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EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

553RD PLENARY SESSION (HYBRID), 15 AND 16 JULY 2020

Resolution on 'The European Economic and Social Committee's contribution to the European Commission's 2021 work programme based on the work of the ad hoc group "EESC contribution to the European Commission's 2021 work programme"'

(2020/C 364/01)

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At its plenary session of 15 and 16 July 2020 (meeting of 16 July), the European Economic and Social Committee adopted the following resolution by 140 votes to 15 with 17 abstentions.

1. **Introduction**

1.1. As the EESC pointed out in its resolution on 'EESC proposals for post-COVID-19 crisis reconstruction and recovery' [1], the EESC warmly welcomes and fully supports the proposals of the European Commission: the Next Generation EU plan and the overall EU budget for 2021-2027. The Committee hopes and expects that the lines set out by the Commission in these plans, due to the need for recovery and reconstruction after the coronavirus crisis will be fully and concretely extended in the Commission's work programme for 2021.

1.2. For the EESC, the work programme should focus on restructuring and improving our economy and society, to be based on the following principles: protecting human and social rights, democratic values and the rule of law; unlocking the full potential of the Single Market; achieving the Sustainable Development Goals (SDGs); creating a circular economy and achieving climate neutrality in the EU by 2050 at the latest, and ensuring good governance and democratic accountability.

1.3. The EESC underlines that the six headline ambitions chosen by the Commission (A European Green Deal, A Europe fit for the digital age, An economy that works for people, A stronger Europe in the world, Promoting our European way of life and A new push for European democracy) provide a powerful framework for working out the work programme for 2021. Perhaps a more explicit focus should be made on investments and the need to accelerate them, also thanks to the

(1) Resolution on post-COVID-19 crisis (OJ C 311,18.9.2020, p. 1).

measures currently being adopted. Some details for the future work programme can be found in the Commission's Communication on Europe's Recovery Plan ([2]) and new proposals will be reflected in Commission President von der Leyen's State of the Union address in September and Letter of Intent to the European Parliament and Council. The EESC also appreciates the adjusted work programme for 2020, which reacts to the COVID crisis and could indicate the development in the near future.

1.4. The EESC welcomes the fact that the European Commission adjusted its work programme for 2020 as part of Europe's recovery in order to respond to the coronavirus pandemic. It refocused its work and prioritised the actions needed to propel Europe's recovery and resilience, while it still committed to delivering on its flagship initiatives, the European Green Deal and the Digital Strategy, as they are key to relaunching the European economy and building a more resilient, sustainable, fair and prosperous Europe. It takes note that nine initiatives have been postponed to 2021.

1.5. Especially now that we are experiencing the importance of cooperation between countries in these times of crisis, the EESC hopes that the forthcoming Conference on the future of Europe will lead to strengthening and deepening the EU's institutional structure and to a real renewal of the EU project, able to face the challenges of the next decades. The Commission can therefore count on the full support of the Committee.

1.6. The EESC is convinced that the process of recovery and reconstruction of the economy and society will only be possible with the active participation of civil society organisations and social partners.

1.7. In the following chapters and paragraphs, the Committee formulates its concrete proposals for the 2021 work programme along the lines of the Commission's six headline ambitions.

2. **A European Green Deal**

2.1. *The Green Deal*

2.1.1. The EU Green Deal can also be seen as an effective tool to sustainably restart the economy through massive investments supporting the necessary structural changes that Europe is facing. From this point of view, it could be considered as an opportunity to support a longer-term economic recovery. It requires a new consensus in Europe to concentrate sufficient public and private financial sources for this purpose and adopt a new governance to successfully implement it in practice.

2.1.2. The EESC is a strong advocate of the transition to the circular economy. The EESC has been a keen supporter of ambitious policies in the field to date through its commitment to the European Circular Economy Stakeholder Platform. Its longstanding demands to the Commission in relation to resource efficiency include a call for a review of eco-design legislation and relevant product-policy legislation, for the gradual inclusion of mandatory resource-efficiency requirements for product design, and for new public procurement procedures to encourage circular products and new business models, while respecting the post-COVID economic circumstances and a real feasibility to provide the change.

2.1.3. The EESC takes note that the review of the non-financial reporting Directive, with a view to improving the quality and scope of non-financial disclosures, including on environmental aspects such as biodiversity, has been postponed to 2021. The EESC believes that tax policies in general should be reformed in line with climate ambitions, and that tax systems and pricing should reflect environmental costs, including biodiversity loss. This should encourage changes in national fiscal systems to shift the tax burden from labour to pollution, under-priced resources, and other environmental externalities. The 'user pays' and 'polluter pays' principles have to be applied to prevent and correct environmental degradation.

2.1.4. The EESC welcomes the fact that biodiversity will be mainstreamed across all policy areas as expressed in the Communication on the Biodiversity Strategy for 2030 ([3]). The EESC welcomes the fact that the Commission will put in place a new European biodiversity governance framework. This will help map obligations and commitments and set out a roadmap to guide the implementation. This will also benefit both the CAP and the European food system, and could thus continue to make them more sustainable. As part of this implementation, the Commission will put in place a monitoring

([2]) https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1590732521013&uri=COM:2020:456:FIN

([3]) https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1590574123338&uri=CELEX%3A52020DC0380

and review mechanism with a clear set of agreed indicators, which will enable regular progress assessment and set out corrective action if necessary. This mechanism must feed into the Environmental Implementation Review and contribute to the European Semester.

2.1.5. The EESC welcomes the European Climate Law, which sets a legally binding EU-wide common target of net-zero greenhouse gas (GHG) emissions by 2050 and establishes a framework for achieving that objective. The EESC thus regards the proposal for a European Climate Law as one of the instruments to contribute to this desired and necessary rebuilding of the European economy ([4]). By September 2020, the Commission wants to come up with the review of the Union's 2030 target for climate in light of the climate-neutrality objective and explore options for a new 2030 target of 50-55 % emission reductions compared to 1990, as well as to provide the corresponding legislative proposals by mid-2021. The EESC urges the Commission to opt for a minimum reduction of 55 % by 2030, with the corresponding legislative proposals, in order to respond for its part to the massive global need for decreasing emissions ([5]).

2.1.6. The participation of all citizens, through the civil society organisations, associations and networks, will make the process of reforming the economy and society truly possible. The Member States and the EU must therefore ensure that in this complex process no one is left behind, in particular the most vulnerable.

2.1.7. Climate action and sustainability commitments must be put at the forefront of recovery and reconstruction policy, which cannot lock the EU further into a high-carbon future.

2.1.8. The MFF will need to increase and allocate sufficient funding for the investment needs, in order to deliver a real and profound green transition. It is also important to continue prioritising other environmental matters such as soil, land and sea protection that must not be downgraded following and despite the COVID-19 crisis.

2.1.9. Further improvement of energy security at all levels and the resilience of society, for example through building renovation programmes, is necessary. Cross-border energy cooperation and inter-connections across the EU remain important, as does the need to promote greater diversification of sources of supply, for instance by having a wider choice of renewable energies and energy storage solutions available.

2.1.10. A window of opportunity to accelerate progress towards the EU's climate neutrality goal is to increase the use of renewable and low-carbon electricity via the electrification of sectors that currently still rely on fossil-based energy sources. The national energy and climate plans constitute an important step in ensuring the Energy Union and the European Green Deal.

2.1.11. In the context of the objective set in the European Climate Law that the EU will be climate neutral by 2050, special attention is needed for the transport sector. Indeed, CO_2 emissions from this sector are still growing, but by 2050 a 90 % reduction in transport emissions will be needed to achieve the climate neutrality target.

2.1.12. The EESC has called for an updated EU Forest Strategy after 2020 as a part of the European Green Deal. The new strategy could feasibly look ahead to 2050. The importance of forests, forestry and forest-based industries in meeting these goals should be recognised across all sectors and lead to optimised cross-sectoral cooperation.

2.1.13. The EESC believes that adaptation action could significantly contribute to ensuring that the sustainable transition and post-COVID-19 reconstruction are implemented in a more just manner. Communities and regions which are more than averagely affected by adverse climate change impacts should be assisted in responding to those impacts and perceived risks. This is especially true for communities and regions whose present and historical GHG emissions are below average.

([4]) NAT/784 — European Climate Law (see page 143 of this Official Journal).
([5]) See footnote 4.

2.1.14. The EESC appreciates that, in the adjusted Commission work programme 2020, the European Green Deal topic is covered sufficiently and rather evenly redistributed through its main parts. It especially underlines the priority attention paid to the financing of the sustainable transition, especially to the European Green Deal Investment Plan and the Just Transition Fund. Also the other areas of interest mentioned in the adjusted work programme, for example sustainable and smart mobility, sustainable production and consumption, sustainability of food systems, or decarbonising energy, are quite relevant for being priorities for this objective. The EESC believes that also for the Commission work programme 2021 its priorities will be focused on these initiatives.

2.2. *The investment priorities*

2.2.1. Public money invested in recovery plans should not only help restore the European economy and society, but also help reduce drastically the impacts of further shocks by investing in a resilient, inclusive and climate-friendly economy (so-called 'well-being economy').

2.2.2. The EU's sustainable finance taxonomy should guide public and private investment throughout the recovery to accelerate the shift from polluting sectors into green sectors.

2.2.3. It is necessary to ensure that the new MFF allocates significant resources to implementing the SDGs and tackling climate change, while phasing out counterproductive funding (e.g. on fossil fuels).

2.2.4. The European economy has performed with an investment gap for the most of the post-crisis decade after 2009. To set a sufficient track record, the investment recovery is a must. This is why the EESC appreciates the proposal for a Recovery Plan, mostly represented by the Next Generation EU Programme and its pillars, and the adjusted MFF 2021-2027. The Next Generation EU can be considered as an extraordinary, but also a necessary and urgent, step to improve the investment environment in the EU. This is further elaborated, for example, in EESC opinion ECO/523 ([6]).

2.2.5. The EESC notes that investments do not represent a Commission policy objective for its term until 2024, and also, in the particular initiatives, they are not adequately represented in the adjusted work programme 2020. The EESC therefore recommends including the investment-based initiatives in its work programme 2021, including the effort to mobilise private investments in favour of the future sustainable economic development of the EU.

3. **A Europe fit for the digital age**

3.1. The coronavirus crisis shows that the digital revolution is an important part of increasing our societies' crisis resilience. Investing in digitalisation of essential services and increasing the ability of governments, legislators and public institutions to deliver their services during a crisis is paramount. At the same time, we have to realise that digital technologies are a tool, not an end goal. We need to take public ownership of the framework surrounding digital technologies and steer it towards high sustainability standards, including strong democratic and technological safeguards, accompanied by cost and knowledge support measures that leave no one behind. This entails, in line with the EU Accessibility Act, a need to ensure that the digital revolution ensures accessibility for the EU's more than 100 million persons with disabilities.

3.2. Digitalisation is both an opportunity and a risk for recovery. It is the field of innovation that can put the EU in the forefront, such as in the area of blockchain, where the EU is in a leading position. Blockchain as a technology (not bitcoin) carries democratic values, offering transparency and improved governance structures. However, the risks inherent in digitalisation must be managed, such as further unemployment, digital marginalisation and social exclusion. And ways must be found to take advantage of the opportunities and balancing the risks at the same time, in a landscape where the EU seeks to remain globally competitive.

3.3. It is important to preserve the European model of rights, standards and consumer policies. This is what makes the EU unique. For instance, in the area of digitalisation the EU ethical code on artificial intelligence (AI) separates the EU view of 'human-in-command' from that of other regions. This approach, based on fundamental rights and freedoms, is part of the EU model and should be preserved despite the tougher competitive climate emerging right now.

(6) See page 124 of this Official Journal.

3.4. The EESC underlines the importance of digitalisation in all sectors of society, particularly through teleworking and digital services, including e-commerce and e-health.

3.5. The pandemic has shown that digitalisation in education is not equally approachable in society, which could lead to further problems in schooling performances and educational opportunities. Therefore, it is necessary to introduce measures which support disadvantaged groups and thus help prevent segregation.

3.6. There is a need for continuous updating of the legal framework for artificial intelligence and digitalisation: to stay in tune with technical progress, and in particular, the issue of digital communications security, in terms of both networks and content.

3.7. The EESC takes note that the Commission is postponing to 2021 the legislative proposal on the impact of artificial intelligence including on safety, liability, fundamental rights and data. It calls on the Commission to: (i) foster multi-disciplinarity in research, by involving other disciplines such as law, ethics, philosophy, psychology, labour sciences, humanities, economics, etc.; (ii) involve relevant stakeholders (trade unions, professional organisations, business organisations, consumer organisations, NGOs) in the debate around AI and as equal partners in EU-funded research and other projects such as the Public Private Partnership on AI, sector dialogues, and the Adopt AI programme in the public sector and the lighthouse centre; and (iii) keep educating and informing the broader public on the opportunities and challenges of AI. It also recommends that the Commission considers in more depth the impact of AI on the full spectrum of fundamental rights and freedoms, including — but not limited to — the right to a fair trial, to fair and open elections, and to assembly and demonstration, as well as the right not to be discriminated against. The EESC continues to oppose the introduction of any form of legal personality for AI. This would hollow out the preventive remedial effect of liability law and pose a serious risk of moral hazard in both the development and use of AI, where it creates opportunities for abuse ([7]).

3.8. Due to the growing use of smartphones and the introduction of 5G networks, the concern of interoperability between applications and networks across the European Union, especially in emergency situations, is of great importance.

3.9. Given the further developments in digitalisation and its increasing impact on private, social and working life and on all sectors, the concern for teaching digital skills and taking action against the digital divide for citizens is essential.

3.10. Quite correctly, Europe's preparedness for the digital age is one of the key priorities, visibly represented also in the adjusted work programme 2020. The EESC appreciates the strong effort of the European Commission to proceed in areas like artificial intelligence, digital services, cybersecurity, digital devices and solutions for consumers, but also digital finance. The EESC particularly welcomes the strong digital line within the proposed New Industrial strategy for Europe. Digitalisation is also visible in the Aviation Services Package. The EESC also highly respects that digitalisation is reflected in the proposed priority areas of the European Research Area.

4. **An economy that works for people**

4.1. We need to rebuild our economic governance on the basis of a resilient, sustainable and inclusive European economic system. We aim to reach not only a mechanical economic recovery, but rather a qualitative change in the economic policy management and governance.

4.2. The total impact of the crisis is yet to be determined, and reconstruction and recovery will take considerable effort. There is thus an urgent need for a swift implementation of the proposals of May 2020 for a recovery instrument and for a reinforced MFF. We also have to stand ready for further measures and amendments to those already adopted, if this is justified by the evolving situation.

4.3. The Commission is invited to continue to use the Semester as a driver for recovery based on the investment and reform priorities identified as part of the European Semester. The recent emphasis on better including social matters and the European Green Deal is welcomed by the Committee, as is the implementation of the Recovery and Resilience Facility via the Semester. Throughout the Semester, the Commission should support the Member States of the euro area to take all necessary measures to ensure more convergence and integration in the economic field. This includes an aggregate positive fiscal stance for the euro area as a whole in order to be able to grow out of the current crisis.

([7]) INT/894 — White Paper on Artificial Intelligence (see page 87 of this Official Journal).

4.4. All priorities and actions outlined in other policy areas will entail the need to formulate a new economic governance framework that is up to the challenges of today's macroeconomic situation and enables the implementation of strategic industrial, competitiveness, social, environmental and trade policies by the Union and its Member States. At the beginning of 2020, the Commission launched a large public consultation on this topic, but it has been brought to a halt due to the coronavirus crisis and the application of the general escape clause of the Stability and Growth Pact. It is not possible to think that in 2021 we can return to an automatic application of the pact. The Commission should therefore follow up with new initiatives to promote a reform of the Stability and Growth Pact for the purpose of simultaneously ensuring stability and growth.

4.5. In this context, the EESC calls for a more symmetric macroeconomic adjustment, shared both by Member States with deficits and those with surpluses. All Member States need to be able to invest more in public services because, as the crisis has demonstrated, public services play a crucial role in saving peoples' lives and in tackling the pandemic. In addition, European leaders should consider the so-called 'Golden Rule' when applying again the EU's fiscal rules, exempting certain public investment from deficit calculations and taking into account the sustainability of existing debt levels.

4.6. Finally, a permanent euro area fiscal stabilisation mechanism has long been called for, as it would greatly support the Union's counter-cyclical policies in case of future shocks. Such a mechanism would contribute to the long-term stability and sustainability of national public finances and mark the necessary next step in the deepening of Europe's Economic and Monetary Union.

4.7. The post-COVID-19 recovery will crucially depend on the ability of European financial markets to ensure sufficient liquidity. The proper functioning of financial markets and an increase in the ability to share financial risks are also needed to enhance the resilience of the European economy. The further harmonisation and integration of the European financial markets should therefore continue without delay, including the completion of the Banking Union and the strengthening of the Capital Markets Union. When reviewing the bank prudential rules in order to implement remaining agreements of the Basel framework, the specificities of the EU banking landscape have to be taken into account. Furthermore, it is crucial that the financial markets be able to support the green and digital transformation. The EESC feels that more efforts are needed to mainstream sustainability in the financial sector; therefore, the Committee welcomes the aim of the Commission to renew its Sustainable Finance Strategy.

4.8. The EESC strongly believes that, in the context of the digitalisation of the economy, any changes to the rules for allocating taxation rights of profits among countries must be coordinated globally and therefore welcomes the close cooperation between the Commission, Member States and the OECD/G20 to support the development of an international solution. If an international solution cannot be reached, the EU must consider proceeding on its own. The fight against tax fraud and tax evasion as well as against money laundering must remain the highest priority on the agenda.

4.9. Cohesion policy will play a key role in ensuring a balanced recovery, fostering convergence and making sure no one is left behind. Financial flexibility is really crucial to the cohesion programmes and will give the possibility to Member States to transfer the funds according to their needs to tackle the crisis. The EESC believes that a realistic timeline should be set so that the funds should be allocated to the Member States as soon as possible. The focus of the EU Cohesion policy in 2021-2027 should remain on economic competitiveness through research and innovation, digital transition, as well as the European Green Deal agenda and sustainable development.

4.10. The health and economic crisis caused by the COVID-19 outbreak exacerbated the existing wealth and income inequalities and showed clearly the need for a new societal model which contributes more to economic and social cohesion, productivity and a fairer distribution of wealth. The Commission now urgently needs to follow up on previous proposals of the EESC that would help reverse the trend of growing inequality, which is causing a divide between different Member States and social groups and has contributed to the rise of extreme movements and parties. To this end, decisive EU action complementing the Member States' efforts is needed to boost investment in social infrastructure (education and life-long learning; health, long-term care, and social care; affordable housing), to develop public assets addressing the gaps in the market system, to gradually shift fiscal income from labour-based taxation towards a more wealth-based one; to develop a transparent mechanism for monitoring and consolidating data on all income and wealth; to establish a register of corporate shareholders at European level, etc.

4.11. Against the background of the COVID-19 crisis, the Commission should also follow up on earlier initiatives to strengthen and promote Europe's role as a global economic actor. It should further analyse and propose more specific ways and means to strengthen the international role of the euro, to diversify supply chains and promote European rules and standards in certain strategic sectors, to ensure a more resilient European response to extraterritorial sanctions by third countries and to gradually head towards a unified European representation in the international financial fora.

4.12. Economic prosperity must be decoupled from environmental degradation and social exhaustion. Models such as the circular economy, cooperative and collaborative economy offer new opportunities for employment, ownership and innovation, and they transform the relationships between producers, distributors and consumers, making all actors more resilient to crises, when properly regulated. In addition to the proper implementation of the new Circular Economy Action Plan and the continuation of the EESC/EC European Circular Economy Stakeholder Platform, key priorities include: promoting a comprehensive strategy on sustainable consumption, developing new indicators to replace the inappropriate use of GDP and adapting the EU Stability and Growth Pact to account for sustainability and wellbeing.

4.13. There is a need to rebuild a society with stronger services of general interest, as enshrined in Article 14 TFEU, dealing with SGEIs, Protocol 26 on SGIs annexed to the TFEU, and the European Pillar of Social Rights, in particular, as well as health and social services, electronic communications, public transport, energy, water and refuse collection, and a flanking investment programme.

4.14. Modern economic development concepts are based not only on the criteria of prosperity, profitability and efficiency, but also on respect for social and environmental requirements and elimination of all types of negative externalities and market failure. As a lesson of the most recent COVID crisis, the economy also has to be resilient and strong enough to face future shocks. For this purpose, the elimination of structural imbalances is highly recommended.

4.15. The modern economy also requires a smooth functioning of the market in all its segments, including those created quite recently (virtual, shared, circular, digital economies). For this reason, a better functioning of financial intermediation is also appropriate; in the EU context, it means especially the deepening of the Capital Market Union and completing the Banking Union. To support more the changeover to a more sustainable economy, the taxation system is also to be adjusted to be on board.

4.16. *The Single Market*

4.16.1. The Single Market is the heart of the European building. A working Single Market stimulates competition, improves efficiency, raises quality, and helps cut prices. The European Single Market is certainly one of the EU's greatest achievements. It is therefore crucial to examine how the functioning of the internal market can stimulate or hinder economic recovery after the health crisis.

4.16.2. The Single Market's coherence and unity have been heavily put to the test during the recent COVID pandemic. Some areas were revealed where the Single Market was severely affected and paralysed, especially in the free movement of persons. The continuity of cross-border delivery chains was negatively influenced as well. The volume of cross-border trade in the EU deteriorated by double-digit figures on a year-on-year basis. But its core remained and survived. The main challenge for it right now is to recover all natural cross-border flows within the EU and to dismantle the existing barriers to the Single Market that even started to accelerate quite recently with some national-based strategies and concepts implemented after the previous crisis.

4.16.3. There is an opportunity in promoting social innovation as a model for recovery through co-creation, co-design and co-production. In a complex social landscape with massive societal challenges, the only way is to mobilise all resources in society, working in a cross-sectoral and multi-disciplinary manner in order to identify solutions. Organised civil society is a catalyst for social innovation, a movement that has contributed to designing welfare systems resulting in new policies, structures, products, services and working methods. The participation of civil society is now needed more than ever — but true social innovation only happens when organised civil society is involved.

4.16.4. The Single Market Strategy is at the heart of the European project, enabling people, services, goods and capital to move more freely, offering opportunities for European businesses, consumers and workers. Measures are needed to fully unlock its full potential removing barriers. Further, in the aftermath of the crisis and other aspects of a changing environment, such as digitalisation, the Single Market needs to fully adapt to new ideas and business models. The aim is therefore to restore, revitalise and reconstruct the Single Market as an instrument in recovery. Short-term actions include an immediate opening of borders. In addition, we need short-term actions in two streams: addressing tensions and kick-starting the economy and productivity.

4.16.5. The 'unlevel' playing field now emerging is a serious concern. Members States' stimulus packages are extremely varied and have (in spite of the good intention of absorbing some of the demand shock) resulted in an unlevel playing field between Member States. Furthermore, State aid support must be addressed and analysed from a sectoral viewpoint, looking at how in the short- and long-term these actions will distort competition and the level playing field.

4.16.6. We need productivity in the real economy (this means jobs, purchasing power and basic products and services). This productivity may take a different form and be provided by diverse business models, but we need action in this area if we are to avoid further widening inequality gaps. This kick-start means support packages and a favourable environment for SMEs and industry. SMEs as we know are the backbone of the European economy and need specific support, but without extra burdens or red tape. Recovery will only be possible for SMEs if EU and national financial support is made available. Here subsidies, loans, ensuring liquidity, tax incentives, favourable conditions to retain and employ staff, a review of the bankruptcy legislation and other support will be crucial. On bankruptcy laws the EU should take legislative action to enable that small businesses that went bankrupt due to COVID-19 are in a position to start up quickly again. These actions should be time-limited.

4.17. *Industrial strategy*

4.17.1. Many of the previous points are in a general sense also fully valid for the industrial strategy. But European industry faces not only a challenge for the Single Market improvement, but, instead of services, also fundamental structural changes, which is relevant mainly for the coal mining and heavy carbon-intensive industries.

4.17.2. The substance of the new industrial strategy for Europe consists in finding a coexistence between a modern and strong European industry, and the challenges coming from the climate-environmental requirements. The EESC is convinced that this coexistence is feasible and, if successful, it can bring a global comparative advantage to Europe. On the other hand, the EESC is fully aware of and respects the gigantic costs connected with this transition and supports mitigating and compensating for them in an appropriate manner and respecting the economic possibilities.

4.18. *Health systems*

4.18.1. Most importantly, one of the main lessons of the coronavirus crisis is that health systems in almost every European country need to be strengthened, first and foremost by focusing on prevention. The impact of the coronavirus is putting health systems across Europe under enormous strain. While the responsibility for healthcare is a national responsibility, the spread of the virus is not bound by borders. It is affecting the whole of Europe both within and beyond our borders with sanitary, social and economic consequences which urge common responses at European level.

4.18.2. The coronavirus crisis has revealed the dependence of the EU on imports of medical products from non-EU countries. Investments in health protection, care, and long-term care services, in preventive healthcare and occupational health and safety policies — in a life-cycle approach — are needed and have to be supported by EU institutions.

4.18.3. The coronavirus crisis makes it clear that pharmaceutical multinationals have a great amount of power. In order to increase the independence of the pharmaceutical industry, a large European research fund for the development of new medicines and vaccines must also be created. The EU institutions should have the necessary authority to coordinate supply, distribution and prices of essential medical and protective equipment within the Single Market.

4.18.4. The EESC calls for a chemicals strategy for sustainability that ensures the protection of human health and the environment, while minimising exposure to hazardous chemicals. The new strategy will have to be fully coherent with the European Green Deal.

4.18.5. It is necessary to restore the confidence of passengers in transport with a specific regard to public transport. This involves among other measures increasing the health safety of passengers (e.g. air-conditioning systems, detecting sick people, cleaning and disinfection measures etc.). In this context, passenger rights need to be re-considered and even strengthened (e.g. reimbursement for cancelled journeys).

5. **A stronger Europe in the world**

5.1. The EU needs to strengthen and support its global position in terms of playing a more important and strategic role in the world economy as well as politics. This position has weakened over the last decade. The EU economy has a potential to better utilize its comparative advantages in the global trade and investment market, especially in advanced manufacturing and innovative services, along with an ambition to be a global leader. This effort should be accompanied by a better and more effective representation of the EU in key global organisations and the need to speak there with one voice. The EESC calls upon the European Commission to make a relevant effort to reflect more specifically the need to strengthen the EU's global position in its work programme for 2021.

5.2. The EU should further support am multilateral approach in trade. Incorporating social, labour and sustainable development standards [8] in the rules of the WTO and other UN-related agencies could substantially contribute to the construction of a new, fair economic and commercial order, and a just and smart globalisation. At the same time, it should oppose the effort to establish new barriers and restrictions in the global economy.

5.3. As one of the concrete lessons of the COVID crisis, the EU should consider more attentively the protection of its strategic assets and investments and strengthen screening in areas where there is a risk of politically misusing an investment transaction in a strategy industry.

5.4. After Brexit, the EU should not only focus on strengthening its coherence and unity, but in relevant cases not forget to continue the enlargement process that has recently been somewhat delayed, despite some progress, especially in the accession of some Western Balkans candidate countries. The enlargement could strongly contribute to eliminating the political and economic uncertainties and increase stability in this part of Europe.

5.5. In the last decade, the geopolitical situation has worsened, which also concerns the territories closer to the EU external border. To support stability and improve mutual relations with the EU, the initiative of a strategic partnership and inclusive neighbourhood policy is to continue. It should react flexibly to the new circumstances and be based on a common respect and the benefits that it brings for both sides.

5.6. The changing geopolitical situation and the consequences of the recent migration crisis as well as the deterioration of external relations in the world with many new risky phenomena has also moved the spectrum of the EU development aid and assistance. The next MFF counts with a huge increase of financial resources for this purpose and expects the inclusion of the European Development Fund in the framework. The EESC supports this activity and underlines the need to pay special attention to Africa, in order to help that continent to overcome a difficult political, economic, social and environmental situation.

5.7. It is necessary to relaunch the EU's geopolitical strategic role in promoting global peace processes, so as to relaunch opportunities for economic development in the EU neighbourhood: Western Balkans, Euromed and Eastern Partners, and in other conflict-ridden areas.

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[8] See, for example, https://www.ilo.org/global/standards/lang--en/index.htm

6. **Promoting our European way of life**

6.1. *The social measures*

6.1.1. Beyond economic and environmental issues, the EU work programme in 2021 must be driven by the social dimension. This means that its commitment to a social and sustainable Europe shall be a priority. In this, civil society organisations play an important role as well. There is an opportunity in promoting social innovation as a model for recovery through co-creation, co-design and co-production. In a complex social landscape with massive societal challenges, the only way is to mobilise all resources in society, working in a cross-sectoral and multi-disciplinary manner in order to identify solutions. Organised civil society is a catalyst for social innovation.

6.1.2. It is necessary to develop a wider understanding of the 'just transition' (beyond coal) and fully implement the European Pillar of Social Rights, while driving reforms of redistributive systems, work-life balance and gender equality.

6.1.3. Implementing the European Pillar of Social Rights (EPSR) at European level and in all Member States is an important step to embarking proactively on a process of upwards social convergence. The Commission's political guidelines promised a fair transition for all towards a green social market economy. In this context, the Commission presented a roadmap on 'A Strong Social Europe for Just Transitions', which launched a discussion with EU countries, regions, and partners on concrete commitments to implement the Pillar to deliver progress at EU, national, regional and local level until November 2020 ([9]). Based on the contributions received, the Commission will present in early 2021 an Action Plan for the implementation of the social pillar. Additional proposals for 2021 are found in the annex to the roadmap. These include a child guarantee, an action plan for the social economy, a strategy for disability and a long-term vision for rural areas ([10]).

6.1.4. In the context of the roadmap, the Commission launched a first-stage and then a second-stage consultation of social partners on fair minimum wages ([11]). The EESC awaits a possible forthcoming Commission legal initiative on a decent fair minimum wages. The objective should be to ensure that minimum wages in all EU Member States provide all workers with a decent standard of living. The EESC welcomes the Commission's recognition that there is scope for EU action to foster the role of collective bargaining in supporting minimum wage adequacy and coverage and that measures to support collective bargaining, particularly at sectoral level, should be included in the EU action on minimum wages ([12]).

6.1.5. The complexity of the EU's social dimension is such that strengthening it requires governance mechanisms in place to allow for collective problem-solving by various actors across different sectors. The role of social dialogue is key. Strong social recovery also means better access to trade unions and better protection. Collective bargaining and workplace democracy should be supported. The EU and Member States need to support the social partners in increasing the collective bargaining coverage significantly. There is a need to reinforce representativeness and autonomy and the links between European and national levels of social dialogue. Moreover, there is a need to further improve the social partners' capacity and involvement in policy-making, as well as to ensure a stable and balanced industrial relations framework. The EESC believes that the European Commission should revise the EU Quality Framework for Anticipation of Change and Restructuring and propose a legal basis for specific framework conditions concerning worker participation, without interfering in national competences ([13]), in order to improve workers' involvement to manage the challenges of the Green deal and of the digital transformation process.

6.1.6. The EESC urges the Commission to reform the European Union's economic governance. The EESC is convinced that some changes are required in: (a) governance, i.e. dedicated governance mechanisms are needed to address urgent problems faster and tackle complex issues. The role of such mechanisms would be to link the EU and the Member State

([9]) https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_20
([10]) A Strong Social Europe for Just Transitions.
([11]) https://ec.europa.eu/social/main.jsp?langId=en&catId=1226&furtherNews=yes&newsId=9696
([12]) Ongoing SOC/632 — Decent minimum wages across Europe.
([13]) CCMI/124 — EU Quality Framework for anticipation of change and restructuring (OJ C 19, 21.1.2015, p. 50)

levels, not to replace action at either; (b) integrating the SDGs into the EU's economic and social monitoring and budgeting processes. In this respect, the European Semester could be equipped with new, improved, measurable and complementary social, economic and environmental indicators to monitor and keep track of all aspects of the European Pillar of Social Rights and its principles, as well as the 17 SDGs ([14]).

6.1.7. The EESC welcomes the proposal announced for improving working conditions for platform workers in 2021. However, the EESC regrets that the much broader challenge of an inclusive and fair transition is not directly addressed in the Commission communication ([15]). It insists on the need for an ambitious action plan to encourage the Member States to follow through on their promises regarding the proclamation of the European Pillar of Social Rights ([16]).

6.1.8. Reframing work is of crucial importance in the recovery phase of the COVID-19 crisis. In both the private and public health and care sectors, pursuing productivity growth ran counter to quality of service and undermined the working experience, which had dramatic consequences during the health crisis in most of the EU countries. The shift towards service-based activities would lead to a more labour-intensive economy, counter-balancing the precarious nature of jobs in these sectors, supporting higher levels of employment and bringing jobs back into the real economy. Policies to support quality work in labour-intensive sectors that deliver high quality services are therefore essential.

6.1.9. The EESC remains concerned that poverty in general and in-work poverty are still a significant problem in many Member States. In addition to improving wage levels, a comprehensive approach is needed at EU and Member State level including action to ensure adequate minimum income schemes, common minimum standards in the field of unemployment insurance and effective active inclusion schemes, supported by essential and enabling social services. Well-functioning labour markets, public employment services, and active labour market policies are also required ([17]).

6.1.10. The EESC supports the Commission's Gender Equality Strategy 2020-2025 and recommends that the Commission adopt gender mainstreaming strategies in all programming and governance bodies, as well as an intersectional approach to gender equality. The Strategy should be implemented in tandem with tackling the impact of COVID-19, through tailor-made and targeted policy responses. The Committee notes the Commission's intention to propose a legislative initiative on binding pay transparency measures. In addressing pay and other gender gaps, greater social recognition and economic value should be given to jobs and sectors, which traditionally employ many women, and are often underpaid and undervalued.

6.1.11. It is important to continue to tackle and mitigate the socioeconomic consequences of the pandemic, which are exceptionally strong in the key areas of transport, travel and tourism.

6.2. *Migration and the post-COVID-19 era*

6.2.1. With the arrival of the COVID-19 pandemic, the consequent immense tragedy for national health systems and the collapse of the economy in all countries, the issue of migration seemed to disappear from the scenario and recede into the background, with a certain indifference on the part of the public opinion. Asylum-seekers cannot be abandoned due to the current crisis. Basic protective rights are the core of European values and cannot be thrown overboard when they are inconvenient.

7. **A new push for European democracy**

7.1. The European Union is based on common European values which are non-negotiable under any circumstances: respect for human dignity and human rights, freedom, democracy, equality and the rule of law. These values cannot be forgotten when the EU and its Member States face an emergency and its fallout in terms of economic and social challenges.

([14]) https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1600965538199&uri=CELEX:52020DC0102

([15]) https://ec.europa.eu/info/sites/info/files/communication-eu-industrial-strategy-march-2020_en.pdf

([16]) INT/897 — Industrial strategy (see page 108 of this Official Journal).

([17]) Ongoing EESC Opinion SOC/632 on 'Decent minimum wages across Europe', and EESC Opinion SOC/583: https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/common-minimum-standards-field-unemployment-insurance-eu-member-states-concrete-step-towards-effective-implementation (OJ C 97, 24.3.2020, p. 32) and EESC Opinion 'For a European Framework Directive on a Minimum Income' (OJ C 190, 5.6.2019, p. 1).

While the response to the current crisis needs to be swift and warrants certain exceptional and time-limited measures, these cannot go against the rule of law and cannot endanger democracy, the separation of powers and the fundamental rights of European citizens. The EESC insists that all policy measures in this respect must be fully in line with our common values as laid down in Article 2 TEU.

7.2. In this new recovery and reconstruction process, the EESC hopes that forthcoming Conference on the future of Europe could be an opportunity to strengthen and deepen the EU's institutional structure and for a real renewal of the EU project, able to face the challenges of the next decades.

7.3. The COVID-19 crisis has exposed the institutional limits and shortcomings of the current European Union, while demonstrating the urgent need for an effective and efficient Union. A new European Union set-up is needed that goes beyond the EU single market to lead to a more integrated Europe with real fiscal capacity and that its main objective is to improve the living and working conditions of its citizens. For these reasons, the EESC is of the opinion that the Conference process should take into account the EU's existing recovery instruments and the solidarity that has already been established, while ensuring ecological sustainability, economic development, social progress, security and democracy. The EESC stresses that despite the pandemic the direct engagement of civil society organisations, and social partners and elected representatives must remain a priority of the Conference and looks forward to starting the Conference so as to build a more democratic, more effective and more resilient Union together with all EU citizens. The EESC believes that the Commission should keep the scope of the Conference open to all possible outcomes, including legislative proposals, initiating treaty change or otherwise.

7.4. In the EESC's view, disinformation poses a direct threat not only to the ability of people to take informed political decisions, but also to the European integration project and therefore to the European Union's unity, prosperity and global influence. Weakening the EU's democratic decision-making capabilities is in the interest of a range of foreign powers, as well as extremist groups that oppose European cooperation and stronger cohesion. The EESC would express its firm support for the EU's current efforts to counter disinformation — external and domestic — and urges the Commission to ensure full compliance and follow-up regulatory action in respect of the Code of Practice on Disinformation, further development of the recently established 'rapid alert system' and Stratcom's intelligence units, and the expansion of the European External Action Service's action against disinformation, paralleled by considerable expansion of EU action against domestic disinformation ([18]).

7.5. The EESC strongly supports the European Commission's proposal to develop a 'European Democracy Action Plan' which should be comprehensive and continuous, with the capacity to effect change, assured by financial support and inter-institutional coordination. The European Democracy Action Plan and related future initiatives should strive to do much more to achieve a free and plural media and quality independent journalism, effective regulation of social media, particularly to combat disinformation and including regulation of online political advertising and content responsibility, a modernised electoral process, the inclusion of disenfranchised groups, primarily persons with disabilities, and widespread civic education about the European Union and its democratic process in all Member States. The EESC recalls its proposal for an ambitious EU communication, education and public awareness strategy on fundamental rights and the rule of law and democracy ([19]).

