world market. For example, a 2 % gap between global production and global consumption is the equivalent of about 25 % of the world dairy market trade.

3.3 While the EU is the largest exporter of cheese, nevertheless commodity products i.e. powders and butter constitute the majority of dairy export sales out of the EU. Indeed the world dairy market can be described as mainly a dairy commodity market.

3.4 Since the EU is 109 % self sufficient in dairy products, the 9 % surplus is available for export onto the world market. The main EU exports are Butter/butteroil, Skimmed milk powder, Cheeses, Whole milk powder and Condensed milk.

3.5 Since 2000, global dairy consumption had been growing at 2,5 % per annum on average. This has now dropped to 1 % per annum.

3.6 From 2004 to 2006, global dairy consumption exceeded production and consequently all reserves were used up. This was the principal reason for the sudden rise in world dairy commodity prices. Since 2008 the relationship has changed with the result that production now exceeds demand.

3.7 The sudden rise in milk prices ultimately caused a drop in market share as consumers switched to cheaper substitutes and, especially, as dairy ingredients were replaced with cheaper alternatives. The global recession and the drop in oil prices added to a further reduction in sales of dairy products. Oil producing countries are major importers of Dairy products and a drop in oil prices means that they reduce their imports of dairy products and this may lead to a fall in world dairy commodity prices.

3.8 While price movements of higher value dairy products are more difficult to track than in the case of commodities, it is obvious that sales of value-added dairy products have declined as customers have switched to cheaper products.

3.9 The Commission, in its July 2009 Communication to the Council, said that the price surge in the 2nd half of 2007 generated a rapid increase in milk prices and a strong increase in consumer prices. In contrast, the falling prices in the 2nd half of 2008/2009 which saw the price of butter fall by 39 %, SMP (skimmed milk powder) by 49 %, cheese by 18 % and milk by 31 % only caused (an EU average) consumer price drop of some 2 %. Indeed consumer prices have remained on average 14 % higher than before the price surge occurred. However, those countries that have high sales of dairy products to low-price retailers have seen a 'price war' in 2009 as dairy products are used to undercut other retailers ⁽¹⁾.

3.10 Rationalisation and increasing concentration within the EU retail sector has given the retail sector a bargaining power that is unmatched by the remainder of the food supply chain. Farmers have become 'price-takers' rather than 'price-makers' especially when milk supply exceeds demand. On balance, it would appear that the competition authorities and competition rules have been of greater benefit to the multiple-retail sector rather than to the one million dairy farmers. Farmers need a stronger negotiating position as regards farmgate milk price so that balance and equilibrium are restored to the food chain.

3.11 In Agenda 2000, followed on by the mid-term review and the Health Check designed to prepare EU Agriculture for a possible future WTO agreement, the intervention price was lowered and, together with quantitative restrictions on intervention, this weakened the price support mechanism, and so farmgate milk prices fell to a lower level than was previously the case before support mechanisms such as intervention become operational.

4. Market outlook

4.1 European Union

4.1.1 The EU dairy market is one where production exceeds consumption by 9 %.

4.1.2 Dairy products are also imported into the EU from third countries at reduced tariffs. These imports are small relative to total EU consumption. In 2007 and 2008 the EU imported in the region of 330 000 and 300 000 tonnes of dairy products respectively. Dairy products imported into the EU include cheese (1,1 % of EU production), butter (4,3 % of EU production) and skimmed milk powder (2,4 % of EU production). Dairy product imports amount to about 2 % to 3 % milk equivalent of EU milk production.

⁽¹⁾ OJ C 128, 18.5.2010, p. 111 and OJ C 255, 14.10.2005, p. 44.

4.1.3 Up to 40 % of EU milk is made into cheese and about 30 % is used for fresh dairy products. These two product types have been the main drivers of growth in consumption within the EU over the last decade. The remaining 30 % is made into butter, powders and casein.

4.1.4 Intervention stocks of butter and SMP were growing as a result of weaker consumption within the EU, the downturn in world market prices and the global recession. The EU quota was increased by 2 % in 2008 and 1 % in 2009, which, together with future quota increases already agreed could ultimately lead to increased milk production in the EU.

4.1.5 The use of export refunds has prevented even larger stocks going into intervention while intervention was open.

4.1.6 The actions undertaken by the Commission have prevented EU milk prices falling to world market prices of 14-15 eurocent per litre. EU prices have been held above world prices. Prices vary in the different member states from a low of 16 cents in Latvia to 25/27 eurocent per litre in many other member states, which is still below the cost of production. What other section of society works for zero income or even under the legal minimum wage?

4.1.7 Milk production is currently 4,2 % below quota and it is expected that production will be under quota for 2009/2010.

4.1.8 The recovery in EU prices (which has already started) is likely to be very gradual. The existence of substantial intervention stocks overhanging the market could delay recovery, depending on when the Commission decides to release intervention stocks into the market.

4.1.9 Cow slaughtering has increased according to EU data. It is likely that increased numbers of dairy cows are being slaughtered, which will depress dairy production in the immediate future. However, the gradual increase in milk prices will lead to increased production in a small number of countries in the short term.

4.1.10 As milk prices recover in the medium term, milk production will increase over the period to 2015 and is likely to keep pace with quota increases agreed in the Health Check.

4.1.11 The trend of declining milk production in Southern Europe and some northern member states is likely to continue.

4.1.12 EU cheese and fresh dairy product consumption is likely to remain weak due to lower income growth prospects.

4.1.13 The Commission predicts a decline in the butter surplus over the period to 2015 due to reduced butter production and greater cheese production. This would facilitate the requested reduction in export refunds, which are the subject of ongoing WTO negotiations.

4.1.14 Some market experts believe that a butter surplus could remain due to greater production of low fat dairy products and lack of growth in cheese consumption.

4.1.15 The market outlook within the EU up to 2015 remains uncertain but is unlikely to demonstrate the growth as seen over the last decade.

4.1.16 A particular problem for the EU milk market in the last few years has been high price volatility. This leads to major problems for farms and to uncertainty for consumers as a result of frequent price changes. There should therefore be an attempt to reduce such high volatility in the markets through suitable measures.

4.2 USA

4.2.1 In the USA, in the five years up to 2008, dairy production has been growing at 2,5 % per annum and consumption has been growing at about 1 % per annum. The USA has had an annual exportable surplus of up to 5 million tons. The weakness of the US dollar has helped exports.

4.2.2 The short-term outlook for the US dairy industry is not good. There was a reduction of 1 % in production in 2009 and there is the expectation of a further reduction of 1 % in 2010. In the medium term, with a recovery in milk prices and affordable feed costs, some growth in production is likely. Any such production increase is likely to go into cheese and be consumed internally.

4.2.3 The USDA Economic Research service is predicting improved US milk prices for 2010 as a result of increased dairy cow slaughtering and increased dairy exports.

4.3 New Zealand

4.3.1 New Zealand is the largest dairy exporter in the world. Production was depressed by about 3 % in 2007/2008 thus reducing exports, but production increased by 8 % in 2008/2009. Commentators expect an average growth of 3 % per annum but it should fall again by 2015. Since New Zealand production is grass-based, weather conditions can have a major impact on production levels.

4.3.2 Low prices have not caused a drop in production in New Zealand to date. In the future, because of increased use of concentrate feed and fertilizer, it is likely that a recurrence of low prices could lead to reduced growth in milk production.

4.3.3 Environmental issues are becoming more important in New Zealand and this could also hinder long term growth.

4.3.4 It is likely that New Zealand will continue its dairy export growth.

4.4 South America

4.4.1 South America is growing in importance as a dairy exporter and is likely to compete with the EU in African markets rather than with New Zealand for Asian markets. In particular Brazil's exportable surplus is likely to continue up to 2015.

4.5 China

4.5.1 The expansion of Chinese dairy production over the last decade has been extremely rapid but the level of growth will probably slow down over the next decade. Chinese production has not matched consumption but dairy imports into China are not as large as originally anticipated.

4.5.2 In the medium term it is expected that Chinese imports of cheese and SMP will increase while Chinese exports of WMP (whole milk powder) will also increase.

4.5.3 Two new cases of melamine tainted milk were found in December 2009 and this could do serious damage to Chinese dairy exports.

4.6 Russia

4.6.1 Milk production in Russia is likely to recover over the next five years as low yielding cows are being replaced by higher yielding imported cows. For food security reasons Russia would like to go from 70 % to 95 % in self sufficiency in dairy products. A milk production target of 37 million tons has been set for 2012. Consequently it is possible that Russian butter imports will decline in the long term while cheese imports are likely to grow.

4.7 The overall world market outlook is one of slow growth and depending on the extent of the global economic recovery this will determine the growth in consumption, especially in Third World countries.

4.8 Most population growth in the next 30 years will take place in Third World countries and this should lead to growing demand for dairy products. However, unless there is adequate economic growth, such countries will be unable to purchase increased amounts of dairy products. Dairy products are not a traditional staple diet in Asia and in some Third World countries.

4.9 Issues such as the nutrition and health claims of dairy products will be key ways of maintaining and developing the market share for dairy products. Research and innovation in these areas is essential.

4.10 It is important that the label indicates that the product is an authentic dairy product and adequately explains the nutritional and health qualities of the product. In future, observance of environmental standards will be of greater importance for dairy production.

5. High Level Group

5.1 Commissioner Fischer Boel has established a High-Level Group (HLG) on milk and this group will issue its final report by the end of June 2010.

5.2 The Group will discuss the following issues:

- Contractual relations between milk producers and dairies with the aim to balance supply and demand on the dairy market more effectively.
- What can be done to strengthen the bargaining power of milk producers?
- Transparency and information to consumers, quality, health and labelling issues.
- Innovation and research, with a view to making the sector more competitive.
- A possible futures' market in dairy products.

6. Franco-German initiative

6.1 The French Agriculture Minister Mr Le Maire outlined three key objectives for European agriculture:

- to guarantee stable and decent revenues for farmers with strong regulatory instruments;
- to make prices throughout the whole food supply chain more transparent, with the possible appointment of a European watchdog; and
- to put innovation and investment in the agri-food sector at the heart of the Lisbon Agenda.

6.2 The Franco-German initiative calls for more EU action to protect dairy farmers. It suggests temporarily increasing the minimum EU intervention price at which the EU would commit to buying surpluses from farmers.

7. Policy up to 2015

7.1 The Commission is firmly opposed to any changes to the increase in quotas as decided in the Health Check. At present these increases are having little impact because the EU is 4,5 % under quota and is also likely to be under its quota next year. However, as the milk price improves in the medium term, production will rise and increase the gap between milk production and consumption, thus tending to drive down farmgate prices, depending on the world market situation.

7.2 World dairy commodity prices are usually under the EU price. This is a consequence of different standards (and hence different costs of production) within and outside the EU. The EU model of dairy farming will never be able to compete with New Zealand and some other countries because of a totally different structure of input costs and size of dairy units.

7.3 Cheese exports out of the EU are generally competitive but an increase in consumption outside the EU is dependent on sustained global economic growth over a period of time.

7.4 Without flanking measures, the idea of increasing quotas irrespective of the level of demand to achieve a so-called 'soft landing' is contradictory if we wish to develop the European model of farming and ensure the continuation of milk production in LFAs. We need a vibrant rural environment and, in some areas, milk production is a key driver for the social, economic and cultural future of such areas. The other possibility is the abandonment of land with harmful social and environment consequences.

7.5 Increasing milk quotas irrespective of market conditions and ultimately fully deregulating the milk sector would be logical if the EU wishes to develop the New Zealand and US model of farming. The emergence of very large feedlot systems in the US with over 2 000 cows is seen as the way forward there. At the current rate of change, just 500 farms will soon produce 1/3 of US milk. Such a policy would pose significant dangers to the cultural heritage, landscape and development of the EU's rural areas, harming the environment and biodiversity of the EU, and, moreover, would cause the abandonment of uplands and wetlands. We would therefore see the rejection of the EU model of multifunctional agriculture.

7.6 The concept of Multifunctional Agriculture means that, in addition to producing food, agriculture has other functions such as development of rural landscapes, growth of natural and cultural heritage, support of the rural economy and enhancement of food security. The OECD perspective of Multifunctionality is of an agriculture that jointly produces a range of commodity outputs (food and fibre) and also a range of non-commodity outputs, including environmental and social products and services.

7.7 Large scale feedlot dairy farming which does not respect certain legislation such as that concerning management of nitrogen in the soil, for example, has major implications for the environment.

7.8 At present 50 % of EU milk production is concentrated in 11 % of EU territory. Irrespective of the policy decisions made, in the future the average EU herd size will continue to increase. However, it can hardly be desirable to adopt policy options that will encourage very large and intensive dairy farming in areas that have a particular input cost advantage. Such a policy could present significant environmental hazards.

7.9 Dairy farmers are participants in the EU model of multifunctional agriculture. Even if a multifunctional farm can overcome temporary difficulties, such a model is not sustainable when the volatility of farmgate prices becomes a recurring event for dairy farmers. Farmgate price stability, where dairy farmers get a reasonable income, is good for farmers and for consumers.

8. After 2015

8.1 If dairy farming is to be maintained and developed as a viable industry throughout the EU, dairy farmers must get a fair income allowing them to live a normal lifestyle and also invest in their future as dairy farmers. A fair income means an income comparable to the average non-farm income.

8.2 Art. 33 of the EC treaty sets out the objectives of the CAP which include the provision (a) to ensure a fair standard of living for the agricultural community, (b) to stabilise markets, (c) to assure the availability of supplies and (d) to ensure that supplies reach consumers at reasonable prices.

8.3 It is essential that much greater resources are devoted to livestock breeding and preventing livestock diseases, as well as research and innovation at farm level to enable the development of a more efficient industry. A more competitive dairy industry can be achieved by a better utilisation of grass and other feed inputs. More research and innovation is needed at processing level to develop new products to increase market share. Education and health establishments as well as civil society organisations should promote consumption of dairy products because milk is both a foodstuff and a remedy and at the same time a refreshing drink. We must see radical change in these areas. The EU must maintain the security and self-sufficiency of the milk supply within EU. It would be a major blunder to become dependent on dairy imports as has happened in EU beef production as a result of low farm-gate prices.

8.4 The Court of Auditors' special report 14/2009 states in Recommendation 1 that 'the Commission must continue to supervise the development of the market in milk and milk products by implementing the measures required to make sure deregulation of the sector does not lead to a recurrence of overproduction. Failing this, the Commission's objective of keeping to a minimum level of regulation, of the safety net type, might rapidly prove impossible to fulfil'. The EESC is convinced that 'safety net' intervention and storage also require various supply and demand-related measures for market stabilisation.

8.5 The EESC believes it is crucial to establish conditions that will guarantee the future of a viable EU wide dairy industry.

8.6 A system with supply and demand-related market measures as well as appropriate direct support systems is essential to ensure an EU dairy industry which will fulfil the social, economic and environmental needs of society and becomes a truly multifunctional agricultural system which should bring a new dynamism to rural EU. Such a development would bring social, cultural and economic benefits to the overall development of the EU.

9. Specific comments

9.1 The use of a 'futures market' in the milk sector needs to be looked at very carefully. However, we need to take careful note of the global financial turmoil stemming from the inappropriate use of financial products. The Committee has previously said that: 'Foodstuffs therefore must be viewed in a completely different light from, say, industrial goods, where cost factors largely determine where those goods are produced'.

9.2 The majority of dairy farmers are organised in cooperatives. This means that to some extent they can influence the marketing of their products. Where dairy farmers are members of a cooperative, and sell their milk to that co-operative, then they have better safeguards than where a dairy farmer sells to a privately-owned dairy. Although voluntary contracts between the individual farmer and the buyer exist already, in the case of a private dairy, the farmer has little scope for negotiating such a contract. These contracts clarify the delivery conditions but cannot influence general EU-wide market trends. Experience shows that the market position of farmers and the cooperatives representing them in the food chain must be improved. The possibilities for cooperation from the point of view of competition law should therefore be examined.

9.3 In the new Member States, however, many farmers sell their milk directly to private dairies. Since the dairy industry is increasingly concentrated, there is little or no choice and farmgate prices go down. In order to maintain competition for raw milk, farmers must have the possibility of organising themselves in cooperatives that can then sell the milk on to the industry.

9.4 Most milk producers in the newest Member States (Bulgaria and Romania) receive very little support from direct payments, which are totally decoupled on a per hectare basis. Faced with this low level of support, together with low productivity, a lack of income from the market and the difficult access to credit, farmers cannot invest in order to comply with EU hygiene standards.

9.5 All dairy imports into the EU must conform to EU standards especially in the areas of traceability, animal welfare, hygiene, use of animal medicine, environmental protection, food safety and sustainable production methods. Carbon content is an emerging issue.

9.6 We must ensure that existing bodies such as advisory and management committees have sufficient resources to analyse the supply demand situation of the milk market. The necessary instruments must be available to ensure that farmers receive an adequate milk price which covers their costs and returns a profit. The EU must maintain its capability to produce adequate milk supplies. We cannot allow ourselves to become dependent on supplies of milk from outside of EU. If we pursue the wrong policies this could happen in the distant future.

9.7 The maintenance and further development of full-time and part-time employment in the dairy sector must be a priority, especially in rural areas.

9.8 We cannot ignore issues of hunger and lack of adequate food resources in the Third World. Issues of global climate change, global food price and global food supply are closely related. We have a responsibility to help the underdeveloped world.

Brussels, 17 February 2010.

*The President
of the European Economic and Social Committee*
Mario SEPI

APPENDIX

The following amendment was rejected but obtained at least one-quarter of the votes cast:

Point 7.7

Delete point:

'Large scale feedlot dairy farming which does not respect certain legislation such as that concerning management of nitrogen in the soil, for example, has major implications for the environment.'

Result of the voting:

For: 56

Against: 76

Abstentions: 25

Opinion of the European Economic and Social Committee on 'Agriculture in Euromed (including the importance of women's work in the agricultural sector and the role of cooperatives)'

(own-initiative opinion)

(2010/C 347/06)

Rapporteur: **Mr NARRO**

On 26 February 2009, the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on

Agriculture in Euromed (including the importance of women's work in the agricultural sector and the role of cooperatives).

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2010.

At its 460th plenary session, held on 17 and 18 February (meeting of 18 February), the European Economic and Social Committee adopted the following opinion by 156 votes in favour with seven abstentions.

1. Conclusions

1.1 Mediterranean agriculture is characterised by its wide variety. In addition to the differences in production systems, there are divergent levels of development, public aid for agriculture and economic structures. Nonetheless, throughout the Mediterranean basin, agriculture acts as the backbone of rural areas and the driver of their economies.

1.2 The unstoppable process of agricultural trade liberalisation underway will have an impact on the sustainability of farming in the Mediterranean. Liberalisation in itself should not be the objective of Euromed but, rather, a means to achieve the key objective of economic, social and regional development on both shores of the Mediterranean.

1.3 The EESC believes that there should be a transitional phase during which the necessary agricultural changes could be introduced in the countries concerned, helping them to securely face the agricultural challenges raised by the globalisation of the economy, trade and knowledge.

1.4 The impact studies conducted by the European Commission on the consequences for agriculture of a Mediterranean free trade area make it clear who the 'big losers' of the process will be. Southern Europe's fruit- and vegetable-growing regions will not be able to stand up to the competition from their Mediterranean neighbours, while continental production in the southern Mediterranean countries (cereals, milk, meat, etc.) will gradually be abandoned. The current liberalisation process must provide for the protection of sensitive products.

1.5 This phase of change for Mediterranean agriculture, characterised by the food crisis and liberalisation, means that public authorities must come up with a robust long-term strategy that will enable farming to continue as a viable activity. This strategy

should be based on three aspects: training, technology and research, with a view to easing the transition towards an agricultural sector that puts quality, added value and an improved marketing process first.

1.6 Public policies in the Mediterranean should aim to ensure that the effects of liberalisation are effectively managed. The EESC believes that policies are needed in the short and long term which establish real compensation, through lines of additional support, for EU producers from the sectors most affected by trade liberalisation. At the same time, policies should be put in place to diversify activity in rural areas and support farmers and their businesses, helping them to adapt to the new context of production.

1.7 The Mediterranean countries must implement training policies geared towards the agricultural sector in order to encourage high-quality employment, help the workforce adapt to the requirements of the new production model, and limit the negative effects of the rural exodus on employment and migratory flows.

1.8 In order to support the agricultural development process in the Mediterranean basin, the EESC believes that, as a priority, the role of local agricultural organisations should be strengthened through development projects designed to improve farmers' representability and involvement in the decision-making process.

1.9 In order to make Mediterranean farming more competitive, a more dynamic marketing strategy is needed. One of the mainstays of the new strategy will be cooperatives and other producer organisations, which must serve as instruments that farmers can use to group supply and improve their market positioning. The EESC supports initiatives that will improve the way that the food chain operates and profits are shared throughout the chain.

1.10 The EESC considers it essential to enhance the role of women and young people in farming and rural society. In the southern Mediterranean countries, women contribute significantly to agriculture but their work goes largely unnoticed and unpaid, and is often conditioned by harsh social factors. New structural policies and incentives are needed that will give value to women's work, enable them to move out of the informal economy, and foster the creation of community associations as a means of boosting entrepreneurship, which is also needed in the agricultural sphere.

1.11 Water management is key factor in the development of Mediterranean farming. One of the worst effects that climate change will have in the Mediterranean will be the dwindling water resources available for farming. The EESC recognises the need to implement new monitoring and modernisation policies that make it possible not only to save water but also to optimise the use of this precious resource. All these policies must be based on the use of new technologies that ensure the social, economic and environmental viability of irrigation.

1.12 Institutional cooperation should be accompanied by closer cooperation between civil society players. It is therefore essential that the EU facilitate regional cooperation and greater involvement of civil society representatives in order to share experiences and devise concrete projects that help Mediterranean agricultural organisations in order to promote a cross-functional agricultural model. In any event, the agricultural chapter of the Union for the Mediterranean should be strengthened, and progress should be made in setting up the Bank of the Mediterranean.

2. Introduction

2.1 The launch of the Barcelona Process in 1995 gave a boost to the EU's relations with its Mediterranean neighbours ⁽¹⁾ and laid out the guidelines for the establishment of an area of peace and economic prosperity in the region. However, 15 years after the Barcelona Declaration, only moderate progress has been made and a degree of disappointment is felt by the EU's southern Mediterranean partners.

2.2 The recent political initiative that is the Union for the Mediterranean (2008), set up under the aegis of France and Germany, is proof that after years of paralysis the Mediterranean question is again high on the EU's agenda, with the resulting revival of the debate on agriculture – a strategic sector in the 21st century.

2.3 The EESC has decided to draw up this own-initiative opinion in order to contribute to the essential debate on the role that the agricultural sector should play in the Mediterranean basin. The development of this sector has reached a key phase, which will be marked by major challenges on a global scale.

2.4 The great complexity of agriculture in the Mediterranean makes it impossible to address day-to-day sector-specific problems in depth. However, the Committee wishes to initiate a strategic discussion of the future of Mediterranean farming, starting with the consequences that an area of free trade in agricultural products could have for the Mediterranean basin. The effects of liberalisation are not only restricted to the field of trade, as they also have a significant impact on the economic, social and environmental development of a country.

2.5 In the past, the southern Mediterranean countries have roundly criticised the EU for its excessive agricultural protectionism, while the EU has raised concerns over the negative impact in many European regions of certain imports, particularly fruit and vegetables from Morocco, which, owing to its agricultural potential and geographic and cultural proximity to Europe, is one of the flagships of Mediterranean farming. The Mediterranean's other major agricultural nation is EU candidate country Turkey. Farming is the biggest sector in the Turkish economy, and it has immense agricultural potential as one of Europe's green reserves. In recent years, Egypt has also become one of the Mediterranean countries with the greatest agricultural potential.

2.6 Going beyond a traditional view of agricultural relations in the Mediterranean, it is essential to establish a more detailed, strategic, long-term view of Mediterranean agriculture which would allow for synergies to be found and would facilitate the economic and social viability of the sector on both shores.

2.7 The experience of the EU in its commitment to high-quality production, the value placed on product origin, the modernisation of infrastructures and training, should serve as an example, and as guidance when tackling the approaching changes in the southern Mediterranean. However, important lessons are not only learned from positive experiences. Unfortunately, in Europe, the inconsistency between agricultural aid policies, the lack of long-term planning and the imbalances in a food chain characterised by disparate supply, from which large retailers benefit, serve to illustrate some of the risks that should be taken into account during what can be considered as a major transitional phase for Mediterranean agriculture.

2.8 There is a clear split in farming in the southern countries: on the one hand, a dynamic industry focused on export, with capital injected by major commercial players; on the other, a farming sector focused on local markets in which smallholders operate without sufficient economic organisation.

⁽¹⁾ The Union for the Mediterranean currently comprises the 27 EU Member States plus the following Mediterranean States: Algeria, Morocco, Tunisia, Turkey, Egypt, Israel, the Palestinian Authority, Syria, Lebanon, Jordan, Croatia, Albania, Montenegro, Bosnia and Herzegovina, Monaco, Mauritania and (with observer status) Libya.

3. The trade liberalisation process

3.1 In line with the roadmap established in the context of the Barcelona Process (1995) preferential treatment is to be given to agricultural products. The gradual liberalisation of trade in agricultural products through a preferential, reciprocal access scheme takes the traditional trade flows and respective agricultural policies ⁽²⁾ into consideration. The priority since 2005 has been to set up a free trade area in 2010. This date should be considered as a guideline rather than a deadline, as the countries are moving towards this free trade area at different speeds.

3.2 The EU has in recent years signed new, ambitious agricultural agreements with Israel, Jordan and Egypt. The extensive, complex negotiations with Morocco are ongoing, and despite the scarce information provided by the European negotiators, it seems likely, after the recent closure of negotiations, that the agreement will be signed in 2010. Of the other Mediterranean countries, only Tunisia and, recently, Algeria have initiated new negotiation rounds.

Agricultural negotiations between the EU and the Mediterranean countries

3.3 Protection in the EU has involved multiple instruments, often in combination: quotas, customs duties, calendars, import licences, entry prices, etc. Therefore, it can be concluded that the EU has traditionally granted support for its farmers through customs measures, as traditional CAP aid plays a very minor role with regard to Mediterranean production ⁽³⁾. In addition to this increasingly marginal customs protection, aspects such as distance, production costs and infrastructure are key factors in trade in agricultural products.

3.4 The European organisation COPA-COGECA, which groups together the EU's main farm organisations and cooperatives, stated in its position on the Euro-Mediterranean agreements that the EU needs to respect certain basic principles in negotiations. Of these, it highlighted the need to maintain the concept of sensitive products and an entry price for fruit and vegetables, the reinforcement of customs inspections to prevent fraud, the establishment of an effective plant health monitoring system, and respect for product seasonality, encouraging common management of production and marketing calendars ⁽⁴⁾.

⁽²⁾ The regular conferences of Euro-Mediterranean trade ministers are responsible for giving political impetus to the trade aspects of the liberalisation process. The most recent ministerial conference was held in November 2009 at the EESC in Brussels.

⁽³⁾ The fruit and vegetable sector accounts for 16 % of the EU's total agricultural output, but the amount granted in aid is no more than 4,5 of EAGGF expenditure.

⁽⁴⁾ EESC opinion on *Health security of agricultural and food imports* (OJ C 100, 30.4.2009, p. 60).

3.5 Producers from the southern Mediterranean face difficulties when it comes to enforcing European health legislation. The requirements applied to agricultural products imported from the Mediterranean are less stringent than those imposed on Community products in terms of animal welfare, traceability and environmental standards. The EESC urges the EU to provide its Mediterranean partners with the necessary technical assistance for trade, technology transfer and support in establishing traceability and early warning systems.

3.6 The EESC has repeatedly highlighted the importance of traceability and quality certification as a keystone of the Community agricultural model. The system set up in the EU makes it possible to obtain information on a foodstuff 'from farm to fork', and to pinpoint and locate the path taken by a food through all the stages of production, processing and distribution. Traceability should be addressed as a priority in agricultural negotiations with the countries of the Mediterranean basin.

3.7 At present, agricultural liberalisation in the Mediterranean, although incomplete, already covers 90 of trade. The EU is the world's biggest importer of food, and is currently undergoing an unprecedented process of trade opening. Despite this, there remain a number of sensitive products for which specific provisions have been laid down, so as not to penalise certain producers who could be adversely affected by any significant increase in agricultural imports, particularly fruit and vegetables.

3.8 The fruit and vegetable sector plays a key role in this liberalisation process, as it accounts for almost half of the agri-food exports from non-EU Mediterranean countries to the EU. Many areas in southern Europe are specialised in growing fruit and vegetables, and their regional economies depend heavily on these crops. In twenty regions of the EU, over half of final agricultural output is devoted to fruit and vegetable crops. The EU should ensure that in agricultural agreements reached with the southern Mediterranean countries, protection is afforded to those products that are considered 'sensitive' and would be most adversely affected by the agreements.

3.9 The impact analyses carried out by the European Commission on trade liberalisation in the Mediterranean ⁽⁵⁾ clearly show that in a scenario of partial or full liberalisation, the EU would multiply its exports of certain 'continental' products (cereal, dairy produce and meat). In contrast, production in these sectors would see a sharp drop in countries such as Morocco, where over a fifteen year period milk production would drop by 55 %, meat by 22 % and wheat by 20 % ⁽⁶⁾. The risk of monocultures could lead to a lack of supply and dependence on imports.

⁽⁵⁾ Sustainability impact assessment, Eu-Med Ag Pol.

⁽⁶⁾ This data can be found in the study on *Defining a trade strategy for Southern Mediterranean Countries*, Antoine Bouet, International Food Policy Research Institute, 2006.

3.10 The EESC believes criteria and clauses should be introduced in the corresponding association agreements, making it possible to verify the impact of trade opening for both sides, in particular with a view to checking whether the ultimate aim of the Community external policy has been achieved: to make progress as regards respect for the environment, in labour rights and – above all – in the social and economic development of the local population and thus not only large local or foreign corporations. In this regard, it is essential that the opening of European markets be dependent on meeting certain minimum standards in socio-occupational, environmental and health matters, to the benefit of food security and the security of European consumers, but also to ensure better living and labour conditions in the countries of the southern Mediterranean.

3.11 The EESC considers that appropriate mechanisms must be introduced, and existing mechanisms improved, in order to ensure compliance with the clauses accepted by both sides in matters concerning trade liberalisation under the association agreements, from the viewpoint of compliance with the customs quantities and quotas set.

The role of public authorities with regard to liberalisation

3.12 The southern Mediterranean is currently facing major dilemmas that have also affected the EU: what role should public authorities play in a process to liberalise and deregulate the markets? In this context, the EU and, more specifically, the development of the CAP have led to surprising changes in direction which should serve as an example to the southern Mediterranean countries. By learning from the successes and failures of their European neighbours, they could implement effective, consistent public policies in the medium and long term, which would enable them to face up with greater certainty to globalisation which, in some cases, can cause negative distortions in the agricultural sector. In international negotiations, this sector can never be treated as just another economic sector, according its contribution to a country's GDP.

3.13 Until recently, agriculture was not a priority among the policies of Mediterranean countries outside the EU, and the cooperation funds from the EU and international bodies were channelled elsewhere ⁽⁷⁾, revealing a short-term outlook that has undermined agricultural development in these countries. In recent years, politicians have begun to change their way of thinking.

3.14 The food crisis of 2008, with the rise in prices of basic raw materials and the fears arising from the liberalisation process, has roused some national and regional authorities to rethink their traditional approach to agriculture, based on multiplying production and focussing efforts on agricultural exports.

3.15 The agricultural strategy of the Mediterranean governments must facilitate a sector that focuses on quality, added value and improving the marketing process. The philosophy is clear and, indeed, is shared by all stakeholders in the Mediterranean; however, the harsh reality is that the lack of economic resources is a difficult hurdle to overcome.

3.16 Training, technological support and research are basic components that must be included in any future agricultural policies implemented in the Mediterranean countries. Combining these three factors should help to improve the position and viability of Mediterranean agriculture, in order to ensure food security and combat poverty and the rural exodus.

3.17 Despite their resounding declarations in favour of agricultural research, many Mediterranean countries have not shown the political drive needed to create a favourable legislative framework. Research efforts should be stepped up in order to improve growing techniques and provide new market niches, making a leap forward in quality. Demographic growth means that, today, one hectare must feed three times more people than forty years ago. Technological progress must be available in order to increase productivity, while biotechnology can make a real contribution to a more productive, environmentally friendly form of agriculture ⁽⁸⁾. For the future, research must make it possible to strengthen cooperation between public and private initiative and improve coordination between bodies, so that the basic, real needs of agriculture and farmers can be met.

An instrument to tackle the agricultural challenge: Morocco's Green Plan

3.18 One example of this new way of thinking can be seen in the Green Plan put forward by Morocco in April 2008, which shows an interesting new agricultural strategy in the Maghreb. The plan aims to turn agriculture into the main driver of the national economy within 10 to 15 years, through strong public investment ⁽⁹⁾, in order to achieve two key goals: a modern, high-added value agricultural sector, and increased earnings for small farmers.

3.19 In order to achieve these ambitious goals, the Moroccan government has drawn up regional plans that are to focus on three types of projects. The first will involve easing the transition from cereal crops to higher added value crops which are less dependent on water. Secondly, there are plans to improve intensive farming, which should provide farmers with new production techniques. Lastly, the regional plans will help to diversify production and add value to regional and local produce.

⁽⁷⁾ Of all the MEDA funds granted to Mediterranean partner countries, only 5 % was earmarked for agriculture and rural development.

⁽⁸⁾ EESC opinion on *The EU and the global food challenge* (OJ C 100, 30.4.2009, p. 44).

⁽⁹⁾ Over the next ten years, Morocco will channel around MAD 150m through the Agricultural Development Agency in order to implement the measures contained in the Green Plan.

Liberalisation's losers on both sides of the Mediterranean

3.20 On a regional level, the adverse effects of liberalisation will be felt particularly strongly by those European regions specialised in growing fruit and vegetables. In every case, these regions are among the least advanced or most disadvantaged in Europe. They include, for example, Andalusia (Spain), Thessaly (Greece), Calabria (Italy) and North Douro (Portugal). According to the impact study carried out by the International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM)⁽¹⁰⁾ on behalf of the European Commission in 2007, the negative consequences of a Euro-Med liberalisation would not be broadly distributed but rather concentrated in a few regions, which will be the true losers of liberalisation.

3.21 Small producers in the southern Mediterranean will directly suffer from the opening of borders, as they are forced to stop producing due to an inability to compete with the continental production of their northern Mediterranean neighbours. In this context of liberalisation, the necessary instruments must be provided to enable small producers – the most vulnerable parties – to benefit from the new agreements. Policies to support earnings, organise and modernise their agriculture must be made priority.

3.22 The public authorities must undertake to reverse the current dangerous trend whereby the main beneficiaries of this process are large farms, multinationals and foreign capital investors. The benefits of market opening should be shared out evenly and fairly across the production chain.

Organising the production sector in the light of the new marketing structures

3.23 In the EU, the imbalance between the different operators within the food chain is severely damaging to the production sector, which cannot compete with the dominant position achieved by large retailers. This potential concentration of major players will also occur as agriculture is developed on the other side of the Mediterranean basin. Farmers could lose their links to the national market and find themselves subject to the requirements imposed by the supermarkets.

3.24 The competitiveness of the agricultural sector does not only rely on better production in terms of price and quality. To give real meaning to the concept of 'competitiveness', marketing strategy is particularly important. Given the highly fragmented nature of the production sector, the increase and development of ways to concentrate supply, such as producer groups, cooperatives, etc., must undeniably become pillars of the new strategy.

3.25 Organising producers into cooperative movements is not simple. In the southern Mediterranean, the development of agricultural cooperatives still faces many obstacles, despite emerging legislation designed to lay the necessary groundwork. The biggest problems facing cooperatives in the Mediterranean include the lack of appropriate staff to manage the cooperative as a business, the instability of economic resources, over-dependence on state aid, the rigidity of legislation, and the difficulty in accessing markets. To be a success, the cooperative movement must overcome these problems and demonstrate a new philosophy based on a collective approach. However, throughout the Mediterranean, the first requirement will be for farmers to be able to carry on farming and not be forced out of the sector.

3.26 Through cooperation and organisation, farmers can improve their position and overcome the major handicap that their fragmentation represents. The success of the Moroccan dairy farmers' cooperative, COPAG, which produces 170m litres per year, accounting for 11 of national output, has become a model to be emulated by other sectors. This cooperative generates added value, distributes subsidies and guarantees a minimum price for its members. However, in countries like Lebanon, many cooperatives are set up solely because such status is required in order to gain access to the development programmes run by NGOs; unfortunately, when the funds dry up, the cooperatives fade and disappear.

3.27 In the southern Mediterranean, the development and promotion of associations require firm support from public administrations. Membership of cooperatives should be incentivised so that it becomes a useful, profitable instrument for farmers. Simply setting up a cooperative is not a guarantee of success: they must be dynamic and show entrepreneurship if they are to compete on a globalised market, consolidating the revenue of their partners and improving their ability to access inputs, services and markets.

4. Social change in Mediterranean farming

4.1 Agricultural free trade should encourage and be fully compatible with social development and the specific features of regions. The Committee believes that the social cost of integration into global trade flows should be analysed in detail, in order to gauge the impact of this unstoppable process and help more vulnerable communities to prepare themselves for it. Although hard macroeconomic data shows that agriculture only represents a modest share of Mediterranean trade (7 % of total exports and 9 % of total imports), in reality, the political and social impact of these products is much higher.

⁽¹⁰⁾ Study on the *Impacts of trade liberalisation between the EU and Mediterranean countries*, EU-MED AGPOL, drawn up by CIHEAM- IAM Montpellier.

4.2 Social fragility in rural areas of the Mediterranean translates into poverty, unemployment, lack of infrastructure, land degradation and an ongoing rural exodus. As has occurred in EU countries, adaptation to globalisation will lead in the Mediterranean countries to the loss of people from farming, the depopulation of more disadvantaged rural areas and greater pressure on migratory flows.

4.3 To relieve the negative effects of liberalisation in the rural environment, national and regional authorities must implement robust rural development policies that improve the competitiveness of small farms, create real employment alternatives for farmers forced to abandon the profession, and enable rural areas to successfully and safely diversify this sector which is essential for their socio-economic fabric. The dangerous trend of rural depopulation can only be reversed if women and young people are successfully integrated into the farming sector.

Women and young people: factors for change

4.4 Over the next few years, women and young people will become the real drivers of agricultural change in the southern Mediterranean. The Mediterranean sustainable development strategy calls for the implementation of programmes that help strengthen the role of women in decision-making processes and in educating new agricultural and rural leaders who can, with their capacity for innovation and preparation, be factors for change.

4.5 Women are becoming increasingly involved in the agricultural sector in the Mediterranean. The role they play in agriculture is gradually increasing and their potential is vast, given the significant increase in population, environmental changes and the migration of men from the region towards urban centres or more prosperous areas ⁽¹¹⁾. Unfortunately, official figures are few and far between, and give scant recognition to the true contribution that women make to farming.

4.6 In the Mediterranean, a number of interesting initiatives have been implemented to improve the situation of women in the rural environment. In Morocco, funds from the MEDA programme financed argan oil cooperatives comprised entirely of women – a model which has been extended to other areas in the Mediterranean. In Lebanon, the National Observatory for Women in Agriculture and Rural Areas (Nowara) ⁽¹²⁾ was set up in 2008 and has helped to implement a number of initiatives to promote gender equality in farming, identifying programmes and activities to improve women's access to production resources.

⁽¹¹⁾ Women's contribution to agricultural production is particularly significant in areas where migration to urban areas is high.

⁽¹²⁾ See www.nowaralebanon.org for more information.

4.7 The treatment of women working in the agricultural sector differs significantly depending on the national context. In Lebanon, only 3,4 % of women work in farming, and in Algeria the situation is similar, with very limited participation of women in economic activities. In contrast, in Egypt, 50 % of agricultural work is carried out by women, although they are not allowed to manage agricultural assets that they have inherited; in Syria, the situation is even worse as, in practice, social conventions force women to renounce any land ownership rights they may have. Morocco stands out due to the high involvement of women in agricultural work, at around 60 %, while the figure in Turkey rises to 70 %. In these countries, women mainly carry out labour-intensive, non-mechanised tasks. Women are responsible for harvesting and storing food products, and play a significant role in sowing, irrigation, pest control and fertilising.

4.8 The women who carry out farming activity in the southern Mediterranean countries face a series of major handicaps that influence the development of their work: high illiteracy and lack of education, unpaid work, restricted access to property, zero participation in the decision-making process, worse working conditions than for men, poor access to credit and, of course, religious and social factors that deny women the right to decide. Unfortunately, much remains to be done in order to achieve equal opportunities for men and women in agriculture and the rural environment. The Mediterranean governments should therefore make this task a priority ⁽¹³⁾.

5. Mediterranean farming in the face of climate change

5.1 Every scientific study conducted to date agrees that the Mediterranean area will be the most affected by climate change. The geographical and climatic conditions of the farming practised in these areas make Mediterranean agriculture especially vulnerable to the adverse effects of climate change, particularly given the population growth in the Mediterranean and the need, emphasised by the FAO, to multiply our food production. These effects could include:

- the disappearance of crops and loss of biodiversity
- greater desertification and expansion of arid areas
- emergence of new pests and diseases
- lower yields and high volatility in production
- diminished water resources

⁽¹³⁾ See the EESC opinion on the *Promotion of Women's Entrepreneurship in the EUROMED Region*, CESE 1004/2007, 12.6.2007. The issues were also discussed at the Second Ministerial Conference on Strengthening the Role of Women in Society held in Marrakesh on 11-12 November 2009.

5.2 In order to adapt to climate change, urgent measures and valid instruments are required to improve risk management in agriculture; new, more resistant varieties must be developed; technical advice must be provided for farmers in their daily work; and, as a priority, research and new technologies must be made available to the agricultural sector.

The link between water and farming

5.3 Without doubt, the element most affected by climate change and the key factor in the development of Mediterranean farming will be water. The EESC has already given consideration to the impact of reduced water resources on farming ⁽¹⁴⁾ and continues to warn of the need to gear public policies towards more sustainable use of this resource. The challenge lies in continuing to generate wealth through agricultural production, added value, employment, etc., while the amount of water available decreases.

5.4 The 'Plan Bleu' ⁽¹⁵⁾ has already announced that demand for water in the southern and eastern Mediterranean will increase 25 % by 2025. This increased demand will have to be managed in a context marked by the scarcity and reduced availability of this precious resource. The EESC believes that this sustainable water management cannot exclusively rely on cutting irrigation, but must also be based on better monitoring and modernisation policies.

5.5 In Mediterranean agriculture, irrigation plays a strategic role. Arable land in Egypt is fully irrigated; Morocco aims to increase its irrigated area by 450 000 hectares by 2025; Israel has the world's highest technological capacities for managing water for agriculture; Tunisia has managed to successfully implement an irrigation water management programme that has been commended by the FAO and the World Bank.