7.6. Further action is needed to achieve free and pluralistic media and quality independent journalism, as well as effective regulation of social media particularly to combat disinformation and including regulation of online political advertising and content responsibility.

7.7. *Better regulation and foresight*

7.7.1. The EESC maintains the call for a revised Better Regulation Agenda that integrates a 'sustainability check' to ensure all EU legislation and policies are contributing to the implementation of the SDGs.

([18]) SOC/630 — The effects of campaigns on participation in political decision-making (OJ C 311, 18.9.2020, p. 26).
([19]) OJ C 282, 20.8.2019, p. 39 and Communication from the Commission to the European Parliament, the European Council and the Council on Further strengthening the Rule of Law within the Union — State of play and possible next steps, 3 April 2019.

7.7.2. The EESC is committed to contributing to the success of the new Fit For Future Platform (F4F) that replaces the REFIT Platform and welcomes the upgrade of the EESC's role in the F4F in terms of participation, representation and input. This new platform will engage Member States and civil society representatives to work on simplification and unnecessary regulatory burden reduction, and preparing Europe for new challenges in the future such as digitalisation. The COVID-19 crisis has demonstrated the importance of designing policies and strengthening capabilities in such a way that they are fit for addressing the uncertainties of the future.

7.7.3. The EESC points out that better regulation is not a substitute for political decisions and must on no account lead to deregulation or reduce the level of social, environmental and consumer protection and protection of fundamental rights. The EESC calls on the Commission to review the guidelines and criteria in its Better Regulation toolbox, with a view to incorporating into evaluation processes the sustainable development goals (SDGs) set out in the Horizon 2030 programme. A 'sustainability check' should be explicitly included in the Better Regulation toolbox. The EESC again calls for the European impact assessment and evaluation ecosystem to keep evolving in order to strengthen its quality and encourage the active participation of organised civil society in designing and implementing legislation ([20]).

7.7.4. The EESC suggests that the Commission combine public consultations (because of its limitations) with ad hoc round tables of relevant stakeholders, such as social partners and organised civil society, in order to strengthen participatory democracy.

7.7.5. Civil society organisations' involvement in impact assessment and strategic foresight should be strengthened to ensure their expertise and knowledge on the ground is taken into consideration when designing future legislation and policies in the new post-COVID-19 context.

7.7.6. Civil society organisations themselves are among the victims of inequalities and weaknesses in the system. Their current and future ability to respond to needs is threatened by often scarce and fluctuating resources. This needs to be addressed by ensuring funding mechanisms for them. The Commission's 2021 work programme following the crisis is a huge opportunity to review EU engagement towards civil society organisations in terms of more sustainable and structural financial support vs project-based funding.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([20]) INT/886 — Better Regulation stocktaking (OJ C 14, 15.1.2020, p. 72).

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

553RD PLENARY SESSION (HYBRID), 15 AND 16 JULY 2020

Opinion of the European Economic and Social Committee on ‘Promoting a more inclusive and sustainable Banking Union by improving the contribution of community banks to local development and building a socially responsible international and European financial system’

(own-initiative opinion)

(2020/C 364/02)

Rapporteur: **Giuseppe GUERINI**

Plenary Assembly decision	20.2.2020
Legal basis	Rule 32(2) of the Rules of Procedure
	Own-initiative opinion
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	24.6.2020
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote (for/against/abstentions)	205/6/6

1. **Conclusions and recommendations**

1.1. The rules adopted in recent years at international and European level have not always taken full account of the different models that contribute to the diversity of banks in Europe, and this has had a significant impact on smaller and regional banks, which often take the form of cooperatives, particularly in Member States such as Italy and Spain.

1.2. The different models that give the European banking system its pluralism and diversity have not been affected in the same way by the regulatory measures put in place following the financial crisis. In some cases, the banks that contributed least to the 2008 crisis have been hardest hit by the rules adopted in response to that crisis.

1.3. While acknowledging the progress made by the Commission in taking account of smaller and less complex banking institutions in its recent regulatory measures, the EESC believes it would be useful to further increase the proportionality of banking rules with regard to the characteristics of their addressees, without sacrificing the effectiveness of prudential rules. At the same time, the general principles and objectives underlying the measures taken since the financial crisis should not be jeopardised or undermined, since they have proved to be both necessary and effective. The security, stability and resilience of the financial system are of paramount importance.

1.4. The EESC endorses the recent decision to push back the date for implementing the Basel III accord, and feels that when the time comes, the new provision on capital requirements should be transposed in a way that caters properly for the diversity of banking business models in Europe and their contribution to the diversification and resilience of the Banking Union.

1.5. The EESC calls for greater recognition of the unique role played by regional and community banks, often organised as cooperatives in some Member States such as Italy and Spain, when it comes to families and SMEs at local level; in some cases, they are the main, if not the only, source of access to credit for thousands of European citizens and businesses.

1.6. The EESC also calls for proper recognition of the contribution made by the larger cooperative banks of countries such as Germany, Austria, the Netherlands and France to the European banking system. In cases where they contribute to systemic risks, this must be duly taken into account in regulation and supervision.

1.7. It is also important to point out the key role they play in nourishing economic democracy, promoting the participation of their stakeholders, who are not mere shareholders or clients, but partners who can participate on the basis of *per capita* votes in governance guidelines, which are in fact oriented more towards stakeholder value than shareholder value.

1.8. The EESC believes that European banks, including regional and cooperative banks, will play a key role in economic recovery following the COVID-19 emergency, supporting the economy and employment.

1.9. A diversified banking system, fed into by a range of stakeholders and rooted in regions and local communities, is also an important guarantee for preserving shared, participatory social responsibility of citizens, SMEs and individual economic operators substantially involved in the real economy.

2. **General comments**

2.1. This own-initiative opinion is the EESC's contribution to a Banking Union able to meet the objectives of sustainable development and social inclusion which are prerequisites for the European Union's future competitiveness given the array of global challenges. In this respect, the EESC would like to convey civil society's interests in achieving an inclusive, diversified and sustainable Banking Union.

2.2. This contribution follows on from a number of other EESC opinions on the role of local and cooperatives banks ([1]) and is even more important now that we are facing a global health, humanitarian, economic, employment and social crisis triggered by the COVID-19 outbreak.

2.3. The constant increase in European-level banking regulation, which has gradually become more restrictive over the years, has not always managed to allow for the various banking models which contribute to the diversity of banking in Europe or to develop proportionate rules which are also suited to smaller, regional banks.

2.4. The points discussed below primarily refer to community banks, which are often small with a simpler management structure. They also refer to the cooperative banks of various types and sizes in Europe. These banks are small, numerous and only operate locally in some countries such as Italy and Spain. On the other hand, in Member States such as Germany, Austria and the Netherlands they are relevant players, but in so far as they operate as a cooperative, they still share the same

([1]) The EESC has already issued several opinions on the Banking Union (*Role of cooperative and savings banks in territorial cohesion*) but the recommendations made in them have yet to be taken up. In 2014, in response to the proposal for a regulation on structural measures improving the resilience of EU credit institutions (COM(2014) 43 final — 2014/0020 (COD)), the EESC put forward recommendations on support for local economies and the need for banking regulations which complied with the principle of proportionality. In 2018, the EESC published a study entitled *Europe's cooperative banking models* (ISBN: 978-92-830-4024-8, Catalogue number: QE-01-18-233-EN-N) describing the state of play and the outlook for the cooperative banking system in Europe.

distinctive feature of other cooperatives banks, which is the pursuit of stakeholder value rather than (predominantly) shareholder value. When organised in a banking group listed on the stock market, cooperative banks are required to share several features with other listed companies.

2.5. In order to tackle the subject of banking regulation, we must take up the twofold challenge of looking back with a critical eye at the events which shaped Europe's regulatory framework over the years and looking forward with a clear gaze at where we want to go.

2.6. As regards looking back, it should be pointed out that the current framework is largely a response to the 2008 crisis. The European legislator aimed to recast the rules so as to remedy the shortcomings revealed by the crisis and, most importantly, to ensure that banks would be better equipped and more resilient in the event of future crises.

2.7. While the purposes of the reforms implemented were and remain laudable, there can be no doubt that the approach taken to date by the banking regulator has had an asymmetrical impact on the various branches of the banking system.

2.8. The different models that give the European banking system its pluralism and diversity have not been affected in the same way by the reforms implemented. In some cases, the business models that contributed least to the 2008 crisis, such as local banks, which are often small and, in some Member States, cooperatives, have been harder hit by the rules.

2.9. Partly due to regulation which imposed an increasingly untenable burden in a number of respects, local small to medium-sized banks came under increasing regulatory pressure to form larger groups and merge or be forced out of the market, with a resulting loss of diversity within the European banking system.

3. **Regional banks and banking regulation: general considerations**

3.1. The various standards adopted in recent years in order to implement international agreements and European legislation have penalised small and medium-sized banks, particularly cooperative, regional and mutual banks, for three reasons:

a. compliance costs due to extensive, complex, highly detailed and constantly changing regulation;

b. limited acknowledgement of the fact that local banks have a different systemic impact in terms of risk;

c. the fact that big systemic banks are at an advantage when it comes to the costs of financing.

3.2. The EESC therefore considers that the legislator should act promptly to ensure that banking regulation is more **structurally proportionate and fitted** to the regulated entities. The legislator should aim to achieve three objectives:

a. reduce artificial distortions in competition brought about by regulations which are not proportionate or fitted to the characteristics, including the defining business objectives, of the regulated entities;

b. ensure that the European banking industry is diversified and thus better able to cope with future financial and economic crises;

c. promote (rather than reduce) credit support for SMEs, a key sector of Europe's economy.

3.3. The EESC endorses the recent decision to push back the date for implementing the Basel III accord, and feels strongly that when the time comes, it should be transposed into EU law in a way which caters properly for the diversity of banking business models operating in Europe.

3.4. With a view to the transposition of the new reforms set out in the Basel accord, the EESC feels that it would be useful to list and endorse the seven principles set out in June 2019 by the European Systemic Risk Board (ESRB), which were devised prior to the ESRB's launch of the consultative assessment ([2]).

a. ***Adaptability***: financial regulation should be able to evolve with the financial system and not become an obstacle to innovation. This entails not creating material barriers to entry by new banks and not discouraging new business models or the safeguarding of alternative banking models which have established their place, such as the cooperative model.

b. ***Diversity***: the diversity of financial institutions and business practices should be preserved, as this diversity is an effective safeguard against systemic instability. It is important to avoid excessive homogenisation of the regulated businesses and activities: the ability to develop 'antibodies' and diversified forms of reaction/resilience to adverse economic cycles, for instance, boosts the overall stability of the financial industry and, more generally, the economy.

c. ***Proportionality***: the burden of regulation should be proportionate to the importance of the market imperfection at stake and the systemic relevance of the regulated entities.

d. ***Resolvability***: regulation should ensure that unviable institutions can exit the system without endangering systemic stability. However, policies must be adopted which allow for the internal structure and complexity of the institutions concerned.

e. ***Systemic perspective***: financial regulation should aim to ensure the continuous provision of critical financial services to society. A regulatory framework that favours the concentration of activities in a limited number of financial institutions can be more vulnerable as it depends on the survival of the handful of institutions.

f. ***Information availability***: the information flows from banks to regulatory authorities stipulated by sector regulations should make it possible to rapidly identify contagion channels and pockets of vulnerability.

g. ***Non-regulatory discipline***: the presence of regulatory discipline should not rule out solutions which have been tried and tested outside strictly regulatory environments.

4. Proposals for transposing the new rules into the regulatory framework of the Banking Union

4.1. There is reason to suppose that the European Commission will review its legislative programme during the 2019-2024 European legislature in the wake of the COVID-19 emergency. Until such time as the new programme is known, the EESC considers that the following key principles should steer the regulatory adaptation of the European banking system.

4.2. The Basel accord (concluded in December 2017) needs to be transposed taking greater advantage of the margins for interpretation and discretion than happened with the Basel II and Basel III frameworks. In general terms, it is fair to recognise that the European Commission has taken some steps in the right direction to simplify the rules with regard to smaller and non-complex banking institutions in several areas such as reporting requirements, supervision and capital requirements (SME supporting factor). It is, however, necessary to continue further in that direction by, as far as possible, adapting the rules to the different business models, without sacrificing the effectiveness of prudential regulation.

4.3. In particular, the EESC recognises the unique role played by regional and community banks, often taking the form of cooperatives in some Member States such as Italy and Spain, when it comes to SMEs and families. The EESC also recognises the contribution made by the larger cooperative banks of countries such as Germany, Austria and the Netherlands to the European banking system. In cases where they contribute to systemic risks, this must be duly taken into account in regulation and supervision.

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(2) Reports of the Advisory Scientific Committee — *Regulatory Complexity and the Quest for Robust Regulation*, No 8, June 2019.

4.4. It would be beneficial for Europe's economy and banking system if we could push past the equation (laid down in Article 40 of Regulation (EU) No 468/2014 of the European Central Bank ([3])) whereby banks which are part of a 'significant' banking group themselves become 'significant' despite remaining relatively small in terms of size, role and exposure to so-called systemic risks, in order to recognise the forms of proportionality brought in in May 2019 by the CRD V and the CRR II (known as the banking package). Article 84(4) of the CRD V and Article 4(1) (145) of the CRR II introduce the concept of 'small and non-complex institution' for which some requirements should be scaled back, particularly as regards disclosure.

4.5. The EESC considers that the definition of 'small and non-complex institution' lays the groundwork for a systematic approach to proportionality. Simplified requirements for a small and non-complex institution should not be restricted to disclosure requirements. It should be possible to extend this simplification to other prudential and supervision requirements. For instance, a small and non-complex institution should not be supervised as a 'significant' institution when it is affiliated with a 'significant' group for which such supervision is required by national law. Such a situation could in reality trigger a sort of double supervision of minor banks carried out at different levels, with a significant adverse impact in terms of both compliance costs for banks and regulatory costs for banking authorities.

4.6. The EESC also calls for the revision of the rules and mechanisms governing the resolution and liquidation of banks, the method used to calculate the MREL ([4]), and the alternative steps which can be taken by specific deposit guarantee funds ([5]) set up by some regional or cooperative bank systems based on the European Court of Justice *Tercas* ruling of 19 March 2019 ([6]).

4.7. The new primary regulations and the rules on supervision of sustainable finance must not result in further compliance costs with consequent unsustainable supervision models for small and cooperative banks.

4.8. The EESC endorses the proposals made by the European Parliament's Committee on Economic and Monetary Affairs in 2019 with regard to the opportunity to introduce a 'green and social supporting factor' to reduce capital absorption for financing granted by banks to social economy enterprises and to enterprises genuinely involved in sustainable and inclusive development programmes. Keeping in mind the necessity of resilience and stability of the financial sector, the opportunity of developing a green and social supporting factor should hence be properly examined and assessed.

4.9. The EESC believes that the new Banking Union regulation must roll out instruments to recognise that bank investments in activities with a positive social and environmental impact must be encouraged, including through preferential treatment with regard to the prudential backstops requested by the EBA.

4.10. This regulatory sensitivity would also be bolstered by data showing that investments by social economy enterprises are low risk in nature; these enterprises had an almost irrelevant impact on the European banking system in terms of NPL.

([3]) OJ L 141, 14.5.2014, p. 1.

([4]) MREL (Minimum Requirement for own funds and Eligible Liabilities) is a requirement introduced by the Bank Recovery and Resolution Directive (BRRD) which aims to ensure that the bail-in mechanism works efficiently by increasing the bank's loss absorption capacity.

([5]) One such fund aiming to **safeguard deposits** is operated by the *Banche Cooperative Italiane consorziate* (BCC-CR). It is a good example of a mechanism set up to safeguard deposits which is fully financed by the banks' own resources, with a mutual and cooperative mechanism. The fund intervenes in the event of the **compulsory liquidation** of the member banks and, in the case of subsidiaries of community cooperative credit banks which are affiliated and operate in Italy, when their state's guarantee scheme has intervened; in the event of the **resolution** of member banks; in operations entailing the **disposal** of activities, deposit liabilities, businesses, parts, assets and grouped legal transactions; and to overcome the status of **failure or risk of failure** of a member.

([6]) This ruling effectively annuls the Commission's decision whereby support by a private-law consortium for one of its members constituted state aid.

4.11. The co-legislators reached a compromise in the Spring of 2019, tasking the EBA (Article 501 of Regulation (EU) No 575/2013 of the European Parliament and of the Council [7], CRR), after consulting the European Systemic Risk Board (ESRB), with assessing, on the basis of available data and the findings of the Commission High-Level Expert Group on Sustainable Finance, whether a dedicated prudential treatment of exposures related to assets or activities associated substantially with environmental and/or social objectives would be justified. This EESC trusts that this assessment will be both careful and positive.

5. **Bank groups and supervision**

5.1. With regard to the establishment of cooperative bank groups stipulated by European regulation, whereby community and regional banks group together, in particular in certain countries such as Italy and Spain, in order to gain greater critical mass for their activities, regional banks should be able to ensure the appropriate management of the capital absorption of shares in the capital of the respective parent banks, so as to avoid excessive compression of the capital used for credit.

5.2. Currently, the legal framework provided for by European regulation on bank groups follows three articles of the CRR:

a. Article 10: bank groups established by banks permanently affiliated to a central body, with cross-guarantees and powers of direction and coordination (Italy, the Netherlands, Finland, Portugal and Luxembourg);

b. Article 113(6): groups with powers of direction and coordination under the parent bank or highly integrated systems (France);

c. Article 113(7): institutional protection schemes (IPS): Germany, Austria, Spain, the province of Bolzano in Italy.

5.3. In practice, these three set-ups are not able to recognise certain aspects which are defining features of the operations of those cooperative banks which have been required to join cooperative bank groups or institutional protection schemes following the formation of the Banking Union.

5.4. The requirement for cooperative banks to comply with mutual rules, to develop operational arrangements limited to the regions in which they are established, their democratic governance, the absence of individual profit-making objectives, the limits set for the distribution of profit and the indivisibility of capital cannot be reconciled with the current regulatory framework.

5.5. This could weaken their long-standing and effective role as regional development banks with a proven anti-cyclical function.

6. **Post-COVID-19 framework**

6.1. The impact of the COVID-19 pandemic is now dramatically apparent. We will have to get accustomed to living with much higher levels of public debt and, in order to ensure that resources get where they need to go on time, the entire financial system will have to be mobilised as part of a shared general effort involving public authorities and private players.

6.2. Considering the COVD-19 aftermath, it has been authoritatively observed that European banks will have to become ‘a vehicle for public policy’ to support the economy and employment after this health emergency. As a consequence, ‘neither regulation nor collateral rules should stand in the way of creating all the space needed in bank balance sheets for this purpose’ [8].

(7) OJ L 176, 27.6.2013, p. 1.
(8) See, for example, the arguments of former ECB president Mario Draghi in the *Financial Times,* 26 March 2020.

6.3. It is too soon to say how the COVID-19 crisis will affect the economy and what its ultimate impact on banks will be, but we do need to consider matters in light of the current and future framework.

a. From a regulatory perspective, the main objective after the 2008 financial crisis was the reduction of risk in banks' balance sheets. After the COVID-19 outbreak and for a currently undetermined period, however, banks' balance sheets will swell with the risks taken by the states and the real economy.

b. The SSM, the EBA and the ESMA have adopted a series of measures using the room for manoeuvre granted to them by the regulatory framework with a view to suspending certain tasks or scaling back certain prudential requirements.

c. If the economic and financial effects of the crisis are still visible to a significant extent in banks' balance sheets in future, this impact will have to be taken into account when implementing the Basel accord of December 2017 in the EU.

d. The Basel Committee's decision to postpone implementing the December 2017 accord is undoubtedly appropriate and necessary to enable banks to cope with the fallout of the pandemic, both in order to take into account the impact of the COVID-19 crisis on banks' financial situation and to cater better for the diversity of banking in Europe.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on 'Taxation mechanisms for reducing CO_2 emissions'

(own-initiative opinion)

(2020/C 364/03)

Rapporteur: **Krister ANDERSSON**

Plenary Assembly decision	20.2.2020
Legal basis	Rule 32(2) of the Rules of Procedure
Section responsible	Section for Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	24.6.2020
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote	
(for/against/abstentions)	209/1/6

1. **Conclusions and recommendations**

1.1. The EESC believes that there are well-founded reasons to establish uniform rules within the EU to combat global warming and based on these to embark on international discussions with other trading blocs.

1.2. The discussions so far have focused on regulations and environmental taxes, in particular on taxes to reduce emissions. The EESC argues that there is a need to address global warming in a global, comprehensive and symmetrical way, taking into account the level of CO_2 in the atmosphere.

1.3. The Commission has in its carbon-reduction work focused its attention on the ETS. The EESC deems that, in the future, it could be useful and necessary to also devise new taxation measures that can supplement the current ETS and national carbon taxes in order to achieve an effective and symmetrical policy framework to tackle the increasing amount of CO_2 emissions.

1.4. The EESC praises the Commission's approach, since it seems a good step in order to establish more effective carbon pricing throughout the economy. Such a tool should be coordinated with other additional instruments, including a new approach to taxation within the EU internal market in a coherent policy framework, as well as with other similar tools implemented in other jurisdictions worldwide.

1.5. The EESC encourages the European Commission to undertake concrete initiatives to establish similar carbon taxes in the Member States in order to harmonise the efforts towards an effective reduction of the CO_2 level. An ideal outcome should create uniform conditions across the EU single market with regard to the emissions/reductions to be taxed, as well as the specific methods and rates of taxation for an equal impact on the level of CO_2 in the atmosphere.

1.6. The EESC believes that even with the new taxes and additional measures being implemented, global warming is likely to continue unless already-emitted CO_2 can be taken out of the atmosphere.

1.7. The EESC encourages the development, through dedicated investments, of carbon capture and storage (CCS) and carbon capture and utilisation (CCU) technologies, both at the EU and national level, since they contribute to the objective of reducing the impact of CO_2 emissions and, more generally, to both the sustainable development goals promoted by the UN and the objectives of the Paris Agreement on climate change.

1.8. Member States should in particular adopt a comprehensive and symmetrical environmental tax policy for the effect of CO_2 on global warming. There is a need to introduce taxes with both positive and negative rates. The revenues raised from CO_2 taxes should be used to finance incentives for CO_2-reduction techniques locally, regionally and nationally

1.9. The EESC draws attention to other policy instruments for carbon reduction. These range from new technologies to land management practices, which should be encouraged and supported both at the EU and national level. First and foremost, forests remove carbon dioxide naturally, and trees are especially good at storing carbon removed from the atmosphere by photosynthesis. Expanding, restoring and correctly managing forests can leverage the power of photosynthesis to tackle CO_2.

1.10. While the sale of forest products is taxed as income for the owner, it should be recognised that planting trees and the growth of forests reduces CO_2 in the atmosphere and should therefore, in a symmetrical tax approach to global warming, be encouraged by a negative CO_2 tax. This would be an important measure to achieve climate objectives.

1.11. The EESC would like to stress the need for efficient measures to be implemented in a socially acceptable way for all.

2. **General comments**

2.1. Global warming is a concern for everyone and governments are seeking efficient methods to limit the global increase in temperature. Several factors contribute to global warming but the emission of carbon dioxide (CO_2) is of particular importance.

2.2. CO_2 is the greenhouse gas most commonly produced by human activities, contributing to 64 % of man-made global warming ([1]). The concentration of greenhouse gas in the atmosphere witnessed a substantial increase over several decades and is currently 40 % higher than it was when industrialisation began.

2.3. Planet Earth's average surface temperature has risen 0,9 degrees Celsius since the late 19th century ([2]). Such a change has been driven by the increasing emission into the atmosphere of carbon dioxide and other human-made emissions, which many researchers claim are liable for the overall increase in global temperature.

2.4. Human activities are altering the carbon cycle both by adding more CO_2 to the atmosphere — influencing the ability of natural sinks, like forests, to remove CO_2 from the atmosphere — and by impacting the ability of soils to store carbon. The main human activity generating CO_2 is the combustion of fossil fuels — coal, natural gas, and oil — for energy and transportation, followed by certain industrial processes and land-use practices.

2.5. Asia is currently the largest regional emitter in the world, accounting for 53 % of global emissions, with China responsible for 10 billion tonnes (thus exceeding one quarter of the global total), while North America is the second largest emitter (18 % of global emissions), closely followed by Europe with 17 % ([3]).

2.6. The impact of CO_2 emissions on the Earth's temperature and climate change is becoming progressively relevant for public opinion and civil society, as well as for political parties both at the European and national level.

([1]) Causes of climate change, European Commission (Energy, Climate Change, Environment) — https://ec.europa.eu/clima/change/causes_en

([2]) Global Climate Change, NASA — https://climate.nasa.gov/evidence/

([3]) Global Carbon Project, CO_2 emissions — http://www.globalcarbonatlas.org/en/CO2-emissions

2.7. The European Commission, in its turn, has made the development of concrete initiatives against climate change a top priority on its political agenda, e.g. the Green Deal ([4]), before being forced to focus on the COVID-19 emergency in the first months of 2020.

2.8. The Green Deal ([5]) is a cornerstone of the new European Commission's political agenda. It pursues an effective response to the ongoing environmental challenges and is a growth strategy aimed at achieving net-zero greenhouse gas emissions in the EU by 2050.

2.9. The Green Deal covers major sectors of the European economy, including transport, energy, agriculture, buildings, and specific industries such as steel, cement, ICT, textiles and chemicals. The Commission is working on the first 'European Climate Law' and on additional, specific strategies and investments to favour green economic growth. The Just Transition Fund is important but might need further resources ([6]).

3. **Possible policy instruments to be used for reducing CO_2** ([7])

3.1. Many activities can cause pollution affecting other actors in the economy. These effects may not be taken into account when decisions are made about undertaking them. Thus an activity is carried out without taking account of the externalities it creates. In other words, not considering the true social cost of the activity. It is important to include the social cost of pollution when decisions are made. This can be done by imposing a tax on the activity. The externality will then be internalised into the decision and pollution will be reduced in accordance with the costs it creates.

3.2. An activity may however also create a reduction in overall pollution levels, creating a positive externality. Such activities should be incentivised so that they are increased to such an extent that the benefits are fully compensated for. This can be done by imposing a subsidy or a negative tax.

3.3. Since the impact of CO_2 emissions is global in scope, the price for polluting should be the same everywhere for equivalent negative impacts. Only then will the tax be imposed in a cost-efficient manner. There is, therefore, a need for a global approach ([8]).

3.4. It is however difficult to assess exactly how much CO_2 each activity creates and there is no world market where a uniform tax can be imposed on CO_2-producing activities. Countries have therefore had to resort to piecemeal measures. It is important to expand measures undertaken to wider regions and to more polluting activities.

3.5. The EESC believes that there are well-founded reasons to establish uniform rules within the EU and based on these to embark on international discussions with other trading blocs.

3.6. The use of trading permits in the EU and elsewhere is a method of addressing the need to impose a uniform price per emitted tonne of CO_2.

3.7. The discussions so far have however focused on regulations and environmental taxes, in particular on taxes to reduce emissions. The EESC argues that there is a need to address global warming in a comprehensive and symmetrical way, taking into account the existing level of CO_2 in the atmosphere.

([4]) Please see EC Communication *A European Green Deal — Striving to be the first climate-neutral continent*.
([5]) Please see EESC opinion *European Green Deal Investment Plan* (ongoing) and EESC opinion (OJ C 282, 20.8.2019, p. 51).
([6]) Please see EESC opinion *Just Transition Fund and amendments to the Common Provisions Regulation* (OJ C 311, 18.9.2020, p. 55).
([7]) Please see Emissions Gap Report 2019 from UNEP regarding global efforts.
([8]) If a truly global solution is not found, the issue of how to handle products from outside countries becomes an issue and the need for and consequences of a border tax adjustment mechanism arise.

3.8. Since reducing the level of CO_2 in the atmosphere combats global warming, it is equally beneficial to reduce the emissions of CO_2 by some amount or to remove that same amount of CO_2 from the atmosphere. Therefore, adding or subtracting to the level should be treated in a symmetrical way. This means that adding CO_2 to the atmosphere (polluting) should face an extra cost (tax) while activities that reduce the level of CO_2 should be given a subsidy (negative tax).

3.9. The focus has however so far almost exclusively been on preventing further emissions. Even with the new taxes and additional measures being implemented, global warming is likely to continue unless already-emitted CO_2 can be taken out of the atmosphere. The EESC therefore believes that Member States should introduce symmetrical measures.

3.10. The purpose of a tax on carbon emissions and a negative tax on reductions of CO_2 in the atmosphere is to impact behaviour and to internalise the externality of global warming. The tax/subsidy will however impact production and employment opportunities in all sectors of the economy. *A priori*, it is not obvious that the positive and the negative tax rate should be of equal magnitude ([9]).

3.11. It is of the utmost importance to align the various incentives to stimulate sustainable investment, provided that the associated positive externalities are taken into account. A harmonised methodology for low-carbon-emission indices should serve as a guide for the calculation of other impacts.

3.12. In order to make the transition to a carbon-free economy more robust economically and more credible politically, action should be taken as soon as possible to reduce direct and indirect subsidies to the fossil fuel sector, which is responsible for large environmental costs.

3.13. As the financial need of the European Green Deal is very large and the common EU budgetary resources quite limited, the role of the private sector is substantial. An agreement on the multiannual financial framework must take this into account. CO_2 taxes are however primarily there as an outcome of the need to change the behaviour of households, firms and public entities and not as a source of revenue. The EESC would like to stress the need for efficient measures to be implemented in a socially acceptable way for all.

4. **Emissions trading systems**

4.1. A possible policy instrument to reduce CO_2 emissions is the European emissions trading system (ETS) ([10]). It is based on the 'cap and trade' principle. According to such a principle, a cap is set on the overall amount of certain greenhouse gases that can be emitted by installations subject to the system. The cap is reduced over time, forcing total emissions to decrease. Within the cap, companies subject to the system receive or buy emission allowances, which are tradable as needed ([11]).

4.2. According to the Communication on *The European Green Deal* — COM(2019) 640 — in order to reduce greenhouse gas emissions, the Commission will review several relevant climate-related policy instruments by June 2021 ([12]). This will comprise the current ETS, featuring a possible extension of the system in place to new sectors, as well as additional interventions regarding: i) Member State targets to reduce emissions in sectors outside the ETS; ii) the regulation on land use, land use change and forestry.

4.3. The EESC praises the Commission approach, since it seems a good step in order to establish more effective carbon pricing throughout the economy. Such a tool should be coordinated with other additional instruments, including a new approach to taxation, within the EU internal market in a coherent policy framework, as well as with other similar tools implemented in other jurisdictions worldwide.

([9]) It could be argued that the subsidy per tonne of CO_2 reduction should be higher than the tax rate on CO_2 emissions since the effect on employment from reduced production of CO_2-emitting activities is likely to cause some persistent unemployment. It is furthermore probably easier to get public support for a structural change in the economy leading to the development of new technology rather than cutting back on existing production methods.

([10]) Please see EESC opinion *Revision of the EU emissions trading system (ETS)* (OJ C 71, 24.2.2016, p. 57).

([11]) The ETS and the pricing of permits have triggered many debates. The number of permits and the economic business cycle tend to heavily influence the price of permits. The present economic situation, in the wake of the COVID-19 crisis, is also likely to result in renewed discussions on the ETS.

([12]) Please see EESC opinion *European Green Deal Investment Plan* (OJ C 311, 18.9.2020, p. 63).

4.4. From an international perspective, the number of emissions trading systems around the world has increased. Besides the EU emissions trading system (EU ETS), national or sub-national systems are already operating or are under development in Canada, China, Japan, New Zealand, South Korea, Switzerland and the United States.

4.5. The EESC welcomes regional initiatives working towards a substantial reduction of CO_2, as necessary steps in order to effectively cope with the climate change triggered by CO_2 emissions. In this respect, the EESC encourages the European Commission to continue and improve its effort in making Europe a leading region in this field.

5. **Carbon emission taxes**

5.1. Another possible policy instrument is carbon taxes. These reduce emissions mainly in two ways: i)increasing the cost of carbon-based fuels and electricity; ii)motivating, as a consequence, companies to switch to clean energy, such as, for example, hydro, solar, or wind energy.

5.2. Carbon taxes, if correctly devised, are consistent with the ‘polluter-pays principle’, according to which the polluter should bear the cost of measures to reduce pollution in line with the extent of the damage done to society, as stated in the UN Rio Declaration [13] (1992) and in Directive 2004/35/EC on *environmental liability with regard to the prevention and remedying of environmental damage* [14].

5.3. The Commission has in its carbon reduction work focused its attention on the ETS. The EESC deems that, in the future, it could be useful and necessary to also devise new taxation measures that can supplement the current ETS and national carbon taxes in order to achieve an effective and symmetrical policy framework to tackle the increasing amount of CO_2 emissions. A coordination of the effort at the global level is of paramount importance, as duly explained by the IMF [15].

5.4. In Europe, a number of countries have imposed energy taxes, or energy taxes based partly on carbon content. These include Sweden, Denmark, Finland, the Netherlands, Norway, Slovenia, Switzerland, and the UK [16].

5.5. Sweden levies the highest carbon tax rate at EUR 112,08 per tonne of carbon emissions, reducing its emissions by 23 % in the past 25 years. The Swedish carbon tax was instituted in 1991 at a rate corresponding to SEK 250 (EUR 23) per tonne of fossil carbon dioxide emitted, and has gradually been increased to SEK 1 190 (EUR 110) in 2020; it remains a cornerstone of Swedish climate policy [17].

5.6. The Swedish carbon tax provided incentives to reduce energy consumption, improve energy efficiency and increase the use of renewable energy alternatives. By increasing the tax level gradually, interested parties have been given time to adapt, improving the political acceptance of tax increases over time.

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[13] Report of The United Nations Conference on Environment and Development.

[14] OJ L 143, 30.4.2004, p. 56.

[15] IMF Fiscal Monitor, *How to Mitigate Climate Change*, 2019, according to which ‘different policy tools have pros and cons, but the climate crisis is urgent and existential, calling on key stakeholders to deploy all appropriate policy measures. Finance ministers can confront this crisis by undertaking carbon taxation or similar policies, making climate change mitigation more acceptable through complementary tax or expenditure measures, ensuring adequate budgeting for clean technology investment, and coordinating strategies internationally’, p. IX.

[16] The introduction or increase of carbon emission taxes often involve difficult trade-offs. The taxes trigger a need to reform production techniques and means of transportation. It may lead to unemployment in some sectors and the need for a transition to other types of work. For those affected, the social costs may be high. Countries have different possibilities when it comes to providing social protection and this needs to be taken into account in order to make any implementation socially acceptable.

[17] Sweden’s carbon tax, Government Offices of Sweden — https://www.government.se/government-policy/taxes-and-tariffs/swedens-carbon-tax/

5.7. Overall, the Swedish experience shows that it is possible to reduce emissions, even if it requires a substantial transformation of the economy. During the 1990-2017 period, GDP increased by 78 %, while domestic greenhouse gas emissions decreased by 26 % in the same time span, making Sweden the 8th country on the Global Competitive Index.

5.8. In 1990, Finland was the world's first country to introduce a carbon tax. The tax was originally based only on carbon content in connection with heat and electricity generation. It has been expanded to tax both carbon and energy and to include also transportation fuels.

5.9. Denmark introduced a carbon tax in 1992 which covered all consumption of fossil fuels (natural gas, crude oil and coal). In Norway, up to 55 % of all emissions are covered by the carbon tax; the remaining emissions are covered by the domestic system of emissions trading ([18]).

5.10. The EESC encourages the European Commission to undertake concrete initiatives to establish similar carbon taxes in Member States in order to harmonise the efforts towards an effective reduction of the CO_2 level. An ideal outcome should create uniform conditions across the EU single market with regard to the emissions/reductions to be taxed, as well as the specific methods and rates of taxation for an equal impact on the level of CO_2 in the atmosphere. Such an outcome may, however, take time, given country-specific needs.

5.11. The adoption of similar CO_2 taxes among Member States should be used to influence trading partners to take similar steps, thereby extending the efforts globally and limiting the impact on European competitiveness. A global solution is required to prevent complicated compensatory rules.

5.12. Moreover, if correctly designed, taxes could contribute to economic growth by generating, *inter alia*, productive investments in new technologies. This is particularly the case for developing technologies to reduce existing levels of CO_2 in the atmosphere.

6. **CCS and CCU technologies**

6.1. Yet another possible policy instrument is the use of techniques reducing existing levels of CO_2 in the atmosphere. Such techniques are likely to be needed in addition to the ETS and CO_2 taxes. A symmetrical approach is needed. Activities reducing the level of CO_2 already in the atmosphere are as beneficial for limiting global warming as the reduction of CO_2-emitting activities.

6.2. The two main technologies aimed at reducing CO_2 levels are carbon capture and storage technology (CCS) and carbon capture and utilisation (CCU) ([19]). Both technologies extract CO_2 from the atmosphere, compress the CO_2 and transport it to a storage location. The technologies have significant potential to mitigate climate change ([20]). There are also other technologies and many more are expected to be developed in the near future.

6.3. The difference between CCS and CCU is in the final destination of the captured CO_2. In CCS, captured CO_2 is transferred to a suitable site for long-term storage, while in CCU the captured CO_2 is turned into commercial products.

6.4. CCU refers to the capture and use of CO_2 as a feedstock in the production of minerals, chemical building blocks, synthetic fuels and building materials. It can be used to limit CO_2 emissions by recycling CO_2 into products, permanently sequestering CO_2 in building materials such as concrete, as well as recirculating CO_2 with direct air capture. It can also offer electricity storage options through the production of synthetic methane.