5.6 The Tunisian government has opted for an improved public-private partnership in order to apply its strategic plan. This strategy has involved the awarding of farming contracts with incentives for farmers, programmes to improve the irrigated area by easing the transition to crops with higher added value and lower water requirements, distributing the quotas granted for the basin, and a pricing system that has enabled costs to be recouped. The region of Andalusia in Spain is an example of modernised irrigation where, in only 30 years, water requirements per hectare have been halved.

5.7 The EESC recognises the need to implement new technologies that make it possible not only to save water but also to optimise its use. When it comes to agricultural water management, different instruments should be explored, such as localised irrigation systems, water purification and desalination, new infrastructures, varieties that are genetically better suited to water stress, the use of unconventional water, etc.

Brussels, 18 February 2010.

*The President
of the European Economic and Social Committee*
Mario SEPI

⁽¹⁴⁾ See the EESC opinions on *The link between climate change and agriculture*, OJ C 27, 3.2.2009, p. 59; *Addressing the challenge of water scarcity and droughts*, OJ C 224, 30.8.2008, p. 67.

⁽¹⁵⁾ The Plan Bleu is a centre for environmental cooperation and development in the Mediterranean which falls within the framework of the UN Programme for the Mediterranean (UNEP/MAP).

Opinion of the European Economic and Social Committee on 'Promotion of socioeconomic aspects in EU-Latin America relations'

(own-initiative opinion)

(2010/C 347/07)

Rapporteur: **Mr ZUFIAUR NARVAIZA**

At its plenary session held on 26 February 2009 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on:

Promotion of socio-economic aspects in EU-Latin America relations.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 110 votes for, none against, and two abstentions.

1. Recommendations

1.1 Making a qualitative leap forward in the bi-regional strategic partnership. In the EESC's view it is crucial, in the new global context, to step up the political dialogue and set a more robust agenda, geared towards both shared aspects of interdependence and issues requiring better international regulation, such as the environment, reducing inequalities, migration or peace and security. Within the bi-regional sphere, summit conclusions should be implemented more effectively.

1.2 Giving fresh impetus to traditional policies. This means putting migration high on the bi-regional agenda; approaching social cohesion from a comprehensive point of view that includes gearing cooperation more closely to this objective; devising structural convergence mechanisms; driving forward sectoral policies; and creating conditions that are conducive to decent work. The association agreements must take proper account of existing asymmetries, by making use of tools such as sustainability evaluations, effective recognition of the principle of special and differential treatment for the less developed countries, the establishment of exceptions and transitional periods in sectors where this is necessary, and a differential approach to development cooperation. Cooperation with the medium-income countries of Latin America should be directed towards the objectives of macroeconomic stability, building up institutional capacity, enhancing competitiveness and commercial capacity, tax reform, innovation and educational, scientific and technological cooperation.

1.3 Setting an innovation agenda as a factor for development and a shift in production covering the social aspects of innovation. The EESC calls for the following to be taken into account: the social dimension of innovation in all its aspects; the

importance of the social and cultural contexts in technological innovation processes; social barriers, such as poverty, that hinder innovation; the social impact of innovation policies; the ability of innovation to generate social fabric; the need to consider the social innovation produced by society itself, arising from ancestral, collective or practical knowledge and reflected in the social and environmental spheres, for example, and translate it into public policies; the importance of involving civil society in ensuring that innovation activities and policies are accepted and taken on board.

1.4 Putting organised civil society involvement at the heart of the EU-Latin America Strategic Partnership. To this end, the EESC calls for the priorities of EU cooperation policy and the new version of the EUROsocial Programme to include: boosting civil society organisations and their representative bodies at Latin American regional level; creating a bi-regional coordination mechanism for OCS representative bodies from both regions; including the EESC on the governing body of the future EU-LAC Foundation; OCS participation in the EU-Latin America association agreements by setting up Joint Consultative Committees and including specific social, labour and environmental sections in the agreements; putting civil society involvement in the EU-Mexico Strategic Partnership on an official footing; and involving OCS bodies in defining and implementing the EUROsocial programme and in the Latin America-EU Social Cohesion Forums.

1.5 As regards the Free Trade Agreements (FTA) that the EU is negotiating with the regions and countries of Latin America, the EESC emphasises that compliance with basic human, social and labour rights must be taken as a pre-requisite for the signature of such agreements by the European institutions. In the Committee's

view, it is necessary to recognise monitoring, evaluation and consultation mechanisms for these agreements with the involvement of organised civil society. In particular, the EESC demands that the European Commission ensure that these principles are included in the negotiation for the FTAs that are currently being discussed with Colombia and Peru. The Committee emphasises that in-depth political debates must be held within the institutions before commencing – let alone concluding – any agreements, as promised by the Commissioner-designate, Mr De Gucht, and calls for the EESC and representative civil society organisations to be involved in these debates.

2. A positive appraisal of EU-Latin America relations

2.1 The Sixth Summit of EU-Latin America and Caribbean Heads of State or Government will take place against a world, European and Latin American backdrop very different from that of ten years ago, when the first founding steps were taken in the strategic Euro-Latin American partnership at the 1999 Rio Summit ⁽¹⁾.

2.2 Relations between the EU and Latin America stretch back over more than three decades, from the launch of the EP-Parlatino (Latin American Parliament) dialogue in the 1970s, the San José Process and the EU-Rio Group dialogue onwards. Although the civil society organisations would have preferred these relations to have made greater progress, association agreements to have been signed years ago and the summit conclusions to be put into practice far more, the overall results to date have nevertheless been very positive. The relationship was marked during the 1980s by the urgent need for peace and democracy, reflected in the major contribution made by the European Community to the peace processes in Central America. The EU has more recently brought regionalism and the bi-regional strategic partnership to the fore, with a focus specific to each subregion, together with the management of common challenges arising from globalisation, such as environmental risks, energy, food security, migration and how to respond to the financial and economic crisis. The goal of social cohesion and provision of global and regional public assets has been put onto the bi-regional agenda. The bi-regional relationship has also had an impact on global governance, by its defence of effective multilateralism. As pointed out in the latest Communication from the European Commission ⁽²⁾, practical instruments have been put in place, starting with the summits and steps towards a network of association agreements including the agreements of this type that have been signed with Chile and Mexico. Strategic partnerships have also been entered into with both Brazil and Mexico. Instruments have been put in place to support sectoral policies, such as the EUROsocial programme, EUROCLIMA and others concerning education. In addition, a Euro-Latin

American Parliamentary Assembly (EuroLat) has been set up. The Union remains the leading investor in the region, its second trading partner and the largest development aid donor.

2.3 With regard to civil society, a network of links with representative organised civil society (OCS) bodies has been built up across the subregions of Latin America, an effective contribution has been made to increasing coordination between different sectors – businesses, trade unions, the third sector – in both continents; cooperation with regional parliaments has been enhanced; and the EESC has observer status at EuroLat, with which a Protocol of Cooperation has been signed, and which is open to the membership of counterpart institutions in Latin America. Under the EU-Brazil Strategic Partnership, an EU-Brazil Round Table has been established linking the EESC and the Brazilian Council for Economic and Social Development (CDES). The EESC has helped to strengthen bodies involving civil society in the subregional integration processes in Latin America, and steps – not yet satisfactory – have been taken towards involving OCS in negotiating procedures, in the recognition of the principle of putting follow-up and consultation mechanisms on an institutional footing within the association agreements, and in the need for such agreements to include a social, labour and environmental dimension.

3. Towards a qualitative leap forward in the bi-regional strategic partnership

3.1 The new political backdrop is currently marked by global economic crisis, the environmental challenge, the economic rise of Asia, deadlock in WTO negotiations, increasing migration flows, the intensification of all aspects of south-south relations and the emergence of new areas of global governance – G20 and BRIC for example. In this context, the developing countries are playing an increasingly active part, and which will have to be extended to other bodies such as the international financial institutions ⁽³⁾ or the organisations of the UN system. All this means the agenda for EU-Latin America relations must be updated and more specific and efficient mechanisms introduced to flesh out the summit conclusions and all other areas of bilateral relations.

3.2 At the same time new integration projects are seeing the light of day in Latin America, as in the case of the Union of South American Nations (UNASUR), that place the accent on the political, security and defence dimension, and to infrastructure, and on coordinating energy or financial policies. In addition, the increasing need for a cooperation-based policy on an international scale, as highlighted by the crisis, is pushing non-trade issues – environmental risks, energy, food security and food safety, migration, poverty and inequality, international financial stability – higher up the bi-regional agenda.

(1) Summits held so far: Rio de Janeiro 1999; Madrid 2002; Mexico 2004; Vienna 2006; Lima 2008.

(2) Communication from the Commission to the European Parliament and the Council – *The European Union and Latin America: Global Players in Partnership* COM(2009) 495/3.

(3) See, in this regard, the EESC's recommendations as set out in its *Programme for Europe*: the EU should take steps 'to boost the powers of developing countries in international institutions, especially in the IMF and the World Bank' (18.3).

3.3 The EESC considers that this new stage requires a stronger political dialogue and a renewed agenda, focusing on both shared aspects of interdependence and issues requiring more and better international regulation, such as the environment, migration, increasing inequalities, or peace and security. This should entail the establishment of joint plans to address the social consequences of the economic and financial crisis, and closer cooperation on climate change and its negative effects, changing our energy model, research and development and world governance. At the same time, there is a continuing need to maintain the traditional objectives of bi-regional relations: promoting social cohesion, regional integration, stepping up and fine-tuning cooperation programmes, and creating fresh impetus to complete the on-going association agreements, to this end introducing approaches that take more account of asymmetries and better ensure social cohesion. The EESC welcomes, in this regard, the Commission's announcement – although it clearly leaves room for improvement – that a Latin America Investment Facility (LAIF) is to be set up that will foster regional integration and interconnectivity and the implementation of sectoral policies, will reinforce the social cohesion component of the agreements – together with other economic and social measures – and will boost initiatives to create cohesion funds, such as Mercosur's current structural convergence fund (FOCEM), or the planned Cohesion Fund under the Customs Union agreement adopted by Central America in 2007.

4. Towards closer involvement of organised civil society in the Strategic Partnership's goals and programmes

4.1 In the light of its own experience with European integration, the EESC considers that if the bi-regional strategic partnership is to be reinforced and its political, economic and social goals furthered, organised civil society must be involved in all stages of the process in a much more determined, organised and effective way. Social participation is crucial to make relations more open, better-known and transparent, in order to promote a greater sense of involvement of the different societies in these relations, and to ensure that any measures jointly agreed are effective. EU-LAC relations were born more than thirty years ago of the links forged by political movements and social organisations. That is why reinvigorating the bi-regional dialogue does not depend only in putting new items on the agenda or making the agenda more flexible and efficient, but by enabling different stakeholders and sectors to take part in the dialogue.

4.2 In order to carry forward and legitimise regional integration processes, a bottom-up movement from civil society organisations is vital. Similarly, the implementation of public cohesion policies makes the establishment and strengthening of participatory social institutions necessary. In this regard, the EESC urges the Commission to ensure that when the EUROsocial programme is renewed, thought is given to a programme to boost civil society organisations and their representative bodies at regional level.

4.3 The EESC fully supports the aim of the bi-regional strategic partnership of a more specific and functional action programme that can be followed up and evaluated. To be as effective as possible, this would require, among other things, structured involvement by the various bodies representing OCS in Latin America and the EU: the Mercosur Economic and Social Consultative Forum, the SICA Consultative Committee, the Andean Labour and Business Consultative Councils, the Andean Indigenous Peoples Consultative Council, the Andean Consumers' Organisation, other bodies which may emerge in Chile and Mexico and the EESC itself. All these bodies could make a positive contribution to implementing policies such as those on social cohesion, climate change, innovation, migration and decent work etc., that may be adopted by the summit and are part of the bi-regional agenda. The EESC would therefore be willing to help create a bi-regional coordination mechanism for OCS representative bodies from the two regions to forward these contributions during the periods between EU-LA summits.

4.4 The EESC welcomes the announcement that an EU-LAC Foundation is to be established, to prepare, monitor and, where appropriate, implement summit mandates, and considers that the function of organising and involving the different actors that the Foundation could play may be very positive in this regard. As the most representative body of European organised civil society, the EESC asks to be included on the future Foundation's governing body.

4.5 As called for at all the preceding summits, OCS participation should, in turn, be reflected in the association agreements, in the form of joint consultative committees within their framework; the inclusion of a social, labour and environmental dimension in the agreements; and the involvement and consultation of civil society in analysing the impact of the agreements.

4.6 The EESC also calls for participation to be catered for in the Strategic Partnership between Mexico and the EU, in the same way as has been done for civil society from both sides in the EU-Brazil Strategic Partnership with the introduction of a Round Table bringing together the partnership's representative institutions.

4.7 The EESC considers that if organised civil society is to be effectively integrated into the bi-regional strategic partnership, its work with the Euro-Latin America Parliamentary Assembly needs to be further developed. To this end, it will set up an effective system for communication with the Assembly and will, as a EuroLat observer organisation, convey the contributions from civil society organisations concerning topics under debate and agreed on by the Assembly. The establishment of the bi-regional coordination mechanism mentioned in point 4.3 above will make a powerful contribution to this aim.

4.8 At the same time, the EESC calls for greater involvement of socio-occupational organisations in defining and implementing the second phase of the EUROsociAL programme. It also considers that it could contribute more effectively to the Social Cohesion Forum if it was more involved in its preparation and implementation.

5. Socio-economic aspects of EU-Latin America relations

5.1 Latin America-EU immigration policy

5.1.1 The growing migration flow from Latin America towards Europe demands that the Euro-Latin American dialogue on migration figure prominently on the bi-regional agenda. The dialogue must lead to agreements giving priority to implementing forward-looking migration policies offering legal channels for migration and promoting suitable integration policies. Consequently, migrants must have their fundamental rights, especially labour and social rights, guaranteed; agreements are needed on the recognition of professional qualifications; temporary migration and family reunification procedures for migrant workers in the Union should be made easier; and agreements should be concluded to promote the right of political participation for immigrants. At the same time, migrants from the EU to LAC must be assured reciprocal treatment.

5.1.2 For migration flows, both temporary (posted workers) and permanent (traditional emigration), solutions should be devised so that workers temporarily posted from the EU to Latin America, or in the other direction, in order to provide services or in connection with company investment, are not subject to double social security contributions in their country of origin and of employment. This double contribution could be avoided with bilateral instruments ensuring the application of single legislation.

5.1.3 Regarding more traditional forms of emigration, it is crucial to regulate the exportability of benefits, especially retirement pensions. The acceptance or introduction of such mechanisms, matching those that already exist in other spheres, by both the EU and Latin America would enrich official relations and would ease the situation of emigrant workers who, once their working lives are over, could return to their country with the pensions they have earned through their work and contributions.

5.1.4 In order to avoid situations where migrant workers are driven to short-term family unification - with the ensuing uprooting from the country of origin - family benefits could be recognised in cases where a worker works in one state and the members of his family live in another. This would make it possible for entitlements, rather than families, to move, to the benefit of all. In this regard, and as an initial step, we could strive to ensure that existing EU-LAC association agreements, or those currently under

negotiation, contain social security clauses similar to those contained in the Euro-Mediterranean agreements ⁽⁴⁾. Lastly, the possibility of coordination between the Multilateral Latin American social security agreement ⁽⁵⁾ and Regulation 883/2004 could be explored, which would be helpful to workers and businesses. This would contribute to enhanced economic and social relations between the EU and Latin America.

5.1.5 The EESC believes that it is essential for the forthcoming EUROsociAL II programme to include migration between the EU and Latin America among its priorities for action. By the same token, it urges that the European Parliament's proposal to set up a bi-regional migration observatory be taken up.

5.2 Social cohesion

5.2.1 The European experience has been that social cohesion requires, beyond the existence of the Structural Funds, a comprehensive and consistent focus encompassing a range of policies from macroeconomic stability to anti-discrimination measures. Cohesion depends essentially on national policies and resources: Latin America should therefore concentrate more on internal policies, such as taxation and social protection, which actively promote competitiveness and decent work.

5.2.2 Promoting social cohesion in regional integration processes in turn requires devising a raft of measures. These range from recognising asymmetries between countries and regions to other actions covering infrastructure, cohesion funds, legislative harmonisation, regulatory policies, efficient conflict-resolution mechanisms, labour law harmonisation policies, joint management of migration, industrial policies and support policies for production sectors. Above and beyond a purely institutional focus, the EESC believes that the bi-regional partnership needs to press ahead with sectoral dialogue so as to produce a bi-regional action plan which would generate a dynamic for integration and contribute to economic and social convergence in the region by tackling the internal asymmetries between countries and regions.

5.2.3 The EESC is convinced that the strong impetus of a democratic framework for labour relations, the spread of decent work, the regularisation of the hidden economy, social protection, collective bargaining and social dialogue are key factors for social cohesion. It therefore calls for EUROsociAL II to include the social partners in evaluating the impact in this area of the initial EUROsociAL experience and in shaping and managing its successor.

⁽⁴⁾ Council and Commission Decision of 24 January 2000 on the conclusion of the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, on the one part, and the Kingdom of Morocco, of the other part (2000/204/EC, ECSC) – OJ L 70, 18.3.2000, p. 1 - see in particular Articles 64 to 68.

⁽⁵⁾ http://www.oiss.org/IMG/pdf/Convenio_2007_esp.pdf.

5.2.4 The EESC considers that the recognition of indigenous peoples' rights, as laid down in ILO Convention 169 of 1989 concerning Indigenous and Tribal Peoples in Independent Countries, is essential to social cohesion.

5.3 Association agreements

5.3.1 From the EESC's point of view, it is necessary, in order both to facilitate the association agreement negotiations currently under way and to contribute to the bi-regional objectives of social cohesion, that the agreements – which entail far-reaching economic liberalisation processes – should take proper account of existing asymmetries between the relevant Latin American regions and the EU. To do so, use should be made of tools such as sustainability evaluation (including the on-going involvement of organised civil society in impact studies), recognition of the principle of special and differential treatment, the establishment of exceptions and transitional periods in sectors where this is necessary, a differential approach to development cooperation and the impetus given by convergence funds.

5.3.2 The EESC also considers it essential that the EU continue to pursue its policy of supporting regional integration processes in Latin America. It also considers that both the multilateral negotiations opened with some countries and the strategic partnerships established with others should help to secure regional agreements and strengthen integration processes. To this end, a strategy and measures such as those indicated in point 5.2.2 should be applied. For the EESC, this is a basic foundation for the bi-regional strategic partnership and an essential prerequisite to making Europe and Latin America global partners in multilateral governance.

5.3.3 The EESC calls for the provisions of the EU-Chile Association Agreement on civil society participation to be fleshed out and put into practice. For this purpose, it urges consultation with the EESC and representative organisations of Chilean civil society. By the same token, the EESC calls for the EU-Mexico Association Agreement Council to set up a Joint Consultative Committee to carry out follow-up work and consult civil society under the agreement.

5.4 Cooperation

5.4.1 Major efforts have been made in recent years to bring EU development cooperation into line with changes to the development agenda, including aspects that affect medium-income countries. Without prejudice to the EU's continuing allocation of resources primarily to the lower-income countries in the region, the EESC considers that cooperation must be maintained with the medium-income countries, directing this cooperation towards strategic objectives such as macroeconomic stability and the stability of the financial system, building up institutional capacity, the effectiveness and efficiency of public policies, tax reforms,

production capacity and investment in human capital, innovation and support for social actors as promoters of institutional and legislative change.

5.4.2 Concluding association agreements will require greater adaptation of cooperation programmes so that they support policies for changing production and enhancing competitiveness, with special emphasis on SME capacity, facilitating trade and physical links with markets.

5.4.3 Similarly, commercial capacity will have to be boosted and the adoption of joint policies under regional integration processes encouraged with a view to fostering social and territorial cohesion and reducing internal asymmetries. For its part, educational, scientific and technological cooperation can provide backing for a shift in production and support for national R+D+I policies through both public institutions and programmes of incentive for the private sector.

6. Innovation, a shift in production and development

In the run-up to the Sixth EU-LAC Summit, governments have decided that innovation is to be its central topic.

6.1 Innovation is one of the – if not the – main motors for development, and is crucial to prolonged, sustained cycles of growth and well-being. Although industry remains central to generating technical progress, innovation now spreads across other economic sectors: services, agriculture and energy: as a result, it is vital if productivity is to increase across many other areas.

6.2 Innovation is also a decisive factor in two major trends marking economic globalisation: the development of a knowledge-based economy, and the shift to a sustainable economy. In these spheres, the way the global and local dimensions of innovation interact is an essential condition.

6.3 The EESC will propose to its counterpart organisations in Latin America that the Sixth EU-LAC Meeting of organised civil society should make a declaration on the importance of innovation for a shift in production, development and social cohesion, and on the various aspects of the social dimension that innovation brings with it. This is particularly significant for bi-regional relations at a time when they intend to set up a 'network' of association agreements, including free trade zones. The ambitious economic liberalisation objectives of these agreements, which are seen as being of a 'WTO plus' type, as they go further than the WTO negotiations, may entail major adjustment costs which must be tackled with active policies to change and modernise production and boost competitiveness. The introduction of national research, innovation and development systems must play a leading part within such policies.

6.4 Technology transfer is a particularly significant aspect, given its key role in innovation processes. The association agreements' substantial demands in terms of protection for intellectual property rights may act as an incentive or guarantee for technology transfer by European investors but could, at the same time, represent a significant barrier to creating or transferring technology and innovation, as pointed out by several governments from the region. It is therefore especially important that greater flexibility be injected into these agreements and that they should recognise the important asymmetries between the two regions in this field. As argued earlier, EU development cooperation should be included for this purpose.