([18]) Putting a Price on Carbon with a Tax, World Bank Group — https://www.worldbank.org/content/dam/Worldbank/document/SDN/background-note_carbon-tax.pdf

([19]) The potential for CCS and CCU in Europe, European Commission https://ec.europa.eu/info/sites/info/files/iogp_-_report_-_ccs_ccu.pdf

([20]) Please see EESC opinion (OJ C 341, 21.11.2013, p. 82).

6.5. The EU has set up a regulatory framework to commercialise and subsidise this new technology, even though the cost of capture and storage is still a significant adverse factor. Currently, the capture component is the most expensive part of the process.

6.6. Today, the largest CCS and CCU facilities are in the United States.

6.7. In Europe, Norway has been using CCS and CCU techniques since 1996 ([21]). Millions of tonnes of CO_2 per year from natural gas production in several dedicated facilities have been captured and stored in appropriate sites, establishing the most successful European experience in utilising CCS to date. In recent years, other additional forms of CCS and CCU technology have been developed in Sweden, the Netherlands, Belgium, France, and Ireland ([22]).

6.8. The EESC encourages the development, through dedicated investments, of CCS and CCU technologies both at the EU and national level, since they contribute to the objective of reducing the impact of CO_2 emissions and, more generally, to both the sustainable development goals promoted by the UN and the objectives of the Paris Agreement on climate change.

6.9. If global warming is to be reduced in an efficient and cost-effective manner, CCS and CCU technologies need to be promoted ([23]). In particular, national budgets should play a crucial role towards an enhanced use of such technologies, promoting public investments as well as tax incentives. In this respect, the European Commission is considering revising the relevant State aid guidelines including the environmental and energy guidelines, which will be amended by 2021 to allow more flexibility to Member States.

6.10. Member States should in particular adopt a comprehensive and symmetrical environmental tax policy for the effect of CO_2 on global warming. There is a need to introduce taxes with both positive and negative rates. The revenues raised from CO_2 taxes could preferably be used to finance incentives for CO_2-reduction techniques.

6.11. European funds devoted to research in the field of CCS and CCU could be financially reinforced and strategically targeted to deliver better, concrete results in terms of CO_2-capturing capacity and storage alternatives.

6.12. The role of public procurement rules should not be underestimated ([24]). The green objectives and specific environmental tools enshrined in Directive°2014/24/EU ([25]), Directive 2014/25/EU ([26]) and Directive 2014/23/EU ([27]) on public procurement and concessions should be further and better exploited by national governments and local public administrations. Thus, national investments and public expenditure, on the one side, could work in synergy with the measures envisaged by the European Green Deal, on the other side.

([21]) CCS, Norwegian Petroleum — https://www.norskpetroleum.no/en/environment-and-technology/carbon-capture-and-storage/

([22]) How European CO_2 Transport and Storage Infrastructure can enable an Innovative Industrial Transition, European Parliament — https://zeroemissionsplatform.eu/wp-content/uploads/ZEP-Conference-Presentations.pdf

([23]) A Swedish governmental committee concluded in 2020 that Sweden could achieve a carbon-neutral outcome by 2045, if the revenues from CO_2 taxes were used to subsidise removal of CO_2 in the atmosphere. The positive and the negative tax rates would be of equal magnitudes. See SOU 2020:4, Swedish government public investigations.

([24]) This has been stressed in the publication *Public Procurement for a Circular Economy* by the European Commission, October 2017, https://ec.europa.eu/environment/gpp/circular_procurement_en.htm. The World Bank has also stressed the role of public procurement rules in its own procurement; https://www.worldbank.org/en/about/corporate-procurement/vendors

([25]) OJ L 94, 28.3.2014, p. 65.

([26]) OJ L 94, 28.3.2014, p. 243.

([27]) OJ L 94, 28.3.2014, p. 1.

7. **Additional tools to reduce emissions**

7.1. Finally, the EESC draws attention to other policy instruments for carbon reduction. These range from new technologies to land management practices, that should be encouraged and supported both at the EU and national level. First and foremost, forests remove carbon dioxide naturally, and trees are especially good at storing carbon removed from the atmosphere by photosynthesis. Expanding, restoring and correctly managing forests can leverage the power of photosynthesis to tackle CO_2.

7.2. While the sale of forest products is taxed as income for the owner, it should be recognised that planting trees and the growth of forests reduces CO_2 in the atmosphere and should therefore, in a symmetrical tax approach to global warming, be encouraged by a negative CO_2 tax. This would be an important measure to achieve climate objectives.

7.3. Furthermore, soils naturally store carbon. The last CAP has introduced some greening measures aimed at increasing the contribution of European agriculture to green growth in Europe. Such measures should be encouraged insofar as they are compatible with the increasing necessity of food production and the fulfilment of environmental objectives. The circular economy may also entail increased possibilities in terms of reaching environmental and climate objectives.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on 'Enhancing sustainable economic growth across the EU'

(own-initiative opinion)

(2020/C 364/04)

Rapporteur: **Philip VON BROCKDORFF**

Plenary Assembly decision	20.2.2020
Legal basis	Rule 32(2) of the Rules of Procedure
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Plenary session No	553
Outcome of vote	
(for/against/abstentions)	194/11/12

1. **Conclusions and recommendations**

1.1. The COVID-19 pandemic has impacted the European Union, along with other countries around the world. The European Commission responded to this crisis with a wide-ranging package of instruments aimed at softening the blow of this exogenous shock. This included a Pandemic Crisis Support instrument *via* the European Stability Mechanism (ESM), temporary loans to fund national short-term work schemes and similar measures in order to safeguard jobs within EU Member States, as part of the SURE initiative. For its part, the European Investment Bank (EIB) provided liquidity support to businesses. More recently, the European Commission proposed a new EUR 750 billion instrument called Next Generation EU, intended to assist Member States to recover from the economic crisis.

1.2. Against this background, the EESC is of the view that the COVID-19 crisis should not steer the EU away from its medium and long-term objectives, as outlined in the European Green Deal, 2020 Sustainable Growth Strategy, and the European Pillar for Social Rights. If anything, these aims recognise the need to re-jig the European economy to ensure sustainable growth in the years to come, built on the pillars of environmental sustainability, productivity gains, fairness and social progress, and macroeconomic stability.

1.3. To secure supply chains, which have proved vulnerable during the crisis, the EESC believes that EU operators need to rethink supply-chain strategies, including diversification, as well as the realignment of supply chains across multiple sectors. Equally important, the EU needs to play a more prominent role in world trade, which is vital for EU companies and their business prospects. The EESC also believes that a level playing field in a wide range of aspects (not least international labour standards, fair competition and compliance with climate change targets) for global firms operating in a global marketplace should apply. EU companies relocating their manufacturing plants (at least for essential products) within the EU to avoid supply-chain problems, cannot be excluded.

1.4. Globalisation, with all its side-effects, has resulted in investments across countries but these are not always necessarily being made so much to build up capital investment as they are to seek countries with the lowest taxes. The EESC is of the view that the economic problems and other consequences created by the COVID-19 crisis suggest that a change in the *modus operandi* of businesses within the EU and across the globe is necessary. The EESC's recommendations to accelerate timelines to tackle tax avoidance and tax evasion have now assumed greater relevance, and the same is true about the discussion between Member States on a gradual shift to qualified majority voting and the ordinary legislative procedure in tax matters.

1.5. Government policy and support has assumed greater significance during the crisis. Fiscal policy, especially, is crucial not just for economic stability but equally to enable governments to support businesses by way of incentives, as allowed under EU legislation. Hence, the EESC believes that any attempt to achieve and enhance sustainable growth requires government direction and regulation in all areas of economic activity and environmental protection, with an emphasis on mainstreaming environmental protection into economic activity. Of course, open dialogue with social partners and civil society remains key to setting the economic direction.

1.6. The huge borrowing requirement to provide income support and loan guarantees to businesses frozen during the crisis by restrictions will no doubt limit the extent to which governments can provide incentives to re-ignite economic activity. It would also limit the amount of funding needed to support both environmental protection and productive investment. Governments will therefore need to find creative ways of supporting expenditure aimed at sustainable economic growth, while also ensuring long-term fiscal sustainability.

1.7. The transition towards a more sustainable economic path needs to involve both the development of green sectors but also the 'greening' of existing business models and sectors beyond the traditional 'green' ones to the extent possible. Thus, the EESC believes that aid offered to businesses, both at the national and EU level, must be conditional on attaining the goals set out in the European Green Deal and the 2020 Sustainable Growth Strategy, and on evidence of social progress.

1.8. In determining strategies required for economic recovery, investment and sustainability, the Commission's activation of the general escape clause within the Stability and Growth Pact, allowing euro area countries to temporarily suspend any adjustments required to meet medium-term fiscal targets, is a step in the right direction. However, the EESC believes that a revision of existing rules may be deemed necessary as we enter the post-COVID recovery phase.

1.9. The EESC is of the view that a cornerstone of sustainable economic growth in the EU must be the creation and development of a truly circular economy that maximises and maintains value across entire value chains, while minimising waste and pursuing resource efficiency. Circular economy business models offer significant potential for fostering European competitiveness, not only in terms of safeguarding the natural environment, but also in the creation of high-quality jobs and the development of ancillary industries.

1.10. The role of innovation and digitalisation and investing continuously in human capital in facilitating the transition towards sustainable growth cannot be overstated. However, the current pandemic has also served to re-emphasise the importance of focusing on individual health and well-being, as opposed to merely on productivity and economic growth. Productivity plays a key role in achieving sustainable economic growth. The EESC believes that for an economy to continue to grow sustainably in the future, it needs to increase its capacity to grow, but only to the point where such growth adds value to the economy by increasing both wages and surpluses, thereby increasing demand in the Single Market, and without infringing on acquired rights such as social protection and collective bargaining.

2. **Resilience to economic shocks (the COVID-19 experience)**

2.1. In the conclusions of its opinion on the *European Investment Stabilisation Function* ([1]), the EESC noted that that the European Investment Stabilisation Function (EISF), which aims to make national fiscal policies more stabilising with respect to economic shocks, would not be effective enough, given the size of the fund, in the event of an economic crisis affecting several Member States. Although the EISF was considered a step towards closer euro area integration, the EESC considered that a well-crafted, Union-wide insurance scheme that acted as an automatic stabiliser amidst macroeconomic shocks would be more effective than the proposed EISF.

2.2. In recent months, the European Union, along with other countries worldwide, has been impacted negatively by the outbreak of COVID-19. This crisis revealed inherent weaknesses in the EU: its leadership, initially at least, appeared unable to respond effectively and in a coordinated fashion in the face of serious economic and social consequences arising from the COVID-19 crisis. Healthcare systems, especially in Italy and Spain, struggled to cope with the number of infected people and the general response ironically smacked of the 'every nation for itself' recipe championed by the far right and nationalists.

([1]) OJ C 62, 15.2.2019, p. 126.

2.3. One could argue that the recent crisis was the greatest test for the EU project, its institutions and the very architecture that props up the euro. Back in 2008, the banking sector was the centre of the crisis. The European Central Bank (ECB) provided liquidity to financial markets and supported the banks. Monetary tools were crucial back then, but the recent crisis was an altogether different challenge, with the onus on fiscal measures to ensure the robustness of public healthcare systems, while providing income support for vulnerable businesses and their employees. For its part, the ECB provided indirect support to governments' abilities to issue debt and borrow to fund spending, including spending aimed at social development and welfare programmes.

2.4. The economic fallout of COVID-19 hit all the members of the currency bloc. However, no mechanism exists that allows the governments of the euro area to respond jointly to such a shock. The result is that policy reactions to the pandemic were overwhelmingly national — accentuating differences rather than bringing Europe together in a time of crisis. In the face of a symmetric shock, the euro area responded asymmetrically. The differences between each Member State's fiscal conditions caused sharp differences in policy responses. The EESC has in several of its opinions outlined the relevance of greater convergence in both economic and social policy and a coordinated approach in fiscal policy, including in taxation, but the current crisis has demonstrated yet again that there is a substantial disparity in fiscal policy response caused by differences in each country's fiscal condition. Stronger euro area economies reacted forcefully to COVID-19 by increasing borrowing to finance rescue packages. The more vulnerable economies do not have the same financial leeway and responded with a more modest rescue package. That shows the extent of divergence between economies in the euro area. The longer the crisis, the more visible these differences became.

2.5. Responding to the crisis the ECB announced an extraordinary new asset purchase programme to stabilise European markets. The initial reaction in European capitals was predictable: once the markets calmed down and bond spreads narrowed between countries, the perceived need for joint fiscal action evaporated. Each country turned its attention back to national rescue packages. However, the subsequent work by the Commission, Eurogroup and European Council on the recovery plan provided a much-needed boost to Member States. Still, much more needed to be done to respond effectively to this crisis, including forging ahead with a common debt instrument aimed at pooling the investment needed to revive the economy and averting millions of job losses across the EU.

2.6. This brings us to the European Stability Mechanism (ESM) and its lending capacity of EUR 410 billion. Member States have typically been somewhat reticent to resort to the ESM, given that all lending comes with conditions. Secondly, even when these conditions are waived or adjusted, as was the outcome of the Eurogroup meeting on 9 April 2020, the ESM's 'synthetic' bonds can only perpetuate the fragmented nature of the euro area. Fragmentation has not been addressed by the current framework for economic and fiscal surveillance, especially the six-pack and two-pack reforms, and constitute the main reason for a recent European Commission Communication ([2]). The objective of this review is essentially focused on what is required to achieve economic growth whilst maintaining sustainable government finances and avoiding macroeconomic imbalances through closer coordination of economic policies and convergence in Member States' economic performance. This could be an important step in the right direction as long as the root causes for the imbalances are identified *via* either the Macroeconomic Imbalance Procedure or the European Semester, with a focus on more effective policies, including those aimed at improved systems of social protection.

2.7. On 9 April 2020, the European Commission announced a wide-ranging package of instruments aimed at softening the blow of the COVID-19 crisis, to the tune of EUR 540 billion. This includes a new Pandemic Crisis Support instrument *via* the ESM of up to EUR 240 billion, aimed at supporting euro-area Member States in the domestic financing of direct and indirect healthcare, cure and prevention-related costs due to the COVID-19 crisis, capped at 2 % of each country's 2019 GDP. The package also includes EUR 100 billion in temporary loans to fund national short-time work schemes and similar measures in order to safeguard jobs within EU member states as part of the SURE initiative, with guarantees provided by EU countries. In addition, the European Investment Bank (EIB) will provide liquidity support of up to EUR 200 billion to businesses across Europe, with a focus on SMEs. Furthermore, on 27 April 2020 the European Council agreed in principle to the establishment of a recovery fund for the EU, totalling at least EUR 1 trillion, and called on the Commission to develop a proposal on how such a fund would be developed and utilised.

([2]) Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions — Economic governance review report on the application of Regulations (EU) No 1173/2011, 1174/2011, 1175/2011, 1176/2011, 1177/2011, 472/2013 and 473/2013 and on the suitability of Council Directive 2011/85/EU.

2.8. A month later, on 27 May 2020, the Commission proposed a new EUR 750 billion instrument called Next Generation EU, intended to assist Member States to recover from the economic crisis precipitated by the COVID-19 crisis. The new package, embedded within the next long-term EU budget for 2021-2027, includes EUR 500 billion in grants and EUR 250 billion in loans, and will be financed via borrowing on the financial markets, necessitating a temporary increase of the Commission's own resources ceiling to 2 % of EU Gross National Income. The recovery programme includes EUR 560 billion to support investments and reforms by Member States in relation to the green economy, digitisation and economic resilience (EUR 310 billion in grants and EUR 250 billion in loans), an additional EUR 55 billion to boost existing cohesion policy programmes and a EUR 40 billion top-up of the Just Transition Fund, as well as a further EUR°15°billion investment in the European Agricultural Fund for Rural Development. The fund is also aimed at reigniting private investment, with a new Solvency Support Instrument for European businesses, budgeted at EUR 31 billion, together with a EUR 15.3 billion upgrade to the EU's investment programme InvestEU and an additional EUR 15 billion Strategic Investment Facility (part of InvestEU) aimed at generating investment in strategic sectors within the EU, particularly in relation to resilience building, green and digital transformation and key value chains.

2.9. In view of these developments, the recent crisis should not steer the EU off its long-term objectives, as outlined in the European Green Deal and 2020 Sustainable Growth Strategy. If anything, these aims are oddly prescient, in that they recognise the need to re-jig the European economy to ensure sustainable growth in the years to come, built on the pillars of environmental sustainability, productivity gains, fairness and social progress, and macroeconomic stability.

3. **Global interdependence, the EU's international dimension and the future of globalisation**

3.1. Although globalisation has led to an increase in Foreign Direct Investment (FDI), with FDI increasing at an average annual rate of approximately 10 % since 1990 ([3]), relative to 5 % average growth in world trade ([4]), one needs to recognise its side-effects, particularly with regards to working and social conditions. While it is true that globalisation has boosted technology transfer, industrial restructuring and the growth of global companies, this has often happened at the expense of social rights and collective bargaining. Again, though globalisation has enabled large companies to realise economies of scale that reduce costs and prices, this has hurt many small EU businesses that compete domestically.

3.2. As regards trade between nations, the increased interdependence has had a number of positive effects, not least the realisation that conflicts between nations would spell the end of the world as we know it, with the military firepower that nations like China, the USA and Russia possess. However, this does not tell the whole story. The negative consequences of globalisation, such as excess pollution and unfair working conditions, are often ignored. Also, when a crisis hits economies like China and the USA, this affects a large number of countries, creating both regional and global instabilities. There are a number of other pitfalls caused by globalisation, not least the fact that multinational or global firms are often regarded as a threat to a nation's sovereignty due to their domestic clout.

3.3. The relevant question to ask at this stage is the extent to which COVID-19 will change the *modus operandi* of companies operating in cross-border trade or services with certain sectors — most notably travel and tourism/aviation — bearing the brunt of the economic crisis. The financial implications of this crisis are huge, with companies — including those in the manufacturing sector — being affected by supply chain and export restrictions as well as the fall-away in customer business driving what might be termed as an inverted multiplier effect, or the propagation of (negative) shocks within production networks. The crisis has served to remind us of the mesh of supply agreements that underpin the globalised economy.

3.4. The expansion of global trade in the last quarter of the 20th century was made possible by two unrelated factors: the rise of intermodal freight transport (i.e. containerisation) and the widespread abandonment of capital controls in the early 1980s. Whereas capital flows are now more regulated, they remain the lifeblood for investment and trade flows across

(3) UNCTAD (2019). World Investment Report 2019.
(4) World Bank (2020). Exports of goods and services (annual % growth). World Development Indicators.

the globe. A third reason behind the expansion of global trade was trade liberalisation and related trade agreements, perhaps most notably China joining the WTO. Trade is hugely important for the EU in any effort aimed at enhancing sustainable economic growth and there are obvious advantages to the increase in trade flows between the EU and its trading partners, but the COVID-19 crisis has highlighted the vulnerability of global supply chains. A disruption in trade can affect sustainable economic growth. With this in mind, the EU has to do more through its international agreements to secure supply chains to minimise the disruptions caused by economic shocks. This would involve a rethink of supply-chain strategies, including diversification, but also a realignment of supply chains across multiple sectors. It would also mean some form of sectoral de-globalisation with EU companies relocating their manufacturing plants (at least for essential products) within the EU to avoid supply-chain problems.

3.5. Of relevance to the theme in question is the EU's international dimension and its relations with global players, particularly China, the USA and Russia. Whereas international diplomacy is critical for the future economic prospects of the EU and its currency, the EU needs to play a much more forward-looking and prominent role in international affairs, including trade negotiations with competitor nations. The EESC still favours multi-lateral trade negotiations and should continue to do so, but it is evident that the EU's position on multi-lateral trade is being ignored by China, the USA and Russia. If the EU is to play a more prominent role in world trade, which is vital for EU companies and their business prospects, then it has to do much more to bring other nations back round the multi-lateral negotiations table, failing which bilateral trade will need to assume greater importance. Globalisation in a post-crisis future, has to have a level playing field in a wide range of aspects (including tax competition, compliance with labour standards, and meeting climate change targets) for global firms operating in a global marketplace. If not, then the EU risks becoming more and more vulnerable and dependent on trade skirmishes between the USA and China.

3.6. Insofar as cross-border investments are concerned, it is quite apparent that investments are not always being made so much to build up capital investment as they are to seek countries with the lowest taxes ([5]). Some form of globalisation may be inevitable after the crisis is over, but the economic problems and other consequences created by the crisis suggest that a change in the modus operandi of businesses within the EU and across the globe is necessary. The EESC's recommendations to Member States to accelerate timelines to tackle tax avoidance and tax evasion have now assumed greater relevance, and the same is true when it comes to qualified majority voting (QMV). Indeed, already last year the Committee fully supported the kick-start of the discussions on a gradual shift to QMV and the ordinary legislative procedure in tax matters, while recognising that all Member States must at all times have sufficient possibilities to participate in the decision-making process.

4. **Revisiting the role of government**

4.1. There is no question that the COVID-19 crisis has brought to light the significance of the role of governments in tackling health and economic crises. This too is particularly relevant to the objective of achieving sustainable economic growth. Nobody in the EU now questions the role of governments in the provision of effective health systems and programmes which indirectly support economic activity. Nor do we question the role of governments in enforcing banking and financial regulations in the aftermath of the financial crisis in 2008. However, it is increasingly evident that governments still play a key role in setting economic direction, more so in a crisis. This should also be the case where multi-level governance applies, where the involvement of local and regional authorities in central government economic policy is critical. Fiscal policy, as explained earlier, is vital not just for economic stability but equally to enable governments to support businesses by way of incentives, as allowed under EU legislation. Any attempt to achieve and enhance sustainable growth requires government direction and regulation in all areas of economic activity and environmental protection, with an emphasis on mainstreaming environmental protection into economic activity. Of course, open dialogue with social partners and civil society remains key to setting the economic direction.

([5]) Bénassy-Quéré, A., Fontagné, L., & Lahrèche-Révil, A. (2005). How does FDI react to corporate taxation? *International Tax and Public Finance*, *12*(5), 583-603.

4.2. In a post-crisis scenario, fiscal policy will assume greater importance, not least because of the massive amount borrowed over and above what was projected prior to the crisis. The huge borrowing requirement to provide income support and loan guarantees to businesses frozen by COVID-19 restrictions will no doubt limit the extent to which governments can provide incentives to re-ignite economic activity. It would also limit the amount of funding needed to support both environmental protection and productive investment. Governments will therefore need to find creative ways of supporting expenditure aimed at sustainable economic growth, while also ensuring long-term fiscal sustainability. The Commission's position that the recovery should be aligned with the Green Deal is a step in the right direction as it provides evidence that the crisis response itself needs to have a sustainable character.

4.3. An example of an extra-budgetary source of infrastructure finance involves international financial institutions and private firms and manifests itself in what are called Public-private partnership (PPPs). Assuming they are managed transparently and subject to democratic scrutiny, PPPs could be considered as an option. in a post-crisis scenario to support the financing of infrastructure and environmental projects, because they offer solutions to problems of financing, job completion, and investing in large projects, without sacrificing government finances for key policies.

4.4. The EU should also seek more rapid deployment of the tools and initiatives proposed under the European Green Deal, which explicitly recognises the central role that must be played by the EU and national governments, in tandem with the private sector, in pursuance of this transformation into a truly sustainable Europe. These include the various financing tools included as part of the Just Transition Mechanism, with a focus on SMEs and vulnerable industries, in order to both assist in their economic recovery and improve their sustainability and resilience to future shocks, with some leeway allowed on a case-by-case basis in terms of collateral and joint-financing requirements, given current circumstances. In light of the current COVID-19 crisis, this sentiment assumes even greater resonance, and must be seen as an opportunity to reignite social and economic development with the tenets of the Green Deal in mind. In the current context, the concept of pan-European solidarity has never been more pertinent.

5. **Strategies for economic recovery, investment and sustainability**

5.1. This brings us to identifying the strategies required for economic recovery, investment and sustainability. With economies contracting because of COVID-19 restrictions, expecting economies to recover to pre-COVID levels is a huge ask. It will take several months to get anywhere close to where the euro area and EU economies were prior to the crisis. Moreover, with governments borrowing from various sources to cover the unexpected and monumental hike in public spending, they are likely to cut spending and possibly re-introduce austerity measures, leading to depressed consumption and output. The experience of austerity measures in Greece, for example, brought the country to its knees with a quarter of its gross domestic product (GDP) evaporating over eight years and unemployment soaring to more than 27 % ([6]). A repeat of austerity measures would be counterproductive. The Commission's activation of the general escape clause within the Stability and Growth Pact (SGP), allowing euro-area countries to temporarily suspend any adjustments required to meet medium-term fiscal targets, is a step in the right direction. However, a revision of SGP rules may be necessary as we enter the post-COVID recovery phase.

5.2. Whereas the overall objectives as outlined in the European Commission's Communication in its Annual Sustainable Growth Strategy ([7]) are considered crucial in achieving sustainable economic growth, this cannot be attained by applying austerity measures that hurt the most vulnerable socio-economic groups within our communities.

5.3. Instead, EU governments need to develop economic recovery strategies that support more productive and sustainable economic activities. The post COVID-19 scenario presents an opportunity to revisit key economic sectors which have proved especially non-resilient. The economy will still rely extensively on small and medium-sized enterprises, but it may be opportune to further encourage start-up businesses and revisit the role of social economy enterprises as a relevant part of the social economy. Although profits are not the primary motivation behind a social enterprise, revenue still plays an essential role in the sustainability of such a venture. All social economy enterprises can still be highly profitable and one of their priorities is the reinvestment of profits in their enterprise rather than in payouts to shareholders. A social economy

([6]) https://www.theguardian.com/world/2018/aug/20/greece-emerges-from-eurozone-bailout-after-years-of-austerity
([7]) Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, The Committee of the Regions and the European Investment Bank — Annual Sustainable Growth Strategy 2020, COM(2019) 650 final.

enterprise can above all balance the tension between upholding the social mission of their organisation and maximising the productivity of their business venture to ensure sustainability. Hence such structures are ideally suited to an economy that aims to achieve and enhance sustainable economic growth.

5.4. Governments will be looking for rapid recovery after the crisis, and some sectors that have proved resilient would be expected to bounce back, but the temptation will be for governments to incentivise sectors that prior to the crisis had been deemed unsustainable or that went against climate change and environmental objectives, as outlined in the European Green Deal. Instead, governments should look at investing further in projects aimed at the efficient use of energy and alternative energy *via* the funding models mentioned earlier, hence creating business opportunities for large companies, SMEs and social economy enterprises. The green transition needs to involve not just the development of green sectors but also the 'greening' of existing business models and sectors beyond the traditional 'green' ones to the extent possible. Thus, aid offered to businesses, both at the national and EU level, must be conditional on attaining the goals set out in the European Green Deal and the 2020 Sustainable Growth Strategy.

5.5. A cornerstone of sustainable economic growth in the EU must be the creation and development of a truly circular economy that maximises and maintains value across entire value chains, while minimising waste and pursuing resource efficiency. Circular economy business models offer significant potential for fostering European competitiveness, not only in terms of safeguarding the natural environment, but also in the creation of high-quality jobs and the development of ancillary industries. In addition, circular economy business models assist in developing more resilience to the kind of supply-chain shocks experienced as a result of the COVID-19 pandemic, while mitigating against the volatility in raw material prices and availability resulting from environmental and geopolitical developments, including the impact of climate change and trade disputes. The role of innovation and digitalisation and investing continuously in human capital in facilitating this transition cannot be overstated, and must be pursued with renewed vigour through support for research and development, and with more emphasis on commercialisation. However, the impact of digitalisation on the labour market needs to be fully evaluated to minimise as much as possible job losses and assist those affected in terms of re-skilling and redeployment.

5.6. The current pandemic has served to re-emphasise the importance of focusing on individual health and well-being, as opposed to merely on economic growth which, as stated in the 2020 Sustainable Growth Strategy, is not an end in itself. Improving both the quality and accessibility of public healthcare systems across countries should be a top priority for the EU, whilst tackling inequalities in healthcare access and large out-of-pocket expenditure which only serves to perpetuate these disparities. In line with other sectors, investment in digitalisation and artificial intelligence for public healthcare systems should also be pursued. The onset of large-scale economic shocks also underscores the crucial role played by good governance in building resilience and formulating appropriate responses to deal with the fallout. The pursuit of sustainable and equitable economic growth thus hinges on the quality of national and local institutions across Member States, and it is incumbent on the EU to actively ensure that countries safeguard and nurture the principles of democracy, tolerance and respect for the rule of law. It is positive to note that the European Semester now treats the quality of public administration and governance in a much more systematic manner.

5.7. The final point concerns the role of productivity in achieving sustainable economic growth. For an economy to continue to grow sustainably in the future, it needs to increase its capacity to grow, but to the point where such growth adds value to the economy and its people. This includes improved wages and working conditions especially *via* collective bargaining, and certainly not at the expense of a more equitable distribution of income. Hence strategies aimed at enhanced economic sustainability need to be developed around productivity, but they cannot be allowed to happen at the expense of workers' rights and social development. Higher productivity, therefore, is not an end in itself but the means for improving wages, increasing overall demand in EU economies, and thus improving standards of living. Higher productivity will also lead to the development of new and better products and services, thereby enabling firms to move to higher value chains of goods and services, and allowing the EU to have a competitive edge in the global market. Again, and as stated above, higher productivity should be strictly related to the goal of achieving sustainable economic growth and not be achieved at the expense of working conditions, social development or environmental policies. On the contrary, the overall aims, as stated in the European Pillar of Social Rights (EPSR), in particular social protection and the strengthening of the collective bargaining process ought to be upheld. The same applies in the case of the objectives as set out in the Green Deal and the EU's climate change targets. Also, a truly European response to the current COVID-19 crisis and any unified attempts at fostering sustainable growth across the bloc should eschew the 'race to the bottom' mentality of cross-country tax competition, which only serves to deter cooperation across Member States, fomenting nationalistic tendencies. Rather, the focus should be on assisting countries to develop their human capital and boost productivity, while addressing regional disparities in growth and job opportunities through targeted investment, all while addressing key structural shortcomings that create obstacles to doing business.

Brussels, 16 July 2020

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on 'Fostering competitiveness, innovation, growth and job creation by advancing in global regulatory cooperation, by supporting a renewed multilateral trading scheme and by reducing market-distorting subsidies'

(own-initiative opinion)

(2020/C 364/05)

Rapporteur: **Georgi STOEV**

Co-rapporteur: **Thomas STUDENT**

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1. **Conclusions and recommendations**

1.1. Disruptions like coronavirus (COVID-19) threaten to bring the world economy and social life to a standstill. Its impacts include recessions in the USA, the EU, Japan and other regions of the world, extremely slow growth in China and huge losses in terms of output. Governments have to offset economic damage with fiscal and monetary policies and cope with the expected changes of the economic paradigm. The EESC stresses the need for efficient business models and trade defence mechanisms, in particular with regard to Asia, and notes that 36 million jobs in the EU depend on the EU's exporting potential, and that the share of EU employment supported by sales of goods and services to the rest of the world in relation to total employment increased from 10,1 % in 2000 to 15,3 % in 2017 ([1]). The fiscal, economic and social response to the crisis is necessary for preventing its negative impact on these and other sectors.

1.2. The coronavirus crisis should lead the EU, as part of the general reformulation of industrial policy imposed by environmental sustainability and digitalisation, to boost the health equipment and pharmaceutical sectors, with a view to ensuring the EU's shared sovereignty and self-sufficiency in these sectors. The drafting of this opinion started before the outbreak of an unpredictable health and economic crisis bound to change our economies and globalisation patterns in the short- medium- and long-term. While this crisis is not the core topic of the opinion, it has and will have a huge impact on the sectors and topics discussed in the next points. It is already evident that this crisis is pushing some areas of the planet towards a new wave of protectionism and economic nationalism, both worldwide and inside the EU. All these factors are taken into account, as much as possible to the present date, in a horizontal manner within this opinion.

1.3. The EESC shares the view that international businesses and trade have the potential to contribute to global growth, resulting from a higher degree of specialisation, economies of scale, advanced global value chains and the spread of research and technologies. The shift from value chains to value creation networks, from linear to circular and from tangible to intangible, which will require agility from the industry to adapt, should be also indicated.

([1]) http://trade.ec.europa.eu/doclib/docs/2018/november/tradoc_157516.pdf

1.4. The EESC stresses that EU policy has to ensure that participants in industrial development do not become victims of unfair economic, social and environmental dumping. Regarding the urgent policies to be enacted, the EU faces the following challenges: the USA’s market for EU exports, potential collaboration between the EU and the USA, the future role of China, and the need to reshape the WTO. Industries should become a solution enabler for societal and environmental challenges, creating new value for society.

1.5. The EESC agrees that globalisation without regulation leads to increased inequality, downward pressure on companies, wages and labour conditions and weakened social security. This could become a real threat for the European social models. Unregulated globalisation also has negative effects on environmental standards. The EESC is concerned that European companies and jobs are coming under pressure from unfair non-market trading practices that do not respect international social and environmental agreements. EU industry should build on its unique advantage by combining European values, new technologies and a future-oriented approach. The Single Market is crucial for European industry and for diffusing innovation — not only with regard to digital technologies, but also other Key Enabling Technologies, such as biotech. The role of social and regional cohesion and social dialogue in ensuring social acceptance of industrial transformation can be also underlined.

1.6. The EU’s industrial strategy and trade policy should not undermine its efforts to provide development assistance to third countries, and the EESC recommends adopting a balanced approach, better coordinating and combining national development aid, when it comes to more fragile economies. The EESC is concerned that the escalation of WTO non-compliance measures and new discriminatory non-tariff arrangements risk imposing excessive reciprocal regulatory burdens in a way that is becoming the new norm in global trade. The existing EU support programmes and monitoring should be re-evaluated, in line with EU competition rules, to support EU Member States, partners, companies and employees adversely affected by the economic crisis and trade wars and to reduce the burden on them.

1.7. The EESC believes that in order to deal with external challenges, the EU’s internal market should become ‘the best place to invest in’. The new industrial strategy and all other leverages should be assessed with regard to their capacity to promote and support investments in industrial, energy, transport and digital infrastructure through an enlarged connectivity approach. Reviewing mergers and acquisitions and State aid rules could place the EU on a more equal footing vis-à-vis global competition. All levels of governance should ensure that the benefits of globalisation are fairly distributed and negative impacts at global, regional and local level are mitigated

A common foreign direct investment scheme would help ensure that interests could be seized in strategic assets, such as critical infrastructure, critical technologies and security of supply of critical inputs. Making use of the procurement directives, effective trade defence instruments and a sound network of free trade agreements (FTAs) are needed more than ever to counter illicit practices, deepen regulatory convergence and promote sustainability standards, thus reducing market distortions.

1.8. The EESC is concerned about the recent negativity regarding international trade and globalisation, and the rise of populist movements that call for increased nationalism. It feels that protectionism and nationalism cannot provide the right answers to economic and social problems. Medium-term reform and investment priorities are necessary to put economies back on track to sustainable and inclusive growth, integrating the green transition and the digital transformation. The EU should take all possible measures to preserve full democracy despite pandemic circumstances.

1.9. The EESC believes that the Green Deal should integrate new industrial strategy and trade policy together with economic, regulatory and competition policy in a comprehensive effort to help the environment, without creating a threat to the single market and European companies and jobs, and should set high environmental ambitions for industry as a whole.

1.10. The EESC shares the view that one of the key messages on economic stability is that Member States should pay appropriate attention to the quality of public finances, promoting necessary and future-oriented investments.

2. **General comments**

2.1. With the multilateral system under constant pressure, EU companies operating globally face increasing friction and uncertainty along with rising protectionism and the ongoing tensions between the EU's trading partners. Global value chains are shrinking and a generalised trend towards a return to regionalisation is occurring worldwide. The EU, together with the US and China, is at the centre of such dynamics and a number of key industry sectors are under considerable pressure. Fundamental decisions have to be taken to increase the possibility of avoiding the risk of marginalisation, and to preserve the global role of the EU. There is an urgent need to reconsider investments in the EU's territory and focus on supporting businesses, especially SMEs, ensuring liquidity provision and stability in the financial sector, preserving the Single Market and ensuring the flow of critical goods. Such an objective can only be achieved through a mix of measures such as: regulations and policies applicable also to third country companies when working in the EU, infrastructure, investment in public goods (inter alia health, education, digital infrastructure), reciprocity in public procurement, effective trade policy, digital independence.

2.2. EU industry's global competitiveness is hindered by the return to unilateralism and by the lack of effective global governance on economic and trade issues, as well as market asymmetries and disruptions caused by subsidised competitors in particular state-owned enterprises and by the crisis. EU companies' investments in research and innovation aim to combine competitiveness and sustainability, but these investments and bold risks could be rendered ineffective by the reduced access to international markets and by unfair competition. In this framework, SMEs are more vulnerable than ever.

2.3. Under these circumstances, the alliances that the EU fosters could help to promote its interests in multilateral organisations, such as the World Trade Organization (WTO) and the United Nations (UN). Therefore, the recently adopted industrial strategy and the Commission's annual report on the implementation of FTAs represent a move towards increased transparency, but also provide an effective instrument for supplying objective background information to civil society about trade agreements negotiated by the EU.

Despite containing some positive elements, the overall package of the recently adopted industrial strategy has not yet convinced everyone that it will make a perceptible difference for businesses, labour and civil society, which are striving to increase Europe's competitiveness and economic growth.

2.4. The adoption of a strong European industrial policy and the defence of the EU's commercial interests are compatible with the priority objective of its foreign policy: strengthening multilateralism around the institutions of the UN system. Their necessary reforms should make it possible to move towards a world governed by fair rules with democratic principles.

3. **Realising the potential of business perspectives**

3.1. The EESC agrees with the Commission's view that EU companies can only benefit from the EU's industrial strategy and trade agreements if they have pertinent information on the contents of these strategies and agreements and understand how they function in practice.