6.5 The EU already possesses numerous instruments for R+D+I cooperation with Latin America and the Caribbean. Those under the 7th Framework Programme and the Technological Cooperation Agreements, signed with the relatively less developed countries of region, are worthy of mention, as are the programmes for scholarships and bi-regional academic cooperation (ALBAN, ALFA), and those run by the Commission's Directorate for Education. However, as yet there is no integrated strategy bringing together all these instruments and tying in with the objectives of the bi-regional partnership. There is a pressing need to resolve the present fragmentation of these instruments, especially within the Commission, and to ensure that they help to boost national R+D+I capacities. In this respect, it is worth reiterating the importance of creating a Common EU-LAC Area of Higher Education and Research, as part of the bi-regional 'strategic partnership' and drawing up a shared innovation and development agenda for both regions. Educational, scientific and technological cooperation can provide backing for a shift in production and support for national R+D+I policies.

6.6 Innovation, however, also touches upon a host of other areas that are important to the bi-regional partnership, such as improvements to the level and quality of life on account of its impact on, for example, higher productivity in food production, thereby contributing to food sufficiency. Another way is through the application of innovative methods, technologies, products and services in areas such as health, education and social security. This makes it easier for certain population sectors to access these services and removes discrimination, such as occurs in the use of information and communication technologies. The new technologies for producing renewable energy, and for enhancing energy efficiency and reducing the pollution caused by fossil energies are further examples of the significance of innovation in enhancing the quality of life, as are those dedicated to solving problems of access to drinking water and desertification ⁽⁶⁾.

6.7 There is a consensus that the three pillars of innovation are knowledge, institutions and businesses. It follows that the main players in the innovation process are, very broadly, universities, public authorities and centres of production. However, innovation can spring from different types of knowledge: scientific,

technological, ancestral or accumulated (local people who are familiar with plant properties, or skilled workers in a company for example). Similarly, institutions (other than market ones) should be taken to mean agencies and other public institutions, although other types of institutions are also important in fostering innovation, such as industrial relations authorities. Lastly, innovation does not concern the production sector and companies alone, but also the social sector (health, education, housing, defence, justice, security) and the environmental sector (water, soil, biodiversity, deforestation, etc.).

6.8 In terms of theoretical analysis, there is a recognised need to approach innovation from a comprehensive social point of view, viewing it as a systemic whole affecting society in its entirety, across all sectors, and encompassing a series of aspects from the purely scientific or technological to the social and institutional. The socio-cultural and organisational aspects of innovation thus began to be taken on board from the 1990s onward, whereas previously they had hardly been considered. From a historical point of view, technological innovation goes hand-in-hand with social innovation or the social dimension of innovation, and vice versa. The link between social innovation and economic development is obvious; the social dimension of innovation could consequently been seen as being of vital importance, especially in contexts of embryonic structural development.

6.9 Another key feature of innovation is its ability to generate a social fabric, facilitating social links between individuals, groups and institutions grounded in basic agreements (the common good, the common interest, a shared future, etc.), links that can generate a social environment that is conducive to the introduction, integration and dissemination of innovation.

6.10 It must, however, be borne in mind that social barriers such as poverty, objectively hinder innovation processes. This is because, firstly, they restrict the assimilation of increases in production flowing from innovation, given the lack of solvent demand. And secondly, on account of the lack of human capital capable of promoting and implementing innovation processes.

6.11 In addition to the above, innovation is the result of a complex series of relations between actors who produce, distribute and apply different types of knowledge. In many cases – such as industrial and development clusters – innovation requires a powerful regional and local impetus, which is impossible without involving civil society organisations. Innovation entails a profound cultural shift, putting it at the centre of economic and social strategies. At company level, innovation requires costly, long-term investment. It demands social acceptance of change, and industrial relations systems based on negotiation and consensus, together with a training policy for human capital at all stages and levels, including vocational training and lifelong learning.

⁽⁶⁾ Summary document of the preparatory discussions for the XIXth Summit on innovation, to be held in Estoril in November 2009. Iberoamericana Secretariat-General.

6.12 For the purposes of the present opinion, these points lead to a single conclusion: the importance of the social dimension of innovation. In order to head off the risk that would be entailed by a technocratic approach to innovation, the importance in such processes of social participation, and of the institutional frameworks that enable and foster innovation, needs to be highlighted.

This is particularly important to the EESC, which calls for real participation by social actors and their representative bodies, in proposals concerning human capital and, more broadly, the inclusion of the social dimension in the innovation action plan to be drawn up by the summit.

Brussels, 17 February 2010.

*The President
of the European Economic and Social Committee*
Mario SEPI

Opinion of the European Economic and Social Committee on 'Relations between the European Union and Morocco'

(own-initiative opinion)

(2010/C 347/08)

Rapporteur: **Margarita LÓPEZ ALMENDÁRIZ**

On 16 July 2009, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

Relations between the European Union and Morocco.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 7 January 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 187 votes to two, with eight abstentions.

1. Conclusions and recommendations

1.1 The EESC considers Morocco's commitment to set up an economic and social council to be of the utmost importance and thus hopes that this initiative can be carried out within the specified timeframe; its implementation is at an advanced stage, given that last October the Council of Ministers approved a draft organic law on setting up this new institution which will be submitted to the Moroccan parliament for approval. It is hoped that the economic and social council will take up its functions in the coming months, being comprised of representatives of the country's vital and productive interest groups, primarily the relevant socio-economic and business organisations and associations. The EESC offers its knowledge and advice to help meet this objective.

1.2 The EESC recommends that heads of state at the first EU-Morocco summit, due to be held during the Spanish presidency in the first half of 2010, should give a mandate to the EESC and the future Moroccan ESC to establish structured cooperation ensuring the active participation of organised civil society.

1.3 The EESC recognises the Moroccan government's commitment to integrate the Community *acquis* into its legislation despite Morocco not being an EU Member State. In future this will help Morocco to participate more fully throughout the whole of the single European market. The integration of the *acquis* should strengthen the effectiveness of consultation and negotiation bodies, which are based on the principles of representativeness and independence. They should be provided with sufficient and

adequate means to carry out their work, while recognising their right to have access to the necessary information and administrative documents.

1.4 In the work carried out by the Kingdom of Morocco towards achieving an 'advanced status', which was obtained on the basis of a Association Council decision at a meeting held in Luxembourg on 13 October 2008, the EESC values the efforts that this country is making to remain one of the EU's most important partners in the region. Following the example of what has happened with other countries, for example the members of the European Economic Area, conferring on Morocco an advanced status could act as an incentive for the authorities of that country as they strengthen their commitment to the EU and their recognition of the Community *acquis* in all areas including the social domain and human rights.

1.5 Although the changes occurring in Morocco are to be welcomed, it is evident that many reforms are still required before Morocco can be considered a developed country with all the necessary guarantees.

1.6 The EESC believes that the full potential of the relationship with Morocco, in all its aspects, has not been sufficiently developed. Above all, it is important here to consider the benefits for Moroccan society. It therefore considers that reforms must be pushed forward in order to open up new sectors to trade in services and investment. It is necessary to promote the development of businesses on both sides, facilitating institutional relations, creating a favourable climate for business activity and promoting forums for dialogue. Bilateral cooperation must be stepped up in external initiatives of common interest, particularly with the other countries in the Mediterranean area with an eye to better regional integration, from both an economic and a social and environmental point of view.

1.7 Furthermore, it is vital to ensure the participation of civil society in the implementation of these tasks. In this connection and as already mentioned, the EESC is firmly in favour of the creation of an economic and social consultative council in Morocco and, to this end, calls on the Moroccan authorities to carry out public consultations. It should be based on the principles of representativeness, independence and legitimacy. The EESC's experience has shown that in order to successfully set up this type of institution, there must be a concerted effort by the different civil society sectors involved and the Moroccan administration, and fair criteria in the definition of how the various organisations will be represented. Such organisations should appoint their representatives freely. Under no circumstances should the creation of an economic and social council in Morocco legitimise the elimination of other consultative bodies which already exist, and which participate in the consultation of civil society and help it to mature. The competences of this council should not in principle exclude any subject on which the government is due to express its opinion, including financial matters.

1.8 The EU's ultimate objective should be for Morocco to become a key strategic reference point in all aspects – present and future – of its relations with the Euromed area.

1.9 In this connection, the EESC recommends the creation of a labour market observatory, a vocational training system and a social security system that does not discriminate against women and strengthens efforts to combat child labour. At the same time, the Committee recommends that the Commission support social dialogue stakeholders, i.e. the social partners, in order to strengthen social dialogue and ensure that it is constructive.

1.10 The Committee finds it regrettable that the EU-Morocco Association Agreement was established without the prior consultation of the social partners on both sides, as regards cooperation on employment and social development.

1.11 It is against this backdrop that the EESC is drawing up an opinion specifically on Morocco, so that organised civil society is taken into consideration in bilateral relations, proposing a new structure for dialogue between civil society on both sides.

2. Explanatory statement

2.1 Morocco is a privileged partner of the European Union, which shares the European external policy objectives of promoting democracy and economic and social development. In order to help meet these objectives, the Moroccan government is working to extend the process of democratisation and further consolidate the rule of law, which makes it the most advanced country in the region.

2.2 The EU's strategy in Morocco is to address the country's two main concerns which dominate its political, economic and social agenda. The first is to continue economic growth and deal with unemployment, poverty and emigration. On the external front,

however, it is about the intention to implement in full the Association Agreement, the European Neighbourhood Policy and the Action Plans.

2.3 The Ad Hoc EU-Morocco Working Group has recommended that closer ties be established between new stakeholders in the EU-Morocco partnership, in particular between the European and Moroccan parliaments ⁽¹⁾ on the one hand, and the European Economic and Social Committee and the soon-to-be-created Moroccan economic and social council, on the other.

3. Political situation

3.1 Morocco is a constitutional monarchy, with the monarchy holding very important powers in the country's government. The current constitution, which dates back to 1970 and was reformed in 1991 and 1996, governs a bicameral parliamentary system, prohibiting explicitly the existence of a one-party system and guaranteeing freedom of association.

3.2 In recent years, the Kingdom of Morocco has been modernising its political system and making it more democratic, with the establishment of a new family civil code, the Political Parties Act, improvements to local democracy, justice and prison reform and a draft of a new electoral law. Despite the achievements made, however, the EESC believes that the social challenges continue to be enormous and require ongoing and coherent action over the long term with an eye to social redistribution, thus facilitating a readjustment in terms of human development indicators.

4. Economic situation

4.1 Morocco's macroeconomic framework has become stronger despite rather unfavourable conditions. In recent years, however, the tourism sector has been expanding rapidly, with major investments, primarily in the north of the country. An important agricultural reform has been launched with a view to improving productivity and strengthening the role of this sector in tackling poverty.

4.2 Despite the fact that competitiveness and efforts to attract investment could still be improved significantly, foreign direct investment has increased substantially, amounting to USD 29 250 m in 2006 ⁽²⁾, chiefly as a result of privatisations. Since 2006, foreign investment flows have become increasingly disassociated from the privatisation process and important operations are being carried out in sectors such as tourism, real estate, telecommunications, insurance, banking, industry and transport.

⁽¹⁾ Greater parliamentary cooperation will be achieved, among other things, by setting up a joint parliamentary commission between the European and Moroccan parliaments, with the participation of both the latter's chambers and not just the Chamber of Representatives.

⁽²⁾ Source: UNCTAD – FDI/INC Database.

4.3 The Moroccan economy is relatively diversified, with the services sector making an important and growing contribution to GDP ⁽³⁾. The manufacturing sector comes second in terms of its contribution to GDP, followed by the agricultural sector ⁽⁴⁾, whose share of GDP has been on a downward trend. The contribution of the mining and energy sector to GDP remains modest.

4.4 For its part, tourism represents the main source of Moroccan foreign currency, followed by financial remittances from Moroccans living abroad and phosphate exports. Revenue from the export of services ⁽⁵⁾ is equivalent to more than 80 % of revenue from goods. A growing number of Europeans choose Morocco as a holiday destination, or even as their place of residence.

4.5 The macroeconomic and structural reforms carried out in recent years have contributed to the growing diversification of the country's economy and its successful global performance. The consolidation over the medium and long term of such reforms will be achieved by means of better governance, applying transparent competition rules and implementing an effective policy for protecting consumers and users. In the 2002-2007 period, the average annual rate of real GDP growth in Morocco was 4,5 % ⁽⁶⁾, sustained by a dynamic domestic demand and a significant increase in the rate of investment. In 2008, the Moroccan economy grew by 5,8 % despite a slowdown due to weaker external demand, which in turn was prompted by the international economic and financial crisis as well as the increase in prices, especially of oil.

4.6 The agricultural sector plays a key role in the economic and social development of Morocco, greater than its real value in terms of GDP ⁽⁷⁾. It provides work for 44 % ⁽⁸⁾ of the active population, a percentage which rises to 80 % if we take account of the active rural population, owing to the lack of economic diversification in the countryside.

Agriculture continues to be a sector that is very dependent on the weather, owing to the insufficient development of water infrastructure. It has scarcely been modernised, maintaining an archaic structure comprising mainly small farms (75 % belong to small-holders), with limited equipment, antiquated production methods and a low-skilled workforce. Despite this, in part owing to the efforts of the government and foreign investors, there has been

a change over recent years. Currently the remaining 25 % of businesses are large, modern irrigated farms that are clearly export-oriented, producing 80 % of citrus fruits, 35 % of vegetables and 15 % of cereals. There are essentially 400-500 large producers: major producer-exporters, the Moroccan government and a number of cooperatives.

Training, technological support and research are basic components that must be included in any future agricultural policies in Morocco. In order to make Moroccan farming more competitive, a more dynamic marketing strategy is needed. At the same time, new structural policies and incentives are needed that will give value to women's work and foster the creation of community associations as a means of boosting entrepreneurship, which is also needed in the agricultural sphere.

4.7 One part of the new strategy could be cooperatives and other producer organisations, which would serve as instruments that producers could use to group supply and improve their market positioning. Moroccan dairy cooperative COPAG is one example of how bringing producers together in cooperatives can generate added value and encourage entrepreneurship in the production sector, the weakest link in the chain.

4.8 At the same time, the Green Plan put forward by Morocco in April 2008 seeks to develop the country's agriculture with the support of private foreign investment, which shows an interesting new agricultural strategy in the Maghreb, and is an example of a change of mentality. The plan aims to turn agriculture into the main driver of the national economy within 10 to 15 years, through strong public investment, in order to achieve two key goals: a modern, high added-value agricultural sector and increased earnings for small farmers. The plan provides for the privatisation of 700 000 hectares, currently used for cereals, with a view to converting them into land for more intensive vegetable and fruit growing, acting as an incentive for irrigation. Over the next ten years, Morocco will channel around MAD 150 m through the Agricultural Development Agency in order to implement the measures contained in the Green Plan. To this end, 700-900 projects will be proposed with a cost of between MAD 10 and 15 million annually.

4.9 Morocco is a medium-income country. In 2008, GDP per capita reached USD 2 580 ⁽⁹⁾, having almost doubled since 2002.

4.10 The Moroccan population increased to more than 31 650 000 in November 2009, growing at an average annual rate of 1,2 % ⁽⁹⁾. The urban population continues to grow, representing 56,4 % of the total population. In 2008, the active population was 11,5 million ⁽¹⁰⁾ – 0,7 % higher than the previous year, while the labour participation rate fell slightly, to 36,8 %, as compared with 36,9 % in 2007.

⁽³⁾ Approximately two thirds.

⁽⁴⁾ Including cattle raising, forestry and fishing.

⁽⁵⁾ It doubled between 2002 and 2006.

⁽⁶⁾ Source: International Monetary Fund (IMF).

⁽⁷⁾ Represented 13 % of GDP in 2008. Source: FAO.

⁽⁸⁾ 13 734 506 persons (including agriculture, forestry and fishing). Source: FAO.

⁽⁹⁾ Source: World Bank - World Development Indicators.

⁽¹⁰⁾ Source: ILO-LABORSTA (database of labour statistics) based on a study of the workforce.

4.11 Unemployment continues to be one of the country's main concerns. In urban areas, the unemployment rate amounts to 14,1 %, whereas it is 4,7 % in rural areas. Overall, the rate of unemployment was 9,4 % in 2008 ⁽¹¹⁾, equivalent to a total of 1 077 800 workers aged 15 and over. Average pay in the Moroccan rural sector is between EUR 0,55-0,65/per hour for 9 hours work ⁽¹²⁾, seasonal workers have no labour rights whatsoever and child labour is widespread in Moroccan greenhouses.

4.12 Until now, the international financial crisis has not affected the Moroccan economy significantly, mainly due to the fact that the country's financial sector was not particularly integrated into the international financial sector. There is no doubt, however, that the international economic crisis is already having an impact on some of the country's key economic sectors, such as real estate, tourism, textiles, motor vehicles and exports. Foreign investment flows and remittances from abroad have also been affected, and are arriving in Morocco in smaller quantities than before. This could mean that the crisis will affect the country for some time to come.

4.13 Morocco has been classified as the third best destination for foreign direct investment in Africa for 2009-2010, behind South Africa and Egypt ⁽¹³⁾. A study points out that Morocco has achieved good results in a variety of categories, such as infrastructure, strategy for foreign direct investment and economic potential. However, although the trend in investment flows is positive, the business climate calls for critical analysis. Despite this, last year a general code on business governance and a specific code for SMEs were approved, and implementing decrees were adopted for various amendments to the Limited Company Law. In October 2008, a draft law was adopted on setting up a Moroccan Investment Development Agency (AMDI).

4.14 The Moroccan authorities have put a lot of effort into launching the Euro-Mediterranean Charter for Enterprise, which calls for consultation, consensus and quality. There are various institutions which promote investment by private enterprises, especially by SMEs, and access to credit is promoted through the Central Guarantees Fund (CCG).

4.15 Despite everything, the outlook ⁽¹⁴⁾ for the Moroccan economy continues to be encouraging. At present, Morocco is in a sense shielded from the global financial turbulence thanks to its relatively low and long-term external debt, as well as the improvements to its macroeconomic policies. Economic growth should continue to be relatively strong in the medium term with a positive external current account balance, although there could be a small deficit over the medium term. For its part, the Moroccan

government ⁽¹⁵⁾ foresees real GDP growing by 5,8 % in 2009, with the agricultural sector ⁽¹⁶⁾ growing by 15 % and the non-agricultural sector by 4,1 %. The country's economic authorities are determined to push ahead with the budgetary consolidation efforts of recent years and meet the objective of maintaining the primary budget deficit below 3 % of GDP in the medium term.

5. Social situation

5.1 The unemployment rate in 2008 ⁽¹¹⁾ was 9,4 % despite 310 000 jobs having been created in the previous year, mainly in the construction and services sectors. In the first three months of 2009, there was a net creation of 40 000 jobs, the result of 76 000 new jobs being created in urban areas, with a loss of 36 000 jobs in rural areas. The new jobs were limited to the services and public works sectors, which recorded increases of 5,9 % respectively, while the other sectors recorded losses ranging from 4,5 % in the industrial sector to 1,4 % in the agricultural and fishing sectors.

5.2 The most serious problem in this area is youth unemployment ⁽¹⁷⁾, including that of university graduates, which is leading to a brain drain. Another issue is that the labour market is dominated by the agricultural sector, which also makes up a significant proportion of informal employment. At the same time, part of the black economy is based on irregular employment. Furthermore, the previous population explosion means that Morocco is faced with growing difficulties in absorbing labour into its labour market.

5.3 These unemployment figures have a direct impact on private households as a result of the shortcomings that still exist in social protection systems (unemployment and health insurance, pensions, etc.).

5.4 Migratory flows are diminishing as a result of the economic crisis, with the EU being the main destination for emigrating Moroccan workers. It is important to point out the differences that exist between legal and illegal emigration. Those who endure the latter find themselves in much more difficult reception conditions. There has also been a steady increase in professional exchanges between the two geographic areas.

5.5 Female participation in the workforce remains low. While male employment rates are around 80 %, female employment is 21 % in urban areas and 33 % in rural areas ⁽¹⁸⁾. With the exception of life expectancy, the social development indicators for women are lower than those for men in all other areas, including type of activity, professional status, level of responsibility, wage in the private sector, unemployment rate and level of social protection.

⁽¹¹⁾ Source: ILO-LABORSTA (database of labour statistics).

⁽¹²⁾ Source: Moroccan National Federation for the Agricultural Sector (UMT).

⁽¹³⁾ According to a study published by FDI Intelligence, a subsidiary of the British press group 'The Financial Times'.

⁽¹⁴⁾ According to data from the International Monetary Fund (IMF).

⁽¹⁵⁾ Forecasts of the Moroccan Economy and Treasury Department.

⁽¹⁶⁾ Including fishing and forestry.

⁽¹⁷⁾ According to figures from the International Labour Organization (ILO), youth unemployment is seven points higher than the average unemployment rate of the active population. 39 % of the unemployed are young people.

⁽¹⁸⁾ Source: Morocco progress report – SEC (2009) 520/2 of 23 April 2009.

5.6 The subject of employment and social affairs should be explored in more depth with a view to creating an institutional framework that makes it possible to develop active measures and public employment services, monitor the labour market in order to tackle the black economy, informal work and undeclared unemployment, improve investment in human capital and employability, increase social protection and inclusion, and employ mechanisms that prevent discrimination in recruitment.

5.7 Social security cover for a large majority of Moroccan workers is inadequate. This situation represents a serious problem for many families. The Moroccan government is aware of this and has the political will to seek a solution. The Moroccan authorities have undertaken to step up monitoring so that the situation of all employed workers is regularised under the social security system. To this end, the labour inspectorate and national social security office are stepping up their efforts to improve workers' cover. However, the Moroccan government will have to step up investment in health and medical cover in order to facilitate access by Moroccan citizens to the public health system.

5.8 A tripartite 'social compliance' plan is being drawn up to determine the extent to which Moroccan businesses satisfy and comply with the country's labour legislation. Furthermore, within the framework Morocco's new social legislation, progress is being made towards the certification of businesses which comply with labour rules.

5.9 Some time ago, initial steps were taken to establish a centralised civil society forum, although it was not genuinely representative. The Moroccan government has now committed itself to setting up an economic and social council by the end of 2009 but the council has yet to be established officially, despite being included in the Moroccan constitution since 1997. The EESC hopes that the diversity of civil society associations is reflected in the membership of the Moroccan ESC, since the representativeness of economic and social councils, guaranteed by clear and fair criteria, is a prerequisite for their effectiveness, their capacity to operate independently and the allocation of the resources they require. The existence of an economic and social council is not at odds with the role of the other consultative bodies that currently exist in Morocco. On the contrary, it complements them.

5.10 Within the business world, the most representative business organisation is the General Confederation of Moroccan Businesses (CGEM). The Chamber of Trade and Industry also plays an important role in supporting businesses, education, training, business services and internationalisation. The Association of Moroccan Business Women (AFEM), which has more than 350 members at national level, is seeking to promote the role of women in business and has regional organisations. The association *Maroc Entrepreneurs* promotes learning and business start-ups among young people.

5.11 The main trade union organisations are the Moroccan Workers' Union (UMT), the Democratic Labour Confederation (CDT), the General Union of Moroccan Workers (UGTM), the Democratic Labour Federation (FDT) and the National Moroccan Workers Union (UNTM). The National Union of Moroccan Agricultural Cooperatives (UNCAM) is also prominent.

5.12 Although the Moroccan government has carried out reforms in the area of labour law, it must continue to take steps to improve observance of labour rights, and ratify the relevant ILO conventions, especially Convention 87 on freedom of association.

5.13 Improving the education system and promoting literacy continues to be one of the most important challenges for the country's development. In September 2008, the Moroccan ministry of education presented an emergency plan designed to promote the schooling of girls in rural areas, as well as the equal and effective access of children to compulsory education. The lack of a skilled workforce is one of the main obstacles to setting up a business in Morocco, with semi-skilled technical posts the most difficult to fill.

5.14 Efforts are being made to forge closer ties between the Moroccan systems of higher education, research and vocational training and the European area for higher education, scientific research and vocational training. This objective will help improve the qualifications of Moroccan students and their vocational skills so that they can enter the labour market. There is a need for a better match between vocational skills and the recruitment needs of businesses. It would be a good idea to facilitate the implementation of practices in businesses on the basis of agreements between universities and business organisations, such as CGEM and the chambers of commerce.

5.15 The EESC advocates systems to facilitate mutual recognition of qualifications between the EU and Morocco, taking into account Morocco's advanced status. One of the main problems facing the country is the high number of unemployed graduates.

5.16 In cooperation with the EU, a working group ⁽¹⁹⁾ is due to be set up comprising representatives of European and Moroccan business organisations and businesspeople. The objective is to provide the Association Council with regular information on barriers to trade and investment. Trade union representatives may also participate in this group.

⁽¹⁹⁾ Joint EU-Morocco document on strengthening bilateral relations/Advanced status – DG E V Doc. 13653/08, page 6.

5.17 Reforms to extend democracy have achieved advances such as the adoption of a new electoral law boosting female participation, anti-corruption measures, and the adoption of a strategic action plan to provide gender equality with an institutional framework. Although the Moroccan government has withdrawn its reservations concerning the Convention on the Elimination of All Forms of Discrimination against Women, it has yet to deposit the relevant instruments at the United Nations ⁽²⁰⁾.

5.18 In November 2008, the Ministry for Social Development, the Family and Solidarity launched its sixth campaign against gender-based violence, which has helped to increase the number of acts of violence against women being reported via the telephone hotline set up for this purpose. However, there is still a need for more reception centres for victims. Equally, a draft law criminalising gender-based violence ⁽²¹⁾ has yet to be passed, with problems persisting in the application of the family civil code.

5.19 The poverty rate has fallen to 9 % ⁽²²⁾, meaning that there are more than 2 million poor people. This continues to be a worrying social situation, making tackling poverty one of the most significant challenges facing the country. The above-mentioned increase in GDP per head is still not enough to tackle poverty. The fact that it is distributed unevenly means that it has not produced the hoped-for increase in living standards. The main tool for reducing poverty successfully has to be increasing economic growth and improving productivity, in parallel with inseparable human rights: economic, social, cultural and environmental rights, without which a better distribution of wealth cannot be guaranteed. There is a need for better coordination among the various poverty-reduction programmes being carried out in Morocco by international institutions such as the United Nations and the World Bank.

5.20 Illegal emigration to the EU is another of the main concerns. Together with the two million Moroccans who reside legally in EU countries, it is estimated that a further million live there illegally. In addition, Morocco is one of the transit countries through which illegal emigrants from sub-Saharan countries travel to the EU. A readmission agreement is being negotiated between the EU and Morocco.

6. Relations between the European Union and Morocco

6.1 The first agreements signed between the European Union and Morocco date back to 1969 and 1976. The EU-Morocco Association Agreement was later signed as part of the Barcelona process which began in 1995, entering into force in 2000. More recently, in July 2005 the EU-Morocco Action Plan was adopted

for a period of five years ⁽²³⁾ within the framework of the European Neighbourhood Policy (ENP). Current relations with Morocco come under the framework of the Union for the Mediterranean.

6.2 The Association Agreement establishes the legal framework for relations between the European Union and Morocco and seeks to create a free trade area, in addition to establishing privileged cooperation in other areas, including the political, economic, social, scientific and cultural spheres.

6.3 The Country Strategy Paper (CSP) establishes the strategic framework for EU assistance to Morocco in the 2007-2013 period, recognising the following priority areas of cooperation:

- development of social policies;
- economic modernisation;
- institutional assistance;
- good governance and promotion of human rights and fundamental freedoms;
- environmental protection.

6.4 Within the framework of strategic cooperation between Africa and the EU, Morocco plays an active role in political dialogue between the EU and Africa as it is the main party responsible for initiating cooperation on climate change.

6.5 In October 2008, a joint document was signed between the EU and Morocco within the framework of the Association Agreement, seeking to strengthen bilateral ties with a view to obtaining the advanced status, which is designed to further political relations, the integration of the internal market, sectoral cooperation and the human dimension.

6.6 The EU continues to be Morocco's main trading partner, since more than half of its foreign purchases ⁽²⁴⁾ originate from European countries and almost three quarters of its sales ⁽²⁵⁾ are destined for the EU. In terms of a country-by-country breakdown, France is the main supplier, followed by Spain, the United Kingdom, Italy and Germany. There is a similar breakdown for importers of Moroccan goods.

6.7 In terms of the breakdown of trade between the EU and Morocco by products, there has been a gradual diversification of Moroccan imports. Throughout this decade, the number of different European products bought by Morocco has increased considerably. The main products that Morocco imports from the EU are fabrics, petroleum gas and other hydrocarbons, machinery and equipment and chemical products.

⁽²⁰⁾ According to the Morocco progress report – Document SEC (2009) 520/2 of 23 April 2009.

⁽²¹⁾ In preparation since 2006.

⁽²²⁾ Source: International Monetary Fund (IMF).

⁽²³⁾ To date, three progress reports have been drawn up, in December 2006, April 2008 and April 2009.

⁽²⁴⁾ 51,4 % of Moroccan imports originate from the EU.

⁽²⁵⁾ 71,9 % of Moroccan exports are destined for the EU.

6.8 Moroccan exports to the EU are more concentrated, since over half are articles of clothing and knitted articles (more than one third of the total), electronic components, crustaceans, molluscs and shellfish and electrical wires and cables.

6.9 In the current negotiations, the situation of certain sensitive sectors is being taken into consideration, with due consideration for asymmetry in commitments and their gradual implementation. It is a question, first and foremost, of liberalising trade in services and the right of establishment, as well as liberalising trade in primary and processed agricultural products and fisheries products.

6.10 The current economic crisis has had a significant impact on the European agricultural sector and farmers are earning less (according to Eurostat, farmers' incomes decreased by 12,2 % in 2009). The new trade concessions for Morocco on sensitive products such as fruit and vegetables which are hardly protected by the EU at all are having a particularly negative impact, on the already difficult economic situation of many European farms. Using fruit

and vegetables as bargaining chip in the process of opening up trade between the EU and Morocco to bolster other economic activities is jeopardising farmers' futures, as well as the development of many European regions. Real compensation should therefore be established, through lines of additional support, to improve the competitiveness of these regions.

The EESC is concerned about the fact that the European Union and Morocco have recently revised agricultural trade relations in the framework of the Association Agreement, especially when the existing Agreement is being systematically flouted – customs duties are going unpaid and quotas are being breached – and no new mechanisms have been set up or current mechanisms significantly improved to ensure that clauses accepted by both sides are complied with.

6.11 As regards direct investment from the EU ⁽²⁶⁾, it should be highlighted that France ⁽²⁷⁾ is the main investor in Morocco, followed by Spain, the United Kingdom and Germany ⁽²⁸⁾. The main sectors of investment are tourism, real estate, telecommunications, insurance, banking, industry and transport.

Brussels, 17 February 2010

*The President
of the European Economic and Social Committee*
Mario SEPI

⁽²⁶⁾ Source: Office des Changes – financial flows – Moroccan government.

⁽²⁷⁾ Between 2002 and 2008, French investment in Morocco exceeded 53 bn dirhams.

⁽²⁸⁾ In the same period, investment by Spain exceeded 35 bn dirhams; investment by the United Kingdom and Germany exceeded 6 bn dirhams each.

III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

460th PLENARY SESSION HELD ON 17 AND 18 FEBRUARY 2010

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council concerning the placing on the market and use of biocidal products'

COM(2009) 267 final — 2009/0076 (COD)
(2010/C 347/09)

Rapporteur: **Mr BIOT**

On 17 July 2009, 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 regulation of the European Parliament and of the Council concerning the placing on the market and use of biocidal products.

COM(2009) 267 final - 2009/0076 (COD).

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 1 February 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 180 votes to none, with 2 abstentions.

1. Conclusions and recommendations

1.1 The EESC welcomes the replacement of the current directive by a regulation to harmonise the placing on the market of biocidal products, which would be directly applicable in Member States' legislation.

1.2 The EESC notes that the Commission has made an effort to bring European legislation on biocidal products into line with the REACH regulation on chemicals, and considers it essential that the new regulation cover the harmonisation of data to be provided in accordance with Directive 88/379/EEC and Article 14(2) of the REACH regulation.

1.3 The EESC welcomes the changes regarding frame formulations, which should make it easier to develop and market

variations in composition within a group of biocidal products. However, the degree of flexibility of composition must be clarified, both in terms of biocidal products and their inert components.

1.4 The EESC notes that the European Chemicals Agency (ECHA) has only been given a coordinating role. This body could play a more decisive role in order to help ensure the efficiency of the authorisation process for biocidal products at Community level and within the Member States. However, the EESC is concerned as to whether the Agency will have sufficient resources in time to carry out its mission effectively, given the extension of its remit to include biocidal products.

1.5 The EESC proposes maintaining the principle of risk assessment on a case-by-case basis as regards the decision to allow active substances in Annex I of the proposal ('List of active substances with requirements for inclusion in biocidal products'). However, the Committee believes that arbitrary discrimination is applied to certain disinfectant products for foodstuffs intended for human consumption and for cattle, to which the conditions set down in Article 5(c) cannot apply.

1.6 The EESC is pleased that the proposal provides for the mandatory sharing of data, particularly data from animal research.

1.6.1 The EESC endorses the Commission's proposal that authorised biocidal products must be used for any articles or materials that are treated. This is a fair measure that is mandatory within the EU.

1.7 The EESC welcomes the extension of this measure to materials and articles from non-EU countries in order to guarantee equal conditions in the market.

1.7.1 The EESC emphasises the need for the labelling of materials and processed products, to ensure that users have adequate and effective information. The Committee calls on the Commission, however, to study this matter further in order to limit the use of exhaustive labelling to cases where this would be of benefit to the consumer. The EESC suggests two levels of information. The first should provide information that is essential to consumer usage and protection. The second should include all known information and should be available in the event that consumers have to consult professionals (poison centres, doctors, etc.). This information could be made available via databases and Internet sites.

1.8 The EESC supports harmonising the fee system both for Member States and for the Agency, but is opposed to the levying of an annual fee without justification.

1.9 In line with the new regulation on the placing of plant protection products on the market, the EESC believes that to ensure the free movement of goods, parallel trade procedures should be restricted to identical products, based on the same sources of active substances and ingredients.

1.9.1 The EESC is pleased that the Commission recognises the phenomenon of 'free riders' and hopes that Article 83 can be developed in greater detail.

1.10 The EESC calls on the Commission to state how it would support Member States in effectively carrying out tests on biocidal products on the market.

1.11 Along the lines of the framework directive on the sustainable use of phytopharmaceutical products ⁽¹⁾ and with a view to ensuring that biocidal products are used sustainably, the EESC proposes that in future, the Commission provide for these products to be used in a more rational way.

2. Introduction

2.1 The term 'biocides' refers to active substances or mixtures containing one or more active substances, put up in the form in which they are supplied to the user, intended to destroy, deter, render harmless, prevent the action of, or otherwise exert a controlling effect on any harmful organism by chemical or biological means. All substances, mixtures and devices placed on the market with the intention to generate active substances shall also be considered biocidal products ⁽²⁾.

2.2 When used judiciously, biocides contribute to the daily life of any civilised society. They prevent the spread of disease and promote a high level of hygiene in a highly populated environment. Every part of daily life is concerned by the use of biocides. Some of these products may be intrinsically hazardous, but aim to protect human and animal health and hygiene and the environment in a sustainable manner.

2.3 Current Directive 98/8/EC ⁽³⁾ of the Parliament and of the Council of 16 February 1998 establishes a harmonised legal framework for the authorisation and placing on the market of low-risk biocidal products and basic substances.

2.4 In this context, the EESC issued an opinion ⁽⁴⁾ approving the proposal for a directive insofar as it aimed to protect human and animal health and the environment.

2.5 Directive 98/8/EC requires the Commission to draw up a report seven years after its entry into force and to submit the report to the Council. The report shall address the implementation of the Directive and the functioning up to that date of the simplified procedures (frame formulations, low-risk biocidal products and basic substances).

2.6 Various consultations of stakeholders were held, followed by an impact assessment and a general consultation over the Internet.

2.7 The proposal is also backed by a number of studies, such as the study to assess the impact of the revision of Directive 98/8/EC which aimed to analyse the economic, social and environmental impacts of the different policy options. The conclusions of this study were directly reflected in the impact assessment.

2.8 The regulation proposed by the Commission aims to replace the afore-mentioned directive.

⁽¹⁾ Directive 2009/128/EC – OJ L 309, 24.11.2009, p. 71.

⁽²⁾ Directive 98/8/EC.

⁽³⁾ OJ L 123, 24.4.1998, p. 1.

⁽⁴⁾ OJ C 195, 18.7.1994, p. 70.

3. Gist of the proposal

3.1 The purpose of the proposal, which would replace Directive 98/8/EC, is to **increase the free movement of biocidal products within the Community**. It aims to tackle the identified weaknesses of the legal framework during the first eight years of its implementation, to improve and update certain elements of the system and to avoid problems anticipated in the future. It retains the structure of Directive 98/8/EC.

3.2 **Simplification of the procedures concerning the authorisation** of biocidal products in the Member States may help reduce the costs and administrative burden for economic operators, without lowering the safety level.

3.3 The proposal aims to be **consistent** with the other policies and objectives of the EU, taking account of:

- recent EU legislation on chemicals ⁽⁵⁾;
- Regulation 1272/2008 ⁽⁶⁾;
- horizontal EU legislation in the area;
- the general rules and obligations for Member States;
- a transitional period.

3.4 The aim of the proposal is to:

- simplify the data protection rules;
- avoid duplicating vertebrate animal studies through mandatory data-sharing ⁽⁷⁾;
- increase harmonisation of fees systems in the Member States and at EU level;
- establish rules for **parallel trade**;
- cover **articles** or materials treated with biocidal products.

3.5 Various articles of the proposal encourage research and innovation.

4. General comments

4.1 New legislative proposal

4.1.1 Directive 98/8/EC on biocidal products is to be replaced by a regulation.

⁽⁵⁾ Regulation EC 1907/2006 (REACH) – OJ L 396, 30.12.2006, p. 1.

⁽⁶⁾ OJ L 353, 31.12.2008, p. 1.

⁽⁷⁾ OJ C 94, 18.4.2002, p. 5 and OJ C 277, 17.11.2009, p. 51.

4.1.2 The proposed regulation remains in line with the directive on biocidal products. It was preceded by an **impact assessment** focusing on the scope of the regulation, product authorisation, data-sharing, data requirements and fees charged by Member States.

4.1.3 The Commission has made an effort to **align** EU legislation on biocides with the **regulation on chemicals (REACH)**.

4.2 Authorisation rules

4.2.1 One element that, in principle, promotes harmonised implementation in all EU countries is the introduction of the concept of **Community authorisation**, with ECHA as the central regulator. The Commission argues that this system is the most efficient and therefore the most appropriate means of improving product availability and creating innovation incentives, thus making a greater contribution to protecting health and the environment. Nevertheless, fragmentation in the market for biocides, in terms both of producers (few global companies, a lot of SMEs) and of products and applications, would suggest a need to temper this viewpoint. The fact is that, since many companies in the sector are active in only a few countries, they are calling for **local authorisation**. Meanwhile, **mutual recognition** is demanded in cases where the volume of business in other Member States has increased.

4.2.2 The Commission's new approach, with the **Community authorisation of low-risk biocidal products and new substances**, may prove limited in impact, as it would affect only a minority of biocidal products and, as a result would lead to only limited administrative streamlining for companies and authorities alike. It would not, therefore, encourage companies to be more innovative.

4.2.3 The concept of low-risk biocidal products is dotted throughout the draft regulation. A better definition of low-risk biocidal products would be helpful.

4.3 Data to be supplied

4.3.1 Certain **criteria** for the definition of low-risk products may prove too restrictive. These criteria should be evaluated according to their impact before being adopted in the final regulation. Indeed, the study should be based on the risks, taking account of exposure and not just the inherent dangers. This measure would form an incentive for innovation in safer products whilst using existing substances. Products meeting these criteria should consequently be able to make use of the 'low-risk' label. Prohibiting the promotion of these products as low-risk products would be counter-productive.

4.3.2 The Commission's proposal not to include low-risk products in Annex 1 provides an incentive for development and marketing. A number of points need to be clarified and examined, however, with a particular need for clear guidance on data for active substances and the format in which this data should be provided.

4.3.3 The general rules for adapting **data requirements** set out in **Annex IV** should be broadly welcomed. They offer guidance on sharing tests that are to be carried out.

4.3.4 The **data requirements for active substances** are included in **Annex II** of the proposal, which comprises two tiers, the first of which is defined as the standard. Tier II data may need to be submitted depending on the characteristics and intended use of the active substance, in particular if a danger for health or the environment has been identified.

4.3.5 Some toxicological studies are no longer necessary for the first tier, but might be for the second. Nevertheless, as it is the Member States that decide on the range of data required, on the basis of their evaluation, there is a risk that data requirements exceed what is necessary from the scientific point of view.

4.3.6 For reasons relating to competition, the data to be provided for alternative sources of active substances cannot be reduced, if these substances are included in Annex I and their protection has expired.

4.3.7 The level of **data requirements for biocidal products** included in **Article 18**, concerning **data requirements for an application for authorisation** and in **Annex III** of the proposal remains as high as under the current directive. No tests spread across different levels are stipulated and requirements are not lowered to what is strictly necessary. It will therefore be difficult for producers to develop innovative products for specific uses.

4.4 Data sharing

4.4.1 **Sharing data** on animal tests is mandatory, as is sharing - in a fair manner - the costs of producing and using the data for the purpose of demonstrating product safety under the terms of the current directive.

4.4.2 Whilst this concept of data sharing is in keeping with the REACH regulation, where data protection and the duration of protection are concerned, the proposal is not.

4.5 Simplification measures

4.5.1 Positive changes are put forward in the frame formulations, which should make it easier to develop varying compositions within a group of biocidal products. The degree of flexibility with regard to composition must be clarified, however, for both biocidal substances and their inert components.

4.6 The role of ECHA

4.6.1 ECHA's role will now consist merely of coordinating and validating Community authorisation for low-risk biocidal products and new substances.

4.6.2 The EESC considers that ECHA could act as a 'screening centre' that would group together similar applications. These could then be evaluated by a single authority, even if the dossier has been submitted in a number of different Member States.

4.7 Parallel trade – data protection

4.7.1 In line with the new regulation on the placing of plant protection products on the market, the EESC believes that to ensure the free movement of goods, parallel trade procedures should be restricted to identical products, based on the same sources of active substances and ingredients.

4.7.2 Where parallel trade is concerned, the data required should be afforded greater protection, at least for biocidal substances likely to be included in Annex 1.

4.7.3 In order to prevent the phenomenon of 'free riders', the industry has called for the relationship to the company of active substances contained in Annex I to be included, as a prerequisite for the ownership and protection of data. The biocides industry is pleased that the Commission recognises this phenomenon, but considers that Article 83 should be developed in greater detail, in order to address this phenomenon more effectively.