3.2. The EESC notes with concern that the complexity of rules of origin and of administrative forms required by EU trade partners for granting preferences to EU companies, as well as the efforts involved in proving preferential origin, seem to be disproportionate for EU SMEs as compared to the size of their concluded contracts.

3.3. The EESC proposes that in the event of countries engaging in unfair competition, labour conditions or sustainability standards, provisions should also be made for exploring key issues on the development of alternative dispute settlements and implementing UN online dispute resolution mechanisms. The EESC welcomes the Multi-Party Interim Arbitration Arrangement recently announced by the EC as a stopgap to maintaining an independent, two-step dispute settlement function.

3.4. The EESC recalls that most SMEs' business activity takes place primarily within the Single Market [2], with only about half of SMEs selling their goods outside the EU-28 [3] and also notes that SMEs' exporting activity is highly concentrated in some Member States and regions, with six Member States [4] accounting for more than two thirds of total SME business and trade in the EU.

3.5. The EESC welcomes the Commission's advanced work on the online portal that will integrate two databases, the Market Access Database and the Trade Helpdesk, and which is addressing the complexity and lack of coherence of the rules of origin and customs procedures and implementing a free, online rules of origin calculator to provide additional support for EU SMEs.

3.6. The EESC believes that the Commission and the European External Action Service as well as the Member States' diplomatic and consular representations, could play an important role in promoting EU strategy, services and trade with third countries to facilitate both inward investment and export opportunities for European businesses and labour.

3.7. The EESC furthermore welcomes the initiatives of the European Commission to promote and support EU SMEs in their internationalisation efforts so that they become competitive globally, and highlights the need to ensure that these initiatives are also bottom-up in their application. Along with these initiatives, the new paradigm may bring more opportunities for SMEs and other regional players.

3.8. The EESC regards with concern the outstanding issues with the EU's trading partners as presented in the Commission's report, notably the fact that EU products continue to face barriers to accessing markets in partner countries. Non-bureaucratic mutual recognition of technical standards should be given high priority.

3.9. The EESC emphasises that, as underscored by an EPRS study [5] based on an analysis of trade flows in some Member States, the export performance of the EU is positively and strongly correlated with GDP and trade is highly concentrated in a few Member States.

3.10. The EESC recalls that the territorially uneven impact of globalisation was recognised by the Commission in its Reflection Papers on *Harnessing Globalisation* and *The Future of EU Finances*, underlining that while the benefits of globalisation are widespread, the costs are often localised.

3.11. The EESC places particular emphasis on the role of cohesion policy in improving the competitiveness of the EU through targeted investments in key sectors such as network infrastructures, research and innovation, IT services, environmental and climate action, quality employment and social inclusion.

3.12. The EESC highlights the role that the European Globalisation Adjustment Fund (EGAF) can play in helping people who are unemployed as a result of structural changes due to globalisation, digitisation, migration and climate change. In view of the enormous scale of the looming economic and employment crisis, the EGAF should be financially strengthened, its rules made more flexible to suit the nature and size of the crisis, and linked to the Just Transition Fund.

3.13. The EESC agrees that flexible working arrangements and tele-working play an important role in preserving jobs and production, but despite efforts to mitigate its social impact, the crisis is expected to significantly increase unemployment and income inequalities. EU's revised Green Deal policy could play an important role in ensuring that globalisation results in positive economic, social, territorial and environmental effects for business, employees and civil society and contribute to reducing market distortion.

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(2) EPRS, *CETA implementation: SMEs and regions in focus*, study conducted at the request of the CoR, 18 November 2019, available at http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_IDA(2019)644179

(3) Flash Eurobarometer 42, Internationalisation of Small and Medium-sized Enterprises, October 2015.

(4) Belgium, Germany, Spain, Italy, the Netherlands and the UK.

(5) EPRS, *Interactions between trade, investment and trends in EU industry: EU regions and international trade*, study conducted at the request of the CoR, 27 October 2017, available at http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2017)608695

3.14. The EESC believes that a mechanism tackling the 'carbon footprint' in manufacturing and efforts to decarbonise industries could be used to level the competitive playing field; it notes, however, that such a measure must balance environmental, trade and fairness concerns to avoid market distortions, triggering retaliation against EU countries and thus damaging EU industry and industrial jobs.

3.15. The EESC shares the view that reducing the gap in productivity performance between highly productive economies, regions and firms and all others is crucial, and that effective institutions and efficient tax systems could support productivity.

3.16. A new industrial policy is needed to focus on boosting activities with a higher innovation content and generating greater added value, which is inseparable from the promotion of quality and new jobs. Such a policy, if wisely conceived and correctly executed, would contribute to avoiding the negative influence of further drops in GDP, the fragmentation of the Single Market and the disruption of value chains.

4. **Mitigating the negative impact of unique developments**

4.1. The EESC calls on all key institutional players to reconsider the links between the EU-27 and the UK, which will largely define the impact of the UK's withdrawal on their respective economies; appropriate measures must be devised for sectors that would suffer a particularly adverse impact.

4.2. The EESC regrets the fact that the USA's decision to introduce additional tariffs on European products, as a countermeasure to the aid granted by the EU to the manufacturer of Airbus, will mainly impact agricultural and agri-food products produced in EU Member States. The effectiveness of the EU's safeguard measures for steel, which are traditionally in the focus of the CCMI's attention, should be reassessed in light of the troubled economic environment for the steel industry, in order to avoid further damage to domestic steel companies and to ensure a level playing field for EU businesses and labour.

The EESC stresses that US steel tariffs have led to significant trade diversion of steel products from third countries, which are entering the European market in increasing quantities, in particular being used in public infrastructure construction contracts.

4.3. The EESC notes that although no country can isolate itself from globalisation without incurring enormous costs, the risk of a collapse of the multilateral trading system is real and the EU therefore has to reflect upon this. It welcomes, in this regard, the Commission's Work Programme for 2020, which sets out an initiative for WTO reform by the end of 2020 as well as the proposed Recovery Plan.

4.4. The EESC shares the view that the EU needs to change into a more decisive approach to ensure real reciprocity in practice and tackle protectionism in access to procurement markets in third countries.

The Chinese public procurement market and protection of intellectual property rights are notable for their divergences from international standards and, despite joining the WTO, China is still a largely protected marketplace. Furthermore, China has not yet joined the WTO Government Procurement Agreement (GPA), despite its promise when been accepted in the WTO. The debate on China has become more sensitive in the EU. Ambitious programmes such as the Belt and Road Initiative, Made in China 2025 and the '16+1 Guidelines (2017 Budapest, 2018 Sofia, 2019 Dubrovnik)' ([6]) have caught the attention of a number of private and public actors including the EU institutions. The 5G issue has brought digital security into the picture, providing fertile ground for advancing towards EU digital independence. Boosting EU programmes for investment in research and innovation appears to be the most rational and rewarding approach in this regard.

([6]) 2017: https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1514534.shtml;
2018: https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1577455.shtml;
2019: https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1655224.shtml.

4.5. Policy recommendations and concrete measures should take into account two strategic features. The first is that the G20, which could have become a global political forum, complementary to the United Nations system, to also address global imbalances and inequalities has lost much of its weight. The second, closely linked, is that the EU lacks an effective 'foreign economic policy'. Industrial policy and other EU policies affecting factors relating to production, energy, internal market, research and innovation, transport, etc. are being disconnected from, or only partially mirrored in, the external projection of the EU trade and external services, as well as the Member States' export credit agencies which should combine forces. This absence makes it harder to confront major international players, and decreases the role of the EU in multilateral and international fora and in preventing market distortions.

5. **The impact of the crisis generated by the coronavirus (COVID-19) pandemic**

5.1. The outbreak of COVID-19 has had an extraordinary macroeconomic and fiscal impact, which is still unfolding. The EESC shares the view that there was no alternative to the recently announced financial and expansive monetary policies in the EU and around the world. The key challenges include an incomplete and uneven recovery and an increase in unemployment. Although policy measures should limit the rise of the latter, the necessary policy measures will cause public deficits and increase public debt.

5.2. The EESC stresses that this crisis has serious long-term implications for the EU. Due to the fact that politics delayed the EU's coordinated engagement in fighting the pandemic, there might be a loss of confidence in politics in general.

5.3. Other risks include a longer lasting pandemic than assumed, financial instability both globally and in the EU, a rise in protectionism, the fragmentation of the Single Market and entrenched structural divergencies.

5.4. The EESC believes that Europe urgently needs a new project for internal integration, a common economic, social, (including public heath coordination), fiscal, energy and environmental strategy and a coherent trade policy. The absence of an effective European strategy has been alarming and it has to be reversed towards a new collective European approach.

5.5. A massive recovery and reconstruction package for investment is needed to support the EU economy after the crisis as part of the new multiannual financial framework, in addition to what the European Stability Mechanism, the European Investment Bank and the European Central Bank are already doing. The necessary investment recovery plan would be further financed through existing EU funds, financial instruments and recovery bonds, clear defined in terms of problems resulting from the coronavirus crisis, guaranteed by the EU budget. In this context the EESC sees the Recovery Plan recently presented by the European Commission as a concrete first step in this direction.

5.6. The EESC stresses that rules-based trade is also essential in times of crisis and as part of the EU strategy to exit the crisis. The EU Member States must respect the Single Market and ensure that there are no internal barriers to EU trade by launching a more comprehensive negotiation on a plurilateral agreement that would lead to a level playing field, including the possible permanent liberalisation of tariffs on medical equipment, and help to ensure that global supply chains can operate freely in this critical sector. Along with these measures, tariff liberalisation and export finance, well coordinated between the respective bodies of the EU and the Member States, could ease the pressure on businesses and prevent market distortions.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee 'The industrial dimension of the Security Union'

(own-initiative opinion)

(2020/C 364/06)

Rapporteur: **José CUSTÓDIO LEIRIÃO**

Co-rapporteur: **Jan PIE**

Plenary Assembly decision	20.2.2020
Legal basis	Rule 29(2) of the Rules of Procedure
	Own-initiative opinion
Body responsible	Consultative Commission on Industrial Change (CCMI)
Adopted in CCMI	26.6.2020
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote (for/against/abstentions)	209/3/4

1. **Conclusions and recommendations**

1.1. We welcome the determination of the new European Commission to enhance the Union's technological sovereignty, and stress the importance of the security sector in this respect. There is no security without technology, and Europe must master the technologies that are crucial for its security.

1.2. To achieve this objective, we call upon the European Commission to launch a strategy that strengthens Europe's industrial and technological capabilities in the field of security. This is much needed in particular in sensitive areas where dependence on non-European suppliers may become a security risk in itself. The strategy has to support the objectives of the new Internal Security Strategy and complement it with an industrial dimension. It should help meet the current and future capability needs of European end-users and address the key challenges that the sector faces in Europe: market fragmentation, lack of long-term capability and technology planning, and incoherence of EU policies and funding instruments.

1.3. The security industrial strategy should be based on the following principles:

(a) the existence of an innovative security industry is crucial for Europe's technological sovereignty and strategic autonomy;

(b) security is a sovereignty issue, which cannot be left to market forces alone. Political will and action are needed to maintain the capacity to develop complex hi-tech security solutions;

(c) in light of the COVID-19 pandemic, resilience to large-scale natural and man-made disasters must become a top political priority for the Union and can only be achieved with the support of the European security industry.

The strategy should be developed as part of the Security Union and make security-related EU policies more effective. It should follow a holistic approach and include the following objectives:

— assessment of Europe's vulnerabilities and critical dependence on non-military security,

— screening of emerging technologies for potential security implications,

— definition of critical 'must-have' technologies for which Europe should, for security reasons, not depend on third-country suppliers,

— identification of strategic value chains in the security sector,

— use of EU agencies as drivers for capability planning and harmonisation of national requirements,

— use of security-related EU instruments (ISF, IBMF, Digital Europe, Horizon Europe, RescEU) for targeted investment in critical security technologies and applications,

— use of other EU instruments (Structural Funds, InvestEU, etc.) for security-relevant investments (infrastructure), ideally through the creation of a Securing Europe Facility (analogous to the CEF),

— use of European procurement and coordination of national procurement to support the relevant industrial base,

— use of capability-oriented funding instruments (such as ISF and IBMF) to foster market uptake of EU security research beyond Horizon Europe,

— identification of possible new legislative initiatives, such as a revision of the CIP directive or a possible instrument on urban security,

— coordination of relevant EU programmes (defence, security, space, cyber).

Introduction

1.4. Europe's security environment is highly complex. Today's security threats are often multi-faceted, transnational, rapidly evolving and difficult to predict. They can hit a broad variety of targets throughout the Union (e.g. mass events, transport, critical infrastructures, institutions) and come from an equally broad variety of threat actors (e.g. individual perpetrators, criminal organisations, terrorist groups, nation states) that may have very different motivations (such as geopolitics, religious or political extremism, economic or financial interests, or mental disorder) and use all kinds of means to carry out their malicious intent (such as firearms, Improvised Explosive Devises, CBRN materials, cyberattacks or disinformation).

1.5. In addition to man-made security threats there are natural disasters such as floods, droughts, storms or pandemics that pose an increasing risk due to climate change, environmental pollution and overexploitation of natural resources. Natural disasters are normally even more devastating than man-made disasters and threaten security directly and indirectly.

1.6. Security threats differ, and so do security forces and their capability needs. At the same time, security forces often cooperate, for example as first responders during a disaster, and need interoperable equipment that is up to the challenge of the threat they face.

1.7. Despite their diversity, today's security threats have one thing in common: they cannot be tackled without technological support. Technology itself cannot provide security, but in our complex and connected societies, it is an indispensable enabler in all security areas and in all phases of the security cycle (prevent, prepare, respond and recover). The rapid evolution and proliferation of new digital technologies, such as artificial intelligence, quantum computing and blockchain, will reinforce the importance of technology for security even more, as they not only create new opportunities, but also multiply both vulnerabilities and capacities to do harm.

1.8. Without the expertise of a specialised security industry, it is impossible to develop the state-of-the-art technologies that are needed to cope with current and future security threats. The security industry is a vital partner, particularly for complex security systems and protection against sophisticated threat actors.

1.9. The security industrial and technological base in Europe is as diverse as the security needs of modern societies and economies. It includes companies of all sizes from across the Union with different portfolios and specialisations. Many of them also have defence, aerospace or commercial IT activities or are subsidiaries of bigger groups from these sectors. They all develop and produce hi-tech systems and provide services that are needed to protect our societies, companies, institutions and citizens against all kinds of security threats and disasters. The most recent comprehensive study estimates that the security industry in the EU generates a turnover of close to EUR 200 billion and creates employment for 4,7 million people ([1]).

2. **General comments**

2.1. The Union has an economic, but also a strategic interest in fostering a vibrant European security industrial base. The more critical a security area is, the more dependence on third-country suppliers can itself become a security risk. It is crucial to use technologies, services and equipment developed from trustworthy sources, particularly when critical infrastructures and state institutions need to be protected against threats from state or state-supported actors.

2.2. The course of the COVID-19 pandemic and its direct and indirect consequences have also demonstrated the need for a strong European-based security industry. The massive recourse to digital tools, for example, has triggered a dramatic increase in cyber-attacks from both non-state and state actors against firms and operators of essential services. Enhancement of cyber-resilience and cybersecurity in all digital-based processes of companies and institutions should therefore be a key lesson to be learned from the pandemic. Since the outbreak of the virus, we have again witnessed disinformation campaigns, which are often sponsored by foreign governments and cannot be countered effectively without the use of sophisticated technological tools. COVID-19 has also revealed huge shortfalls in the EU's Crisis Management capabilities, such as the absence of a common pool of CBRN equipment. In short, a multitude of measures are required to make Europe more resilient to large-scale disasters. Given the sensitivity of most of these measures, it is imperative to implement them with the support of suppliers that are trustworthy and ensure security of supply in times of crisis.

2.3. The Union therefore has a strategic interest to sustain in Europe the industrial capabilities that are needed to ensure an appropriate level of autonomy and technological sovereignty in critical security areas. At the same time, current market conditions unfortunately make it hard to satisfy this strategic interest. On the contrary, the specific features of the security market in Europe often make it difficult for companies to build viable business cases for the technologies concerned.

2.4. On the commercial side, there is only limited demand for cost-intensive state-of-the-art security products. Since private market operators constantly seek cost reductions, they normally limit investments in security to what is strictly necessary and give preference to the cheapest off-the-shelf product (often from third-country suppliers).

2.5. On the public demand side of the security market, there is a broad variety of buyers and end users, most of them with limited procurement budgets and small orders, and legally bound to purchase at the lowest price. What is more, the vast majority of public security customers have no capability development planning. They buy off the shelf to satisfy their immediate needs, without any long-term thinking about how threats and technologies may evolve in the future, let alone any investments to prepare for that.

2.6. Given the specificities of both sides of the security demand, there is only a small market for critical technologies and applications. Complex security solutions are often tailor-made for a single or very few customers, which limits production volumes and economies of scale to a minimum. At best, the technologies used for such systems can be used for other, less

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([1]) Given the diversity of the sector, there is currently no clear definition of the security industry and only rough estimates of the market size. A methodological classification of this industry is hindered by a number of factors: 1) the security industry is not covered as such by the main statistical nomenclatures (NACE, Prodcom, etc.); 2) the production of security-related items is hidden under a wide range of headings, and statistics for these headings do not distinguish between security and non-security related activities; 3) there is no statistical data source available at European level from the industry itself. See study on the development of statistical data on the European security technological and industrial base, Ecorys Final Report for the European Commission, DG Migration and Home Affairs, June 2015.

sensitive applications for a broader commercial customer market. Thus, current market conditions make it impossible to sustain in the EU a technological and industrial base that can develop the security capabilities that Europe needs to protect its external borders, territory and citizens. This undermines the credibility of the Security Union and calls for enhanced EU action.

State of play of EU security policies

2.7. Since the launch of the European Agenda on Security in April 2015, the EU has been striving for a genuine Security Union that provides the tools, infrastructure and environment in which national and EU authorities work effectively together to tackle shared challenges, whilst at the same time protecting the rights and freedoms of citizens ([2]). The sheer number of initiatives in this context demonstrates that security has definitely become one of the key policy priorities of the Union:

— Directive on combating terrorism ([3]),

— revised rules on anti-money laundering ([4]),

— creation of the Schengen Information System (SIS) ([5]),

— interoperability of EU information systems for security, border and migration ([6]),

— creation of the European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA) ([7]),

— Cybersecurity Act ([8]),

— reinforced European border and coast guard (‘Frontex’) ([9]),

— European Travel Information and Authorisation System (ETIAS) ([10]).

These initiatives come on top of already established programmes and funding instruments, like the Internal Security Fund.

2.8. The Commission’s proposal for the next multiannual financial framework included a considerable increase of the main relevant budget lines (e.g. EUR 35,3 billion for border and migration management, EUR 4 billion for internal security, EUR 15,6 billion for resilience and crisis response) in comparison to the previous MFF ([11]). The Union will also fund another security research programme under Horizon Europe, which has already made an important contribution to the design and development of future security capabilities under Horizon 2020.

([2]) Communication from the Commission on Delivering on the European Agenda on Security to fight against terrorism and pave the way towards an effective and genuine Security Union, Brussels, 20.4.2016 COM(2016) 230 final: https://eur-lex.europa.eu/resource.html?uri=cellar:9aeae420-0797-11e6-b713-01aa75ed71a1.0022.02/DOC_1&format=PDF

([3]) Directive on combating terrorism (OJ L 88, 31.3.2017, p. 6).

([4]) Directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (OJ L 141, 5.6.2015, p. 73).

([5]) Regulation on the establishment, operation and use of the Schengen Information System (SIS) in the field of border checks (OJ L 312, 7.12.2018, p. 14) and Regulation on the establishment, operation and use of the Schengen Information System (SIS) in the field of police cooperation and judicial cooperation in criminal matters (OJ L 312, 7.12.2018, p. 56).

([6]) Regulation on interoperability (borders and visa (OJ L 135, 22.5.2019, p. 27) and Regulation on interoperability (police and judicial cooperation, asylum and migration) (OJ L 135, 22.5.2019, p. 85).

([7]) Regulation on the European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA) (OJ L 295, 21.11.2018, p. 99).

([8]) Regulation on ENISA (the European Union Agency for Cybersecurity) and on information and communications technology cybersecurity certification (OJ L 151, 7.6.2019, p. 15).

([9]) Regulation on the European Border and Coast Guard (OJ L 295, 14.11.2019, p. 1).

([10]) Regulation on establishing a European Travel Information and Authorisation System (ETIAS) (OJ L 236, 19.9.2018, p. 1).

([11]) In current prices. See Communication from the Commission on the EU budget powering the recovery plan for Europe, Brussels, 27.5.2020 COM (2020) 442, final: https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1601035899164&uri=CELEX:52020DC0442

2.9. With respect to digital technologies, the European Commission also proposes to significantly augment spending (e. g. Horizon Europe or the Digital Europe Programme) to enhance Europe's technological sovereignty in areas of strategic importance. In this regard, the Commission also declared its intention of fostering synergies between the space, defence and security sectors.

2.10. Technological sovereignty is also a key term in the 'New Industrial Strategy for Europe', where the Commission underlines that Europe's 'digital transformation, security and future technological sovereignty depends on our strategic digital infrastructures' and announces that it will 'support the development of key enabling technologies that are strategically important for Europe's industrial future' ([12]).

Specific comments

2.11. The EU's competence in the area of security remains limited and very often entails nothing more than a coordinating role between national authorities. Therefore, security policies remain fragmented and often ineffective. The same is true in other security-relevant sectors like public health.

2.12. Security in the EU is a political priority without an industrial dimension. There are an impressive number of security-related policies and funding instruments with considerable budgets. However, there is neither a coordination of capability needs, nor a coherent policy to support the relevant industrial and technological base. Concepts like industrial competitiveness, strategic autonomy, capability planning and critical technologies have been absent from the debate on the Security Union and never considered as objectives of security-related funding programmes.

2.13. The Commission's *Action Plan for an innovative and competitive Security Industry* from 2012 lacked ambition, was limited in scope and therefore remained without notable impact.

2.14. The EU security research programme mobilises considerable resources, but suffers from severe weaknesses. Market uptake of research results remains a major challenge because there is neither a common capability planning process for security that would help consolidate the demand of public end-users, nor a systematic use of other EU capability-oriented funding instruments as a means to support the deployment of security solutions.

2.15. The new Internal Security Strategy guides the EU's security policies and should therefore seek to resolve these deficits. It should address the rapid evolution of technology and its implications for security, push for a common definition of security capability needs and foster European cooperation to satisfy these needs. This would strengthen the Security Union, contribute considerably to the creation of a genuine internal market for security and help sustain a competitive security industry in Europe.

2.16. Industry is indispensable to translate technologies into solutions. An ambitious industrial policy for core areas of sovereignty should therefore be a political priority for the Union. The development of such a policy is particularly urgent for the security sector, which currently suffers from severe market failures that make it very hard to sustain critical industrial and technological capacities.

2.17. We therefore call upon the European Commission to develop a specific security industrial strategy to support the new Internal Security Strategy and make the Security Union more effective. This industrial strategy should be ambitious and comprehensive, ensuring that all pertinent policies and instruments contribute to the Union's technological sovereignty in critical security areas. It should also ensure that all security-related EU instruments (ISF, IBMF, RescEU) include an industrial dimension, and all technology-related programmes (Digital Europe, Horizon Europe) include a security dimension. This would help to satisfy the security needs of public customers, offer new opportunities for European industry, and make it easier to cope in good time with the security implications of emerging technologies.

([12]) Commission Communication on A new Industrial Strategy for Europe, Brussels, 10.3.2020, COM (2020) 102 final: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0102&from=ES

2.18. For this purpose, the concept of technological sovereignty needs to be further defined and operationalised. The Commission's current focus on digital technologies is welcome but should not be exclusive. Priority should be given to all critical technologies in core areas of sovereignty, namely security, defence and space. The concept should also be revisited in the light of the COVID-19 pandemic and include resilience as a strategic objective.

2.19. The Commission's 'New Industrial Strategy for Europe' includes elements important for fostering technological sovereignty in critical security areas. The concept of strategic value chains in particular should be used as the framework for a comprehensive approach that covers the whole industrial cycle from supply of critical materials to industrialisation and maintenance, and that coordinates the use of all suitable policy instruments, including the control of Foreign Direct Investments.

2.20. The next Multiannual Financial Framework will have to be adapted to the needs of the (post-) COVID-19 era, and so must the policies that the MFF supports and the programmes it funds. Previously defined priorities and instruments must be revisited and take into account lessons from Europe's difficulties in coping with the pandemic. This also applies to the Security Union and the new Internal Security Strategy, which should emphasise the need for greater technological sovereignty and resilience.

2.21. To overcome the recession triggered by the pandemic, during the next budget cycle the EU should focus investments on hi-tech sectors, as they have the biggest added value and multiplier effects for the economy as a whole ([13]). An EU security industrial strategy that helps to make Europe more autonomous and resilient would fit perfectly into this approach and should therefore be initiated as a matter of urgency under the Union's COVID-19 recovery plan.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([13]) See for example 'Il ruolo dell'innovazione et dell'alta technologia in Italia nel confronto con il contesta internazionale', Centro economia digitale, Rome, October 2019.

Opinion of the European Economic and Social Committee on 'Introduction of safeguard measures for agricultural products in trade agreements'

(own-initiative opinion)

(2020/C 364/07)

Rapporteur: **Arnold PUECH D'ALISSAC**

Plenary Assembly decision	20.2.2020
Legal basis	Rule 32(2) of the Rules of Procedure
	Own-initiative opinion
Section responsible	Agriculture, Rural Development and the Environment
Adopted in section	29.6.2020
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote	
(for/against/abstentions)	204/2/3

1. **Conclusions and recommendations**

1.1. Enhanced international cooperation is a prerequisite for effective safeguard clauses.

1.1.1. The EESC stresses that the food supply for the global population will continue to be a major challenge until at least 2050. In order to feed nine to ten billion people, we will need all the farmers in the world. The FAO estimates that global production will need to increase by 70 % between 2007 and 2050. It is therefore necessary to protect the production capacity of each country by promoting agricultural and trade policies adapted for this purpose, while guaranteeing international trade that can cope both with production fluctuations and with the perennial shortcomings of certain geographical areas.

1.1.2. The EESC feels that it is essential to harmonise production standards to avoid distortions of competition and to enable each country to produce staple foods.

1.2. Market transparency must still be improved.

1.2.1. Launched in 2011 by the G20 Agriculture Ministers' meeting, the AMIS (Agricultural Market Information System) initiative, which brings together the main global producers and importers of cereal crops and oilseeds, makes it possible to understand the actual situation of the markets and is also a forum for dialogue and coordination between government officials in times of considerable volatility on agricultural markets. This initiative has proven to be valuable, but needs to be developed further in terms of the number of participating countries and its scope to also cover other products traded on world markets.

1.3. The WTO's agricultural safeguard clauses, both the general clauses and those in bilateral agreements, must be improved according to various criteria, which the EESC lists in this opinion. The aim is to ensure fair competition and the sustainability of European agri-food sectors, guaranteeing food sovereignty for everyone — producers and consumers alike. The COVID-19 pandemic has shone a light on the need for food sovereignty.

1.3.1. *A rapid response*

The current clauses are ineffective because the time needed to implement them is too long. However, thanks to the digitalisation of the economy, data can be available within a few hours. Volumes and prices can now be monitored effectively, allowing for a rapid response.

1.3.2. *An automatic response*

Trade flows can be regulated easily with a solid knowledge of trade. Coordinated implementation by exporters and importers could be done automatically as soon as a 10 % increase in trade volume is recorded for a set period, for example, one year. If the increase is justified on the basis of an unforeseen event which has led to lower production, the clause would not be activated. On the other hand, if the increase is not justified, an additional customs duty would be applied to limit this increase.

1.3.3. *A proportionate response*

Depending on the nature and origin of the increase in trade flows, the response must be proportionate so as to reduce this increase or ensure effective suspension of destabilising flows for the sectors affected.

1.3.4. *A comprehensive response*

All import flows must be taken into account, regardless of their status and without prior notification. It is precisely for sensitive products that reduced rate quotas are granted in free trade agreements (FTA), and these are the sectors that are most rapidly destabilised. They must therefore also be subject to the safeguard clauses.

1.3.5. *Mirror measures*

The introduction of mirror measures in EU rules on imports should, on the one hand, ensure the same protection for consumers regardless of the origin of the products and, on the other hand, limit economic distortions for European operators.

1.3.6. *Taking the implementation of the Paris Agreement into account*

Commitments to reducing greenhouse gas emissions are a major international challenge. If some countries do not respect them, they should not benefit from them in terms of trade. A carbon border adjustment mechanism should be put in place in the agri-food sector. Due to its complexity, and pending its approval, safeguard clauses specific to the Paris Agreement should be obtained from the WTO and included in all free trade agreements negotiated by the European Commission.

1.3.7. *Taking Sustainable Development Goals into account*

As in the case of the Paris Agreement, safeguard clauses must be obtained from the WTO and included in all agreements signed by the European Union.

2. **Concept and history of safeguard clauses**

2.1. The WTO provides for specific clauses for the agricultural sector, but limits their use.

2.1.1. Safeguard measures are defined as ‘emergency measures’ relating to the increase of imports of specific products, where such imports cause or threaten to cause serious damage to the domestic industry of the importing country. These measures, which broadly take the form of suspension of concessions or obligations, may consist of applying quantitative restrictions on imports or increasing customs duties on imports.

2.1.2. In agriculture, the application of higher safeguard tariffs can be triggered automatically when the volume of imports exceeds a certain level or prices fall below a certain level, without having to demonstrate that serious damage has been caused to national industry.

2.1.3. However, the special safeguard clause for agriculture can only be invoked for products for which rates have been fixed and on the condition that the government has reserved the right to do so in its schedule of commitments relating to agriculture. In addition, it cannot be invoked for imports that fall under tariff quotas.

2.2. Bilateral free trade agreements make it possible to go further.

2.2.1. FTAs must cover the bulk of trade flows and they need to foster the liberalisation of trade between signatory countries without creating barriers to trade with the rest of the world. In view of the difficulties of the multilateral negotiation process with the WTO, many FTAs have been negotiated in recent years.

2.2.2. The European Union promotes this option to provide an impetus for trade liberalisation and move forward on issues where an agreement has not been reached, such as the sustainable development chapters. However, the latest agreements have revealed the limitations of this system and the difficulties in having a common approach or taking other international agreements such as the Paris Agreement into account.

2.3. International agri-food trade is still essential.

2.3.1. The quest for food self-sufficiency faces many obstacles, starting with demographic expansion, which often makes it essential to use imports. Trade therefore makes a crucial contribution to global food security. The challenge for countries is to find the right balance between development of their own agricultural production and openness to trade. However, it is also necessary to ensure, where possible and under conditions that do not unduly distort competition, that their agriculture is able to meet international demand and export food to countries that are unable to produce enough to meet their needs.

2.3.2. A prospective study by the National Research Institute for Agriculture, Food and Environment shows that by 2050 the concentration of global agricultural exports could increase even further. This would mainly benefit a small number of countries or regions where climate change would have a positive impact on agriculture and could thus increase the amount of land cultivated, as well as crop yields.

2.4. Agricultural trade is not used for good in diplomacy. The agricultural sector is the victim of unrelated political negotiations: whether it is the conflict between China and America, between Boeing and Airbus or in the final phase of trade negotiations, the agricultural sector is regularly subject to retaliatory measures and bargaining in negotiations.

3. **Shortcomings in the current safeguard clauses**

3.1. The safeguard procedures are too long and cumbersome.

3.1.1. Implementation of safeguard clauses has been long and cumbersome in the past, thus rendering them inefficient. If the European Union is one of the members of the WTO that has reserved the right to invoke this clause on many projects, it almost never applies them in practice. Thus, in the case of 'mishandling' by Brazil of frozen-brined chicken (if it is brined, it does not have to be frozen), the lower customs duty applied allowed for very significant increases in the import of poultry meat between 1996 and 2001, without the safeguard clauses being applied.

3.2. The current procedures do not guarantee fair competition.

3.2.1. The competitive advantage of third country producers which are not required to comply strictly with European standards is significant. Thus, in the last agreement signed with Canada, the Canadian producers had the possibility to apply a quarantine for phytosanitary products banned in the EU, such as atrazine, which significantly reduces their production cost. Countries in North and South America use genetically modified seeds authorised for marketing in the EU but not for production, particularly for vegetable proteins such as soya.

3.2.2. The consequence of these shortcomings is an increase in imports of agricultural products, particularly raw agricultural goods. This can call Europe's food sovereignty into question. According to the latest publication from the European Commission, *Agri-food trade statistical factsheet* ([1]), the EU's trade balance deficit for raw agricultural goods in 2019 exceeded EUR 20 billion.

3.3. These shortcomings also negatively affect consumers. The lack of regulation leads to excessive price volatility, which has increased in recent years. Speculation on agricultural markets further increases this volatility, making access to food difficult for many low-income consumers. Furthermore, destabilisation of the supply chain leads to a reduction in production capacity, which makes supply less secure for consumers.

([1]) European Commission: Agri-food trade statistical factsheet.

3.4. COVID-19 has tragically highlighted that agricultural trade is necessary and food sovereignty is essential. In terms of international trade, the European Union must therefore equip itself to increase its resilience towards economic shocks in order to restore confidence, stability and shared prosperity for all Europeans.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on 'A post-COVID-19 emergency: the design of a New Multilateral Matrix'

(own-initiative opinion)

(2020/C 364/08)

Rapporteur: **Emmanuelle BUTAUD-STUBBS**

Plenary Assembly decision	20.2.2020
Legal basis	Rule 32(2) of the Rules of Procedure
	Own-initiative opinion
Section responsible	External relations
Adopted in section	16.6.2020
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote	
(for/against/abstentions)	213/3/3

1. **Conclusions and recommendations**

COVID-19 and multilateralism

1.1. The profound and unprecedented economic, social and financial impact of the COVID-19 health crisis requires an unprecedented, long-term and unequivocal response. The EU needs to support the economy and international trade to prevent world trade from having to catch up, as in 1929, and to finance the recovery, while protecting businesses, workers of all kinds (including people with disabilities), vulnerable groups and citizens, in a spirit of solidarity and responsibility, leaving no one behind. All businesses, including social economy enterprises, as essential components of the solution, need full access to recovery measures.

1.2. Recovery after the 'Great Lockdown' must be based on sustainability, and inclusive and green growth. Green Deal measures are therefore more relevant than ever (industrial strategy, carbon border adjustment and carbon neutrality by 2050).

1.3. The COVID-19 crisis has dealt a hard blow to a multilateralism already undermined by structural weaknesses such as overlapping organisations, an ageing functioning, and a unanimous decision-making process coupled with a large number of members, which was embodied in the demise of the Appellate Body of the Dispute settlement mechanism of the WTO and the frozen financial contribution and subsequent withdrawal of the United States (US) from the World Health Organization (WHO). In addition, national export restrictions on essential medical supplies and personal protective equipment, including from EU Member States, national egoism and some failures in solidarity and international cooperation negatively affect the most vulnerable countries, and delay the global economy's recovery.

A more holistic vision required

1.4. The European Economic and Social Committee (EESC) wishes to share its reflections on a 'New Multilateral Matrix', building on the extensive list of former proposals (on WTO reform, the role of the International Labour Organisation (ILO) …), and to present new solutions for the post-COVID-19 era ([1]).

(1) EESC opinions REX/509 — Reforming the WTO to adapt to developments in world trade (OJ C 159, 10.5.2019), REX/486 — The role of the EU's trade and investment policies in enhancing the EU's economic performance (OJ C 47, 11.2.2020), REX/500 — Trade and sustainable development chapters (TSD) in EU Free Trade Agreements (FTA) (OJ C 227, 28.6.2018), NAT/760 Reflection Paper — Towards a Sustainable Europe by 2030 (OJ C 14, 15.1.2020).

1.5. Conducted during the crisis, this reflection aims to inspire new cooperation and more consistency in decisions taken by international, supranational and intergovernmental organisations, in matters of trade and investment, decent work, social and human rights, and climate change. It encourages countries to abide by the principle of loyal cooperation in these organisations and to boost synergies, rather than exploiting loopholes.

1.6. After each World War, people turned to international organisations to keep peace and prosperity. This global sanitary crisis is precisely the moment to rethink global governance rules and to incorporate part of the spirit of innovation that manifests itself in the face of unprecedented situations.

A set of concrete proposals

1.7. Several stakeholders from a wide range of backgrounds (see Appendix 1) assisted the rapporteur in identifying suggestions, taking into account legal, political and organisational constraints.

1.8. These proposals aim to ensure better coordination between:

— global social standards and climate change and environmental protection commitments,

— trade-related rules and climate change and environmental protection treaties, and

— trade-related rules and global social standards.

1.9. They include greater access to observer status, funding for the promotion of studies, creation of new working groups, enhanced inter-secretariat coordination, common policies in the field of research, interpretation of some existing legal provisions and political commitments.

1.10. The EESC is aware that the changes must be initiated at a political level, and firmly believes that the EU, as one of the few global actors with a constitutional duty and mandate for good global governance, has a crucial role to play in shaping a more efficient multilateral matrix from within.

2. **The timid results of our long-standing call for coherence in multilateral rules**

2.1. ***A plea from key actors of civil society***

2.1.1. Many stakeholders have asked repeatedly for more coherence in policy-making by international, supranational and intergovernmental organisations.

2.1.2. For the business community, the International Chamber of Commerce (ICC) notably pointed out that '*one of the underlying tension points in the current debate on globalisation is the perceived dissonance between trade, labour and environmental standards*' [2].

2.1.3. The G7-L7 summit in 2019 also declared that '*The global governance should better take into consideration current social challenges, including the need for new skills, to ensure decent work according to international standards and the conditions for business to support productivity, higher wages, and create good jobs*' (paragraph 3).

(2) ICC WTO reform, October 2019.

2.2. ***A bird's eye view of former steps***

2.2.1. *Understanding the complexity of globalisation*

2.2.1.1. The United Nations (UN) plays a major role as the overarching international organisation able to produce rules and standards with the widest geographical coverage. That is the reason why the EESC supports UN reform that must lead from a procedurally-centred approach to a results-based approach. In September 2015, the UN adopted 17 Sustainable Development Goals (SDGs) capturing humanity's most universal challenges. While the SDGs are not legally binding, governments, including EU institutions, are expected to take ownership and establish domestic frameworks for their achievement.

2.2.1.2. In 2017, the Organisation for Economic Cooperation and Development (OECD) flagged that we *'need[ed] to fix globalisation but we [didn't] fully know how to do so'* ([3]). The policy paper listed accompanying policies (social and labour market, education and skills, social and environmental responsibility of firms), and referred to *'the urgent need to increase public consultation and civil society stakeholders' engagement'*in international organisations' standard-setting activities.

2.2.2. *Global social standards and multilateral trade rules: the story of a missed opportunity*

2.2.2.1. Right after the failed attempt at inserting a social clause in its rules, in 1996 ([4]) the WTO clarified that the ILO was the *'competent body to set and deal with [core labour] standards'*. Since then, the ILO has adopted several keynote instruments. Section 5 of the ILO's 1998 Declaration recognised *'that labour standards should not be used for protectionist trade purposes, and that nothing in this Declaration and its follow-up shall be invoked or otherwise used for such purposes; in addition, the comparative advantage of any country should in no way be called into question by this Declaration and its follow-up.'*

2.2.2.2. In its 2019 Centenary declaration, the ILO leads the way, committing to *'reinforcing its cooperation and developing institutional arrangements with other organisations to promote policy coherence in pursuit of its human-centred approach to the future of work, recognizing the strong, complex and crucial links between social, trade, financial, economic and environmental policies' (Section IV, paragraph F).*

2.2.2.3. While living separate lives, the ILO and WTO nonetheless collaborate in a number of areas, and notably produce interesting joint publications on trade and employment, trade and informal employment, making globalisation socially sustainable and the importance of skills development policies in helping workers and firms harness the benefits of trade.

2.2.2.4. This cooperation policy never crossed the red line of the 1996 Singapore WTO Ministerial Declaration that stated: '*We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and ILO Secretariats will continue their existing collaboration'*.

2.2.3. *The gradual integration of climate and environment commitments in the multilateral landscape*

2.2.3.1. Since 1994, when the UN Framework Convention on Climate Change (UNFCCC) entered into force, governments have gathered regularly to monitor progress via a robust transparency and accountability system. It was however only in late 2015 when the Paris Agreement, the first universal, legally binding climate change agreement, was adopted, prescribing a system of nationally determined contributions that are to be monitored.

([3]) http://www.oecd.org/about/sge/fixing-globalisation-time-to-make-it-work-for-all-9789264275096-en.htm, p. 9.
([4]) WTO Singapore Ministerial Declaration 1996, paragraph 4.

2.2.3.2. With its observer status in UNFCCC and a mandate to advance on decent work and just transition, the ILO made substantial contributions to the work of the Improved Forum on the impacts of the implementation of response measures (2015-2018). The Forum notably investigated *'the effects arising from the implementation of mitigation policies, programmes and actions, "in-jurisdiction" and "out-of-jurisdiction" or cross-border impacts, taken by Parties under the Convention, the Kyoto Protocol and the Paris Agreement to combat climate change'*.

2.2.3.3. Following a 2016 Memorandum of Understanding, the ILO worked closely with UNFCCC staff and experts to increase mutual understanding: training on the role of social actors, capacity-building to measure the impact of climate change measures, regional workshops on Just Transition and a biannual global forum.

2.2.3.4. The ILO's main channel of action on environment is a joint consortium with UNEP, UNDP, UNIDO and UNITAR, called Partnership for Action on Green Economy (PAGE).

2.2.3.5. A variety of Multilateral Environment Agreements (MEA) adds to the picture. Predominantly used by the UN, they cover a wide range of environmental themes under Biodiversity, Land, Seas, Chemicals and Hazardous Waste or Atmosphere. The EU is party to around 30 such agreements.

2.2.3.6. Aside from the UN network, the WTO Trade and Environment Committee provides a forum for information-sharing, events and exchange of views on trade and sustainability (i.e. circular economy, voluntary initiatives in standards, reform of fossil-fuel subsidies, plastic, etc.).

2.2.3.7. According to WTO case law, members can put in place measures to improve citizens' health, environment protection or biodiversity conservation as long as they comply with set criteria to ensure compliance with WTO rules and disciplines. These derogations, based on GATT Article XX, are considered as compatible if they are proportionate and non-discriminatory. The application of such measures must not constitute a '*means of arbitrary or unjustifiable discrimination*' or a '*disguised restriction on international trade*'.

2.2.3.8. Renato Ruggiero, WTO Director-General, stated very clearly in a conference in Bonn (9 December 1997) the limits of what a government may or may not do: '*Governments can use any type of trade restriction, including import and export quotas and prohibitions, or the imposition of taxes or other charges at the border, for the purpose of environmental protection or resource conservation within their jurisdiction — as long as basic requirements relating to non-discrimination and least-trade- restrictiveness are met. […] What a country cannot do under WTO rules, however, is apply trade restrictions to attempt to change the process and production methods — or other policies — of its trading partners. Why? Basically because the issue of production and process methods lies within the sovereign jurisdiction of each country*'.

2.2.3.9. This limit, which prevents interference with process and production methods (PPMs), is a clear obstacle to the establishment of incentives for the production and the trade of durable goods.

2.2.4. *Bilateral remedies for greater coherence between economic, social and environmental rules*

2.2.5. *Merits and limits of the Trade and Sustainable Development chapters (TSD)*

2.2.5.1. The EU created TSD chapters in Free Trade Agreements (FTAs) to ensure that trade and investment liberalisation would not lead to a deterioration in environmental and labour conditions.

2.2.5.2. In 2017, the European Court of Justice (ECJ) recognised the '*essential role*' of sustainable development provisions in an agreement [5].

([5]) Opinion 2/15 of 16 May 2017, EU:C:2017:376.

2.2.5.3. In 2018 ([6]), the EESC called for greater ambition and increased enforceability of TSD chapters, which ought to carry equal weight to those covering commercial, technical or tariff issues.

2.2.5.4. In 2016, the ILO ([7]) reported that 63 % of agreements with labour provisions were adopted after 2008, indicating an acceleration, and 46,8 % of FTAs with labour provisions involved the EU, the US or Canada. The reference texts are, in descending order, the 1998 Declaration on principles and fundamental rights, Convention No 182 (Child Labour), the Decent Work Agenda, and the Declaration on Social Justice.

3. **New thinking to design a New Multilateral Matrix**

3.1. ***General premises***

3.1.1. Any new proposals for greater cohesion should respect four principles:

— **specialisation**: ‘*International organisations only have competences in so far as these have been conferred upon them by their Member-States’* ([8]),

— **decision-making capacity**: organisations have clear internal rules and processes allowing governance bodies (technical committees or general assemblies) to act,

— **transparency**: any functional change such as introducing joint groups, new statutes or common declarations must be communicated transparently both internally and externally,

— **evaluation**: the establishment of an evaluation culture on internal functioning should be encouraged.

3.1.2. The EESC inherently supports more open communication and consultation with civil society on international organisations’ policies, and calls for the gradual setting-up of permanent dialogue processes. In view of its experience, the EESC is ready to play a pilot role as a facilitator in setting up such procedures. Much like the UNFCCC and the OECD who nurture a rich dialogue with a wide range of partners, the WTO has recently boosted its engagement with civil society, beyond its annual public forum. These contacts can contribute significantly towards greater effectiveness and democracy in the multilateral trade system. The EESC is grateful for the EC’s support in increasing the voice of civil society at multilateral level, and welcomes Action 6 of the recent Ottawa Group 6-point action plan ([9]).

3.1.3. The social partners’ negotiating capacity also calls for greater recognition. The tripartite declaration of social partners at international level and the array of multinational framework agreements contain useful practical rules and tools (social standards, relationships with suppliers, social dialogue, fight against child and forced labour).

3.2. ***The multilateral tool box***

Integrate the WTO into the UN system from a functional point of view

3.2.1. The UN system is the pillar of the international order with its network of specialised agencies such as the ILO, UNESCO, the WHO, the IMF, the World Bank and regional development banks. While trade rules must contribute to achieving the SDGs, the WTO has been set up as a ‘stand-alone’ organisation and remains outside the UN system. The WTO director-general (DG) does, however, take part in the UN Chief Executives Board (CEB) with all the directors-general of the specialised agencies and other main UN bodies. The EESC suggests that the CEB be kept informed by the WTO on any trade rules system achievement that would help deliver on the SDGs.

([6]) EESC opinion REX 500 — Trade and sustainable development chapters (TSD) in EU Free Trade Agreements (FTA) (OJ C 227, 28.6.2018), point 2.4.

([7]) ILO *Labour-related provisions in trade agreements: Recent trends and relevance to the ILO*, GB.328/POL/3, paragraph 9.

([8]) Jan Wouters, Cedric Ryngaert, Tom Ruys and Geert De Baere, *International Law: A European Perspective* (Oxford, Hart Publishing, 2018), p. 259.

([9]) Canada leads a group of WTO members, known as the Ottawa Group, in order to address specific challenges to the multilateral trading system. June 2020 Statement of the Ottawa Group: Focusing Action on Covid-19, June 2020.

3.2.2. The explicit reference to '*sustainable development*' in the Preamble of the 1994 WTO Agreement must be construed as covering the SDGs, which are the new universally agreed embodiment of sustainability in international law. The WTO seems to accept it already as it proclaims itself on its website as 'central to achieving the SDGs'.

Further connecting separate sets of rules

3.2.3. *Tighter social and environmental rules*

3.2.3.1. In 2018, the ILO produced several studies on the overall potential impact of the Paris Agreement, on the issue of ecological transition and skills ([10]) or on skills for a greener future and the impact of warming on working conditions ([11]).

3.2.3.2. The EESC asks for a wider dissemination of these reports and favours the organisation of EC funded regional workshops in developing countries, notably Least Developed Countries and insular and vulnerable economies that are the most impacted socially by the brutal effects of global warming.

3.2.3.3. In 2015, ILO published *Guidelines for a just transition towards environmentally sustainable economies and societies for all*. The EESC suggests greater use of these Guidelines across Commission services in their standards-setting activities. In addition, the updating of these Guidelines should be on the agenda of the ILO Governing Body.

3.2.4. *Further links between trade rules and social standards*

3.2.4.1. As a matter of reciprocity, the EESC would like the WTO to grant the ILO formal observer status at the meetings of its main bodies and committees. Beyond official ILO participation in the WTO ministerial conferences (MC), it would boost ILO involvement in internal WTO bodies and could contribute to integrating as part of the WTO Trade Policy Review Mechanism (TPRM) respect for international labour standards. The EESC suggests that a dedicated temporary working group between WTO and ILO secretariats be set up to develop and present guidelines by June 2021.

3.2.4.2. In addition, the ILO World Commission on the social dimension of globalisation should be reinvigorated in light of the impact of COVID-19 on Global Value Chains (GVCs). *Building on its opinion on the UN Binding treaty* ([12]), the EESC advocates *during the German presidency of the EU* for an effective regulatory framework to ensure respect for human rights and decent work in GVCs that would include a European Action Plan with legislative instruments and tangible achievements, and ambitious and effective normative actions at global level. Both the ILO and the WTO need to contribute in their respective roles.

3.2.4.3. In the process of examining regional and bilateral trade arrangements, the number and geographical coverage of which are constantly increasing, the WTO must play a new role in the field of labour provisions. Because a majority of new FTAs contain labour provisions, the WTO secretariat should collect, compare and monitor this new corpus. Such monitoring work could be shared with the ILO, in the framework of the ILO Action Plan on decent work in global supply chains, and lead to further cooperation between the ILO and WTO.

3.2.5. *Further links between trade and climate rules and policies*

3.2.5.1. A WTO climate waiver, already debated in academic and business circles, could define 'climate measures': characteristics, general interest goals and criteria for compatibility with WTO rules. Such a waiver would enable WTO members to introduce climate measures domestically (Emission Trading System) or at their borders ensuring that these measures will not constitute disguised protectionist measures.

([10]) *World employment social outlook 2018 — Greening with jobs*, Geneva ILO, 2018.
([11]) *Working on a warmer planet: The impact of heat stress on labour productivity and decent work*, Geneva, ILO, 2019.
([12]) EESC opinion REX 518 — Binding UN treaty on business and human rights (OJ C 97, 24.3.2020, p. 9)

3.2.5.2. A WTO ministerial declaration on trade and environment recognising the role of trade, trade policy and the multilateral trading system in supporting the international community's efforts towards achieving the SDGs and other shared international environmental commitments such as the Paris Agreement should be prepared for MC 12 in 2021 by an informal WTO Working Group. The EESC encourages the Commission to continue its efforts to this effect.

3.2.5.3. The EESC asks the European Commission to clarify its position on the phasing out of fossil-fuel subsidies in the EU and to support fully any emerging initiative at plurilateral level within the WTO.

3.2.5.4. The EESC calls for a swift relaunch of WTO plurilateral negotiations on an Environmental Goods Agreement. This should be more directly linked to the Paris Agreement, e.g. the Chinese Taipei 2019 proposal for a Paris Accord-Related Environmental Goods and Services Agreement relying on the elimination of tariffs on goods and services related to carbon reduction. '*Initiation of a brand new negotiation like the PAEGSA, aimed at tackling such topically relevant issues as climate change and international trade liberalisation, will be a key achievement for the multilateral trading system*' ([13]).

3.2.5.5. For greater coherence, MEA secretariats should have observer status in a wide range of WTO committees, not just the Trade and Environment Committee (the committees dealing with Technical Barriers and Sanitary and Phytosanitary Measures, for instance).

3.2.5.6. The EESC recommends the creation of a joint working group for the UN Environment Programme, UNFCCC and WTO. It would deal with greenhouse gas emissions and international trade issues and deliver measurement methodologies or compensation systems within FTAs (by reforestation, for example). Nationally Determined Contributions under the Paris Agreement should take into account such compensation systems agreed with third countries.

4. **EU contribution to a new model of sustainable multilateralism**

4.1. To fight carbon leakage, the EESC supports a WTO-compatible carbon adjustment mechanism at the EU borders, levelling the playing field for CO_2-intensive sectors ([14]). The EESC asks the European Commission to adhere to its original timetable with a legislative proposal in Spring 2021. The recent inception impact assessment (roadmap) demonstrated support, in particular from sectors such as steel, cement, chemicals and electricity.

4.2. The EESC stresses the importance of having a comprehensive social and environmental conditionality for recipient countries in the next Generalised System of Preferences (GSP) (Regulation (EU) No 978/2012 ([15])).

4.3. ***Stronger sustainable development provisions in FTAs***

4.3.1. Trade and Sustainable Development (TSD) chapters in EU trade and investment agreements should be strengthened:

— As recommend by the European Parliament, TSD chapters should require both partners to ratify and implement core international instruments on human rights (i.e. the International Bill of Rights), ILO core conventions, including the Occupational Safety and Health Convention, and the Paris Agreement and other international environmental agreements.

— The EESC Follow-up Committee on International Trade considers that Sustainable Impact Assessments should review the '*computable general equilibrium (CGE) model […] against alternative models and include a broader set of indicators measuring impacts on human and labour rights, climate change, biodiversity, consumers and FDI. A broader set of indicators, with an open-minded look into alternative models, is required*'.

([13]) Non Paper JOB/TE/19 19 January 2018.
([14]) EESC opinion CCMI/167 — The sectoral industrial perspective of reconciling climate and energy policies (OJ C 353, 18.10.2019, p. 59).
([15]) OJ L 303, 31.10.2012, p. 1.

— The EESC calls for a revamping of the panel mechanisms where trade lawyers, but also labour, climate or human rights experts, could investigate complaints under TSD chapters. Should such panels find violations, it should trigger a treaty State-to-State dispute settlement mechanism, with possibilities for financial penalties or sanctions, and remedies for the aggrieved party.

4.3.2. Future EU FTAs should include a reference to the Paris Agreement and must provide incentives such as zero duty for environmental goods or services. CETA Article 22.3, where parties undertake to promote economic and trade flows that will help to foster decent work and environmental protection, should be used with other trading partners (New Zealand, Australia). Future EU FTAs should also expand the Domestic Advisory Groups' monitoring role beyond environmental, employment and social fields.

4.3.3. Any investment treaty negotiated by the EU, notably with China, must contain comprehensive provisions on:

— sustainable use of natural resources,

— the precautionary principle approach to human health, natural resources and ecosystems,

— the principle of public participation and access to information and justice, and

— the principle of integration and interrelationship, in particular in relation to human rights and social, economic and environmental objectives.

4.3.4. The upcoming appointment of a EU Chief Trade Enforcement Officer will help to ensure effective implementation of trade agreements including labour rights, environmental commitments and the role of civil society.

4.4. ***A leading role for the EU in the design of a New Multilateral Matrix***

4.4.1. The Union is one of the few global actors with a constitutional duty and mandate to '*promote an international system based on stronger multilateral cooperation and good global governance*' (Article 21(2)(h) of the Treaty on European Union (TEU)).

4.4.2. As a regional integration organisation, however, the EU has not been able to participate fully in the work of many bodies, organs and organisations of the United Nations (UN) system, because it must rely on Member States to defend Union positions and interests. More than ten years after the entry into force of the Lisbon Treaty, which committed the EU to '*promote multilateral solutions to common problems, in particular in the framework of the United Nations*' (Article°21(1) TEU), it is high time that the Union, together with its Member States, develops an integrated strategy for obtaining a more enhanced position within the UN system.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

ANNEX

PREPARATORY MEETINGS HELD

Name	Organisation	Role
Elina BARDRAM	EC	**Head of Unit** International Relations (CLIMA.A.1)
Daniele BASSO	ETUC	**Advisor**
John BRYAN	EESC	**Member Group III**
Cinzia DEL RIO	EESC	**Member Group II**
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Alan HERVÉ	Sciences Po Rennes	Professor in International public law
Emmanuel JULIEN	ILO	**Deputy Director** Enterprises Department
Bernd LANGE	EP	**INTA Committee chair**
Jürgen MAIER	Forum Umwelt & Entwicklung	**Director**
Jean-Marie PAUGAM	French government	**French Permanent Representative to the WTO**
Christophe PERRIN	ILO	**Director** Multilateral Cooperation Department
Denis REDONNET	EC	**Director** WTO, Legal Affairs & Trade in Goods (TRADE.DGA2.F)
Lutz RIBBE	EESC	**Member Group III**
Victor VAN VUUREN	ILO	**Director** Enterprises Department
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Jan WOUTERS	University of Leuven	Professor of International Law and International Organisations

Opinion of the European Economic and Social Committee on 'Taxation of the collaborative economy — reporting requirements'

(additional opinion)

(2020/C 364/09)

Rapporteur: **Ester VITALE**

Bureau decision	18.6.2019
Legal basis	Rule 29 of the Implementing Provisions (2010)
	Additional opinion
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Plenary session No	553
Outcome of vote (for/against/abstentions)	210/1/6

1. **Conclusions and recommendations**

1.1. Taxation and tax policies must adapt to constant developments in the collaborative economy. In this respect, new or special tax regimes should not be developed and the EESC considers that it would be more appropriate to adapt current tax rules and models to the new economic situation, maintaining a level playing field for the various stakeholders.

1.2. The EESC asks that national tax systems take account of the collaborative economy and digital platforms, upholding the principles of a fair tax system (i.e. consistency, predictability and neutrality) in this sector, while at the same time guaranteeing the public interest of all relevant parties' discharging their tax obligations.

1.3. The EESC believes that both tax policies applicable to the digitalisation of the economy and the devising of instruments and working solutions must be coordinated at international level. The EESC is therefore very pleased that the Commission, the Member States and the OECD/G20 are working together, recognising that the types of cooperation already in place have already produced tangible results and may produce further, more significant ones in future.

1.4. International, European and national institutions must act effectively and rapidly in order to deal with the questions raised by the digital and collaborative economy, taking a proactive rather than a merely reactive approach to the emergence of specific issues.

1.5. One issue crucial for the tax systems applicable to the collaborative economy is the obligations incumbent on digital platforms with regard to collecting, communicating to tax authorities and keeping information on transactions (reporting obligations). These obligations should not constitute an excessive administrative burden for platforms.

1.6. Sharing information properly within a functional and proportionate system for collecting and exchanging data could make the work of tax authorities easier and establish a reliable and predictable system for businesses, which would be beneficial for the entire collaborative economy.

1.7. The EESC calls for the development of a European standard for collecting the data and information on their own users that platforms will have to communicate to the tax authorities and keep. Reporting obligations should be clear and harmonised across the Member States. A European standard could limit unilateral action by Member States which creates a counterproductive patchwork of rules and uncertainty as to which rules apply in the internal market.

1.8. As regards the broad principles which should steer regulatory action on reporting, the EESC considers that the approach adopted must abide by the proportionality principle, in accordance with EU Court of Justice case law, and thus make it possible to achieve the purpose of the regulation, i.e. gathering clear information which is useful for tax authorities, without excessive, undue sacrificing of the private interests of platforms and final users.

1.9. The EESC considers that the tax rules relevant to the collaborative economy, including rules on reporting requirements, should constantly adapt to the various sectors and often differing activities of that economy.

1.10. The EESC believes that it is important to consider whether the imminent implementation of the directive on certain requirements for payment service providers regarding requests for information with a view to identifying VAT fraud can also be used for the purposes of direct taxation in the context of reporting obligations.

1.11. The exchange of information between private parties and public authorities must naturally comply with European legislation on the protection of privacy and the processing of individuals' personal data, and meet the criteria of need, proportionality and strict interpretation of any waivers granted from the broad principles in the field of privacy for the purpose of enforcing tax rules.

2. **Introduction and broad principles**

2.1. Framing effective tax policies for the collaborative economy is a challenge both for European and national institutions and for operators in this sector. In this respect, it is vital to guarantee a level playing field between the various collaborative economy operators as well as between these operators and traditional operators active in the same sectors.

2.2. The EESC considers that the collaborative economy has enjoyed continuous and strong growth in recent years and that it offers EU countries an opportunity for further development in the future as well, as it allows untapped resources to be mobilised and gives the initiative to individual people. At the same time, it recognises the need for regulation in order to protect consumers and safeguard workers' rights, tax obligations and fair competition.

2.3. The term 'collaborative economy' as used in this opinion refers to business models supported by collaborative platforms allowing the temporary use of goods or services which are often provided by private individuals. On this point, and with regard to methodology, a minimum consensus should be reached between the European Union and the Member States regarding the concept of 'collaborative economy', with a view to preventing significant disparities between the various definitions applied in the internal market.

2.4. The collaborative economy is a complex economic entity which needs to be regulated as a whole, as it covers a range of social sectors and many different legal entities which have traditionally dealt with diverse, separate fields. For instance, the constant developments in the collaborative economy have an impact on the rules in the areas of consumer law, labour law, social security, contract law, the right to privacy and the law on public services.

2.5. The EESC points out that national tax systems, coordinating effectively at European level, must take account of new models linked to the collaborative economy. The principles of a fair tax system (i.e. consistency, predictability and neutrality) for these new models need to be upheld in everyone's interest: public authorities, businesses and consumers.

2.6. However, traditional tax rules are struggling to adapt to the constant changes in technology, and tax rules often lag behind the digital economy, which is developing extremely quickly. Action by the European legislator and the various national legislators therefore needs to be coordinated to achieve specific and appropriate adaptation of the conventional rules and principles to these changes.

2.7. International, European and national institutions must act in a timely, effective and coordinated manner in order to deal with the new questions raised by the digital and collaborative economy, taking a proactive rather than a merely reactive approach to the emergence of specific issues.

2.8. The EESC firmly believes that with the digitalisation of the economy, tax policies and the devising of instruments and specific solutions must be coordinated at international or even global level. The EESC is therefore very pleased that the Commission, the Member States and the OECD/G20 are working together closely, recognising that this cooperation has already produced tangible results and may produce further, more significant results in future.

3. **Reporting obligations**

3.1. One issue crucial for the tax systems applicable to the collaborative economy is the obligations incumbent on digital platforms with regard to collecting, communicating to tax authorities and keeping information on transactions. Sharing information properly within a functional and proportionate system for collecting and exchanging data could make the work of tax authorities easier, as they would have quick and easy access to data, and establish a predictable system for platforms and their users. Reporting obligations should not constitute an excessive administrative burden on platforms and operators in this sector.

3.2. There are already a number of examples of effective cooperation between platforms and tax authorities in the transport sector; Estonia, for instance, has adopted provisions to make it easier for drivers belonging to car pooling platforms to fill out their tax declarations. Estonia has also come up with another innovative solution: identifying a minimal and proportionate amount of data which has to be communicated to the authorities and enabling platform operators to have a dedicated current account for paying taxes. This current account promotes direct and rapid communication between operators, their banks and the tax authorities. On the other hand, in some regions online platforms have demonstrated a lack of willingness to work with the financial authorities.

3.3. In this respect, the EESC calls for the development of a European standard for collecting the data and information that platforms will have to communicate to the tax authorities and keep. A plethora of unilateral action by Member States and a patchwork of regimes across the internal market — which is already happening to some extent — will create operational difficulties and a loss of efficiency for the whole collaborative economy sector.

3.4. A harmonised European reporting model needs to be developed, drawing on practical experience and feedback. There are various reporting systems in place across the Member States which differ in terms of organisational arrangements and the quality and type of data collected and forwarded. In some Member States, these systems are very burdensome and the platforms have to go to considerable efforts, while other Member States have more flexible systems which have less impact on day-to-day operations. Experience in some Member States shows that optional, voluntary reporting systems which do not entail specific legal requirements do not work effectively.

3.5. The EESC is of the view that the current fragmentation is not sustainable in the long term, as it could lead to excessive compliance costs and inefficiency linked to the patchwork of rules in place across the internal market. A balanced and proportionate approach to reporting must therefore be identified, guaranteeing a streamlined and functional system. Simplified reporting obligations could be an incentive for digital platforms to comply with the rules.

3.6. As regards the broad principles which should steer regulatory action on taxation of the collaborative economy in general and reporting obligations in particular, the EESC considers that the approach adopted must abide by the proportionality principle, in accordance with EU Court of Justice case law. It will therefore be necessary to make it possible to achieve the purpose of the regulation, i.e. gathering clear information which is useful for tax authorities in the public interest, without excessive sacrificing of the private interests of platforms and final users.

3.7. This approach should guarantee clear, predictable rules for sector operators, avoiding generating excessive compliance costs (for instance through unnecessary and disproportionate requests for data) while ensuring that tax authorities can collect information efficiently.

3.8. A proportionate, reasonable reporting system should also identify which data, in terms of quality, are absolutely necessary and need to be collected in order to enforce tax rules, without placing excessive burdens on platforms and their professional users or final users. A proportionate approach should also make a distinction between professionals active in the collaborative economy and non-professional service-providers, adjusting the reporting obligations applicable to each category.

3.9. Further aspects which should be subject to harmonised EU-wide regulation are: (i) the general conditions governing the lawfulness of processing by the data processor; (ii) the persons concerned by the processing; (iii) the entities involved and the purposes for which personal data may be disclosed; (iv) the specific methods of processing; (v) the limits on the purposes of processing; and (vi) how long data are kept.

3.10. The exchange of information between private parties and public authorities must naturally comply with European legislation on the protection of privacy and the processing of individuals' personal data, and meet the criteria of need, proportionality and strict interpretation of any waivers granted from the broad principles in the field of privacy for the purpose of enforcing tax rules.

3.11. In this respect, it might also be useful to improve and encourage the exchange of information between national tax authorities as well, with a view to setting up effective forms of cooperation intended to prevent fraud and tax avoidance as well as to harmonise the working practices of the various authorities.

3.12. Tax rules in the collaborative economy, including as regards reporting systems, should anyway be geared to the various sectors of the collaborative economy: the various activities involved in this sector are often varied and specific and so require specific, targeted rules.

3.13. The EESC recommends that a level playing field be guaranteed anyway as regards taxation of activities carried out by means of the collaborative economy and similar traditional activities, in accordance with the principle of fiscal neutrality. The aim here is to avoid distortions in the operation of markets which combine conventional forms of activities and those performed via the collaborative economy.

3.14. Lastly, identifying minimum thresholds below which certain activities are deemed not to be professional or not to be economically relevant and for which specific tax exemptions can therefore be granted might be useful for stimulating the growth of the collaborative economy. However, these thresholds must be reasonable, following an accurate legislative impact assessment.

4. **VAT and the collaborative economy**

4.1. For VAT purposes, it is crucial to define the concept of 'taxable person' precisely and understand whether the person in question is performing an economic activity. Furthermore, there is still no easy way to establish how to tax collaborative economy transactions in which remuneration is not made in money but which do involve some form of return, for instance based on the use of the users' personal data and the mining of that data.

4.2. More specifically, for VAT purposes, a distinction must be made between different situations concerning remuneration for services: (i) situations where services are rendered against payment of a sum of money; (ii) situations in which remuneration is provided not in money but in the form of another service or non-monetary remuneration; and (iii) situations in which the service is rendered freely with no return ([1]).

([1]) VAT expert group, meeting — 1 April 2019 taxud.c.1(2019)2026442 — EN, VAT Treatment of the sharing economy, VEG 081.

4.3. As regards instances which could come under point (ii), the EESC calls for clarification on whether activities carried out by collaborative platforms are subject to VAT.

4.4. On this subject, the EESC considers the European Commission's VAT expert group's work on *VAT treatment of the sharing economy* to be very useful and trusts that this issue will be developed further.

4.5. The Commission and national tax administrations should also promote appropriate cooperation and mutual coordination with regard to applying VAT rules to the collaborative economy, with a view to developing harmonised working practices, exchanging information useful for enforcement procedures and preventing fraud and tax avoidance.

4.6. The EESC believes that it is important to consider whether the imminent implementation of the directive on certain requirements for payment service providers regarding VAT fraud can also be used, in the context of reporting obligations, for the purposes of direct taxation either with regard to online credit card payments or to payments made by direct bank transfer and other forms of rapid payment.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on 'European Climate Pact'

(Exploratory opinion)

(2020/C 364/10)

Rapporteur: **Dimitris DIMITRIADIS**

Co-rapporteur: **Peter SCHMIDT**

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1. **Conclusions and recommendations**

1.1. We are in a climate emergency. At the time of the global health and impending economic crises caused by the COVID-19 pandemic, the EU's commitment to the transition to a sustainable, resilient, climate-neutral and resource-efficient wellbeing economy must be reaffirmed. What we need now are transformational shifts in culture, infrastructure, behaviour, participation and livelihoods that will impact on, but also empower, citizens in multiple ways.

1.2. Climate change threatens us all, but, as with the pandemic, it has the most damaging effect on the most vulnerable and marginalised people. It is vital that the transition leaves no one behind.

1.3. The EESC underlines that the active participation of all parts of society — enterprises, workers, researchers, consumers, communities and citizens and their organisations — is crucial for mobilising the transition to climate neutrality.

1.4. The EESC thus supports the call for the European Union to commit to achieving carbon neutrality by 2050, and accordingly adjust its greenhouse gas reduction target for 2030. The UN Environment Programme (UNEP) Emissions Gap Report 2019 indicates that global emissions need to be cut by 7,6 % per year, starting now, in order to limit global warming to 1,5 °C. Calculated, this means a reduction target of at least 68 % by 2030.

1.5. A shift to a participatory model is required at all levels of scale and, in implementing the Climate Pact, the Commission has an important opportunity and obligation to model an innovative approach which will mirror, support and inspire action already happening in civil society, within communities, cities and regions.

1.6. Participatory models which are too narrowly focused, or framed in ways which limit the scale of the changes explored, or which are capable of being ignored by the institution that has established them, will serve only to distract and disillusion those that engage.

1.7. Europe needs to catalyse systemic change for climate action through innovation (technological and social) by connecting the supply of innovation with demand-side actors, problem owners and those with a high ambition for change. The digital transformation should be guided by the SDGs to avoid risks, including those relating to workers' rights [1]. The implementation of the European Pillar of Social Rights, in tandem with the EGD, provides an opportunity to ensure a just transition focused on the objective of quality jobs for all.

1.8. The overall challenges identified most by civil society actors engaging in climate action are a lack of access to finance, a lack of expertise, a lack of staff and a lack of recognition, as well as the lack of a consistent narrative from the EU and the national governments.

1.9. Achieving EU and international climate goals will require significant financial resources. The European Green Deal (EGD) budget (public and private funds), the EUR 750 billion of the recovery fund, including the allocation of funds for the EU semester process, should be focused on sustainable recovery, including climate action.

1.10. Funding conditionality on sustainable practices in all sectors should be the norm for designing post-COVID recovery plans geared towards the UN 2030 Sustainable Development Agenda and the Paris Agreement. The COVID-19 recovery response should not be to 'bounce back' to where we were before, but rather to 'bounce forward' to something new and better.

1.11. Capacity building and technical support are necessary for all stakeholders to make the transition to a more resilient and sustainable future. Setting up an EU Climate Finance Forum would stimulate access to finance and remove barriers.

1.12. The EESC proposes a European Climate Pact Stakeholder Platform based on the principles of inclusiveness, transparency and genuine participation and ownership by climate actors at all levels.

1.13. The Climate Pact should be focused on empowering people to change systems — through exploration, experimentation and demonstration. Multi-level perspectives, visioning, story-telling and backcasting will all be crucial. A wide variety of climate initiatives should be fostered and facilitated.

2. **Introduction**

2.1. Tackling climate and environmental challenges has become an increasingly urgent task and requires a drastic revision of current unsustainable socio-economic approaches. The COVID-19 global pandemic has demonstrated that simple adjustments of our lifestyles and systems will not be enough. Fundamental changes in production methods, affecting businesses, workers and the organisation of work, were already taking place before the pandemic and may be accelerated as a result. The European Commission adopted a European Green Deal as the new strategy for the EU's socio-economic and financial models that are sustainable, cleaner, safer and healthier.

2.2. In the aftermath of the COVID-19 crisis, climate action and sustainability commitments must be put at the forefront of recovery and reconstruction policy, and of the corresponding budgets, in order not to lock the EU further into a high-carbon future. Post-crisis measures must be designed in a way that creates system resilience, protects and restores biodiversity, prioritises public health, while leaving no-one behind and paving the way for a wellbeing economy. In this context, the EGD should not be abandoned or delayed, but strengthened.

2.3. The success of the EGD will to a large extent depend on the EU's capacity to engage with its citizens. With this in mind, the Commission is preparing a European Climate Pact to bring together various actors, including regions, local authorities, local communities, civil society, schools, businesses and individuals.

(1) UN SDSN Six Transformations to achieve the Sustainable Development Goals.

3. **The need to engage with civil society and citizens on climate**

3.1. We are facing a global climate emergency. The response of governments to the climate crisis thus far has not been sufficient and the world is not on track to meet the objective of the Paris Agreement and the SDGs. Youth climate strikers and others across civil society have been calling forcefully for much more ambitious and urgent climate action. The decision-makers, who have signed up to the 2030 Agenda and the Paris Agreement, have the responsibility to urgently address these demands, take decisive and ambitious policy decisions and move towards a new model of inclusive climate action, where all stakeholders are actively engaged.

3.2. The EESC thus supports the call for the European Union to commit to achieving carbon neutrality by 2050, and accordingly adjust its greenhouse gas reduction target for 2030 ([2]). The EESC expects that the new 2030 emissions target will be based on a broad review and proper impact assessment. The EESC also argues that there are decisive arguments for the aim of a minimum reduction of 55 % by 2030, in order for the EU to respond for its part to the massive global need for decreasing emissions. For example, the UN Environment Programme (UNEP) Emissions Gap Report 2019 ([3]) indicates that an even more ambitious 2030 emission reduction target is needed globally to achieve the 1,5 °C target set in the Paris Agreement ([4]).

3.3. The 2019 Eurobarometer finds that 93 % of EU citizens see climate change as a serious problem; 79 % see it as a very serious problem. The vast majority of respondents think it is important their national government sets ambitious targets to increase renewable energy (92 %) and improve energy efficiency (89 %).

3.4. The Climate Pact needs to leverage the power of Europeans to achieve the EGD’s vision of a prosperous, inclusive, climate resilient society with a circular, net-zero emissions economy by 2050. The IPCC report explicitly refers to the need for ‘rapid, far-reaching and unprecedented changes in all aspects of society’. Incremental changes will not be enough. A narrow focus on CO_2 reduction is counter-productive at the grassroots level — limiting the engagement and the thinking and significantly limiting the changes that are imagined and implemented. What is needed now is a fundamental transformation of economic, social and financial systems that will trigger exponential change in decarbonisation rates and strengthen climate resilience. For this to happen, inspiring, broad and diverse narratives are needed, communicating why the world has to change.

3.5. The current global crisis caused by the COVID-19 pandemic has proven the ability of governments to take dramatic measures to mitigate an existential threat, as well as people’s ability, at least in the short run, to adapt to new restricted lifestyles imposed by these measures. Importantly, communities, enterprises, social partners and other non-state actors are playing a critical role in the response to the pandemic, often identifying needs, designing and implementing context-appropriate interventions more quickly, effectively and creatively than has proven possible through top-down direction.

3.6. There is a huge opportunity and a huge risk as we move to the next phase of responding to COVID-19. The economic measures and fiscal packages that are being designed to sustain and restart the European economy must embrace EU taxonomy for sustainable investments and direct finance to those who are sustainable or have the potential to become sustainable and will make commitments — subject to monitoring — to identifying and making the necessary changes as a matter of urgency.