4.8 Materials and articles treated

4.8.1 The proposal stipulates that all **articles or materials** must be treated only with biocidal products authorised for that purpose in at least one Member State. The proposal also argues that this measure should be extended to materials and articles originating in non-EU countries, to ensure that the market is fair to everyone.

4.8.2 The EESC emphasises the need for treated materials and products to be labelled, to ensure that users have adequate and effective information. The Committee calls on the Commission to study this matter further in order to limit the use of labelling to cases where this would be of benefit to the consumer. The EESC suggests two levels of information. The first should provide information that is essential to consumer usage and protection. The second should provide all known information and should be available in the event that consumers have to consult professionals. This information could be made available via databases and Internet sites.

4.9 Deadlines and implementation

4.9.1 The failure to meet the deadlines for the evaluations set out in the directive is a major source of concern. These deadlines were extended in a mini-review of the directive, but little appears to have been done to withdraw from the market substances that have not been tested and which are potentially harmful. The uniform application of definitions and deadlines should enable the procedure to operate more smoothly between Member States.

4.9.2 Non-uniform and poor implementation of EU legislation by the Member States damages Community lawmaking.

4.10 Payment procedures

4.10.1 The Commission proposes harmonising the structure of **charges**, for both Member States and ECHA. Users face considerable differences in evaluation fees between Member States. There is often no correlation between the resources required and those actually used.

4.10.2 Charges should be more transparent and indicate the different stages and procedures involved in the evaluation. They should relate to a reasonable volume of work and can only be invoked where there is a real need to do so.

4.10.3 An annual charge should never be made without justification.

5. Specific comments

5.1 The exclusion of biocidal substances from Annex 1

5.1.1 Article 5(2) of the proposal excludes from Annex 1 active substances classified as carcinogenic, mutagenic, toxic for reproduction and those identified as having endocrine-disrupting properties.

5.1.2 Three derogations, which nevertheless make it possible to include such substances in Annex 1, are set out in Article 5(1) of the proposal:

- where human exposure to the substance is negligible;
- where the substance is necessary for public health;
- where a substance's risk/benefit ratio is favourable.

- The last paragraph of Article 5 nevertheless definitively excludes the application of the last derogation to active substances for product types 4 and 14 to 19 ⁽⁸⁾.

5.1.3 Some biocides can in themselves be dangerous, in line with their purpose, reflecting the definition of an active substance as *a substance or a micro-organism having an action against harmful organisms*; The benefits of using such products and the measures minimising their exposure to humans and the environment could enable them to be used as biocides.

5.1.4 Whilst occasional exposure is not a major cause for concern, the EESC would urge prudence as regards prolonged exposure to biocidal products without proper protection.

5.1.5 The Committee believes, however, that the types of product referred to above (4 and 14 to 19), to which the conditions set down in Article 5(c) cannot apply are discriminated against on an arbitrary basis. This measure is counter-productive as regards innovation and drastically reduces the portfolio of substances that could potentially be used as biocides in the future.

5.2 Giving ECHA a greater role

5.2.1 The EESC is in favour of extending ECHA's remit. It should be able to actively manage all procedures concerning the authorisation of biocidal products, at both the Community and national levels.

5.2.2 The advantages of a centralised evaluation system are as follows:

- ECHA would have all the requisite procedures in place for validating an application in the event that Community authorisation is granted;
- validation of the dossiers by a single body would help ensure greater consistency and more uniform and straightforward legislation on biocides;
- Member States could focus their resources on the current evaluation of the application;

⁽⁸⁾ Product type 4: Food and feed area disinfectants

Product type 14: Rodenticides

Product type 15: Avicides

Product type 16: Molluscicides

Product type 17: Piscicides

Product-type 18: Insecticides, acaricides and products to control other arthropods

Product-type 19: Repellents and attractants

Product-types 14 to 19 fall under Group 3: Pest control.

- ECHA validation does not exclude the possibility of adding new data found during an evaluation procedure. This would remain a matter for the Member States.
 - biocidal products based on the same active substance or used in the same types of product would have the same deadline for submitting their applications;
- 5.2.3 In addition, if ECHA adopted the role of 'screening centre' whilst managing biocidal product dossiers:
- the Community Register for Biocidal Products, managed by ECHA, would make an excellent instrument for managing groups of biocides;
 - evaluation by a single competent authority of the main aspects of these products' dossiers would make legislation on biocides more consistent and more uniform;
 - the effective management of an evaluation procedure would further encourage users to prepare dossiers proactively and would lower the threshold for the industry.

Brussels, 17 February 2010

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council on transportable pressure equipment'

COM(2009) 482 final — 2009/0131 (COD)
(2010/C 347/10)

Rapporteur: **Mr PEZZINI**

On 29 September 2009 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 on transportable pressure equipment

COM(2009) 482 final – 2009/0131 (COD).

The Section for the Internal Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 February 2010.

At its 460th plenary session, held on 17-18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 190 votes, nem. con. with two abstentions.

1. Conclusions and recommendations

1.1 The EESC appreciates the Commission's work on bringing European legislation on transportable pressure equipment into line with international developments and recent measures, to strengthen the internal market and cut red tape.

1.2 The Commission proposal is extremely important as it extends the scope of the ADR, RID and ADN international agreements, which had already been incorporated by Directive 2008/68/EC, to national transport.

1.3 In addition, the EESC believes that adopting the Directive will convert the recommendation made by the Economic Commission for Europe (UNECE) and the Intergovernmental Organisation for International Carriage by Rail (OTIF) into a legislative act for the Member States, with clear benefits for the internal market.

1.4 The EESC strongly recommends that all the procedures set out focus constantly, as their primary objective, on operators' and public safety during the production, transport, sale and recycling of equipment.

1.5 The EESC stresses that safety is the key factor both in this Commission proposal and in applying Directive 2008/68/EC.

1.6 The EESC stresses the need for training, which is necessary to obtain staff skilled and accredited in risk management; it proposes that the liability of the various parties be clearly defined with penalties laid down for failure to meet safety standards, and compensation that operators can claim from risk insurance, where necessary.

1.7 The EESC welcomes the means chosen by the Commission to give coherent legislative structure to the proposal, which provides for:

- consolidation of technical rules in a single text,
- incorporation of legislative measures adopted to reinforce the internal market, giving notified bodies a better-defined role,
- extension of EU legislation to other, non-EU states,
- tighter control on the market.

1.8 The EESC feels that certain articles of the proposal could be better developed, to make their transposal by the Member States more effective and avoid any divergent interpretations.

1.9 The EESC feels that closer relations should be forged with third countries, particularly those sharing a border with the EU and Community 'enclaves', in order to conclude agreements with the countries whose pressure equipment passes through the EU, to ensure that it complies with the requirements laid down in the directive.

1.10 The EESC firmly believes that adopting specific rules on traceability during monitoring, handling and control of transportable pressure equipment would help achieve a better culture of responsibility and more clarity in any disputes which may arise in respect of damage to operators, persons or goods. Notified bodies, inter alia in circumstances where accidents have taken place, should be accountable to operators and third parties for investigating and analysing what has happened.

1.11 The EESC recommends drawing up new guidelines, on the basis of the two new texts, to update those originally set out in Directive 1999/36/EC, which must be repealed.

2. Background

2.1 The EESC firmly believes that increasing safety of transportable pressure equipment in inland carriage of dangerous goods and securing the free movement thereof within the Community is essential for full implementation of the European Single Market and protection of industry, international trade, the consumer, the environment and the general public.

2.2 The EESC fully agrees on the need for:

- conformity assessment and certification of new transportable pressure equipment;
- periodic inspections, reassessment of conformity;
- existing transportable pressure equipment to be subject to periodic inspections;
- notified bodies to affix conformity markings to equipment as evidence of certification;
- reinforced market surveillance systems, as the EESC called for in its Opinion ⁽¹⁾ on the new legislative framework defined in Regulation 765/2008/EC and Decision 768/2008/EC.

2.3 The UN regularly makes specific (although not legally binding) recommendations on new ISO standards, which are included in the 'Orange Book', ensuring international recognition of voluntary ISO standards in the sector, to take account of technical progress, new materials and transport constraints, in order to ensure protection of people, goods and the environment.

2.4 The UN Committee of Experts recently decided to include reference to numerous ISO standards in a special chapter, making UN markings legally binding.

2.5 The Economic Commission for Europe (UNECE) set out its policy in:

- the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) ⁽²⁾;
- the Regulations concerning the International Carriage of Dangerous Goods by Rail (RID) ⁽³⁾, which were incorporated into Directives 94/55/EC and 96/49/EC;
- the European Agreement concerning the International Carriage of Dangerous Goods by Inland Waterways (ADN) ⁽⁴⁾.

2.6 Under these agreements, on 18 August 2009 the UNECE set in motion the 16th revision of the Recommendations on the Transport of Dangerous Goods.

2.7 The revision includes:

- classification and definition of individual classes;
- listing of the principal dangerous goods;
- general packing requirements;
- testing procedures;
- marking, labelling, testing and approval of packages and portable tanks;
- consignment procedures.

2.8 The revision is intended to bring about simplified transport, handling and control procedures, a reduction in formalities and, in general, reduced barriers to international transport of goods categorised as 'dangerous', while constantly paying heed to the safety systems and rules for operators and the public.

2.9 On 24 September 2008 the European Parliament and the Council adopted Directive 2008/68/EC on the inland transport of dangerous goods, which the EESC welcomed ⁽⁵⁾. The Directive repealed Directives 94/55/EC, 96/49/EC, 96/35/EC and 2000/18/EC ⁽⁶⁾.

⁽²⁾ Signed on 30 September 1957 in Geneva. As at 31.3.2009, 45 countries had ratified the ADR: Albania, Germany, Andorra, Austria, Azerbaijan, Belarus, Belgium, Bosnia-Herzegovina, Bulgaria, Cyprus, Croatia, Denmark, Spain, Estonia, Macedonia, Russian Federation, Finland, France, Greece, Hungary, Ireland, Italy, Kazakhstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Morocco, Moldova, Montenegro, Norway, Netherlands, Poland, Portugal, Czech Republic, Romania, United Kingdom, Serbia, Slovakia, Slovenia, Sweden, Switzerland, Tunisia, Ukraine.

⁽³⁾ The RID Regulations are set out in Appendix C to the Convention concerning International Carriage by Rail (COTIF), adopted on 3 June 1999 in Vilnius.

⁽⁴⁾ European Agreement signed on 26 May 2000 in Geneva and subsequently amended.

⁽⁵⁾ OJ C 256, 27.10.2007, p. 44.

⁽⁶⁾ Directive 2000/18/EC (OJ L 118, 19.5.2000, pp. 41-43).

⁽¹⁾ OJ C 120, 16.5.2008, p. 1.

2.10 With Directive 2008/68/EC it was decided to simplify the legislative framework by means of a 'single legislative act (all three transport modes ... covered by one legal act only), ... whereby references to international treaties and agreements on the transport of dangerous goods would be included in the appendices to the directive only' ⁽⁷⁾.

2.11 As well as by Directive 2008/68/EC, which incorporated the ADR, the RID and the ADN ⁽⁸⁾, the matter is currently addressed at European level by Directive 1999/36/EC on transportable pressure equipment, on which the EESC has commented ⁽⁹⁾, and by 'new approach' legislation which has been amended several times ⁽¹⁰⁾ to bring it into line with technological progress.

2.12 It is important to meet standardisation needs in the area of pressure equipment: standardisation which supports and supplements legislation has become essential to secure a policy of quality and safety. Accessories must also be catered for, as per the ADR, the RID and the ADN.

2.13 On 9 September 2005, the Commission published a report on the application by the Member States of Council Directive 99/36/EC ⁽¹¹⁾, which noted that '... a majority of Member States do not permit approved bodies to carry out conformity assessments for placing new transportable pressure equipment on the national market' (not taking up the option provided in Article 4). It should be pointed out that use of approved bodies is optional, while it is mandatory to use notified bodies.

2.14 Moreover, the Commission itself had put back the date of entry into force of Directive 1999/36/EC to 1 July 2005 for pressure drums, bundles of cylinders and tanks, considering that 'there are no detailed technical specifications and adequate references to the relevant European standards have not been added to the Annexes to Council Directive 94/55/EC ... with regard to the transport of dangerous goods by road, ... and to Council Directive 96/49/EC ... on the approximation of the laws of the Member States with regard to the transport of dangerous goods by rail' ⁽¹²⁾, as per the EESC's Opinion on the carriage of dangerous goods.

2.15 Indeed, the implementation of Directive 1999/36/EC gave rise to numerous concerns among manufacturers, bodies responsible for product conformity assessment, users, professional bodies and standardisation committees, responsible for drawing up the essential requirements.

2.16 The EESC reiterates its previous comments on the subject, to the effect that 'one cannot conceive of ensuring the best possible safety conditions for the inland transport of dangerous goods unless all types of inland transport (road, rail and inland waterway) are covered by common, EU wide legislation' ⁽¹³⁾, in line with international rules.

3. The Commission proposal

3.1 The proposal, which should extend to the European Economic Area (EEA), should meet the following four main objectives:

- repeal Directive 1999/36/EC and Directives 76/767/EEC, 84/525/EEC, 84/526/EEC and 84/527/EEC on pressure cylinders;
- simplify the rules wherever possible, optimising them and bringing them into line with European and international rules currently in force;
- update legislation in order to ensure free movement and use of transportable pressure equipment, as regards the marketing of products on the internal market, with reference to Regulation No 765/2008/EC and Decision No 768/2008/EC;
- remove areas of conflict between rules on transportable pressure equipment (Directive 1999/36/EC) and international legislation on the carriage of dangerous goods, simplifying existing provisions, particularly with regard to conformity assessment procedures.

3.2 In the interests of transport safety and the free movement of transportable pressure equipment, the proposal defines the precise obligations of the various economic operators and operators responsible for day-to-day maintenance of the equipment, including owners and operators of transportable pressure equipment, clearly and transparently setting out their responsibilities.

3.3 The proposal sets out requirements and responsibilities for the authorities entrusted with the assessment, notification and monitoring of notified and inspection bodies, as well as providing for mutual recognition of notified bodies.

⁽⁷⁾ OJ C 256, 27.10.2007, p. 44.

⁽⁸⁾ See footnotes 2, 3 and 4.

⁽⁹⁾ The EESC expressed its views on this matter on 10.7.1997 (OJ C 296, 29.9.1997, p. 6).

⁽¹⁰⁾ By Commission Directive 2001/2/EC of 4 January 2001 (OJ L 5, 10.1.2001, p. 4) and Commission Directive 2002/50/EC of 6 June 2002 (OJ L 149, 7.6.2002, p. 28).

⁽¹¹⁾ COM(2005) 415 final of 9.9.2005.

⁽¹²⁾ Decision 2003/525/EC (OJ L 183, 22.7.2003, p. 45).

⁽¹³⁾ See footnote 7.

3.4 The Commission reserves the right to bring the Annexes into line with scientific and technological progress, in accordance with the regulatory procedure with scrutiny included in the comitology system ⁽¹⁴⁾.

4. General comments

4.1 The EESC supports the proposal's objectives relating to safety, obligations and responsibilities of operators and public authorities, clearly-defined procedures and checks, and requirements for the placing on the market, making available and use of transportable pressure equipment, under the common framework for the marketing of products defined by Decision 768/2008/EC and the market surveillance system defined by Regulation 765/2008/EC.

4.1.1 The EESC believes that operators play a key role in all the procedures concerning transportable pressure equipment (requests for reassessment of conformity, production, transport, technical maintenance and recycling), and therefore calls for the Directive's implementing measures to cater for all these delicate tasks. Appropriate, regular training should be required for staff, aimed at ensuring prudent risk management. It could be useful to provide for risk insurance for the operators concerned.

4.2 The EESC has firmly stressed 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 ⁽¹⁵⁾'.

4.3 The EESC believes it is appropriate for the new legislation to be linked to international rules, with the possibility of including references to relevant international conventions and agreements, not least in order to achieve the stated goal of simplifying technical provisions and standards ⁽¹⁶⁾.

4.4 While the EESC takes note of the Commission's 'intensive consultations with the Member States and other interested parties', it would have preferred the new Directive to have been subject to an impact assessment, not least given the complexity of the provisions and technical specifications to be respected.

4.5 It is concerned at the prospect of the Directive's provisions not being applied to equipment used solely to transport dangerous goods between the EEA and third countries. Moreover, the EESC feels that closer relations should be forged with third countries, particularly those sharing a border with the EU and Community 'enclaves'.

4.6 The EESC believes it is essential for specific provisions to be adopted on the traceability of transportable pressure equipment, which would make it easier to determine responsibility. The recent tragic incident when a tank exploded at Viareggio station has shown that there are clear limits to the possibilities of determining responsibility.

4.7 The EESC also wonders why no penalties are established for breach of the obligations laid down in the Directive, particularly in the area of safety, especially given the need to ensure operators' and the public's safety.

4.8 As regards use of the regulatory procedure with scrutiny, included in the comitology system, the EESC has stressed the importance of 'comitology procedures being as transparent as possible and more accessible to people living in the EU, especially those affected by these acts', and highlighted 'the need to fully comply with Article 8(a) of the Lisbon Treaty, which stipulates that decisions are to be taken as close as possible to the people, while information must be fully accessible to the public and civil society' ⁽¹⁷⁾.

5. Specific comments

5.1 Article 2(14): the EESC recommends that the proposal make it clearer that the distinction 'whether in return for payment or free of charge' refers to particular cases which do not fall within the remit of notified bodies.

5.2 Article 6(6): the EESC feels it would be appropriate to state to whom the documentation should be given, should the importer cease operating, for the remaining years of the specified 20-year period. Since the Annexes to Directive 2008/68/EC provide for this scenario (point 1.8.7.1.6), it would be appropriate for the proposal to include an explicit reference.

5.3 Article 18(5): the EESC feels that, whereas there is a need for confidentiality as regards sensitive information, the measures need to be made public to avoid errors and omissions.

5.4 Article 29: the EESC believes it would be useful to specify more clearly the obligations, tasks and responsibilities of notified bodies, to ensure uniform, rigorous procedures in the delicate sector of transportable pressure equipment.

5.5 The EESC believes that it would be appropriate for the Directive to specify more clearly whose responsibility it is in the Member States to assess the efficiency of equipment and devices and whether they are obsolete, particularly in order to avoid people being hurt. This information is already included in Directive 2008/68/EC, but it would be useful for this proposal to make it clear as well.

⁽¹⁴⁾ Decision 1999/468/EC (OJ L 184, 17.7.1999, p. 23).

⁽¹⁵⁾ OJ C 120, 16.5.2008, p. 1.

⁽¹⁶⁾ N.B. The US does not accept UN-marked cylinders but only those type-approved by their own body, DOT.

⁽¹⁷⁾ OJ C 224, 30.8.2008, p. 35.

5.6 The EESC stresses that, in addition to pressure equipment, there is equipment which becomes 'pressurised' after certain actions. This equipment should also be catered for. Moreover, safety rules should be defined for medium- (see Directive 2008/68/EC) and long-term storage.

5.7 The EESC believes that provision could be made for settlement of any disputes (in court, arbitration etc.) which

may arise between owners, importers, representatives and operators.

5.8 Lastly, the EESC recommends drawing up joint guidelines to provide clarification of both the new Directive and Directive 2008/68/EC, along the lines of those issued for Directive 1999/36/EC, which is to be repealed.

Brussels, 17 February 2010

The President
of the European Economic and Social Committee
Mario SEPI

Opinion of the European Economic and Social Committee on the 'Proposal for a Council Regulation on administrative cooperation and combating fraud in the field of value added tax'

COM(2009) 427 final — 2009/0118 (CNS)

(2010/C 347/11)

Rapporteur: **Mr BURANI**

On 23 September 2009 the Council decided to consult the European Economic and Social Committee, under Article 93 of the Treaty establishing the European Community, on the

Proposal for a Council Regulation on administrative cooperation and combating fraud in the field of value added tax (Recast)

COM(2009) 427 final - 2009/0118 (CNS).

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 2 February 2010.

At its 460th plenary session, held on 17-18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 203 votes to one with five abstentions.

1. Conclusions and recommendations

1.1 Council Regulation (EC) No 1798/2003 on administrative cooperation in the field of value added tax has been in force since 1 January 2004. Every three years the Commission is required to submit a report on the functioning of administrative cooperation; alongside this commitment – discharged with the August 2009 report – it has submitted a **new Proposal for a Regulation** (recast). With this proposal, the Commission fine-tunes the current Regulation's legal framework in a number of respects, in the light of experience gained from its initial years of application; its stated **main aim** is to give Member States a more effective **tool to combat fraud**, in the form of better administrative cooperation.

1.2 The Commission report is very useful for understanding the proposal: **application of the Regulation has been unsatisfactory**, for many reasons. Briefly, to quote the comments of the European Court of Auditors, reproduced word for word in the report, **'administrative cooperation between Member States in the field of VAT is still not intensive enough to cope with intra-Community VAT evasion and fraud'**.

1.3 The EESC notes that **resistance to change** is having detrimental effects on Member States' and the EU's finances; while there are, it is true, practical considerations, the main reason lies in an **unprofessed desire to protect particular interests**, which are taking precedence over the common good.

1.4 On a practical level, there are, objectively speaking, different ideas of how to ensure the 'proper conduct' of cross-border transactions: on the one hand, there is a desire to **prioritise genuine administrative cooperation**, and, on the other, a tendency to **place more emphasis on combating fraud**. The Commission has an advisory body for each of these aspects – the ATFS Group ⁽¹⁾ and the SCAC Committee ⁽²⁾ (see point 2.3). A merger of these bodies or the creation of a joint, coordinated structure could help to lessen the underlying 'conflict of interest' between the two areas.

1.5 The main problem, however, is **political resistance**, a tangible example of which is the dispute over the Court of Auditors' competence to verify whether the Regulation is being properly implemented: one Member State has taken a case to the Court of Justice.

1.6 The new proposal makes a large number of innovations – too many to summarise here. The main points include **the requirement for Member States to implement the Regulation in its entirety and within the time stipulated**. If adopted, this text will give the Commission the much-needed power to impose sanctions.

⁽¹⁾ Anti Tax Fraud Strategy expert group.

⁽²⁾ Standing Committee on Administrative Cooperation.

1.7 Setting up a **single central liaison office** in each Member State should streamline the cooperation system: Member States' **obligation to communicate information** on a taxable person established within their territory is confirmed, and the right to **refuse to conduct enquiries** on behalf of another administration is limited to a small number of specific cases. The new rules are particularly important for **distance selling**; moreover, the EESC feels that their effectiveness is dependent on the adoption of the requisite IT systems across the board: it would therefore be prudent not to make the rules mandatory until 2015, at the end of the transitional period.

1.8 Various articles provide for a number of **automatic processes**: automatic communication, on a Member State's own initiative, of any information which may be useful to another administration; the requirement to provide feedback upon receipt of information; automated access to databases. Moreover, these all require **common procedures** to be established, a task which the Commission must address without delay.

1.9 Some concern is raised by a rule which provides for **participation of officials of other Member States concerned in enquiries**, including in places other than the offices of the host Member State: the EESC does not consider this rule to be appropriate, because of the obvious need to protect confidential, sensitive information.

1.10 **The creation of a common structure to combat VAT fraud** (Eurofisc) may be the most significant innovation: it would organise **swift, multilateral exchanges of information**. The EESC unreservedly supports this initiative but, at the same time, draws attention to a longstanding issue: the need to establish **cooperation and liaison with other bodies engaged in the fight against organised crime and money laundering**.

2. Background

2.1 Council Regulation (EC) No 1798/2003 on administrative cooperation in the field of value added tax entered into force on 1 January 2004. The regulation was welcomed by most Member States, which approved the Commission's intention to **improve the legal framework for administrative cooperation and provide an instrument to combat fraud** ⁽³⁾. Article 45 of the regulation required the Commission to submit a report on its application to the European Parliament and the Council every three years. The **report of 18 August 2009** ⁽⁴⁾ is the most recent response to this obligation.

⁽³⁾ The EESC issued an opinion on the regulation: see OJ C 267, 27.10.2005, p. 45.

⁽⁴⁾ COM(2009) 428 final. The present opinion does not comment on the report itself; however, the information and views set out by the Commission are of great help in understanding the full import of the measures proposed in the new regulation.

2.2 In the intervening years, however, people had become more sensitive to the problem of tax fraud. Thus, on the subject of VAT, the Commission's *Communication concerning the need to develop a coordinated strategy to improve the fight against fiscal fraud* ⁽⁵⁾ of 31 May 2006 mentioned the need to develop a **coordinated strategy**, in particular against 'carousel fraud' ⁽⁶⁾ ⁽⁷⁾. A subsequent Communication ⁽⁸⁾ set out a short-term action programme.

2.3 The Commission is now proposing a **new regulation** ⁽⁹⁾ which seeks to recast the existing regulation. The proposal is the result of the Commission's own considerations and of input from various other sources: Member States' reports on the operation of the 2004 regulation, their replies to specific questionnaires, special report of the Court of Auditors No 8/2007, and European Parliament resolution 2008/2033(INI) of 2 September 2008. The Commission also received contributions from the Anti Tax Fraud Strategy expert group (ATFS) and the Standing Committee on Administrative Cooperation (SCAC).

3. General comments

3.1 The abovementioned report COM(2009) 428 is very useful for understanding the new regulation; in it the Commission voices its **dissatisfaction** with the application of the existing regulation, as summed up by the Court of Auditors' statement (quoted by the Commission) that '*despite new arrangements, (...) administrative cooperation between Member States in the field of VAT is still not intensive enough to cope with intra-Community VAT evasion and fraud*'. The Commission has done its best to improve the rules and make them easier to apply, but the **lack of progress is largely due to resistance to change** on the part of some, or possibly many, national authorities. Alongside practical organisational or technological difficulties, there is no denying that a willingness to cooperate fully is still held back by protection of particular interests, whether real or presumed. In the tax field as in no other, the European ideal is struggling to be upheld.

⁽⁵⁾ COM(2006) 254 final.

⁽⁶⁾ This has in certain cases developed into Missing Trader Intra-Community Fraud (MTIC), COM(2009) 511 final, p. 3.

⁽⁷⁾ The EESC also commented on this communication in its opinion on the *Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee concerning the need to develop a coordinated strategy to improve the fight against fiscal fraud*; OJ C 161, 13.7.2007, p. 8.

⁽⁸⁾ COM(2008) 807 final.

⁽⁹⁾ COM(2009) 427 final.

3.2 Sound **administrative cooperation** is vital for proper conduct of crossborder transactions and is certainly in the interests of national authorities and of the general public. However, the concept of 'proper conduct' implies that these transactions are carried out with proper respect for tax rules. The two concepts are interlinked: **administrative cooperation and the fight against tax fraud form one indivisible whole**. The Commission is translating this into practice by proposing the creation of a **joint body** (Eurofisc).

3.3 The Commission has two advisory bodies providing it with expert input at the highest level: the ATFS Group and the SCAC Committee (see point 2.3). A merger creating a **single body** (or the creation of two groups coordinated by a single decision-making body) could help to lessen the underlying **'conflict of interest' between administrative and tax concerns**. Rules to combat tax fraud do not always fit in with the streamlining of administrative procedures, and vice versa. Resistance to change is to some extent tied to **differing requirements concerning the same problem**.

3.4 The **greatest problems**, however, appear to be **political**: the report mentioned in point 2.1 notes that in order to elaborate on the replies received to its questionnaires (see point 2.3), the Commission gave Member States the opportunity to 'share their views on the functioning of VAT administrative cooperation'. It is worrying that **'only two Member States showed an interest in having an open discussion with the Commission ...'**. There was another significant development: one Member State actually disputed the competence of the Court of Auditors to carry out audits of the implementation of the regulation on administrative cooperation, and the case is currently before the Court of Justice. These facts speak for themselves, and give little cause for optimism about the future.

3.5 A further political aspect is **administrative cooperation between tax authorities and the authorities dealing with money laundering** of the proceeds from organised crime and terrorism. The EESC has emphasised the importance of this for some time, but it seems to have met little agreement so far ⁽¹⁰⁾.

4. Specific comments

4.1 The main amendments made by the new regulation concern greater responsibility to cooperate on the part of the Member States, specification of the information to be collected and made

available, and delimitation of rights of access to that information. The regulation establishes a permanent framework to guarantee the quality of the information and specifies Member States' responsibility to provide accurate information in good time. Lastly, it creates the legal basis for establishing a structure for targeted cooperation to combat fraud (Eurofisc).

4.1.1 The EESC **appreciates and supports** the Commission, as the new regulation marks a **decisive step forward** in regulating this field. Its implementation will, if Member States so wish, improve the organisation of public finance by simplifying procedures and helping to combat fraud.

4.2 The EESC offers below some **comments on the main innovative proposals** made by the new regulation. They are intended constructively, being also the result of an objective assessment of the obstacles which continue to impede sound administrative cooperation.

4.3 **Article 1(1)** states explicitly that one of the main aims of the recast regulation is 'to combat VAT fraud'. **Article (1)(2)** lays down the **conditions** which Member States must meet in order to fulfil their obligation to 'act to protect VAT revenue in all the Member States'. The text of the existing regulation is less forthright, as it simply sets out 'rules and procedures for the exchange of certain information'.

4.3.1 This is a significant innovation: the obligation to take action to cooperate means that the Member States **must implement the regulation in its entirety and within the time stipulated**. The EESC naturally supports this, but wonders whether in practice Member States will be able or willing to adapt to the new rules, given the delays and exemptions experienced with the existing regulation. Moreover, the binding nature of the regulation means that the **Commission has the power** to impose sanctions and the **Court of Auditors** to carry out audits of proper implementation: not everybody is in agreement with this. In the report mentioned in point 2.1, the Commission notes that Germany has contested an **infringement procedure** and the Court of Auditors' competence to carry out audits. The **Court of Justice's ruling** on the case currently before it will have a **crucial influence** on the future of administrative cooperation in the VAT field.

⁽¹⁰⁾ See EESC Opinion on *Promoting Good Governance in Tax Matters*.

4.3.2 The new wording of Article 1 thus shows that in taxation matters too we see **differing trends in European policy**: interpreting the Treaties from different perspectives often leads the Commission to defend competences and powers and the Member States to hold on to their national prerogatives. The EESC sees no need to take a stance on this but would express the hope that adoption of the new Treaty will usher in a new Europe in which Member States adhere steadfastly to the principles enshrined therein.

4.4 **Article 4** obliges each Member State to designate a **single central liaison office** to be responsible for contacts with other Member States. The EESC welcomes this decision, but points out that **a central office can only operate smoothly if the related national contact points are also efficient**: this condition does not currently seem to be met everywhere.

4.5 **Article 7** (former Article 5) confirms **Member States' obligation to communicate information** on a taxable person established within their territory when so requested by another Member State. In certain cases ⁽¹¹⁾, the requested authority may **refuse to conduct an enquiry**, but only if it has already provided the requesting authority with information less than two years previously; however, it is still required to provide details of transactions made by the taxable person over the last two years.

4.5.1 The new rules are particularly important for **distance selling** and rightly seek to promote administrative cooperation. However, even in their present form they are not fully implemented, mainly because the requisite IT structure is lacking. The EESC therefore thinks that for these rules it would be advisable to apply the **transitional period** scheduled for other provisions, so that they would only become **mandatory in 2015** when Council Regulation (EC) 143/2008 enters into force ⁽¹²⁾.

4.6 **Article 15** clarifies the meaning of 'automatic exchange' of information, already mentioned in Article 17 of the existing regulation. Each Member State is required to **communicate** automatically, and **on its own initiative**, any information which may be

useful to another Member State to protect its tax revenue. The clarification is significant: if and when it is applied systematically, the spontaneous transmission of information of interest to other authorities will prove that the concept of administrative cooperation has been fully taken on board.

4.7 **Article 17** ties in with Article 15, as it requires the requesting authorities to provide **feedback** to the authorities which provided the information. Cooperation is thus not only a matter of supplying information but also of keeping the parties which supplied it informed of the **results of the actions** which ensued.

4.8 **Article 18** (former Article 22) specifies the information which each Member State is to include in its database. The EESC considers that these provisions will be **beneficial in two ways**: as well as improving the operation of the VIES ⁽¹³⁾ information-exchange system, they will draw Member States' attention to the application of Directive 2006/112/EC as regards the allocation, variation or cancellation of a VAT number; the importance of proper implementation of the related provisions is shown by the fact that a good part of fraud concerns precisely VAT numbering. Users will also benefit significantly, thanks in particular to the new provisions on **minimum standards for databases** introduced by **Articles 23 and 24**.

4.9 The EESC is a little concerned about **Article 22**, which requires every Member State to grant the authorities of any other Member State **automated access to their databases**. The EESC points out that even with the **prior agreement of the requested authority** ⁽¹⁴⁾, direct access still poses problems of understanding the language and correct interpretation and use of the information concerned. The Commission itself recognises the problem, as the 23rd 'whereas' clause states that 'common procedures should be established to ensure that the **information is comparable**' and the same concept, in a different context, recurs in the 27th 'whereas' clause. The EESC considers that the provision on automated access should be **put off to a future date**, when common administrative and electronic procedures have been adopted by all Member States.

⁽¹¹⁾ The cases in which the request may be refused are listed in the (new) Annex to the regulation. They concern services such as distance selling, services connected to immovable or tangible movable property, services ancillary to transport, and telecommunication and radio and television broadcasting services.

⁽¹²⁾ Council Regulation (EC) No 143/2008 of 12 February 2008 amending Regulation (EC) No 1798/2003 as regards the introduction of administrative cooperation and the exchange of information concerning the rules relating to the place of supply of services, the special schemes and the refund procedure for value added tax, OJ L 44, 20.2.2008, p. 1.

⁽¹³⁾ VIES: VAT Information Exchange System.

⁽¹⁴⁾ Article 7 states that 'at the request of the requesting authority, the requested authority shall *communicate* the information ...'.

4.10 **Article 29**, which concerns the **participation of officials of the Member States concerned in administrative enquiries**, specifies in Article 29(1) that these officials may be present not only in the offices but also in ‘**any other place**’ (in practice, in the offices of the taxable persons being investigated). **Article 29(2) deletes** the provision whereby the requested Member State could **lay down the arrangements for participation** of officials of the requesting Member State **in enquiries**, and confirms that although officials of the requesting Member State ‘shall not exercise the powers of inspection conferred on officials of the requested authority’, they nevertheless ‘may have **access to the same premises and documents** as the latter ...’.

4.10.1 This set of powers and prerogatives seems neither **prudent nor justified**. The EESC asks for it to be given more serious thought. The presence of an official of another Member State in the offices of a taxable person could lead to ‘the **disclosure of a commercial, industrial or professional secret** (...) or of information whose disclosure would be contrary to public policy’. These are the precise words of Article 56(4), which lays down the cases in which **information may be refused**. It is even less acceptable that such information should come into the possession of an official of another Member State because he is in the offices of a taxable person.

4.11 **Articles 34 to 39** concern a new development: the establishment of a **common structure for combating VAT evasion and avoidance**. This body, which the report ⁽¹⁵⁾ gives the name **Eurofisc**, would have the essential task of organising **swift multilateral exchanges of information**, collecting and disseminating useful information in the context of administrative cooperation. The various articles cover the different aspects of the new body’s operation. Moreover, it is not yet clear whether it would be a centralised or a decentralised structure.

4.11.1 The EESC welcomes the setting-up of a body to centralise and disseminate information. When this body becomes operational, however, it may be necessary to **revise certain parts of the regulation** to ensure compatibility with the present system of bilateral cooperation.

4.11.2 The setting-up of Eurofisc raises another issue which is not mentioned in any part of the regulation or the explanatory memorandum: **cooperation and liaison with other bodies engaged in the fight against organised crime and money laundering**. In many cases, and at least in the most serious ones, VAT evasion is not an isolated crime but is connected to smuggling of counterfeit goods, drug trafficking, arms trafficking and

various other activities conducted and controlled by organised crime and terrorism. Neither in the regulations nor in practice is there any **structured cooperation between bodies dealing with different aspects of the same phenomenon, or of different phenomena coming under the same organisations**. This leads to duplication of efforts, inefficiency and, often, conflicts of competence.

4.11.3 The EESC’s opinion on good governance in tax matters ⁽¹⁶⁾ gives more detailed consideration to cooperation between tax authorities and the police authorities dealing with crime and terrorism. Essentially, the problem boils down to the need for better **coordination between the tax directives and those on money laundering**. It is unacceptable that bodies with similar or related aims – such as direct and indirect taxation authorities, customs, police and secret services – should have no liaison or cooperation agreements.

4.11.4 The EESC is aware of the practical and administrative problems that such a step would pose and realises that it would take a long time to put into practice. However, it points out that the main obstacle is undoubtedly the current lack of **political will** on the part of the Member States. The Commission should provide a stimulus here and include administrative cooperation between investigating bodies in its medium-long term plans.

4.12 The proposed regulation does not give a date for its entry into force, merely stating that it will enter into force on the twentieth day following that of its publication in the Official Journal. However, **Article 45** states that a series of **electronic cooperation based procedures are to apply from 1 January 2015**. This date seems realistic, assuming that all Member States are willing and able to respect it.

4.13 **Article 51** requires each Member State to conduct an (internal) **audit** of the operation of the cooperation arrangements. Such a measure is undoubtedly necessary and may have been prompted by experience with external audits (see points 3.4 and 4.3.1), on which a ruling by the Court of Justice is pending. However, the EESC wonders about the **practical effectiveness of a measure which makes Member States responsible for auditing themselves**.

⁽¹⁵⁾ COM(2009) 428 final, point 2.1.

⁽¹⁶⁾ Commission Communication on Promoting good governance in tax matters - COM(2009) 201 final.

4.14 **Article 56** (former Article 40) remains unchanged. It grants Member States the **possibility of not supplying information** or carrying out enquiries if their laws do not allow this or if it would lead to the disclosure of an **industrial or professional secret**. A further paragraph should be added specifying that **this possibility does not apply to cases covered by banking**

secrecy. This matter should be considered in the broader context of the abolition of banking secrecy and anti-moneylaundering legislation. However, a doubt remains as to whether information held by a person 'acting in an agency or fiduciary capacity' comes under banking secrecy or professional secrecy. The EESC thinks that clarification is needed.

Brussels, 17 February 2010

*The President
of the European Economic and Social Committee*
Mario SEPI

Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market'

COM(2009) 491 final — 2009/0132 (COD)
(2010/C 347/12)

Rapporteur-General: **Angelo GRASSO**

On 14 October 2009 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 Directive of the European Parliament and of the Council amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market

COM(2009) 491 final – 2009/0132 (COD).

On 3 November 2009 the Committee Bureau instructed the Section for Economic and Monetary Union and Economic and Social Cohesion to prepare the Committee's work on the subject.

At its 460th plenary session, held on 17-18 February (meeting of 18 February 2010), the European Economic and Social Committee adopted the following opinion by 156 votes to one with four abstentions.

1. Conclusions and recommendations

1.1 The proposal seeks to incorporate into current Community legislation two principles which the EESC essentially supports: a) quality of information is a key factor in genuine ability to support the investment choices of operators, particularly retail operators; b) more cost-effective information management can be achieved by eliminating duplication of information and thus the cost of producing it.

1.2 Practical implementation of these two principles raises real difficulties, given that measuring quality is difficult enough in itself, and even more difficult when it comes to quality of information. Moreover, it must be borne in mind that the mechanisms for disseminating information on the financial markets ('by osmosis', we could say) and the horizontal effects caused by these mechanisms among the various economic operators concerned by an investment ('signal effect') generate what can be considerable disparities between the costs of information production and the benefits (including financial benefits) thereof.

1.3 Resolving information quality and cost-effectiveness issues should therefore be a joint endeavour, given that the best incentive for securities issuers to produce high-quality information is being able to expect financial benefits which are at least equal to the costs entailed in producing the information. A cost-

effectiveness assessment of disclosure should be carried out, bearing in mind that if disclosure is transparent, the cost of raising capital will be lower; on the other hand, non-transparent disclosure will increase the cost of raising capital (the 'disclosure risk' premium). The EESC therefore calls for a solution to be found to information asymmetries, to reduce the cost of raising capital and the disclosure risk premium, thus increasing competitiveness among European businesses raising capital.

1.4 A considerable part (around 3/4) of the disclosure cost-benefit differential is dependent on the structural mechanisms used by market operators to disseminate information, while only a smaller part (around 1/4) is dependent on the information not disclosed by the issuer. The proposal sets out solutions to reduce the first of these two parts of the disclosure risk; as such, it is to be welcomed. The EESC would just stress the need for the considerable cost saving which should ensue not to be achieved to the detriment of the quality of the information disclosed – otherwise the initiative would be counterproductive.

1.5 Then the proposal raises an aspect of the issue which has yet to be resolved. The need to make the information available to non-expert investors clashes with the need to give them all the facts they need to choose investments, which inevitably means entering into technical details. A solution advocated by the EESC would be to create an 'information intermediaries' market, separate from the market of more conventional capital and risk intermediaries

markets (usually: banks, management companies, brokers specialising in derivatives, etc.). In the light of experience gained in other countries and situations, the EESC suggests laying down specific rules to introduce legal delegation structures (similar to proxy voting, including at the placement stage and in addition to the proposals made in the Commission document) and to recognise professional financial information figures (similar to family offices).

2. Regulatory background and importance of the issue.

2.1 The Commission attaches great importance to transparent disclosure in the financial markets – the continual drafting of new rules bears witness to this. Indeed, COM(2000) 0126 kicked off a decade of endeavours to provide clear, transparent EU rules as regards codifying the procedures for admission of securities to official stock exchange listings and the information to be published. With the proposal being discussed here, this process is now entering a new stage, intended to improve implementation of transparent disclosure rules by reducing and streamlining certain aspects of prospectus publication.

2.2 Over the course of the decade between 2000 and 2010, the focus of EU legislation has gradually changed.

2.2.1 Directive 2001/34 focused first and foremost on the amount of information that issuers of securities were required to disclose to investors, starting from the premise that the placement efficiency of the financial markets was directly related to this. The EESC essentially supported this approach in the Opinion adopted on 29 November 2000 (rapporteur: Mr Lehnhoff; 112 votes for, no votes against or abstentions), merely pointing out the need for the information provided to investors to be presented clearly and simply.

2.2.2 In the course of 2003, interest shifted to operators' use of information, with legislation intended to supplement the original text of Directive 2001/34. Directive 2003/6 regulated 'insider dealing', in particular that liable to lead to manipulation of the balance of the financial markets and, therefore, undermine consumer confidence. It should be pointed out, however, that the Directive refers to issuers and regulatory authorities, focusing less on the potential impact of the use of the information provided on investors' behaviour. In line with this approach, Directive 2003/71 laid down requirements for drawing up the prospectus to be published when securities are offered to the public or admitted to trading.

2.2.3 Directive 2004/109 amended Directive 2001/34, focusing on the technical arrangements for disclosure to investors by issuers of securities admitted to trading on a regulated market, with the aim of harmonising and integrating the European financial markets and the financial services operating thereon. The

EESC Opinion which preceded this Directive, adopted on 10 December 2003 (rapporteur: Mr Simon, 110 for, one abstention) welcomed the technical proposals made in the text, just pointing out the possibility of over-rigid schemes increasing the cost of producing the mandatory information disproportionately, generating a considerable financial deterrent from fully transparent disclosure, particularly for smaller issuers.