([2]) The European Parliament rapporteur on the European Climate Law (COM(2020) 0080), Jytte Guteland, is proposing ‘that the Union 2030 climate target is raised to a reduction in emissions of 65 % compared with 1990 levels. Consequently, the Commission should, by 30 June 2021, assess how the Union legislation implementing that higher target would need to be amended accordingly’.

([3]) Emissions Gap Report 2019.

([4]) The UN Environment Programme (UNEP) Emissions Gap Report 2019 indicates that global emissions need to be cut by 7,6 % per year, starting now, in order to limit global warming to 1,5 °C. Calculated for the EU, this means a reduction target of at least 68 % by 2030.

3.7. The tragic disruption caused by COVID-19, which has led to the suspension of fiscal rules, has shown that another vision is possible when people's lives, our economies and the survival of life on Earth as we know it are at stake. A vision of social progress which relies only on the pursuit of growth in Gross Domestic Product (GDP) ignores fundamental elements of individual and social well-being and fails to account properly for environmental and social considerations. It is therefore necessary to make the leap from the GDP-based to the wellbeing economy ([5]) ([6]).

3.8. One way of enhancing climate ambition is to create enabling environments for more action from non-state actors, including various types of business, including small, medium-sized and micro-enterprises; investors; social partners; cooperatives; cities and regions; trade unions; local communities and citizen groups; farmers; schools; faith-based organisations; youth groups; and other non-governmental organisations.

3.9. An enabling environment requires a key shift from consultation and top-down engagement to co-design, co-creation and empowerment. Standard consultation models rarely reach beyond very narrow, well-resourced sectors of society. Individuals, organisations and enterprises with the most to gain from and contribute to transformational change need to be offered genuine opportunities to participate in decision-making if they are to commit time and energy to the process.

3.10. In 2018 the EESC called for a 'European Dialogue on Non-State Climate Action' ([7]). The purpose of the dialogue should be not only to highlight and showcase actions, but also to respond to the needs of non-state actors by inspiring new partnerships between them and different levels of government; facilitating peer learning, training and advice sharing, and facilitating access to finance.

3.11. The EESC proposed ([8]) that a permanent citizens' dialogue be set up as a compulsory preparatory element of all major political decisions and all pertinent initiatives at all levels.

3.12. Until now, the Commission has not followed these recommendations ([9]). The Climate Pact provides an opportunity for the institutions to work closely together for an enabling framework for civil society and citizens' involvement, building on but going beyond the existing consultation processes.

4. **Learning from existing practices on civil society and citizen engagement**

4.1. Existing national, regional and municipal level examples of citizens' assemblies, citizens' dialogues and similar deliberative engagement processes ([10]) demonstrate the capacity and desire of citizens to take responsibility for climate crisis solutions. It is often the case that broader participatory approaches, when carefully framed, generate significant sustainability gains without being explicitly focused on the climate crisis. They testify not only to the strong need and appetite for participatory democracy, but also to governments' capacity to create such spaces and to follow up on their proposals politically.

4.1.1 In 2019, 150 randomly selected French citizens started deliberating on a question 'how can we reduce greenhouse gas emissions by at least 40 % by 2030, in a spirit of social justice?'. Sessions of this Citizens' Convention are held at the French Economic and Social Council. The Government plans to publicly address the proposals and publish a provisional timetable for their implementation ([11]).

4.1.2 The Irish Citizens' Assembly established in 2016 consisted of 100 citizens, randomly selected to be representative of the Irish electorate. They were tasked with deliberating on topics ranging from the constitutional ban on abortion to making Ireland a leader in tackling climate change. The parliamentary committee established to take forward the Assembly's recommendations on climate change shaped to a significant degree Ireland's landmark Climate Action Plan published in June 2019.

([5]) EESC opinion on 'The sustainable economy we need' (OJ C 106, 31.3.2020, p. 1).
([6]) Welfare economics — branch of economics that seeks to evaluate economic policies in terms of their effects on the well-being of the community. It became established as a well-defined branch of economic theory during the 20th century.
([7]) EESC opinion on 'Boosting climate actions by non-state actors' (OJ C 227, 28.6.2018, p. 35).
([8]) EESC opinion on 'Strategy for long-term EU greenhouse gas emissions reduction' (OJ C 282, 20.8.2019, p. 51).
([9]) Proposed already in EESC opinion 'Building a coalition of civil society and subnational authorities to deliver commitments of the Paris Agreement' (OJ C 389, 21.10.2016, p. 20).
([10]) https://www.thersa.org/discover/publications-and-articles/rsa-blogs/2018/07/our-call-for-action-on-deliberative-democracy
([11]) https://www.conventioncitoyennepourleclimat.fr/en/

4.1.3 In Spain's two major cities, citizens' dialogues and local forums have been established to promote broader participation of citizens and civil society organisations (CSOs) in deciding on parts of the local budget and brainstorming about the future of the city.

4.1.4 The Youth Climate Council at the Ministry of Energy, Supply and Climate in Denmark aims to bring new thinking into climate policy and provide input to the minister on future climate solutions.

4.1.5 The city of Gdansk in Poland has organised three citizens' assemblies on adapting to extreme weather events, reducing air pollution and improving civic engagement.

4.1.6 In Finland, the first Citizens' Panel on sustainable development brought together about 500 Finns to assess the state of sustainable development. The results will be used to promote the work on sustainable development by the Finnish Government and Parliament.

4.1.7 In Italy, after COP 25, a legislative proposal was made by civil society representatives to set up a Citizens' Assembly on the model of the French one. A similar process was launched in the UK, with 'Climate Assembly UK: the path to net zero'.

4.1.8 In Bologna, Italy, the municipality created a 'Civic Imagination Office' as part of its wider work to re-engage citizens. It created six 'laboratories' which run regular visioning events, using Open Space and other tools. When strong ideas for projects emerge, the municipality creates 'pacts' with the community to ensure they become a reality. Over 500 pacts have been agreed in the last five years, ranging from new benches on streets to far larger and more ambitious projects. It has also become the channel through which participatory budgeting is organised.

4.2. Many other community-led initiatives (CLIs) mobilise local action to create a more sustainable future with remarkable and inspiring successes. Among others, 'Sustainable Neighbourhoods' in Brussels, the Scottish Communities Climate Action Network grassroots network of around 120 community groups, Coopérnico — a renewable energy co-operative (RESCoop) in Portugal, the Transition movement, now active in community-scale resilience-building efforts in over 50 countries, inspiring people to transform their ways of thinking, acting and being in the world. The 'Communities for Future' Action Programme, which will be launched this summer, can help provide the institutional setting for public participation.

4.3. At the European level, structured involvement of civil society is necessary and a clear mandate for civil society's participation in the development, implementation and monitoring of policies and strategies aiming to achieve climate neutrality should be provided.

4.3.1 The Multi-stakeholder platform (MSP) on Sustainable Development Goals played an important role, but also left room for improvement in terms of resourcing, frequency of meetings, ownership of the agenda setting, opportunities for extended debate and engagement and facilitation of more regular, transparent and accessible public consultations.

4.3.2 The European Circular Economy Stakeholder Platform, run jointly by the EESC and the Commission, provides a space for a wide-ranging group of stakeholders to exchange good practices and ideas, and create valuable networks. Giving the ownership of the platform to the stakeholders represents the main difference with the MSP on SDGs and is a good practice to follow.

4.4. The Paris targets will not be met without strong engagement of the social partners at all levels and particularly in industries and sectors that are heavily affected by decarbonisation and digitalisation. The implementation of the European Pillar of Social Rights, in tandem with the EGD, provides an opportunity to ensure a just transition, focusing on the objective of quality jobs for all. The social dialogue led by trade unions and employers is one of the best places to raise awareness of the climate crisis. They are the key protagonists if we are to realise a socially fair, productive and commercial transformation that the EGD brings. These scenarios range from Social Dialogue Summits at European level, through cross-border dialogue, which is essential to give muscle to European social integration, and to sectoral and company level collective agreements. Workers' involvement forms an integral part of democracy in the workplace and gives working people an opportunity to play an active part in workplace decisions that can make a positive contribution to climate action.

4.5. Climate-KIC of the European Institute of Innovation and Technology focuses on designing, executing and connecting entrepreneurial experiments and deep demonstration effects on levers of systemic change. EIT Climate-KIC has a portfolio composed of experiments focused on triggering new ways of thinking, leveraging exponential effects of new technologies, networks and community forces, and seeking to learn faster than the pace of change ([12]).

5. **Learning from business responses**

5.1. Innovation refers to adding extra steps of developing new services and products in the marketplace or in the public that fulfil unaddressed needs or solve problems that were not in the past. Technological Innovation, focuses on the technological aspects of a product or service. Social innovation refers to new social practices that aim to meet social needs in a better way than the existing solutions, resulting from — for example — working conditions, education, community development or health. Digital Technology plays an important part in social innovation through the use of ICT such as online networks and other digital tools.

5.2. The process of Systemic Innovation should be made available at an affordable cost for all stakeholders that need to be engaged in the co-design of the solutions that will drive the needed sustainability transition. Financial viability is a prerequisite for social cohesion and 'leaving no one behind' in the process of implementing the EGD. For this reason, aspects of systemic change that have public good characteristics should be funded or subsidised by public sources which will allow further leveraging of private funds for climate change investments.

5.3. Communities that succeed in bringing about systems innovation are those that excel at understanding the problem, at gathering solutions, at allocating solutions according to specific needs and resources of different places and contexts. We need to empower European communities with these skills and create the relevant enabling environments for more action from the non-state actors.

5.4. There is an urgent need for innovative funding mechanisms, which recognise and respond to the potential and challenges of community-led system innovation, which requires flexible, core support in order to be established and sustained, and at-risk start-up capital for bigger projects, as well as professional mentoring and support. The Climate Pact could create a hugely valuable route for social innovators to provide feedback on the policy and economic barriers, which block and disadvantage them and frequently render much-needed transformational projects unviable.

5.5. The responses of companies are a very important reference, as illustrated by these examples:

— Multinational corporations producing clothing to use and throw away, promoting a second-hand sales line, as a recycling strategy,

— The mentoring of large oil producers and insurance companies, which will have to reorient their businesses.

5.6. Examples of significant responses from the financial sector include:

— Investment funds' decision not to invest in projects that do not consider the climate variable,

— The Network for Greening the Financial System, founded by eight central banks and supervisors, for green finance.

([12]) EIT C-KIC 'Deep Demonstrations' represent a potential economic 'growth edge' from Europe's most ambitious 'challenge owners' to understand their 'problem space' and 'designers' to map the system and create a portfolio of intervention positions.

6. **Information sharing and public understanding of climate action**

6.1. Direct dialogues with citizens to raise awareness of the importance of a transition to more sustainable societies and healthier local communities are needed. Such dialogues have most added value when organised at local, regional or national level. Nevertheless, guidance, coordination and support from the EU level would be essential.

6.2. It should be primarily incumbent on individual countries to develop a system of environmental regulation that is based on their local environment and its needs, and adjusted to the sustainable development of that country. Recognition of the rights of nature would be an important element of this ([13]).

6.3. Any EU level intervention should be co-designed with the users, learning from, modelling and inspiring the participatory approach required at other levels of scale. There is a need to bring in expertise and resources to support the design and facilitation of innovative collaborative spaces, compelling story-telling and the use of innovative technology. Fundamental to the success of the Climate Pact will be the ability of the communities involved to become the best story-tellers they can be, bringing to life the transformed future they are advocating, exploring and connecting with existing needs and desires, and empowering people to act.

6.4. A network environment that is conducive to encouraging and supporting climate action requires an online platform for exchanging practices and lessons learned from projects and approaches. Such a participatory platform could facilitate peer learning and advice sharing among actors by helping them to overcome regulatory obstacles. It could stimulate education and innovation by providing online courses, webinars and workshops.

6.5. Recognition, and credible communication of existing actions may be strong stimuli to take climate action. Funding and other resources, specialist support and the power to help shape decisions that impact on their work will enable the wider application of proven approaches.

6.6. Ambassadors for climate action could be tasked with facilitating cooperation between multiple actors; setting strategic/thematic priorities; convening events; and incentivising new climate actions.

6.7. Such Climate Pact Ambassadors could serve as focal points for different sectors of the economy. Specific ambassadors for youth, local communities, cities and regions should also be appointed. Ambassadors at EU level would have a different role from ambassadors at national/regional/local level. Coordination between various levels would need to be ensured.

6.8. Appointing members of the EESC and the CoR as EU-level ambassadors for the constituencies they represent would build on their extensive networks among civil society and local and regional authorities, as well as reinforce cooperation between the advisory bodies and the Commission.

6.9. For instance, trade unions and business organisations have an on the ground perspective, and democratically represent workers in various sectors. They are key in shaping the different measures so as to accommodate the needs of workers and businesses and in identifying the challenges. Climate ambassadors at different levels in the trade union and business environment could build on the strengths of social dialogue, effectively boost information sharing and stimulate climate action. This work requires an institutional environment favourable to rights at work.

6.10. The digital transformation changes the organisation and the way of producing of companies, and many SMEs are struggling with very serious shortcomings in digitalisation. The concerns of many workers are about the impact of digitalisation on their jobs, which could lead to rising unemployment and inequalities.

([13]) EESC opinion Reflection Paper on 'Towards a Sustainable Europe by 2030'; EESC opinion on 'Climate Justice' (OJ C 81, 2.3.2018, p. 22).

6.11. In order to 'promote financing and green investment and ensure a just transition' in the EGD, the Commission has developed a taxonomy to incentivise investments in 8 large economic groups and 70 activity sectors, which will radically transform their production and the quantity and quality of their jobs. In this document, the cornerstone of the Investment Plan for the EGD, there is only one reference to labour rights of the fundamental ILO standards.

7. **Creating real and virtual spaces for exchange on climate**

7.1. The Climate Pact should be focused on empowering people to change systems — through exploration, experimentation and demonstration. Education and training programmes covering the whole spectrum of civil society, and other non-state actors, are needed. Improving the knowledge and understanding of the climate challenge by going deeper and broader and by improving the quality of the discussions and conversations around the problem among stakeholders is crucial.

7.2. Ready-to-implement tools to structure and manage the challenges and exploit opportunities of sustainability innovations and transitions will be needed. The EC Horizon 2020 programme has produced and pilot many of these tools. In multidisciplinary settings the approach should be to follow 'learning by doing through the application of tools on the users' cases'.

7.3. Stakeholder management, multi-level perspective, visioning and backcasting, and niche management will be crucial in mobilising the Climate Pact. This structure is meant to facilitate the problem-solving process by setting out a pathway for system innovation for climate change and EGD implementation.

7.4. The success of the Climate Pact will be partly defined by the ability of entrepreneurship and businesses to attract grant funding from public, philanthropic and private sources. Such funding should have the ambition of addressing the market failures that have caused climate change, has the appetite for disruptive change and can reach a significant scale. The EU Multilateral Funding Framework, mission-driven European and international public and private funds with an appetite to drive systemic change in the areas of climate mitigation and adaptation can be used to leverage billions of innovative climate action. The overall aim should be to generate resources, experience and capability around purposeful outcomes on emission reductions and increased climate resilience that can be multiplied to accelerate change and generate hope. The Climate Pact should welcome the engagement of the national and international financial sector, including the relevant multilateral and private funds. Moreover, the tax system should reflect the principle of maximising and sustaining the well-being economy.

7.5. Incorporating physical and virtual spaces for climate exchanges into existing civil society associations, which would interact through the Climate Pact Stakeholder Platform, should also be considered.

7.5.1 In the field of work, the constitution of Observatories of Foresight, Analysis and Interpretation of labour, organisational and technological changes, covering the eight taxonomy groups, with the participation of trade unions, employers and administrations, at European and Member State level, would be appropriate, with material support from the Commission.

8. **Building capacity to facilitate grassroots initiatives**

8.1. The general framework should be clearly defined, in order to avoid inconsistencies with the EGD.

8.2. The overall challenges identified most by civil society actors for engaging in climate action are a lack of access to finance; a lack of expertise; a lack of staff; and a lack of recognition ([14]), as well as the lack of a consistent narrative from the EU and the national governments.

([14]) EESC study.

8.3. Multiple stakeholders have been pointing out complex regulatory and administrative environments as obstacles to climate action. CSOs, and CLIs, could benefit from capacity-building efforts that help them navigate regulatory and administrative environments.

8.4. Providing both material (technical assistance, capacity building, funding, etc.) and non-material (recognition, greater visibility, etc.) support, as well as facilitating networking and connections to specific policy areas and processes, should be essential elements of a *European Climate Pact Stakeholder Platform* that aims to stimulate climate action on the ground.

8.5. Non-state actors might face various challenges in accessing finance for their climate initiatives, including: prohibitive project size requirements, reluctance of private investors to finance projects, complicated processes and requirements for applying for and accessing funds ([15]). Other barriers include a lack of awareness about climate financing options, insufficient administrative capacity and technical knowledge in securing financing, budgetary and regulatory constraints, ensuring the bankability of potential investments, political constraints, and difficulties in meeting overly prescriptive eligibility criteria for EU and international funds ([16]).

8.6. The EESC has proposed the establishment of a Climate Finance Forum, which would bring together key stakeholders to address the main issues, identify barriers, design solutions, and identify the most efficient mechanisms for improved distribution of finance in line with the principle of subsidiarity. A study ([17]) is being carried out in order to propose an action plan and ultimately to improve the access of non-state climate actors to finance.

9. **Towards a European Climate Pact Stakeholder Platform**

9.1. In view of the positive experiences with the European Circular Economy Stakeholder Platform, the EESC proposes to set up a similar European Climate Pact Stakeholder Platform.

9.2. Inclusiveness, transparency and genuine participation and ownership by local climate actors should be the guiding principles for the Platform.

9.3. The EESC has called for the transition to a sustainable, carbon-neutral and resource-efficient economy to be just and leave no households, communities, regions, sectors and minorities behind ([18]). The European Climate Pact Stakeholder Platform should entail an Observatory of the transition to climate neutrality to monitor implementation of EU climate policy at national and regional level and gather data in support of policy-making at all levels.

9.4. The EESC supports organisation of Citizens' Assemblies in Member States to inform, inspire and foster understanding and to advise all levels of governance on climate policies. The European Climate Pact Stakeholder Platform could promote existing successful experiences and disseminate guidance and best practices to countries, regions and cities interested in hosting similar assemblies.

9.5. The European Climate Pact Stakeholder Platform could be tasked with organisation of a Citizens' Assembly at EU level co-hosted by the EESC, CoR and EP with the Commission's support.

9.6. An essential element of the Platform would be a capacity-building and finance hub, providing guidance, information and education on climate policies and strategies as well as to facilitate access to finance for small-scale projects. The EU hub as well as national hubs could be set up in cooperation with local and regional authorities.

([15]) EESC opinion on 'Facilitating access to climate finance for non-state actors' (OJ C 110, 22.3.2019, p. 14).
([16]) Rossi, L., Gancheva, M. and O'Brien, S., 2017.
([17]) Climate Finance Forum — modalities and first tasks, Study for the EESC by Milieu Consulting SPRL.
([18]) EESC opinion on 'Leaving no one behind when implementing the 2030 Sustainable Development Agenda' (OJ C 47, 11.2.2020, p. 30).

9.7. The European Climate Pact Stakeholder Platform's online platform would serve to create spaces for sharing information and knowledge, facilitating networking and building commitments.

9.8. The European Climate Pact Stakeholder Platform would require setting up a coordination group composed of representatives of various actors. Selection of coordination group members will require transparent and clear criteria in order to ensure inclusiveness and representativeness, while maintaining efficient governance of the structure. The following stakeholders should be represented: EU institutions, civil society, including business, trade unions, local and regional authorities, science community, finance community and youth. Stakeholders from institutions and sectors with fewer resources should be provided with sufficient resources to participate and have a decision-making role.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

553RD PLENARY SESSION (HYBRID), 15 AND 16 JULY 2020

Opinion of the European Economic and Social Committee on 'Gender Equality Strategy'

(COM(2020) 152 final)

(2020/C 364/11)

Rapporteur: **Giulia BARBUCCI**

Co-rapporteur: **Indrė VAREIKYTĖ**

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Plenary session No	553
Outcome of vote (for/against/abstentions)	171/38/7

1. **Conclusions and recommendations**

1.1. The EESC is aware that the COVID-19 pandemic produces a gender impact and has strongly highlighted the gender dimension of social and economic inequalities. This issue must be fully taken into consideration in the new Gender Equality Strategy. The European Commission should implement the Gender Equality Strategy in tandem with tackling the impact of COVID-19, through tailor-made and targeted policy responses.

1.2. The EESC recommends adopting gender mainstreaming strategies in all programming and governance bodies and infrastructure and calls on the Commission to strongly encourage the Member States to adopt the same approach. Furthermore, the Committee advocates the adoption of an intersectional approach to gender equality, also when addressing multiple forms of discrimination.

1.3 The EESC urges the Commission and Member States to ensure gender-balanced participation in advisory and technical bodies set up to discuss policy measures to relaunch the economy and to prevent social and economic marginalisation, in the context of COVID-19.

1.4. The EESC additionally encourages Member States to ensure that the gender perspective is fully integrated in COVID-19 recovery measures, to tackle long-term gender inequalities by means of a strategic and structural approach, and to promote and improve women's participation at every level of the labour market.

1.5. The EESC calls for a stronger commitment to gender equality in the forthcoming Multiannual Financial Framework 2021-2027. This approach also needs to be integrated into the implementation of the European Pillar of Social Rights and the Commission's six priorities for 2019-2024, as well as the recommendations of the European Semester.

1.6. The EESC supports the Gender Equality Strategy drawn up by the Commission and asks it to establish a coordination mechanism involving all Member States, social partners and civil society organisations (CSOs).

1.7. The EESC calls upon the Member States to adopt specific measures to improve educational and careers guidance as a means of strengthening gender awareness and to provide adequate resources and tools, leading to a more-gender sensitive approach and reduced gender segregation in education and employment.

1.8. The EESC calls for action to remove the digital gender gap and to fully embed the gender perspective in the digital and AI agendas, at EU and Member State level, by setting a specific agenda together with a gender-sensitive monitoring mechanism supported by indicators and sex-disaggregated data collection.

1.9. The gender pay gap remains one of the main forms of gender inequality and discrimination, as has been further highlighted by the COVID-19 crisis. The EESC calls on the Commission to urgently proceed with the proposal to introduce binding measures on gender pay transparency, and is ready to play a leading role in promoting a gender mainstreaming strategy for achieving equal pay.

1.10. The EESC urges the Commission and Member States to promote an effective approach to prevent any form of violence against women and provide women with protection. The EESC advocates measures to support and adopt international and European initiatives to eradicate violence against women. The EESC can work with social partners and CSOs to ensure swift implementation of such initiatives.

1.11. The EESC plays a key role in raising awareness by collecting and disseminating good practice among the social partners and CSOs regarding tools and organisational infrastructure to prevent and provide protection from sexual harassment at home and at work.

1.12. The EESC recommends a systematic approach to care policies, which include several other policy dimensions (pay transparency, public services, infrastructure, taxation, transport, the digital and AI agendas and EU funds). EU Member States should continue their efforts to increase the supply, affordability and quality of places in early childhood education and care.

1.13. The EESC calls the Commission to support Member States in enhancing the labour market participation of women with disabilities, thereby implementing the UN Convention on the Rights of Persons with Disabilities (UNCRPD) as well as any other vulnerable groups of women (including Roma and migrant women).

1.14. Equal opportunities in participation is essential for representative democracy at all levels — European, national, regional and local. The EESC supports equal participation and gender balance in decision-making and in political, economic and social life, including in social and civic dialogue structures. Positive actions based on legislative, budgetary, voluntary, organisational and cultural measures are necessary in order to address the issue of low representation and participation of women in decision-making bodies.

1.15. The EESC once again asks the Council to proceed with the discussion on the directive on improving the gender balance on corporate boards.

1.16. The EESC encourages the media and advertising sector to support more balanced participation of women in decision-making positions and to contribute to dismantling gender stereotypes in media content by adopting codes of conduct and mechanisms to ensure gender balance in decision-making bodies.

1.17. The EESC asks EIGE to include in the Gender Equality Index a thematic focus on gender equality in the media, to highlight gender inequalities.

2. **Introduction**

2.1. Gender equality is not only a core value of the European Union ([1]), but is also a binding mandate to act ([2]). The Commission has made equality between women and men a guiding principle as well as one of the goals of its mandate, yet the evidence ([3]), ([4]), ([5]) shows that progress in achieving gender equality in the EU is very slow. This EESC opinion has been drafted in response to the Gender Equality Strategy 2020-2025 launched by the Commission in March 2020, before the spread of the COVID-19 pandemic. The EESC is aware that the COVID-19 pandemic produces a gender impact, which has to be taken into consideration in the Gender Equality Strategy. It is important to underline that this emergency is exacerbating gender-related inequalities that already existed prior to the crisis. Women are increasingly at risk of violence, poverty, multiple forms of discrimination and economic dependence and we recommend that the Commission take prompt action to implement the Gender Equality Strategy in tandem with tackling the impact of COVID-19 on women and girls, through tailor-made and targeted policy responses. The strategy refers as follows to its areas of intervention:

2.1.1. **Violence against women** represents one of the worst forms of discrimination based on sex.

2.1.2. The Commission calls for **systematic analysis**, for stronger measures to dismantle stereotypes and eradicate gender-based violence, harassment, bullying and mobbing, and for the introduction of measures to protect victims and hold perpetrators accountable. Domestic abuse has increased during the COVID-19 crisis, with women more exposed to violence at the hands of their partners at home.

2.1.3. **Women's employment.** Evidence shows that gender gaps in the economy — and the persistent imbalance in terms of care responsibilities — strongly limit the full social and economic empowerment of women, as well as access to fair pay, income and pension. The risk of economic marginalisation is also determined by persistent stereotypes as well as by intersectional forms of discrimination. Skills mismatch in the labour market is a consequence of several structural factors, widely gender-related. These factors not only limit the impact of economic policies, but also deprive our societies and economies of the existing pool of female skills and talent.

2.1.4. **Gender-balanced participation in decision-making** is a major goal and a persistent shortcoming. To address the complexity of economic and social challenges, it is necessary to increase the participation of women in the leadership positions. Legislative measures are one option for addressing gender gaps in the short term.

([1]) Article 2 TEU.
([2]) Article 8 TFEU: 'In all its activities, the Union shall aim to eliminate inequalities and to promote equality between men and women'.
([3]) EIGE (2019) Gender Equality Index 2019 in brief: Still far from the finish line.
([4]) European Commission (2019) New vision for Gender Equality.
([5]) Eurofound (2020) Gender equality at work.

2.1.5. **Gender mainstreaming** is the strategy for achieving gender equality by integrating a gender perspective into all stages of policy-making. In all EU Member States, dedicated gender equality infrastructure [6] is responsible for implementing gender mainstreaming and supporting the integration of the gender perspective into the policy agenda. Such institutional mechanisms should be better equipped with a stronger political mandate and enhanced skills to deploy relevant tools (evidence-based analysis, systematic collection of sex-disaggregated data, gender budgeting [7], gender sensitive monitoring and evaluation).

2.1.6. **The EU 2021-2027 funds** represent an opportunity to support gender equality. The EESC has issued an opinion [8] in which it calls on the Parliament and the Council to introduce new and adequate indicators to better monitor the EU's financial contribution to meeting gender equality goals. The aim is to increase women's participation in the labour market (in particular those belonging to vulnerable groups [9], such as women with disabilities [10] and those subject to multiple forms of discrimination) and to improve work-life balance measures, childcare and long-term care services and infrastructure. The COVID-19 crisis underlines the need to finance measures in favour of work-life balance, to invest in quality and accessible public care services and to maintain employment levels as well as income support.

2.1.7. The EESC also takes the view that **EU funding should be allocated in a more gender-sensitive manner**, that gender equality should be a stand-alone goal, rather than being merged with anti-discrimination objectives, and that the gender perspective should be better integrated among all other specific objectives, following a multidisciplinary and intersectional approach.

3. General comments on the Gender Equality Strategy 2020-2025 and proposals for implementation

3.1. The EESC supports the Commission's approach of relaunching gender mainstreaming as the strategy for achieving gender equality, and asks for the specific impact of the COVID-19 pandemic on women to be considered. The dual approach — positive actions and integration of the gender perspective — needs to be fully embedded in the governance of finance programming mechanisms. This approach also needs to be integrated into the implementation of European Pillar of Social Rights and the Commission's six priorities for 2019/2024 [11], as well as the recommendations of the European Semester.

3.2. The existing institutional infrastructure for gender equality at EU level (DG JUST, EIGE, the European Parliament and the EU institutions, as well as the advisory bodies [12] and the Task Force for Equality [13], supported by data provided by Eurofound and EUROSTAT), should be better incorporated into the EU policy governance process. Beyond the specific confines of gender equality, this institutional infrastructure should be an integral part of the policy mechanism addressing the current main dossiers (Digital Agenda, Skills Agenda, EU Green Deal, European Youth Goals [14], among others).

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(6) EIGE (2019) Beijing +25 policy brief: Area H — Institutional mechanisms for the advancement of women: reduced efforts from Member States.
(7) https://eige.europa.eu/gender-mainstreaming/toolkits/gender-budgeting
(8) OJ C 110, 22.3.2019, p. 26, point 1.8.
(9) OJ C 110, 22.3.2019, p. 26, point 1.6.
(10) EIGE (2017) The European Pillar of Social Rights as an Opportunity for Gender Equality in the EU, p. 6.
(11) https://ec.europa.eu/info/priorities_en
(12) Article 300 TFEU.
(13) The Commission has set up a Task Force for Equality composed of representatives of all Commission services and the European External Action Service to ensure concrete implementation of gender mainstreaming at operational and technical level, in addition to the key actions listed in the Gender Equality Strategy. https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_357
(14) https://youthforeurope.eu/european-youth-goals-2019-2027/

3.3. The EESC shares the view that gender equality requires a multidisciplinary and intersectional policy approach, targeting the social and economic pull factors that lead to gender inequality and investing in enabling factors that enhance gender equality. The EESC [15] calls for a strategic approach to monitoring the integration of the gender perspective into all thematic objectives set in the new regulatory financial framework 2021/2027.

3.4. The Committee draws attention to the fact that a slowdown in economic growth in the EU is already a fact, due to the COVID-19 virus. It is important for the gender effects of macroeconomic policies to be fully assessed and taken into account when implementing the Strategy, to avoid further exacerbating existing gender inequalities [16].

4. **Specific comments**

4.1. The EESC calls on the European Commission to address the existing coordinating mechanism on gender equality to monitor implementation of the strategy, with a view to reporting on achievements from a gender perspective. The coordinating mechanism could also address gender-specific considerations in the implementation of the European Pillar of Social Rights and in the recommendations of the European Semester.

4.2. The EESC has already asked the European Commission to recommend that EU countries set national targets and indicators to monitor the situation through an annual scoreboard.

4.3. *Ending gender-based violence*

4.3.1. At home as well as in the working environment, women are still more likely to report exposure to adverse social behaviours and violence [17]. The EESC can play a key role in promoting wider knowledge of the phenomenon to prevent any form of violence against women. The social partners and CSOs can support the prevention of violence against women and the promotion of a gender-sensitive culture, by raising awareness and by collecting and sharing good practice.

4.3.2. The 2007 European framework agreement of the social partners on harassment and violence at work represents an instrument to guarantee a workplace free from harassment and violence, to be applied everywhere in Europe and in any workplace irrespective of the size of the company.

4.3.3. International and European initiatives to eradicate violence against women must be supported and adopted. The EESC can provide solid support with regards to the ILO Convention on violence and sexual harassment in the workplace. ILO Convention 190 of 2019 on violence and harassment should be ratified and enforced by all governments at international and European level as well as by the European Union. The EESC also welcomes the initiative of the Commission to propose, in 2021, measures to achieve the objectives of the Istanbul Convention.

4.3.4. Cyber-bullying [18] is one of the obstacles women face in participation in online activities and social networks. The EESC has asked the European Commission to strengthen the previous ‘Women in Digital’ Task Force and the follow-up to the ‘Digital4her’ initiative [19]. The European Commission must align these voluntary measures with legislative frameworks on violence against women.

4.3.5. The EESC has repeatedly called on the Commission to update the recommendation on measures to effectively tackle illegal content online and the Code of Conduct on countering illegal hate speech online, which was agreed upon by the European Commission and global IT companies, by adding online harassment and mobbing of women to the definition of illegal hate speech [20].

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(15) OJ C 240, 16.7.2019, p. 3.
(16) See footnote 15.
(17) Eurofound (2020) Gender equality at work, European Working Conditions Survey 2015 series, Publications Office of the European Union, Luxembourg.
(18) EIGE (2017) Gender equality and youth: opportunities and risks of digitalisation — Main report
(19) OJ C 440, 6.12.2018, p. 37.
(20) See footnote 15.

4.3.6. The EESC proposes establishing an emergency legal fund at EU level, which would provide support to CSOs that challenge legislation that violates women's rights in court ([21]).

4.4. *Closing gender gaps*

4.4.1. **Education.** Education gender gaps persist and lead to gender segregation in the labour market, employment and income as well as to skills mismatch ([22]), ([23]). Specific measures should address the system of educational guidance ([24]). Education plays an important role in eliminating stereotypes and breaking down prejudice, starting from primary school.

4.4.2. Digital and AI technologies and skills must be accessible to everyone, irrespective of gender, age or socio-economic background. It is important to increase the number of women and girls in STEM and ICT sectors, to remove the digital gap at the root of their low representation and to provide more female digital role models to overcome stereotypes, in particular in view of the impact of the current COVID-19 emergency.

4.4.3. Promoting the number of women and girls in ICT developer jobs may help overcome the gender bias included in the design of a given technology. It is therefore vital to ensure universal access to upskilling in STEM, ICT and AI, as well as labour protection for women at risk of losing their jobs on account of having a low level of proficiency in ICT.

4.4.4. Specific attention and measures should also be addressed to the gender perspective in financial education.

4.4.5. **Employment.** Gender gaps in employment have led to long-term gaps in income, access to credit, pay and pensions, and it also exacerbates the risk of experiencing poverty, social exclusion and/or homelessness. Regardless of the EU-led legislation on equal treatment in employment, the gender pay gap is still one of the main widespread forms of gender inequality and discrimination.

4.4.6. Collective bargaining could play a leading role in this regard. All measures should address gender gaps in order to enhance access to social protection, improve quality of work and increase the robustness of the labour market.

4.4.7. The EESC welcomes the Commission's initiative on binding measures on gender pay transparency, which have to be introduced as soon as possible and can play a leading role in promoting a gender mainstreaming strategy for equal pay. Women represent 70 % of all workers in the health and social care sector in 104 countries (WHO) and 58,6 % worldwide of workers in the service sector (ILO), something that is posing a risk to their health due to the pandemic. The preponderance of women segregation in low-paid sectors and precarious jobs puts them in the front line in terms of the risk of job loss and health problems.

4.4.8. Jobs and tasks performed in the care, cleaning, commercial and health sectors make a great contribution to society and to the economy, as also highlighted during the COVID-19 crisis. These jobs and sectors, which traditionally employ many women, are often underpaid, undervalued and characterised by precarious working conditions. It is, therefore, essential to give greater social recognition and corresponding economic value to these occupations, which would contribute to reducing pay and other gender gaps, and enhancing the economic and social value assigned to those jobs.

([21]) See footnote 15.
([22]) Source: Eurostat; Early leavers from education and training (code: SDG_04_10); Adult participation in learning (code: sdg_04_60); Tertiary educational attainment (code: sdg_04_20).
([23]) Cedefop (2020) 2020 European Skills Index.
([24]) Cedefop (2019) Briefing Note, Not just new jobs: digital innovation supports careers.

4.4.9. Increasing investment in the digitalisation of the public sector allows for greater and better participation of women and men in the labour market and can assist those who have care responsibilities or who need help in overcoming obstacles related to bureaucracy and access to public services ([25]).

4.4.10. Female entrepreneurs still represent only a small proportion of the total number of entrepreneurs in the EU. Facilitating access to investment capital for female entrepreneurs and promoting gender balance in decision-making positions of finance institutions, where decisions on investments are made ([26]), support both female entrepreneurship and gender equality.

4.4.11. **Care and work-life balance.** Women still undertake a larger share of unpaid work, be it care for children, for the elderly or housework ([27]). Work-life balance measures, either via legislation or collective bargaining, can better reconcile the needs of both women and men, as well as workers who are also acting as carers. The pandemic has added to the burden of unpaid care work, especially in times when schools, nurseries and workplaces are closed due to the quarantine.

4.4.12. The EESC calls for the implementation of the Work-life Balance Directive particularly with regards to paid leaves, to ensure that both women and men can benefit from their right to care. Moreover, the EESC encourages Member States to make further efforts to achieve the current unmet target of having 33 % of children under the age of three in formal care arrangements and to add a target for after-school childcare, to allow parents to work full-time if they wish to. The Commission should work together with Member States to ensure that the targets are fully reached.

4.4.13. The EESC calls on Member States to use EU funds to increase the supply, affordability and quality of services and infrastructure for early childhood education and care.

4.4.14. It is also necessary to enhance the labour market participation of women with disabilities, implementing the UN Convention on the Rights of Persons with Disabilities (UNCRPD).

4.4.15. Due to the ageing of the population, there should be a stronger focus on care of the elderly when designing measures for reconciling needs and achieving work-life balance.

4.4.16. A systematic approach to care policies is required, something that includes several other policy dimensions (infrastructure, taxation, transport, digital agenda, health and skills, AI and EU funds), where social dialogue, the social partners and CSOs can play a leading role.

4.5. *Achieving gender equality in decision-making*

4.5.1. Equal opportunities in participation is essential for representative democracy at all levels — European, national, regional and local. The EESC supports equal participation and gender balance in decision-making and in political, economic and social life, including in social and civic dialogue structures. Positive actions based on legislative, budgetary, voluntary, organisational and cultural measures are necessary in order to address the issue of low representation and participation of women in decision-making bodies.