2.2.4 In 2005, however, additional legislation focused on 'information regulators' in the markets, establishing a new financial services committee organisational structure. The aim was to enable European legislators and regulators to respond more rapidly and effectively to developments in the financial markets (in particular those triggered by developments in technology). The EESC welcomed this Commission initiative on 31 March 2004 (rapporteur: Ms Fusco, 95 votes for, two abstentions).

2.3 The main aim of the new proposal is to improve implementation of Directives 2003/71 and 2004/109, simplifying the processes in a number of respects in order to make disclosure of financial information more compatible with the needs of 'retail investors' and make issuers established in the EU more efficient and competitive internationally. Thus, unlike previous measures, this Directive focuses on the quality of financial information disclosed.

2.4 The EESC feels that producing a large amount of information does not necessarily guarantee the quality of this information. This also creates problems as regards the cost-effectiveness of disclosure, assuming that the cost of providing financial information is related more to the number of prospectuses to be produced than the quality of their content. The proposal could lead to savings of over EUR 300 million per year, addressing a number of mechanisms which duplicate the various stages in the processes of disseminating information.

2.5 The need for markets which can supply the right balance between quantity and quality of information at affordable prices for investors is an issue which has attracted widespread interest. Recent empirical studies carried out by Ca' Foscari University in Venice have revealed that the risk of poor information ('disclosure risk') has contributed on average to 37 % of European share market volatility over the past 15 years, with no substantial difference between the various sectors. The same studies show how, surprisingly, over 3/4 of the disclosure risk is due to the mechanisms for disseminating available information among market operators, while only the remaining 1/4 is caused by distortion of the processes of disclosure by issuers. This fact is deeply rooted in the cost structure of disclosure of financial information, which is characterised by high production costs along with low transmission prices, a direct consequence of the absence of mutually exclusive rights regarding the way the information is used. This, in itself, helps to push down the quality of information and the mechanisms for disseminating it, while increasing the quantity of information, which is often duplicated.

2.6 The EESC therefore welcomes any attempts to regulate the economic processes related to information production and dissemination, provided that they genuinely help to increase the quality of information available on the financial markets, making it easier for investors to choose investments and thereby also reducing the cost of raising capital for issuers of securities for admission to trading.

3. The key points of the proposed Directive

3.1 The Proposal for a Directive consists of five articles, the first two of which modify the text of Directive 2003/71/EC (article 1 of the proposed Directive, more substantial changes) and Directive 2004/109/EC (article 2 of the proposed Directive, less substantial changes). The remaining three articles are supporting articles which deal with transposition (Article 3), entry into force (Article 4) and the addressees (Article 5).

3.2 *Analysis and comments on the content of Article 1 of the proposal under consideration, relating to Directive 2003/71/EC*

3.2.1 Proposed changes to Article 1(2)(h) and (j) and Article 3(2)(e). Addition of paragraph 4 to Article 1.

3.2.1.1 First and foremost, the new text stipulates that the ceilings set for application of the Directive refer to all placements made across the European Union as a whole. This clarification is useful above all to close a loophole involving dividing up what is a single transaction in economic terms into several transactions that are independent in legal terms and take place in different jurisdictions. The EESC would also like to point out that this clarification is also necessary in order to avoid possible distortions in the distribution of information across various territories and the increase in cost that could result from this, which would have a very significant impact on smaller transactions.

3.2.1.2 New application limits for the Directive are then specified, in accordance with the current situation in the financial markets. In order to avoid these limits becoming obsolete, it is proposed that the Commission be given the power to adjust them to the prevailing conditions as is necessary to ensure the dissemination of information to the financial markets. The EESC agrees with the need for limits that can more easily be adjusted to market conditions, but suggests that the changes made by the Commission be based on proposals put forward by the supervisory and regulatory authorities for financial markets and intermediaries, given that the activities of such authorities mean that they are best placed to continuously monitor the real requirements of the markets.

3.2.2 Proposed amendments to Article 2(1)(e) and (m)(ii).

3.2.2.1 The proposal calls for the definition of 'qualified investors' to be brought into line with that in the MiFID Directive. The EESC supports this proposal in that it helps to make the European Union's legislative framework more homogeneous.

3.2.2.2 The proposal sets the criteria for defining the geographical scope in the case of non-equity securities with a denomination per unit below EUR 1 000, restricting it to the Member States where the issuer has its registered office or where the debt is going to be admitted to trading on a regulated market or where the debt is offered to the public. The EESC supports the Commission's aim of simplifying procedures so as to prevent cost increases resulting from the production of several prospectuses at the same time. On this subject, it is worth pointing out that the market value of securities is a very different thing from their denomination, which often has a purely legal function for the purpose of determining the proportional stake in an enterprise. Consequently, not all securities have a nominal value and some legal systems allow securities to be issued without a 'par value', in particular in the case of non-equity securities. The EESC therefore suggests that the proposal be improved by replacing any reference to 'denomination' with the 'market value' (or transaction value) of equity securities and the 'underlying value' in the case of non-equity securities.

3.2.3 Proposal to amend Article 3(2).

3.2.3.1 The proposal provides for intermediaries responsible for a placement being able to use the prospectus drawn up by the issuer, provided that it meets European standards, thus avoiding the costs of drawing up additional documents. The EESC broadly agrees with the proposal and the reasoning behind it, but suggests that there should be more clarity concerning the implementation of the new rules in cases where an intermediary is based in a third country and carries out a placement in a country other than that of the issuer.

3.2.3.2 The EESC also wonders whether the fact that the 'retail cascade' can benefit from the opportunities discussed in point 3.2.3.1 above might be incompatible with the rapid obsolescence of financial information. Consequently, it is proposed that, upon publication of a prospectus, the supervisory and regulatory authorities for the markets to which the issuer (or intermediary) refers set a time limit on the validity of the prospectus. Once that time limit has expired, it would be mandatory to update the prospectus if the specific transaction in respect of which the prospectus was published was still ongoing.

3.2.4 Proposal to amend Article 4(1)(e).

3.2.4.1 The proposal consists of extending the exemption provided for under the text currently in force to employee share plans of companies that do not have a listing on a regulated market (therefore including those with securities traded on non-EU markets). The intention behind this proposal is to eliminate the difference in treatment between different types of company (EU quoted versus non-quoted and non-EU quoted) and to limit the costs associated with placements reserved for individuals who are already aware of the investment risk because they are employees.

3.2.4.2 The EESC supports the aim of reducing costs, but points out that transactions involving shares issued to employees could in themselves constitute significant information for investors operating on the 'secondary market', particularly where multinational groups are taken into consideration. The EESC therefore calls for the extension of the exemption to be complemented by a revision of the rules concerning the transparency of markets. The EESC could propose changes to the transparency Directive in a separate own-initiative opinion.

3.2.5 Proposed changes to Article 5(2), Article 6(2) and Article 7.

3.2.5.1 The Proposal for a Directive suggests that greater importance be ascribed to the summary document, given the amount of attention paid to it, especially by 'retail investors'. Incorrectly drafted parts of the summary document could lead render the publisher legally liable; however, the proposal states that the number of words in the document is not an effective indicator of the document's information value; instead, this can be gauged by the presence of 'key information'.

3.2.5.2 The EESC agrees that the number of words cannot be an adequate indicator of the information value of summary prospectuses, but considers that the proposed Directive should be clearer in setting criteria as to which information is most important. Given investors' need to assess an investment based on the relationship between expected risk and return, the key information must be that which has the greatest potential impact on the investment's risk profile, a concept that is difficult to identify in itself. We therefore propose that the key information be identified on the basis of the potential impact that it could have, to be measured through standard indicators already considered in other EU legislation such as 'value-at-risk'; an alternative, simpler technical solution that the EESC supports would be to make it compulsory to publish the VaR in the summary prospectus.

3.2.6 Proposal to amend Article 7(2).

This proposed amendment seeks to make the costs of producing the prospectus proportionate to the size of the issue, including in the case of rights issues. It is certainly true that the production

costs of prospectuses are not perfectly proportionate to the size of the financial transaction, which means that smaller transactions suffer a disproportionate impact. In the case of rights issues, the reduction in requirements is based on the assumption that 'existing shareholders have already made the initial decision to invest in the company and they should be familiar with it'.

The EESC agrees that there is a need to reduce the impact of the fixed costs of prospectuses on the size of the financial transaction, as this is an objectively measurable criterion. Conversely, it considers the justification given for reducing obligations on rights issues to be restrictive, given that such issues are often negotiated with individuals who, not being shareholders of the issuing company, could suffer inequalities in information. In both cases, as has been seen above, the introduction of mandatory publication of the investment's VaR would make it possible to limit the costs of producing the prospectus without having a significant impact on the information value of the summary version of the document.

3.2.7 Proposal to amend Article 8.

The proposed change to Article 8 suggests omitting information about state-backed guarantees in order to reduce the overall costs of the transaction. The EESC welcomes this proposal in principle but suggests that the prospectus should at least state the most recent rating of the guarantor, given that this varies between countries with the same denominating currency for the security and that the guarantee may derive from state entities that are financially autonomous or even from state-owned special purpose vehicles.

3.2.8 Proposal to amend Article 9 and 14(4).

The proposal consists of increasing to 24 months the validity period of the prospectus (from 12 months at present). The EESC repeats its arguments set out above that the nature of financial information does not allow the rigid codifying of the validity period of a piece of information; it therefore suggests that the current period of 12 months be maintained, but that financial market supervisory authorities should have the power to extend it for a further twelve months upon reasoned request from the issuer.

3.2.9 Proposal to amend Articles 10, 11(1), 12(2) and 14(4)

3.2.9.1 The EESC supports the proposal to repeal Article 10 of the Directive insofar as the current requirement to publish all information disclosed in the preceding 12 months constitutes an undue additional cost burden for the issuer that provides no benefit at all to the investor, who, thanks to modern information tools, can easily access previous prospectuses, especially in the light of the amendment to the subsequent Article 14, which proposes extending the requirement to publish on the web within the usual time limits.

3.2.9.2 The proposed changes to Articles 11 and 12 follow on from the deletion of Article 10 and are therefore uncontroversial as far as the EESC is concerned, without prejudice to the suggestion made in the previous point.

3.2.10 Proposal to amend Article 16.

3.2.10.1 The main aim of the proposal is to clarify the point at which the obligation to inform ceases, particularly with regard to any possible difference between the final closing of the offer to the public and the time when trading begins: the proposal suggests opting for whichever of these occurs earlier. The EESC considers that it would be useful to include in the proposal a requirement upon intermediaries responsible for placements to make public the volume of the securities in question traded in the period between the closing of the offer to the public and the start of trading. The data on the volume of securities traded during this period (a practice once described as the 'grey market') will have to be certified by a supervisory and regulatory authority and will need to report all the data on transactions between intermediaries taking part in the placement.

3.2.10.2 The proposal then stipulates a uniform period for the right of withdrawal of acceptance by investors, namely two days

after the publication of the information supplement. The EESC supports the proposal to harmonise the period for exercising the right of withdrawal, but suggests that a requirement be introduced to notify investors who have already accepted the supplementary prospectus via an e-mail address provided for that specific purpose.

3.2.11 Proposal to amend Article 18.

The proposed amendment to Article 18 of the Directive currently in force is extremely technical in nature and allows for more rapid notification of certificates of approval of prospectuses that have been drawn up. This enables a reduction in the costs and risks associated with technical errors in publishing prospectuses, particularly in countries where the 'passport' is not fully operational. The EESC approves the proposed amendment.

3.3 Analysis and comments on the content of Article 2 of the proposal under consideration, relating to Directive 2004/109/EC.

The purpose of the amendments proposed in Article 2 is to coordinate the content of the previous points with the text of the Directive in question. The EESC agrees with these amendments, without prejudice to the points made above.

Brussels, 18 February 2010

*The President
of the European Economic and Social Committee*
Mario SEPI

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the Council and the European Parliament — 2008 Environment Policy Review’

COM(2009) 304 final

(2010/C 347/13)

Rapporteur: **Daniel RETUREAU**

On 24 June 2009, 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 Council and the European Parliament – 2008 Environmental Policy Review

COM(2009) 304 final.

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 28 January 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 118 votes to 4 with 10 abstentions.

1. Conclusions and recommendations

1.1 In conclusion, the Committee believes that the Community institutions and the Member States have taken the problems of climate change and sustainable development very seriously. Nonetheless, much still remains to be done in order to adopt common positions and to work towards quantified, progressive commitments at international level, by re-examining policies surrounding assistance to the ACP countries and, more generally, to developing countries. The same should apply to our main trading partners, in particular the USA.

1.2 The total ecological footprint of products should be subject to minimum standards, and European policy should continue to include a combination of legislation and voluntary instruments and initiatives to change behaviour and to increase awareness of the new problems we now have to deal with as the human race; the information and education aspects need to be built on within civil society.

1.3 The integrated climate and energy policy is starting to prove its effectiveness, and we now need to pursue it by extending it to other greenhouse gases and other sectors (primarily transport of all kinds), and by promoting international cooperation.

1.4 Legislation such as REACH and environmental liability will continue to play a major role, supplemented by the initiatives of industries, citizens and consumers.

1.5 A number of directives adopted in recent years require attentive monitoring to ensure that they are properly transposed and that the national legislation actually put in place is effective, particularly in terms of monitoring its implementation.

1.6 The report is very comprehensive and extremely valuable, but it is unclear to what extent the public is aware of it.

2. Gist of the Commission document

2.1 The year 2008 was marked by an unparalleled level of awareness of the global climate change crisis among European citizens, who now see it as a key political priority.

2.2 This highlights the need to move towards a low-carbon economy and towards preserving resources. Additional efforts will be needed in order to meet these challenges.

2.3 The economy has been seriously affected by an unprecedented crisis: the financial crisis has strangled investment in the real economy and caused significant levels of unemployment, and government deficits have consequently ballooned due to public loans to and investment in banks and credit institutions.

2.4 The Commission's report is in the form of a communication to the Council and Parliament; the EESC is not formally consulted on periodic progress reports, but generally asks to be sent these reports as they allow it to monitor the practical implementation of Community legislation and guidelines.

2.5 The 2008 annual environment policy report takes stock of Community initiatives and of their effectiveness with regard, for example, to the greenhouse gas reduction commitments made at Kyoto and the new commitments that were expected to come out of the Copenhagen conference. The Committee has adopted an opinion in this regard ⁽¹⁾.

⁽¹⁾ OJ C 128, 18.5.2010, p. 116

2.6 According to the Commission, and on the basis of the projections, the EU is on track to meet its emission reduction objectives under the Kyoto Protocol on combating climate change. The EU and its Member States, or at least most of them, are on the way to meeting their reduction commitments, and the target is even expected to be exceeded thanks to the unilateral efforts of certain Member States which are looking into additional measures.

2.7 The report reviews the various fields to which EU environment policy applies, but the Commission document is only a summary, the full report being a thick volume more than 200 pages long which is appended to the Commission document.

2.8 On the basis of comprehensive figures referring to 2006, in June 2008 greenhouse gas emissions in the EU-15 were 2,7 % down from the reference year (1990), despite economic growth of 40 % over the same period. Existing policies and measures should make it possible to achieve a total reduction of 3,6 % compared with the reference year by 2010, which is half way through the period of 2008-2012 for which we have committed to an 8 % reduction. Buying credits from emission reduction projects in non-EU countries under the Kyoto mechanisms is expected to achieve an additional reduction of 3 %, which would bring the total reduction to 6,6 %, and a further 1,4 % is expected from carbon sinks.

2.9 All of this would make it possible to achieve, or even exceed, the Kyoto target, given that the Member States have not yet incorporated in their projections the ceilings set for the allocation of emissions allowances for the 2008-2012 trading period for EU emissions allowances, which are expected to bring about a further 3,3 % reduction in emissions compared to the base year.

3. Observations

3.1 The Commission's projections in the report for 2008 are based on relatively old complete data, and on incomplete data from 2006 onwards. However, these were the only data available in 2008, and the Commission has taken account of all the relevant results gathered prior to publication. In spite of the disappointing outcome of the Copenhagen Climate Conference, the Committee believes that the EU must deliver the target for emission reduction it has set itself for 2012, and should press on towards the further reductions it has adopted for 2020.

3.2 A number of directives adopted in recent years require attentive monitoring to ensure that they are properly transposed and that the national legislation actually put in place is effective, particularly in terms of monitoring its implementation. Some Member States have not managed to achieve the objectives assigned to them. The report clearly sets out the problems and obstacles that still persist, as well as the progress that has been made. It is comprehensive and detailed, and sets out new indicators measuring the total ecological footprint of goods and activities; hopefully, it will be widely circulated, and future reports will

be made very accessible and will encourage changes in production, distribution and consumption patterns.

3.3 The Committee is not entirely convinced by the argument that the crisis is, in itself, an opportunity to redirect production and consumption patterns towards more sustainable solutions: a growing number of families have seen their purchasing power fall dramatically due to unemployment and the closure of businesses, some of which have relocated their production activities to non-EU countries. Employment and housing are still key concerns in the short term, particularly for young people, and we need to provide positive responses.

3.4 There is a tendency towards precarious, fixed-term, part-time jobs, which introduces a level of instability that is unlikely to encourage changes in the consumption patterns of households and in businesses. Businesses sometimes tend to export their most polluting products outside the EU rather than invest in other production models, which is particularly difficult now that credit is scarce and particularly for SMEs.

3.5 The report only skims over the issue of the consequences of the crisis, which are still a long way from being dealt with in an environmentally friendly way. The crisis has also been a major blow for countries outside the EU-27, particularly for developing countries; it is difficult to come up with effective policies towards these countries in the short term when official development assistance and various kinds of aid are shrinking rapidly. There absolutely must be a quick and consistent change in behaviour in order to help these countries, which have neither the resources nor the technology to combat climate change.

3.6 Simply going back to business as usual, with the same economic organisation, will not bring us any closer to a safer, better environment, but the signals emanating from the financial markets and industry are far from encouraging; a strong political will is absolutely vital, as are greater mobilisation of the European public and the provision of objective information, rather than pointless scaremongering, by the media.

3.7 In industrialising countries such as China, Brazil and India, the old consumption patterns of the industrialised countries with market economies are still a goal to aim at, and neither governments nor the public in these countries really understand the restrictions being imposed on them in terms of pollution and changes in lifestyles and consumption. They see the obligations tied in with the fight against climate change as a kind of historic injustice against them, at a time when they are trying to raise their people out of poverty and to support education and health care thanks to subcontracting for transnational companies on an industrial scale.

3.7.1 They are asking for aid and technology transfer, which we need to consider seriously if we want to make progress down the path opened up by the climate agreements.

3.8 The issue of transporting goods from one side of the world to the other in fragmented production chains and to far-flung consumer markets needs to be looked at and dealt with appropriately. The reinternalisation of the actual costs for the environment and climate currently falls on consumers, in the form of cost and pollution. The Committee therefore supports the efforts to revise the Marpol Convention and to limit pollution from ships, but it would also be useful to introduce general regulations for the financial markets, as well as regulations to improve transport logistics and to promote sustainable manufacturing.

3.9 The EESC shares the Commission's view that governments should use their economic recovery plans to improve energy efficiency, by aiming to develop environmental infrastructure and by promoting eco-innovation.

3.10 A strong environment policy may help to kick-start a 'greener' recovery, with a smaller carbon footprint and a shift in the consumption patterns of businesses and households.

3.11 The rapid loss of biodiversity worldwide (the disappearance of a large number of animal and plant species, with some of the worst hit, such as birds and bees, being vital to agriculture) means that policies need to be put in place to halt the extinction of species; this involves, in particular:

- forest management, and putting a stop to clearcutting in primary forests and rainforests;

- methods used in agriculture (it has been determined that modern plant protection products affect the health of bees and the food supply of birds).

3.12 The EESC welcomes the creation of new indicators that take account of biodiversity and the climate, as introduced for Eurostat for the priority areas of the 6th Environment Action Programme.

3.13 CO₂ is not the only greenhouse gas, and it is also worth paying careful attention to NO_x (nitrogen oxides) and to everything that may affect the ozone layer and contribute to global warming.

3.14 The Committee stresses the need for greater awareness and active involvement on the part of the public, focusing on good practice with regard to the goods consumed and to reducing and sorting household waste; it is also vital for businesses to be more aware, and to make combating climate change part of their corporate social responsibility commitments.

3.15 Most of the programmes and legislation referred to in the report have been the subject of an EESC opinion at one time or another ⁽²⁾, and the EESC has set up a permanent sustainable development observatory in order to make a more effective contribution to developing strategies to combat climate change, to following up EU policies and legislation and to monitoring their effectiveness.

Brussels, 17 February 2010

The President
of the European Economic and Social Committee
Mario SEPI

⁽²⁾ EESC Opinions: OJ C 128, 18.5.2010, p. 122; OJ C 318, 23.12.2009, p. 97; OJ C 317, 23.12.2009, p. 75; OJ C 318, 23.12.2009, p. 92; OJ C 306, 16.12.2009, p. 42; OJ C 277, 17.11.2009, p. 67; OJ C 277, 17.11.2009, p. 62; OJ C 318, 23.12.2009, p. 88; OJ C 218, 11.9.2009, p. 55; OJ C 218, 11.9.2009, p. 50; OJ C 218, 11.9.2009, p. 46; OJ C 175, 28.7.2009, p. 34; OJ C 218, 11.9.2009, p. 59; OJ C 306, 16.12.2009, p. 39; OJ C 204, 9.8.2008, p. 66.

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