4.5.2. Gender gaps in the labour market also cause gender imbalance in decision-making. Men outnumber women in management positions by two to one in the EU. Women are underrepresented as managers in almost all economic sectors. Management is most gender-balanced in the public sector ([28]).

([25]) OJ C 440, 6.12.2018, p. 37, point 1.12.
([26]) Eurofound (2019) Female entrepreneurship: Public and private funding, Publications Office of the European Union, Luxembourg.
([27]) EIGE (2017) The European Pillar of Social Rights as an Opportunity for Gender Equality in the EU, p. 8.
([28]) Eurofound (2018) Women in management: Underrepresented and overstretched?, Publications Office of the European Union, Luxembourg.

4.5.3. Legislation can help, but this alone is unlikely to influence culture and organisational mechanisms. Gender balance in decision-making, in political, economic and social life, can also be pursued by adopting a gender mainstreaming approach, aimed at ensuring positive conditions and greater gender awareness to increase women's participation at decision-making level.

4.5.4. The EESC calls on the Council to proceed with the discussion on the directive on improving the gender balance on corporate boards [29]. The Committee also calls on businesses to take a leading role and to significantly increase the participation of women in top decision-making positions.

4.5.5. The Committee has recommended [30] that consideration be given to effective strategies and tools (e.g. legal, budgetary and voluntary measures, gender quotas) to achieve gender balance in elected and nominated posts in major political structures and suggests that the Commission continue to support Member States in taking action in this area. The Committee calls again [31] on the Council to review its guidelines for the appointment of EESC members in order to take account of economic, social and demographic developments within the Union.

4.6. *Gender mainstreaming*

4.6.1. Gender mainstreaming is the best approach for integrating the gender perspective among all actors and at all levels, but its operational dimension and how it is implemented need to be improved.

4.6.2. For the 2021-2027 programming period, the EESC calls for a stronger commitment to gender equality. The enabling conditions for gender equality set to ensure the relevance and coherence of programmes, projects and funds must be effectively implemented and assessed.

4.6.3. The EESC supports the Gender Equality Strategy drawn up by the Commission and calls on it to address the existing coordination mechanisms (Advisory committee on equal opportunities for women and men, High-Level Group on Gender Mainstreaming and Task Force for Equality) to monitor the sound implementation of the Strategy, to report on achievements and to facilitate the exchange of approaches and experience at EU level.

4.7. *Gender in the media*

4.7.1. The impact of the media on gender equality has long been underestimated, even though it plays a vital role in shaping society. The media industry should take a leading role to ensure that advertising has a positive rather than a negative impact in terms of representing and promoting gender equality in society.

4.7.2. To improve gender equality in the media industry, it is crucial to enhance the participation of women in top decision-making positions [32] [33], to adopt codes of conduct as well as other measures [34] [35] that outlaw sexism and stereotypes, and that support the integration of the gender perspective into the organisational transformation of the media sector and the content it makes available.

4.7.3. It is important to acknowledge the impact of gender stereotypes in media content. The EESC calls for a new thematic focus — Media and Advertising — to be included in the next EIGE Gender Equality Index.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

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(29) OJ C 240, 16.7.2019, p. 3.
(30) OJ C 240, 16.7.2019, p. 1.
(31) See footnote 30.
(32) Gender Equality Index, EIGE (2019).
(33) Gender Statistics Database, EIGE (2020).
(34) https://eige.europa.eu/gender-mainstreaming/good-practices/denmark/kvinfo-expert-database
(35) http://www.womeninnews.org/ckfinder/userfiles/files/Gender%20Balance%20Guidebook_FINAL_RGB%20(1).pdf

ANNEX

The following amendments, which received at least a quarter of the votes cast, were rejected in the course of the debate (Rule 59(3) of the Rules of Procedure):

1. **Point 1.9**

Amend text as follows:

1.9 *The gender pay gap remains one of the main forms of gender inequality and discrimination, as has been further highlighted by the COVID-19 crisis. The EESC calls on the Commission <u>to take into account the dramatic consequences of the COVID-19 crisis for companies and particularly SMEs, to consider postponing the legal, binding proposal and to use the time for proper consultation with the social partners.</u> ~~to urgently proceed with the proposal to introduce binding measures on gender pay transparency, and~~ <u>The EESC</u> is ready to play a leading role in promoting a gender mainstreaming strategy for achieving equal pay.*

Outcome of the vote:

In favour: 70

Against: 120

Abstentions: 13

2. **Point 4.4.7**

Amend text as follows:

4.4.7 *The EESC <u>notes</u> ~~welcomes~~ the Commission's initiative on binding measures on gender pay transparency, which ~~have to be introduced as soon as possible and~~ can play a leading role in promoting a gender mainstreaming strategy for equal pay. <u>The EESC calls on the Commission to take into account the dramatic consequences of the COVID-19 crisis for companies and particularly SMEs, to consider postponing the legal, binding proposal and to use the time for proper consultation with the social partners.</u> Women represent 70 % of all workers in the health and social care sector in 104 countries (WHO) and 58,6 % worldwide of workers in the service sector (ILO), something that is posing a risk to their health due to the pandemic. The preponderance of women segregation in low-paid sectors and precarious jobs puts them in the front line in terms of the risk of job loss and health problems.*

Outcome of the vote:

In favour: 70

Against: 121

Abstentions: 12

3. **Point 4.4.8**

Amend text as follows:

4.4.8 *Jobs and tasks performed in the care, cleaning, commercial and health sectors make a great contribution to society and to the economy, as also highlighted during the COVID-19 crisis. <u>In</u> ~~T~~<u>t</u>hese jobs and sectors, which traditionally employ many women, <u>the COVID-19 crisis could potentially influence their working conditions in a negative way</u> ~~are often underpaid, undervalued and characterised by precarious working conditions~~. It is, therefore, essential to give greater social recognition and corresponding economic value to these occupations, which would contribute to reducing pay and other gender gaps, and enhancing the economic and social value assigned to those jobs.*

Outcome of the vote:

In favour:	68
Against:	121
Abstentions:	13

Opinion of the European Economic and Social Committee on 'White paper on Artificial Intelligence — A European approach to excellence and trust'

(COM(2020) 65 final)

(2020/C 364/12)

Rapporteur: **Catelijne MULLER**

Referral	Commission, 9.3.2020
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Section for the Single Market, Production and Consumption
Adopted in section	25.6.2020
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote (for/against/abstentions)	207/0/6

1. **Conclusions and recommendations**

1.1. The EESC congratulates the Commission for its strategy, laid out in the White Paper on Artificial Intelligence (AI), to encourage the uptake of AI technologies while also ensuring their compliance with European ethical norms, legal requirements and social values.

1.2. The EESC also welcomes the aim to capitalise on European strengths in industrial and professional markets and stresses the importance of enhancing **investment, infrastructure, innovation and skills** so that businesses, including SMEs, and society as a whole can seize the opportunities of AI. AI innovation should be fostered to maximise the benefits of AI systems, while at the same time preventing and minimising their risks.

1.3. However, it considers the focus on mere data-driven AI too narrow to make the EU a true leader in cutting-edge, trustworthy and competitive AI. **The EESC urges the Commission to also promote a new generation of AI systems that are knowledge-driven and reasoning-based, and that uphold human values and principles**.

1.4. The EESC calls on the Commission to: (i) **foster multidisciplinarity in research**, by involving other disciplines such as law, ethics, philosophy, psychology, labour sciences, humanities, economics, etc.; (ii) **involve relevant stakeholders** (trade unions, professional organisations, business organisations, consumer organisations, NGOs) in the debate around AI and as equal partners in EU-funded research and other projects such as the Public Private Partnership on AI, sector dialogues, and the *Adopt AI* programme in the public sector and the lighthouse centre; and (iii) keep **educating and informing the broader public** on the opportunities and challenges of AI.

1.5. The EESC urges the Commission to consider in more depth the **impact of AI on the full spectrum of fundamental rights and freedoms**, including — but not limited to — the right to a fair trial, to fair and open elections, and to assembly and demonstration, as well as the right not to be discriminated against.

1.6. The EESC continues to **oppose the introduction of any form of legal personality for AI**. This would hollow out the preventive remedial effect of liability law and poses a serious risk of moral hazard in both the development and use of AI, where it creates opportunities for abuse.

1.7 The EESC asks for **a continuous, systematic socio-technical approach**, looking at the technology from all perspectives and through various lenses, rather than a one-off (or even regularly repeated) prior conformity assessment of high-risk AI.

1.8. The EESC warns that the 'high-risk' sector requirement could exclude many AI applications and uses that are intrinsically high-risk, in addition to biometric recognition and AI used in recruitment. The EESC recommends that the Commission draw up a list of **common characteristics of AI applications or uses that are considered intrinsically high risk**, irrespective of the sector.

1.9. The EESC strongly suggests that any use of biometric recognition only be allowed: (i) if there is a scientifically proven effect, (ii) in controlled environments, and (iii) under strict conditions. **The widespread use of AI-driven biometric recognition for surveillance or to track, assess or categorise humans or human behaviour or emotions, should be prohibited**.

1.10. The EESC advocates **early and close involvement of the social partners** when introducing AI systems at workplaces, in line with the applicable national rules and practices, in order to ensure that systems are usable and comply with worker rights and working conditions.

1.11. The EESC also advocates early and close involvement of those employees that will ultimately be working with the AI system, as well as employees with legal, ethical and humanities expertise, when introducing AI systems, in order to ensure that systems align with the law and ethical requirements, but also with workers' needs, so that workers retain autonomy over their work and AI systems that enhance workers' skills and work satisfaction.

1.12. **AI techniques and approaches used to fight the coronavirus pandemic should be robust, effective, transparent and explainable. They should also uphold human rights, ethical principles and existing legislation, and be fair, inclusive and voluntary.**

1.13. The EESC calls on the Commission to assume a leadership role so as to ensure better coordination within Europe of applied AI solutions and approaches used to fight the coronavirus pandemic.

2. EU White Paper on AI

2.1. The EESC is pleased to note that the European Commission takes up many of the recommendations from earlier EESC opinions and the High-Level Expert Group on AI, encouraging the uptake of AI technologies while also ensuring their compliance with European ethical norms, legal requirements and social values, underpinned by what it calls an 'ecosystem of excellence and of trust'.

2.2. The EESC welcomes the proposals aimed at businesses, including SMEs, and society as a whole seizing the opportunities of the development and use of AI. The EESC stresses the importance of enhancing investment, infrastructure, innovation and skills to improve the EU's competitive success at global level.

Human-in-command approach

2.3. The White Paper is, however, also slightly 'fatalistic' in tone, suggesting that AI 'overcomes us" which, leaves us no other option than to regulate its use. The EESC truly believes in the EU's commitment to ensure that Europe only accepts AI that is trustworthy and therefore should dare to take a much stronger stance here. The EESC thus urges the Commission to always keep the option open at all times of not accepting a certain given type of AI (-use) at all. This is what the EESC has been calling the **'human-in-command'** approach to AI that we need to cultivate.

Capitalising on AI in Europe — a forward-looking definition

2.4. The working definition of AI in the White Paper is ‘a collection of technologies that combine data, algorithms and computing power’. Later in the text, **data** and **algorithms** are defined as the main elements of AI. However, that definition would cover any piece of software ever written, not just AI. There is still no universally excepted definition of AI, which is a generic term for a range of computer applications.

2.5. The **mere focus of the White Paper on data-driven AI is too narrow to make the EU a true leader in cutting-edge, trustworthy and competitive AI**. The White Paper excludes many promising AI systems from consideration, and thus from being governed and regulated. The EESC urges the Commission to also promote a new generation of AI systems that integrate data-driven approaches with **knowledge-driven, reasoning-based approaches**, so-called hybrid systems. The White Paper does acknowledge the need for hybrid systems for purposes of **explainability**, but the advantages of hybrid systems go beyond explainability: they can speed up and/or restrain learning, and validate and verify the machine-learning model.

2.6. The White Paper focuses only on bias in relation to data, but not all biases are the result of low-quality or limited data**. The design of any artefact is in itself an accumulation of biased choices**, ranging from the inputs considered to the goals set to optimise for. All these choices are in one way or another driven by the inherent biases of the person(s) making them.

2.7. Most importantly, however, AI systems are more than just the sum of their software components. **AI systems also comprise the socio-technical system around them**. When considering AI governance and regulation, the focus should thus also be on the ambient social structures around it: the organisations and enterprises, the various professions, and the people and institutions that create, develop, deploy, use, and control AI, and the people that are affected by it, such as citizens in their relations with governments, businesses, consumers, workers, and even society as a whole.

2.8. It should also be noted that **legal definitions (for the purpose of governance and regulation) differ from pure scientific definitions**, whereas a number of different requirements must be met, such as inclusiveness, preciseness, permanence, comprehensiveness, and practicability. Some of these are legally binding requirements and some are considered good regulatory practice.

Bringing all forces together

2.9. The EESC welcomes the effort to address the fragmented AI landscape in Europe by bringing together AI researchers, focusing on SMEs and partnering with the private and public sectors. In addition, the EESC would recommend: (i) fostering multidisciplinarity in research, by involving other disciplines such as law, ethics, philosophy, psychology, labour sciences, humanities, the economy, etc.; (ii) involving relevant stakeholders (trade unions, business organisations, consumer organisations, NGOs) in the debate on AI, but also as equal partners in EU-funded research and other projects such as the Public Private Partnership on AI, the sector dialogues, the *Adopt AI* programme in the public sector and the lighthouse centre; and (iii) continuing to educate and inform the broader public on the opportunities and challenges of AI.

AI and the law

2.10. The White Paper acknowledges the fact that **AI does not operate in a lawless world.**. The EESC particularly welcomes the emphasis on the implications of AI for fundamental rights and recommends that the Commission considers more in-depth the AI impacts on a broad set of fundamental rights and freedoms such as freedom of speech and expression, and the right to respect for private life (which goes far beyond protecting people’s data), to a fair trial, to fair and open elections, to assembly and demonstration, and to not be discriminated against.

2.11. The EESC welcomes the clear stance taken in the White Paper on the applicability of existing liability regimes to AI and the effort to build on those regimes so as to address the new risks AI can create, tackling enforcement lacunae where it is difficult to determine the actual economic operator responsible, and making regimes adaptable to the changing functionality of AI systems.

2.12. The Commission should also recognise that AI knows no borders and that the efforts cannot and should not be confined to Europe. A general worldwide consensus should be reached, drawing on discussions and research by legal experts, in an effort to establish a common international legal framework.

2.13. In any case the EESC **continues to firmly oppose the introduction of any form of legal personality for AI**. This would hollow out the preventive remedial effect of liability law and poses a serious risk of moral hazard in both the development and use of AI, where it creates opportunities for abuse.

Regulating high-risk AI

2.14. The EESC welcomes the risk-based approach to controlling the impacts of AI. The Commission announces a regulatory framework for 'high-risk AI', which would need to comply with requirements regarding robustness, accuracy, reproducibility, transparency, human oversight, and data governance. According to the White Paper, two cumulative elements constitute high-risk AI: (i) a high-risk sector and (ii) high-risk use of an AI application. The White Paper adds two examples of AI applications or uses that could be considered intrinsically high-risk, i.e. irrespective of the sector. It also qualifies biometric recognition as an intrinsically high-risk application. The exhaustive list of high-risk sectors (whilst periodically reviewed) now includes the following sectors as potentially high-risk: healthcare, transport, energy, and parts of the public sector.

2.15. The second criterion, that the AI application is used in a risky manner, is looser, suggesting that different risk levels could be considered. The EESC suggests adding society and the environment as impact areas here.

2.16. Following the White Paper's logic, a **high-risk** AI application used in a **low-risk** sector will in principle not be subject to the regulatory framework. The EESC stresses that undesirable adverse effects of high-risk AI in a low-risk sector could exclude AI applications or uses from regulation, providing a 'window' for circumventing rules: think of targeted advertising (a low-risk sector), which has been shown to have potentially segregating, discriminatory and dividing effects, for example during elections or with personalised pricing (a high-risk use or effect). **The EESC recommends drawing up common characteristics of AI applications or uses that are to be considered high risk 'as is',** irrespective of the sector in which it is being used.

2.17. While the EESC acknowledges the need for conformity testing of AI, it fears that a one-off (or even a regularly repeated) **prior conformity assessment** will not suffice to guarantee the trustworthy and human-centric development, deployment and use of AI in a sustainable manner. **Trustworthy AI needs a continuous, systematic socio-technical approach**, looking at the technology from all perspectives and through various lenses. For policy-making, this requires a multidisciplinary approach where policy-makers, academics from a variety of fields, the social partners, professional organisations, professionals, businesses, and NGOs work together continuously. Especially when it comes to public interest services related to the health, safety and well-being of people and based on trust, it has to be guaranteed that AI systems are adapted to practical requirements and cannot overrule human responsibility.

Biometric recognition

2.18. The EESC welcomes the Commission's invitation to open a public debate on the use of AI-driven biometric recognition. Biometric recognition of micro-expressions, gait, (tone of) voice, heart rate, temperature, etc. is already being used to assess or even predict our behaviour, mental state, and emotions, including in recruitment processes. To be very clear, **no sound scientific evidence exists to suggest that a person's inner emotions or mental state can be accurately 'read' from their facial expression, gait, heart rate, tone of voice or temperature, let alone that future behaviour could be predicted by it.**

2.19. **It should also be noted that the GDPR only restricts the processing of biometric data to some extent.** The GDPR defines biometric data as 'personal data resulting from specific technical processing relating to the physical, physiological or behavioural characteristics of a natural person, which allow or confirm the unique identification of that natural person'. Many biometric recognition technologies, however, are not designed to uniquely identify a person, but only to assess a person's behaviour or emotions. These uses might not fall under the definition of biometric data (processing) under the GDPR.

2.20. AI-driven biometric recognition also affects our broader right to respect for private life, identity, autonomy and psychological integrity by creating a situation in which we are (constantly) being watched, followed and identified. **This could have a psychological 'chilling effect', where people might feel inclined to adapt their behaviour to a certain norm**. This constitutes an invasion of our fundamental right to privacy (moral and psychological integrity). Furthermore, AI-driven biometric recognition could affect other fundamental rights and freedoms, such as freedom of assembly and the right not to be discriminated against.

2.21. The EESC recommends that any use of biometric recognition **only be allowed if there is a scientifically proven effect, in controlled environments, and under strict conditions.** Widespread use of AI-driven biometric recognition to conduct surveillance, track, assess or categorise humans or human behaviour or emotions should not be allowed.

Impact of AI on work and skills

2.22. The EESC notes that the White Paper lacks a strategy on how to address the impact of AI on work, whereas this was an explicit element of the 2018 European Strategy on Artificial Intelligence.

2.23. The EESC advocates **early and close involvement of workers and service providers of all types, including freelancers, the self-employed and gig workers** — not just people who design or develop AI, but also those who purchase, implement, work with or are affected by AI systems. **Social dialogue must take place before** the introduction of AI technologies in the workplace, in line with the applicable national rules and practices. In the workplace, access to and governance of worker data should be guided by principles and regulations negotiated by the social partners.

2.24. The EESC would like to draw special attention to **AI used in hiring, firing and worker assessment and evaluation processes**. The White Paper mentions AI used in recruitment as an example of a high-risk application that would be subject to regulation irrespective of the sector. The EESC recommends extending this area of use to include AI used in firing and in worker assessment and evaluation processes, but also to explore the common characteristics of AI applications that would entail a high-risk use in the workplace, irrespective of the sector. AI applications that have no scientific basis, such as emotion detection through biometric recognition, should not be allowed in workplace environments.

2.25. The maintenance or acquisition of AI skills is necessary in order to allow people to adapt to the rapid developments in the field of AI. But policy and financial resources will also need to be **directed at education and skills** development in areas that will not be threatened by AI systems (i.e. tasks in which human interaction is vital, such as public interest services related to the health, safety and well-being of people and based on trust, where humans and machines cooperate, or tasks we would like human beings to continue doing).

3. **AI and coronavirus**

3.1. AI can contribute to gaining a better understanding of coronavirus and COVID-19, as well as protect people from exposure, help find a vaccine, and explore treatment options. But it is still important to be open and clear about what AI can and cannot do though.

3.2. **Robustness and effectiveness**: data-driven AI to forecast the spread of coronavirus is potentially problematic, because there is too little data about coronavirus for AI to have reliable outcomes. Moreover, the little data that has become available is incomplete and biased. Using this data for machine-learning approaches could lead to many false negatives and false positives.

3.3. **Transparency** on the data and the models used, as well as **explainability** of outcomes, are paramount. At this moment in particular the world cannot afford to take decisions based on 'black boxes'.

3.4. In using AI to combat this pandemic, **respect for human rights, ethical principles and existing legislation** are more important than ever. In particular when AI tools potentially infringe on human rights, there must be a legitimate interest for their use, which must be strictly necessary, proportionate and, above all, time-limited.

3.5. Finally, we need to ensure **fairness and inclusion**. The AI systems being developed to fight the pandemic should be bias-free and not discriminate. Moreover, they should be available to all and take account of the societal and cultural differences of the different countries affected.

Track-and-trace and health-monitoring apps

3.6. According to virologists and epidemiologists, opening up society and the economy from lockdown requires efficient tracking, tracing, monitoring and protecting of people's health. Currently, many **apps** are being developed for tracking, tracing and performing health checks, activities that have usually (and historically) been carried out by professionals. Worldwide, many governments have placed a large amount of trust in tracking and tracing apps as a means of opening up societies again.

3.7. The deployment of these kinds of apps is a very radical step. It is therefore important to critically examine the **usefulness, necessity and effectiveness** of the apps, as well as their societal and legal impact, before a decision is made to use them. There must still be the option of not using the apps, and less invasive solutions should be prioritised.

3.8. The **effectiveness and reliability** of tracking and tracing apps is extremely important, because ineffectiveness and unreliability can lead to many false positives and false negatives, a false sense of security, and thus a greater risk of contamination. Initial scientific simulations raise serious doubts as to whether a tracking app will have any positive effect on the spread of the virus at all, even with 80 % or 90 % use. Also, an app cannot register specific circumstances, such as the presence of plexiglass and windows or wearing of personal protective equipment.

3.9. Moreover, **these apps lead to the (partial) setting aside of various human rights and freedoms**, as they touch on our freedom of association, right to safety, to non-discrimination, and to privacy.

3.10. While very important, privacy is about much more than our personal data and anonymity. Privacy is also about the right not to be followed, tracked, and put under surveillance. It has been scientifically proven that when people know they are being followed, they start to behave differently. According to the European Court of Human Rights, this 'chilling effect' is an invasion of our privacy. The same broad concept of privacy should be included in the AI debate.

3.11. There is a risk that data collected (now or in the future) will not only be used to fight the current pandemic, but also to profile, categorise and score people for different purposes. In the more distant future it is even possible to imagine that **'function creep'** could lead to unwanted types of profiling in supervision and surveillance, acceptance for insurance or social benefits, hiring or dismissal, etc. The data collected using such apps may therefore under no circumstances be used for profiling, risk scoring, classification, or prediction.

3.12. Moreover, **any AI solution deployed under these extraordinary circumstances and even with the best of intentions, will set a precedent**, whether we like it or not. Previous crises have shown that, despite every good intention, such measures will in practice never go away.

3.13. The use of AI during this pandemic should thus always be measured and weighed against several considerations, such as: (i) is it effective and reliable? (ii) do less invasive solutions exist? (iii) do its benefits outweigh societal, ethical and fundamental rights concerns? and (iv) can a responsible trade-off be achieved between conflicting fundamental rights and freedoms? Moreover, these kinds of systems **may not be deployed under any form of obligation or coercion**.

3.14. The EESC urges policy-makers **not to succumb to techno-solutionism too readily**. Given the gravity of the situation, we recommend that applications linked to projects designed to help control the pandemic be grounded in sound research in epidemiology, sociology, psychology, law, ethics and systems sciences. Before deciding on the use of these systems, efficacy, necessity and sensitivity analysis and simulations need to be conducted.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "A new Circular Economy Action Plan For a cleaner and more competitive Europe"'

(COM(2020) 98 final)

(2020/C 364/13)

Rapporteur: **Antonello PEZZINI**

Co-rapporteur: **Cillian LOHAN**

Referral	Commission, 22.4.2020
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
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Outcome of vote (for/against/abstentions)	215/2/4

1. **Conclusions and recommendations**

1.1. The European Economic and Social Committee (EESC) firmly believes that sustainability is one of the pillars of Europe's future development, through an informed and participatory transition underpinned by the culture of the circular economy.

1.2. The transition to a circular European economy cannot be seen in isolation from the socio-economic situation in which it must currently play out. Rather, the challenges posed by the health crisis should be turned into an opportunity for a renaissance, on a new basis that is conducive to speeding up the establishment of a new circular approach.

1.3. The new culture underpinning the circular economy should be an opportunity to move more quickly on the concept of measuring the wealth of an area, using new criteria, i.e. going beyond GDP ([1]).

1.4. Stronger emphasis must be placed on the dissemination of a 'circular culture' through education, capacity-building and increased accountability, so as to encourage people to adapt and change their day-to-day habits and behaviour.

1.5. The European Circular Economy Stakeholder Platform (ECESP) should be developed and could support a number of policy initiatives that would be of help in facilitating the transition to circularity.

1.6. The Committee welcomes the proposals set out in the CEAP (Circular Economy Action Plan) and considers that the measures aimed at making the transition should be taken into due account when drawing up the plans for economic and social reconstruction after the devastating situation caused by COVID-19.

([1]) OJ C 100, 30.4.2009, p. 53.

1.7. It is essential to recognise the complementarity between climate change, circular economy policies, and corporate social responsibility, and to highlight the circular characteristics of energy from renewable sources. This is particularly relevant to the construction and transport sectors, but should also involve support for farming practices and the food system, necessary in terms of waste reduction.

1.8. The EESC believes that the proposed pact for skills and jobs in the European Social Fund Plus is an excellent opportunity to implement the envisaged programmes.

1.9. Eco-design should be expanded, extending product lifespan and facilitating the planned recovery of components as a driver for a dynamic secondary raw materials market, backed up by legal requirements and with mandatory recycled content and digital tracking.

1.10. As was the case with 'energy-using products' and in consultation with the sectors concerned, the Commission should issue delegated acts to determine the characteristics of new products which can feed into other products.

1.11. The process of technical standardisation of sustainable products, starting with resource-intensive sectors, should play a key role in terms of the 'quality and compliance' system, involving conformity assessment, as well as when it comes to expanded green procurement and the certification of secondary raw materials.

1.11.1. National standardisation bodies, in cooperation with the European bodies ([2]), should frame recommendations ([3]) and harmonised standards as soon as possible to ease the transition to the new functional economy.

1.12. The practical implementation of the circular economy will require a high level of cooperation with stakeholders and the EESC calls for clear policies and financial support, especially in the field of advertising, with a view to moving away from its highly consumerist orientation and — with due respect for free market rules — focusing on product durability and reuse possibilities.

1.13. The EESC considers it vital to provide consumers with better information and data on product management, traceability and transparency, including product specifications and digital technologies, to enable the flow of information on composition and repair possibilities.

1.14. The EESC feels it would be a good idea to make use of EU programmes to encourage the roll-out of practical pilot programmes to test circular economy processes in a range of sectors across a considerable number of European cities, agri-food centres and rural areas. This would help to capitalise on significant experiences in production and consumption chains, which could be used as good practices.

1.15. The EESC believes that considerable scope should be given to public and private players at grassroots level, who can play a crucial role in taking up the new opportunities by developing public-private partnerships and producing examples of 'socially responsible regions and cities' ([4]) and corporate social responsibility geared towards the principles of collaborative circularity.

1.16. Lastly, the EESC calls for all of the proposed measures to be subject to appropriate impact assessments, which consider their environmental, social and economic implications.

2. **Socio-economic background — towards a European circular economy**

2.1. Businesses and consumers are increasingly recognising the damage to sustainable development caused by the linear economic models that have been the norm to date and are characterised by high levels of material and resource consumption, the use of planned obsolescence techniques, and encouraging people to always buy new products.

([2]) CEN, CENELEC and ETSI.

([3]) See UNI, Italy's national standardisation body, and pre-standardisation processes, Regulation (EU) No 1025/2012 on European standardisation.

([4]) OJ C 175, 28.7.2009, p. 63.

2.2. In 2019, more than 92 billion tonnes of materials were extracted and processed, contributing to about half of global CO_2 emissions [5], and taking its toll on the environment and human health.

2.2.1. The extraction and processing of resources accounts for more than 90 % of global biodiversity loss [6].

2.2.2. Around 20 % of greenhouse gas emissions are caused by the extraction and processing of metals and non-metallic minerals [7].

2.2.3. Moreover, the EU has to import most of its raw materials requirements at considerable cost.

2.3. The circular economy, which promotes:

— corporate social and environmental responsibility,

— new local, high-quality employment,

— the elimination of waste,

— the continuous and secure use of natural resources,

— a circular design-production-distribution-consumption cycle,

— regeneration and re-use of end-of-life waste,

is capable of developing a functional economy, which can deliver significant benefits to society.

2.4. Currently, only 8,6 % of global activities operate on a circular basis. Achieving this transition requires a high level of cooperation between the public and private sectors.

2.5. The transition to a circular European economy cannot be seen in isolation from the socio-economic situation in which it must currently play out, at a time when the coronavirus pandemic has triggered the worst economic recession since the Great Depression of 1929.

2.5.1. As a result of COVID-19, companies are facing a loss of revenue and supply chains are being disrupted, while factory closures and unemployment are on the rise everywhere.

2.6. The current triple threat — uncontrolled pandemics, insufficient economic policy programmes and the geopolitical 'black swan' (an extremely unpredictable event) — could push the global economy into a lasting depression, just when all sections of European society are becoming aware that sustainable economic development requires ways of simultaneously combining the technological aspect, productivity gains, and a more efficient use of resources.

2.7. On the other hand, the challenges that the planet is now experiencing can be turned into a great opportunity to start up again with new impetus for sustainable development, on a new basis that is conducive to speeding up the establishment of a new circular approach.

2.8. The EESC has on several occasions expressed its views on the need for sustainable and inclusive growth. It has launched — together with the European Commission — the European Circular Economy Stakeholder Platform (ECESP) [8], stressing that 'there are obvious barriers to achieving a circular economy, despite the successes to date'.

2.9. As pointed out by the ECESP Platform Coordination Group, the transition to an inclusive, climate neutral and circular economy should start now [9].

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(5) See *Circular Economy and Material Value Chains*, World Economic Forum 2020.
(6) See *Natural Resources for the Future We Want*, United Nations Environment Programme (UNEP), 2019.
(7) See *Energy Transitions Commission, Mission Possible: Reaching Net-Zero Carbon Emissions by Mid-Century,* 2018.
(8) EESC-2017-02666-05-00-decbur — Terms of reference for the coordination group.
(9) *Joint statement on the new Circular Economy Action Plan (CEAP)* by members of the Coordination Group (CG) of the European Circular Economy Stakeholder Platform, March 2020.

2.10. On 6 April 2020, the EESC adopted a joint statement in which it underlined that: 'In these times of great uncertainty only a comprehensive European economic recovery plan would allow […] to face the consequences of the COVID-19 pandemic and rebuild a more sustainable European economy.'

3. **The European Commission's proposal**

3.1. The new **Circular Economy Action Plan (CEAP)** sets out a series of new initiatives covering the entire cycle of product design and lifespan, to enable individuals and businesses to participate fully in the circular economy.

3.2. As part of the EU's industrial strategy, measures are proposed to:

— **make sustainable products the norm in the EU**, with legislation to be introduced on sustainable product policy, to ensure that products placed on the EU market are designed to last longer,

— **empower consumers**, with access to reliable information, and a true 'right to repair',

— **focus on the sectors that use the most resources and where the potential for circularity is high**, such as:

  — **electronics and ICT**: a 'Circular Electronics Initiative',

  — **batteries and vehicles**: new regulatory framework for batteries,

  — **packaging**: new mandatory requirements on what is allowed on the EU market,

  — **plastics**: new mandatory requirements for recycled content,

  — **textiles**: a new EU Strategy for Textiles to strengthen competitiveness and innovation in the sector,

  — **construction and buildings**: a comprehensive strategy for a sustainable built environment,

  — **food**: a new legislative initiative on re-use to substitute packaging, tableware and cutlery in food services,

— **reduce waste**: avoiding waste altogether and transforming it into high-quality secondary resources,

— **make circularity work for people, regions and cities**,

— **enhance the role of standardisation**,

— **cross-cutting measures**: circularity as a prerequisite for climate neutrality,

— **efforts at global level**,

— **monitoring progress**.

The plan encompasses some 35 measures over the three-year period of mid-2020 to mid-2023, with initiatives in the areas of electronics and waste, and in services to people and environmental services.

4. **General comments**

4.1. The EESC firmly believes that sustainability is one of the pillars of Europe's future development and that, through an informed and participatory transition to a circular economy, individuals, consumers, businesses and workers will be able — with significant investments — to address the challenge and contribute not only to respecting the environment but also to developing the idea of an open and inclusive society that safeguards resources for future generations.

4.1.1. In particular, farming practices and the food system can greatly benefit from the circular economy, with a view to reducing waste and improving people's well-being.

4.1.2. Significant investments will be needed to develop green technologies, new organic fertilisers and biomethane.

4.2. The Committee welcomes the set of legislative and policy measures proposed in the CEAP and considers that the measures aimed at making the transition to a circular economy should be taken into due account, especially after the devastating situation caused by COVID-19.

5. **Coherence at EU level**

5.1. We believe that it is essential to recognise the complementarity that exists between climate change and circular economy policies. It is essential that energy input also comes from renewable energy sources, and is not linear like fossil fuels.

5.1.1. Circularity in energy use also involves a focus on energy saving and energy efficiency, which is becoming even more urgent in the transport sector.

5.2. Building the capacities that are needed to advance the circular economy should be encouraged at all levels. The proposed pact for skills and jobs in the European Social Fund Plus is an excellent opportunity to implement the envisaged programmes.

5.3. The role of public procurement should not be underestimated in achieving this transition. The minimum environmental criteria (MECs), already included in the public procurement directives ([10]), should become mandatory, with appropriate technical specifications ([11]). Specific training should be provided for contractors, to ensure that all circular opportunities are offered and to prevent any barriers impeding circular procurement.

5.4. The Committee believes it essential that the many initiatives that are due to be put in place in the coming months give explicit consideration to how to improve the circularity and sustainability of the investments concerned, especially in the most structurally and financially vulnerable countries.

5.4.1. These initiatives should be rolled out in cooperation with local authorities and the social partners, with a particular focus on creating new and better jobs.

5.5. The EESC is in favour of opting for legal requirements to boost the market for secondary raw materials, especially for packaging, vehicles, construction materials and batteries.

5.6. The eco-design of products is an essential factor in implementing circular processes. The scope of eco-design must continue to expand so that it becomes an integral part of all stages of production, encouraging the recovery of components as a driver for a dynamic secondary raw materials market.

5.6.1. In the light of this, and as was the case with 'energy-using products' ([12]), the Commission should issue delegated acts to determine the characteristics of various commonly used products, which, after use, may feed into other products.

5.7. Technical standardisation in the circular economy is of particular importance. Given how cross-cutting and complex this issue is, it is essential to put in place a high level of coordination between the various stakeholders, the standardisation bodies and the activities of the legislator.

5.8. The process of technical standardisation, especially in resource-intensive sectors, is particularly important, especially in the process of awarding green procurement contracts and in the classification of raw materials and secondary materials.

5.9. The EESC calls for all of the proposed measures to be subject to appropriate impact assessments, which consider their environmental, social and economic implications.

([10]) Directives 2014/23/EU (OJ L 94, 28.3.2014, p. 1), 2014/24/EU (OJ L 94, 28.3.2014, p. 65), 2014/25/EU (OJ L 94, 28.3.2014, p. 243).

([11]) See UNI/*prassi di riferimento*: *Linee guida per la modalità di verifica del contenuto di riciclato e/o recuperato e/o sottoprodotto presente nei prodotti regolati da CAM (Criteri Ambientali Minimi)* (Guidelines for verifying the recycled and/or recovered and/or by-product content in products subject to minimum environmental criteria).

([12]) See Directive 2005/32/EC (OJ L 191, 22.7.2005, p. 29), recast by Directive 2009/125/EC (OJ L 285, 31.10.2009, p. 10).

5.10. The ongoing debate about the principles of the circular economy and how useful and necessary they are can be an opportunity to decisively address the recurring issue of going beyond traditional GDP, i.e. of including new elements other than those relating to economic performance currently used in the three systems of GDP calculation ([13]), such as: creating solidarity-based systems for an inclusive society; living within the limits of our planet; and a fair distribution of resources.

6. **Education and culture**

6.1. The EESC believes that there is a vital need for a stronger emphasis on the dissemination of a 'circular culture' through education, capacity building and increased accountability, and by stepping up dialogue with civil society, so as to encourage people to adapt and change their day-to-day habits and behaviour. Close cross-sectoral cooperation is also essential.

6.1.1. Corporate social responsibility as a specific element of a functional economy goes hand in hand with the culture of the circular economy, since it enables an extraordinary synergy between the interests of business owners and employees, united in the goal of sustainable development, and mindful of reducing waste.

6.2. Proposals should be put forward to incorporate circular economy principles into school curricula and higher education programmes, as well as the financing of high-capacity technical education and support for creative skills.

6.3. The Erasmus+ programme would have been a very useful means of promoting an exchange of knowledge on the circular economy between the different countries of Europe.

6.4. The study commissioned by the EESC ([14]) and its related opinion NAT/764 on the development of synergies between the different circular economy roadmaps, together with the network active in the European Circular Economy Stakeholder Platform, provide a solid basis for information sharing and knowledge creation by the stakeholders.

6.5. Economic operators and civil society — making use of suitable funds, such as the 'Missions' fund under the Horizon Europe programme — could roll out practical pilot programmes to test circular economy processes in a range of sectors across a considerable number of suitable European municipalities.

6.6. In any case, the essential factor in implementing circular processes is the eco-design of products.

7. **Consumers as key players in implementation**

7.1. The practical implementation of the circular economy will require a strong network of stakeholders to be informed, involved and connected. Key policies and structural support for the different stakeholder groups should be identified, regularly reviewed and effectively communicated.

7.2. The role of advertising should also be addressed, with a view to moving away from its highly consumerist orientation and, with due respect for free market rules, focusing on product durability and new use possibilities, while avoiding misleading advertising.

7.2.1. Advertising should be more focused on realism, trends and typical features, whereby specific examples, the pursuit of sustainable development, and the positive characteristics of the durability of goods are presented as being of value to the consumer and society.

7.3. The right to have products repaired at fair and proportionate prices must be recognised and incorporated into the guarantees that come with products, including through tax measures and local repair networks and facilitated access ([15]). Here, the fight against planned obsolescence should become an integral part of the new technical specifications and standards of environmentally friendly products that can be easily repaired and recovered.

([13]) See SEC 2010 EU.

([14]) https://www.eesc.europa.eu/en/our-work/publications-other-work/publications/circular-economy-strategies-and-roadmaps-europe-executive-summary.

([15]) See Council Directive 1999/85/EC of 22 October 1999 as regards the possibility of applying a reduced VAT rate on labour-intensive services (OJ L 277, 28.10.1999, p. 34): small-scale repair services for bicycles, footwear and leather goods, clothing and household linen, repairs and renovations of private homes, home help services.

7.4. The EESC recognises the success of the partnership between it and the European Commission in developing an innovative inter-institutional platform (the ECESP), and looks forward to extending its mandate in the future.

7.4.1. The EESC feels that a shift in the distribution of taxation should be considered, easing the tax burden on labour and increasing it on resources and, in particular, on less sustainable products and those with clear obsolescence.

7.4.2. The principle of more stringent taxation should be applied to products imported into the EU that appear to have little regard for the criteria of the circular economy.

7.5. There should be explicit recognition and support for the role of social enterprises in the circular economy, so as to enable areas of activity with experience in re-use, repair and regeneration to benefit from greater social value, since they are committed to developing the skills of the most vulnerable people in society.

7.6. The EESC stresses the need to provide European consumers with better information on product management, including the benefits of circular design and manufacturing, and on traceability and transparency, including through the use of product passports and digital technologies, such as blockchain, to enable the flow of information on composition, repair possibilities and end-of-life.

7.7. Reliable, comparable and verifiable information plays an important part in enabling buyers to make more sustainable decisions and reduces the risk of 'green washing'.

7.8. Local authorities are key players in managing water and waste and secondary raw material hubs. They can launch partnership-based pilot schemes, which are essential for the development of circular innovation.

7.9. The EESC supports the development of the principles of 'socially responsible regions and cities' set out in previous opinions, which ensures public and private accountability for the circular sustainability of regions and cities.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Shaping Europe's digital future'

(COM(2020) 67 final)

(2020/C 364/14)

Rapporteur: **Ulrich SAMM**

Co-rapporteur: **Jakob Krištof POČIVAVŠEK**

Referral	Commission, 9.3.2020
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Outcome of vote	
(for/against/abstentions)	216/1/3

1. **Conclusions and recommendations**

1.1. The European Economic and Social Committee (EESC) has already welcomed the Commission's initiatives to facilitate the development of a digital economy and society and is now pleased that this momentum is being reinforced by a package of new initiatives in a wide range of areas.

1.2. The EESC advocates a European path to digitalisation by seizing the opportunities for the economy together with the protection of our data to ensure privacy and self-determination. The human-centred approach of all Commission initiatives is very much welcomed.

1.3. The EESC believes that Europe is on the right track, but the story is far from over. Digitalisation is developing rapidly and European legislation must keep pace. This calls for a sound and ambitious regulatory framework, including legally binding ethical rules and clear rules on liability. The EESC is convinced that such dynamic development also calls for flexible and adaptable processes that require constant dialogue between the parties involved — in particular it should be obligatory for employees to be able to have their say. The EESC, as representative of civil society organisations, is ready to play its part in this.

1.4. It is important to invest in the right future technologies, to promote the training of people and to create trust among citizens, encouraging them to take an active part in the transformation. Digital transition needs to be just, sustainable and socially acceptable.

1.5. The EESC agrees with the Commission's view that we need to build a genuine European single market for data — a European data space based on European rules and values. The EESC welcomes the initiative for a new EU industrial strategy that will set out actions to facilitate the transition towards a more digital, clean, circular and globally competitive EU industry with sustainable companies, including a strategy for SMEs.

1.6. The EESC emphasises that European technological sovereignty should not be defined in opposition to others and should not cancel out the benefits of global cooperation. However, the needs of Europeans and of the European social model, with the EU pillar of social rights as its reference, must also be properly taken into account.

1.7. Education and training that provide digital skills are the key to being prepared for a digital life. The EESC welcomes the Commission's focus on digital competences and skills, but calls on the Commission to better distinguish between technical and social competences, although both are of vital importance. Additional efforts need to be made and the means for the digital training of members of socially vulnerable groups must be provided.

1.8. Europe's digital future based on a human-centred approach will only be successful if people can have trust. The EESC notes that the Commission intends to make a clear distinction between high-risk applications, which should be subject to strict regulation, and low-risk applications, where it is sufficient to rely on self-regulation and market mechanisms. The EESC welcomes this general approach, but also emphasises that a detailed and thorough analysis of the various applications is needed.

1.9. The EESC also welcomes the human-centred approach when it comes to challenges arising from online platforms for workers. An enhanced legal framework that would prevent precarious working conditions and ensure workers' rights online, including collective bargaining, is one of the important aspects of that approach.

1.10. The EESC feels that the development of digital public services for the digital future has not been covered, especially as cross-border e-government services could strengthen the (digital) single market and improve public regulation and coordination.

1.11. With the recent — and ongoing — COVID-19 coronavirus pandemic, society has been facing a reality check as regards the use of digital technology and this has posed many new challenges. The need to communicate, study and work remotely has shown that many people are not adequately prepared for the effective use of up-to-date digital technologies, nor is the digital infrastructure capable of ensuring equal access and inclusive participation via digital technologies.

1.12. The need to change habits because of the measures national governments have taken to counter the spread of COVID-19 might have long-lasting effects on consumer practices and work relations in the long term. The positive and negative effects of this change need to be taken into account when developing new policies in that connection. The digital transformation should be monitored through a comprehensive and EU-funded, work-oriented research initiative on 'digitalisation for decent work'. The EESC is convinced that only with efficient and employee-friendly design of Industry 4.0 systems will digitalisation be successful in the long term ([1]).

2. **Introduction and gist of the communication**

2.1. With this Communication, the new Commission presents an umbrella document describing a series of initiatives to help shape Europe's digital future. The need for Europe to lead the just transition to a healthy planet and a new digital world requires that the challenges of green and digital transformation go hand-in-hand, so that digital technologies support the Green Deal with respect of the Sustainable development goals.

2.2. To this end, the Commission has announced a package of initiatives. The various initiatives presented and announced for this year and next are divided into three main pillars:

Technology that works for people:

— White Paper on Artificial Intelligence (COM(2020) 65 final/see INT/894),

— Strategy for quantum technologies, blockchain and supercomputing,

— Action Plan on 5G and 6G (presented as COM(2020) 50 final/see TEN/704),

— Digital Education Action Plan and a reinforced Skills Agenda,

— Initiatives to improve labour conditions of platform workers,

— Standards for secure and borderless public sector data flows and services.

([1]) OJ C 190, 5.6.2019, p. 17.

A fair and competitive economy:

— European Data Strategy (presented as COM(2020) 66 final/see TEN/708),

— Review of the fitness of EU competition rules,

— Industrial Strategy Package,

— Communication on Business Taxation for the 21st century,

— New Consumer Agenda.

An open, democratic and sustainable society:

— New and revised rules to deepen the Internal Market for Digital Services,

— Revision of eIDAS Regulation,

— Media and audiovisual Action Plan,

— European Democracy Action Plan,

— European Cybersecurity Strategy,

— Initiative to develop a high precision digital model of Earth,

— A circular electronics initiative,

— Promotion of electronic health records.

2.3. In order to assert Europe's interests as a global player, a global strategy for digital cooperation and a standardisation strategy are also announced.

3. **The European way — putting people at the centre of digitalisation**

3.1. Digitalisation opens up a wealth of new decision-making options for people to live a better life in an unprecedented way. However, the more digitalisation affects our lives and the more interconnected we are, the more vulnerable we are to malicious cyber activity, manipulation and technologies that undermine our autonomy.

3.2. The EESC therefore advocates a European path to digitalisation, based on European values, by seizing the opportunities for the economy together with the protection of our data to ensure privacy and self-determination. The human-centred approach of all Commission initiatives is very much welcomed.

3.3 The EESC also welcomes the human-centred approach when it comes to challenges arising from online platforms for workers. An enhanced framework that would prevent precarious working conditions and ensure workers' rights online, including collective bargaining, is one of the important aspects of that approach. The EESC stresses that work on platforms is provided by self-employed people as well as by workers. The self-employed have a B2B or B2C relationship. Codes of conduct and trading terms for B2B relations, drawn up at European level, should provide fair competition between enterprises of all sizes and prevent bogus self-employment.

3.4. The EESC also stresses the importance of digital solutions for the implementation of the Green Deal, especially in relation to the circular economy. Energy consumption, raw materials for ICT and recyclability of ICT equipment are however among other challenges that need to be tackled along the way.

3.5. Europe is on the right track, but the story is far from over. The GDPR and the ethical guidelines for AI, for example, were an important step. But digitalisation is developing rapidly and European legislation must keep pace. It calls for a sound and ambitious regulatory framework, including legally binding ethical rules and clear rules on liability. The EESC is convinced that this dynamic development also calls for flexible and adaptable processes that require constant dialogue between the parties involved. The EESC, as the representative of civil society organisations, is ready to play its part in this.

3.6. The EESC is of the view that a clear emphasis on the need for sustainable democratic structures for capacity building and creating trust in labour relations is lacking. The EESC is convinced that fundamental changes in companies through digitalisation can only succeed if there is a relationship of trust between company management and employee representatives. However, the rise of populist movements in the 21st century questions the traditional forms of trust building through social advocacy. Appropriate measures must therefore be taken to support social dialogue at EU level. This is about social regulation in the company, its economic performance and the strengthening of democratic change in general.

4. **A fair and competitive economy**

4.1. Data has become a key factor in our economy. The EESC agrees with the Commission's view that we need to build a genuine European single market for data — a European data space based on European rules and values. The EESC welcomes the initiative for a new EU industrial strategy that will set out actions to facilitate the transition towards a more digital, clean, circular and globally competitive EU industry, including a strategy for SMEs.

4.2. The EESC also believes that in order to ensure a level playing field, rules applying offline — from competition and single market rules and consumer protection to intellectual property, taxation and workers' rights — should also apply online.

4.3. The EESC is convinced that a substantial increase in investment (in EU Member States) combined with a strong European research and innovation programme will be necessary to maintain a world-class level in High Performance Computing and that an industrial approach for developing the next generation of low-power microchips in Europe will make the EU less dependent on imports.

4.4. The EESC strongly believes that innovation and investment, especially public, can also help to tackle regional disparities in development if access to digital infrastructure, and thus to the digital market, is available in remote areas as well. This is a *conditio sine qua non* if no one is to be left behind in the digital transition.

4.5. The EESC emphasises that European technological sovereignty should not be defined in opposition to others and should not cancel out the benefits of global cooperation. However, the needs of Europeans and of the European social model must also be properly taken into account, taking as a reference point the measures of the EU Commission to strengthen the EU pillar of social rights. The application of European values (data protection, privacy, social protection, sustainability) could become a competitive advantage if there is growing awareness on the part of the public and businesses of the data methods used by third parties (the US) and the surveillance potential of digital systems (China).

4.6. The Commission rightly states that we must ensure that the systemic role of certain online platforms and the market power they acquire will not jeopardise the fairness and openness of our market. To that end and also to stimulate the development of online platforms in the EU, rules at EU level should ensure a level playing field and access to the main drivers of digital innovation ([2]) (in particular data) and to the ecosystem of products used by consumers.

4.7. The Commission states that ensuring fairness in the digital economy is a major challenge. Ensuring it is however of the utmost importance. To that end the EESC supports the intention to establish additional rules when needed to ensure contestability, fairness and innovation and the possibility of market entry, as well as public interests that go beyond competition or economic considerations. The EESC notes that taxation in the digital economy will have an important impact in that regard. International and European solutions as regards digital taxation will be important and the EU should strive for digital taxation that is fair and prevents fragmentation and unilateral measures.

([2]) De STREEL, A., *Contribution to Growth: European Digital Single Market. Delivering improved rights for European citizens and businesses*, European Parliament, Luxembourg, 2019.

4.8. The EESC welcomes the initiative, which aims at improving the labour conditions of platform workers, notably by focusing on skills and education; however, challenges that include employment status, representation and steps to increase the social protection of platform workers, as well as dispute resolution and the enforcement of rights, will also have to be addressed along the way. This is especially relevant for cross-border workers. Following a request by the upcoming German presidency of the Council, the EESC will work on an exploratory opinion on decent work in the platform economy.

4.9. In the Commission communication, the EESC feels that the development of digital public services for the digital future has not been covered, especially as cross-border e-government services could strengthen the (digital) single market and improve public regulation and coordination.

5. **Education in preparation for a digital life**

5.1. Education and training that provide digital skills are the key to being prepared for a digital life. The EESC welcomes the Commission's focus on digital competences and skills, but calls on the Commission to better distinguish between technical and social competences, although both are of vital importance. Creating 'workability' — instead of only adjusting 'employability' — requires measures for continuing support of life-long learning.

5.2. Technical skills (programming at different levels) will be required for most professionals in the future. This is a challenge for education systems and vocational training organisations in the Member States. Professionals need to be trained in new tools and they need to be aware of the characteristics, limits and risks, because they are ultimately responsible. Nevertheless, at least basic technical skills will have to be acquired by as many citizens as possible in order to understand, use and engage with digital technologies and tools in a productive, inclusive and safe way. Basic technical skills are necessary to support people of all ages, but especially older people, so that they can understand and safely use digital technologies and tools.

5.3. Social skills do not require particular technical knowledge, but they should be taught at the earliest possible age. Social skills enable children, consumers and citizens to understand the background of digital systems and make the best use of them. They help to identify possible threats from manipulation or crime and to assess the flood of information received. The EESC recalls that general education is still the best preparation for future developments.

5.4. Special skills, knowledge and awareness are required to use and work with artificial intelligence. To this end, the EESC would like to draw on Finland's experience, which proposes to train as many people as possible in the field of AI via an online course.

5.5. As the EESC has stressed previously, in the rapidly changing times of the digital era, merely helping individuals to acquire a minimum set of skills is not enough and it is crucial to ensure that the Skills Guarantee becomes a guaranteed pathway that enables and encourages people to advance further and reach the highest achievable level of skills ([3]).

5.6. The EESC reiterates the role of the social partners in achieving fair and just transition. It is essential that the strategy anticipate skills needs and thus also support timely and appropriate reskilling and upskilling. The role of the social partners and their involvement is of utmost importance in that regard, as it is also when discussions on the introduction of new technologies are taking place.

6. **Confidence and responsibility — trust in digital life**

6.1. Europe's digital future based on a human-centred approach will only be successful if people can have trust. The EESC calls for appropriate safeguards on privacy, safety and data governance, and, finally, transparency of AI algorithms, that would help gain that trust.

([3]) OJ C 173, 31.5.2017, p. 45.

6.2. The EESC notes that the Commission intends to make a clear distinction between high-risk applications, which should be subject to strict regulation, and low-risk applications, where it is sufficient to rely on self-regulation and market mechanisms. The EESC welcomes this general approach, but also emphasises that a detailed and thorough analysis of the various applications is needed today and for future developments and when in doubt, applications should be considered as high-risk. The EESC supports in particular the decision to classify as high-risk applications those that have an impact on the rights of workers and job applicants and proposes to ring-fence this decision in order to strengthen the digital rights of employees.

6.3. The EESC has already called for the development of standard test procedures to assess the functionality and limitations of digital systems (e.g. bias, prejudice, discrimination, resilience, robustness, safety, etc.). Depending on the level of risk, such tests can be carried out by developers and companies themselves or by test procedures from independent institutions. The EESC welcomes the Commission's idea of providing for a voluntary labelling system, similar to what the EESC has previously proposed regarding a European certificate for trustworthy AIs.

6.4. The EESC welcomes the Commission's intention to launch a broad debate about the exceptions under which facial recognition for remote biometric identification can be allowed. Regulations should also prohibit disproportionate surveillance at the workplace and discrimination based on biased algorithms.

6.5. The EESC stresses that trust alone is not enough; critical thinking based on general education remains essential. This is particularly important in the context of dealing with disinformation, which is a threat to our democracy.

6.6. The EESC emphasises that trust also includes compliance with employees' rights to be informed and consulted. Information and consultation rights in the event of changes in the workplace, as guaranteed by the EU treaties, transform 'employees' into 'citizens at work'.

6.7. The EESC stresses that EU legislation is particularly important for the protection of consumers and employees who do not have professional digital skills.

7. **Impact of COVID-19 crisis on digital transformation**

7.1. With the recent — and ongoing — COVID-19 coronavirus pandemic, society has been facing a reality check when it comes to the use of digital technology and this has posed many new challenges. The need to communicate, study and work remotely has shown that many people are not adequately prepared for the effective use of up-to-date digital technologies, nor is the digital infrastructure capable of ensuring equal access or inclusive participation via digital technologies. Digital networks have not been scaled up to cope with the increased load, and sufficient investments will have to be made to make high speed and efficient communication accessible not only for commercial purposes but also for private life, even in remote areas.

7.2. Special attention will have to be paid to vulnerable groups. Especially older people who do not have enough skills, experience or even hardware to use internet platforms have been left without convenient means for communication. It has made social contacts between family members and others more difficult and social and other public services unavailable or at least less readily available to them. Additional efforts need to be made and the means for the digital training of members of socially vulnerable groups have to be provided.

7.3. Furthermore, quarantine and temporary border closures between Member States have shown that there are some other implications and shortcomings relating to the current state of affairs in the digital single market when it comes to frontier workers and teleworking. The COVID-19 crisis has also led to a huge increase in e-commerce and cashless payments, along with a rise in unfair and fraudulent practices. The need to change habits because of the measures national governments have taken to counter the spread of COVID-19 might have long lasting effects on consumer practices and work relations in the long term. The positive and negative effects of this change need to be taken into account when developing new policies in that connection.

7.4. The digital world has been fully mobilised to provide expertise in the fight against COVID-19. The issue of digital tracking applications (contact tracing) to inform people that they have been in contact in the past few days with someone diagnosed with COVID-19 has been the subject of much discussion. The EESC regrets that the European initiative for the digital monitoring of these contacts, known as PEPP-PT (Pan European Privacy Preserving Proximity Tracing), has not resulted in a consensus that would have allowed standardised applications to be included in national health strategies.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on 'Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions — A New Industrial Strategy for Europe'

(COM(2020) 102 final)

(2020/C 364/15)

Rapporteur: **Mihai IVAȘCU**

Co-rapporteur: **Dirk BERGRATH**

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1. **Conclusions and recommendations**

1.1. The European Union and its Member States must stand united to protect their sovereignty. The EESC firmly believes that if Europe is to maintain its leading role in the world, it needs a strong, competitive industrial base.

1.2. The EESC recognises the crucial importance of shifting to a carbon-neutral economy and of reversing the current curve of biodiversity collapse. Without a green industrial strategy as a cornerstone of the Green Deal, the EU will never succeed in reaching a carbon-neutral economy within one generation.

1.3. The new industrial strategy must ensure the right balance between supporting European businesses, respecting our 2050 climate neutrality objective and providing consumers with incentives to shift consumption to sustainable goods and services.

1.4. The EESC acknowledges the importance that the Commission has attached to social partners and civil society organisations when designing the future of European industry. The EESC is convinced that a constructive social and civic dialogue at all levels will contribute to a successful implementation of the strategy.

1.5. The circular economy is key for developing Europe's future economic model. It must explore viable and economic alternatives to fossil fuel and give weight to decentralised and cooperative clean energy solutions. The circular economy will also greatly improve the resource-efficiency of economic activities as well as reduce our dependence on imports of critical raw materials.

1.6. The EESC strongly believes that the industrial policy must go hand in hand with a firm trade and foreign policy that in turn must develop strategies to secure access to raw materials.

1.7. The EESC believes it is crucial that Europe closes the gap with the USA, China and others in certain technologies. Building on our competitive advantages while financing R&D is key for becoming a world leader. Building a unified European capital market, including a European market for venture capital, is vital.

1.8. Europe's industry will be digitalised or it will cease to exist. Investment in ICT sectors such as the data economy, the Internet of Things, cloud computing, artificial intelligence and advanced manufacturing must reach all regions and Member States.

1.9. The internal market represents the foundation for our global competitiveness. The FDI screening Regulation should be applied by all Member States, if necessary, reinforced and updated. Whoever wants to be a part of the single market should comply with its rules, including climate-neutral principles.

1.10. To restore jobs, growth and confidence, more entrepreneurship is needed in the European Union. The EU should promote and finance education programmes designed to boost the creation of new sustainable economic and social environment.

1.11. Industrial policy should have a strong social dimension. Quality jobs, social protection and well-functioning public services create the right ambient environment for thriving industrial activities. The European Pillar of Social Rights is in this respect an important driver for an inclusive economic growth.

1.12. The EESC calls for the rapid implementation of the European Unitary Patent. It could allow industries to develop, innovate and protect their know-how at European and international level at a reasonable cost.

1.13. In order to deal with international differences in carbon prices, the EESC considers the following are necessary: the introduction of border adjustment measures, environmental standards that importers have to comply with, subsidies for low-carbon exports, robust use of trade defence instruments and steps to address carbon pricing differences in free trade agreements. The ultimate objective should be to set a global price for carbon.

1.14. The EESC believes that EMU must be completed in order to ensure that all economic tools are available to counter the adverse economic shock created by the COVID-19 health crisis.

1.15. The EESC signals that the only possibility for Member States to overcome this crisis is by acting in a coordinated manner, leaving no one behind and restoring the capacity of companies to generate added value, to invest in a sustainable future and to maintain/create quality jobs. The EU Recovery Plan, the Green Deal and the new industrial strategy, deployed in an integrated way, provide a bold and ambitious policy package for exiting the pandemic crisis and preparing our common future.

1.16. SMEs will probably be the hardest hit by this crisis. The EESC endorses the intention to help SMEs scale up, develop new business models and attract a qualified workforce, for example through the introduction of stock options for employees.

1.17. Intermediate structures such as SME networks, regional development agencies and clusters must support and reinforce strategic value chains and bring together all dynamic forces to strengthen economic ecosystems.

2. **General comments**

2.1. The EESC welcomes this communication on a new industrial strategy for Europe, but regrets that it only sets out a list of future projects and measures instead of presenting a clear short-, medium- and long-term concrete and comprehensive strategy for European industry. The EESC therefore urges the Commission to issue a concrete action plan with clear yearly targets and monitoring procedures, involving close cooperation with all the relevant stakeholders.

2.2. However, the EESC does note a number of differences in comparison to previous communications:

— it has a strategic approach as it places much greater emphasis on the 'twin' transitions in the digital and carbon-neutral domains,

— it advocates a more cooperative approach to industrial policy, e.g. by stressing the need for building strong industrial ecosystems or the promotion of industrial alliances,

— it tends to allow for more state funding for strategic industrial projects by relaxing normal EU subsidy laws or by setting up major projects of common European interest,

— it adopts a firmer stance on external relations, as it proposes to use the EU's regulatory power to defend Europe's strategic autonomy,

— it focuses on the decarbonisation of Europe's energy-intensive industries.

2.3. In this turbulent international environment, the European Union and its Member States must stand united to protect their sovereignty. The EESC firmly believes that if Europe is to maintain its leading role in the world, it needs a competitive, strong industrial base that contributes to the EU's efforts to achieve the sustainable development goals, to comply with the Paris Agreement, and to return to an ecological footprint ([1]) of less than one earth per year as soon as possible and no later than 2040.

2.4. The EESC recognises the crucial importance of shifting to a carbon-neutral economy and of reversing the current curve of biodiversity collapse. A common industrial strategy can only succeed through the involvement of and cooperation among all Member States and stakeholders and through integrated strategic planning, pooling the resources of European players, regional and local institutions, industrial clusters, companies, social partners, social economy enterprises, universities and research groups, and civil society organisations.

2.5. The new industrial strategy must ensure the right balance between supporting European businesses so they develop in an environmentally friendly way, respecting our 2050 climate neutrality objective and providing consumers with incentives to shift consumption to sustainable goods and services. To this end, we need to further develop the toolbox for a sustainable industrial policy, taking into account the specificities of SMEs.

2.6. Furthermore, the EESC is convinced that a well-managed transition to a digital and climate-neutral economy has the potential to reinvigorate Europe's industry and create new quality jobs in new sustainable value chains. The proposed governance structure should therefore strengthen ownership of the industrial strategy at all levels and involve all relevant stakeholders.

2.7. The development of European industry can only be achieved by promoting a large programme of private and public investment. A new European industrial strategy, responding to the new needs of Europeans, raising GDP growth, promoting interregional cohesion, decreasing income disparities and improving quality of life through investment and innovation, can help create a common European identity, stimulate solidarity, strengthen European institutions and thus represent 'European added value'.

2.8. The EESC acknowledges the importance that the Commission has attached to civil society organisations when designing the future of European industry. The EESC believes that only joint cooperation between Member States, European institutions, social partners and representative civil society organisations can create the proper environment for European industry to grow. In this respect a constructive social and civic dialogue at all levels is an important guarantee for a successful implementation of the strategy.

2.9. The EESC has long recognised that 'there are leaders within the business community on integration of sustainability. Many businesses are actually ahead of the policies. Policy needs to create the stable environment and certainty to ensure best practice becomes common practice. This will make business capable of delivering sustainable solutions' and it urges the Commission to take these into consideration when drafting future policies ([2]). It has to be noted that the social economy has a longstanding tradition in sustainability.

2.10. In 2019, industrial production was finally back at pre-crisis (pre-2007) levels. Industry is still the backbone of our economy, and has to provide the solutions for the many challenges our society is facing. Industry also has an important social role to play due to its high added value activities, quality jobs and the creation of indirect employment in related

([1]) As defined by the *Global Footprint Network* (https://www.footprintnetwork.org/).

([2]) OJ C 14, 15.1.2020, p. 95.

services. Therefore, the EESC welcomes the comprehensive set of proposals set out in the communication and hopes they will be swiftly designed and implemented. However, the dramatic decline of industrial production due to the coronavirus crisis requires that the emergency measures taken by governments and supported by the Commission to keep viable companies afloat and to protect employees' income have to be continued as long as they are needed.

2.11. The EESC has long recognised the importance of starts-up and scale-ups for building a competitive and innovative industrial sector. Therefore it continues to call 'for a coordinated policy approach for start-ups and scale-ups which takes into account the diversity of enterprise models, and welcomes the specific actions for social economy enterprises' ([3]).

2.12. The EESC welcomes the proposal announced for improving working conditions for platform workers. However, the EESC regrets that the much broader challenge of an inclusive and fair transition is not directly addressed in the communication. It insists on the need for an ambitious action plan to encourage the Member States to follow through on their promises regarding the proclamation of the European Pillar of Social Rights.

3. **Green Europe**

3.1. Europe needs a sustainable industrial policy promoting a fair transition to a low-carbon economy. This requires a strong multiannual financial framework, with a vital role for financing such a transition to be played by the European Investment Bank. Investment should support both environmental quality and improved quality of life for Europeans.

3.2. Many of the goals we have set ourselves for 2030 can be scaled up to 2050 and our transition to a carbon-free continent. Therefore, the EESC believes that the industrial strategy, like the Sustainable Development Strategy, should 'encompass both EU internal and external action and promote maximum coherence between them. […]. Cornerstones of the implementation should be innovation, sustainability-oriented international cooperation and trade agreements, and mobilisation of business and civil society' ([4]).

3.3. Both traditional and emerging industrial sectors will need to develop a proactive approach, anticipating, adapting and managing change with new sustainable technologies, jobs and re-skilling matching the challenges of the future in line with the European Semester's Social Scoreboard. New policies on skills should be designed with the involvement of civil society organisations and the social partners in order to speed up the adaptation of education and training systems to match the demand for new jobs.

3.4. The EU should become the world leader in the circular economy and clean technologies. It will work to decarbonise energy-intensive industries. The circular economy is key for developing Europe's future economic model. The EESC believes that 'products or services which adhere to the principles of circularity should be differentiated in price in a clear way' and that 'reduced rates or exemption on VAT for recycled products as well as reuse and repair activities can incentivise entrepreneurs to be active in this space, and offer consumers a competitively priced product […]' ([5]).

3.5. Transitioning to a carbon-neutral economy requires secure clean energy sources. Reformed energy regulation and Europe-wide cooperation on prosumers and further grid interconnection are paramount. Furthermore, we must explore viable and economic alternatives to fossil fuel and give weight to decentralised and cooperative clean energy solutions, such as renewable energy cooperatives, prosumers and smart grids.

3.6. The launch of an Energy Union 2.0 has to be considered the basis of a programme that invests in a large increase in the supply of (low-carbon) energy (hydrogen included), integrates the different energy carriers, creates a Europe-wide electricity grid to address the intermittent character of wind and solar energy and develops technologies for energy storage.

3.7. Without a green industrial strategy as a cornerstone of the Green Deal, the EU will never succeed in reaching a carbon-neutral economy within one generation. The Green Deal will define and shape industrial policymaking not only during the term of office of the Commission that has just begun, but also for a long time thereafter.

([3]) OJ C 288, 31.8.2017, p. 20.
([4]) OJ C 14, 15.1.2020, p. 95.
([5]) OJ C 264, 20.7.2016, p. 98.

3.8. Solar panels, wind farms and batteries are crucial for our new industrial paradigm. However, they also require raw materials that are controlled by our peer competitors in the international arena. Industrial policy must go hand in hand with a firm trade and foreign policy that in turn must secure access to these resources.

3.9. To achieve the right level of investment needed to finance the Green Deal, a review of state aid rules for investment in low-carbon products and processes should also be envisaged. Furthermore, the newly created Innovation and Modernisation Funds, as well as the ETS auctioning revenues, (could) provide additional resources to support a sustainable industrial policy and deal with the social impact of the transition.

4. **Digital Europe**

4.1. New technologies are changing the way we live, consume and do business. We are talking about a strategy for 5G networks, while other economic powers are investing in 6G technologies. Building on our competitive advantages while financing R&D is key for becoming a world leader. To date we have been lagging behind the USA, China and others in certain technologies. This digital technology is the cornerstone of any move towards Industry 4.0. The EESC believes it is crucial that Europe close the gap. This must be done in such a way as to balance security concerns with economic needs.

4.2. Investing in artificial intelligence and the smart use of data, while protecting the privacy of European businesses and consumers is key, and this can only be achieved by channelling European funds for innovation into new digital technologies. The SMEs play a vital role in the process, and ensuring proper financing for them to grow and innovate is vital. The EESC has already mentioned that 'the Commission should analyse and complement (but not replace) private initiatives for the exchange of good practice and experience between innovators' and that 'the EU must put in place a political, fiscal and regulatory framework that supports the large-scale deployment of these new sustainable models' ([6]).

4.3. Technologies developed in Europe are far too often commercialised elsewhere. The EU has not been able to create tech giants. Too few young leading innovative companies grow to be large R&D-intensive firms. To bridge the final step from start up to full scale company it is important to finish the creation of a unified European capital market, including a European market for venture capital.

4.4. Europe's industry will be digitalised or it will cease to exist, overtaken by more efficient and speedier competitors. This will also require stepping up investment to increase the growth power of new ICT sectors like the data economy, the Internet of Things, cloud computing, artificial intelligence and advanced manufacturing. Investment in digital infrastructure must reach all regions and Member States.

4.5. Equipping the European labour force with digital skills for the new phase of industrialisation is vital. Embracing the digital era can only be achieved with a skilled and well-prepared workforce. The EESC has already stated that 'European workers must be provided with training, re-skilling, up-skilling and life-long learning programmes, in order to fully benefit from technological change' ([7]). This requires active labour market instruments as well as effective social security systems based on solidarity, preserving the European social model.

4.6. The data strategy of the Commission needs to be complemented by a regulation on fair competition in the digital economy, monitored by a digital competition authority. In this respect the data spaces for strategic sectors proposed by the Commission will also require regulations on access, the free flow and protection of data and the usage of specific algorithms, organising access to industrial data under FRAND (fair, reasonable and non-discriminatory) conditions. Furthermore, advancements in digitalisation of datasets and innovative technologies must fully comply with the GDPR and PSI Directive.

([6]) OJ C 81, 2.3.2018, p. 57.
([7]) OJ C 228, 5.7.2019, p. 58.

5. **A globally competitive EU**

5.1. The future competitiveness of European industry is paramount for the European economy to make progress in an increasingly multipolar global economy with rising geopolitical tensions. Deepening the single market is the way forward, with a more level playing field in relation to third countries' firms. A functional internal market must be aided by a strong commercial policy to counter international barriers and non-competitive practices. The FDI screening Regulation [8], entering into force in October 2020, is an important step to protect key EU assets, but the EESC would point out that it is essential that it be constantly monitored and, if necessary, updated and modified.

5.2. The internal market provides Europe's competitive advantage and is the centre of our cooperation. It represents the foundation for our global competitiveness. Protecting and developing the internal market must be at the heart of the new industrial policy, implementing measures that improve its development and efficiency and that of the four freedoms.

5.3. The EESC maintains its view that 'administrative burdens and red tape continue to be a key barrier for start-ups and scale-ups'. Therefore it urges the European Commission to avoid increasing this administrative burden through over-regulation and to look at ways of streamlining and reducing it [9], exclusively in cases where this does not undermine social and environmental rights.

5.4. Regarding research and development, the EESC calls on the Commission to:

— maintain and deliver on the ambition to invest 3 % of the EU's GDP in R&D in order to close the gap with our main competitors such as the US and Japan,

— further build a Europe-wide market for venture capital that will improve funding for innovative, high-risk, high-potential projects,

— ensure that the first industrial application of publicly-funded R&D takes place inside the European Union,

— strengthen innovation systems in regions in the periphery or in those that are facing structural change.

5.5. To restore jobs, growth and confidence, more entrepreneurship is needed in the European Union. The EU should promote and finance education programmes designed to boost the creation of new businesses in the future. Education is the way forward and teaching entrepreneurship to younger generations could mean more businesses and a much more sustainable economic and social environment.

5.6. When looking to bolster innovation, Member States and the Commission must aim to recreate the environment of successful innovation clusters like Silicon Valley. Favourable regulation, tax incentives, a qualified workforce and easy access to finance will allow European innovators to remain in Europe and scale up their ideas.

5.7. The EU cannot maintain its lead in innovation without smart intellectual propriety policies. We need to make sure that European innovation and patents are well protected from hostile intentions and economic espionage. The implementation of the European Unitary Patent is thus a must!

5.8. Europe must not remain naive in the face of unfair competition. Protecting European consumers, businesses and the single market is key for our economy to thrive. Whoever wants to be a part of the single market should comply with these rules and respect them fully, including climate-neutral principles.

5.9. The EESC urges the Commission to speed up adoption of the White Paper on an Instrument on Foreign Subsidies, which will address distortive effects caused by foreign subsidies within the single market.

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(8) Regulation (EU) 2019/452, OJ L 79 I , 21.3.2019, p. 1.
(9) OJ C 288, 31.8.2017, p. 20.

5.10. The EESC has already called for 'a use-value oriented industrial policy for Europe, spatially adjusted according to local characteristics and promoting clusters and cooperation, whereby preserving variety matches scale benefits following the principles of industrial symbiosis and circular economy' ([10]).

5.11. The much-heralded reform of the competition framework is greatly needed. However, the EESC is disappointed that the overhaul of the EU's competition rules has been postponed until 2021. There is no room for political manoeuvres when designing the reform; the approach should be based on global developments and not only on the single market, as has been the case so far.

5.12. Moreover, cooperation and interaction between the various levels of local and national government and the European Union should increase. The EESC has repeatedly called for greater synergies, while 'communication and cooperation platforms should be promoted and should include all Member States. What works in one Member State may work in another, and what one Member State has researched can be used or enhanced by another. […] No Member State can play a prominent role on the world scene by itself' ([11]).

5.13. In order to deal with international differences in carbon prices, a number of measures need to be considered: the introduction of border adjustment measures, environmental standards that importers have to comply with, subsidies for low-carbon exports, use of trade defence instruments and steps to address carbon pricing differences in free trade agreements. The ultimate goal should be to set a global price for carbon.

5.14. Unleashing the power of the European capital markets is crucial. Completing the Capital Markets Union and creating the right market conditions for firms to finance themselves through the markets will allow our firms to have access to the right instruments to finance each stage of their development.

5.15. The EESC regrets the fact that the regional dimension of the twin transition has been largely overlooked in the communication. However, it welcomes the proposal (as part of the EU Recovery Plan) to strongly increase the resources for the Just Transition Fund from EUR 7,5 bn to EUR 40 bn. The EESC hopes that this will cover the needs of all regions faced with deep industrial transformation.

5.16. A better integration and coordination of the toolbox for industrial policy together with proper governance structures should ensure that Europe delivers on its ambitions of becoming a green, digital and circular economy, while at the same time increasing its strategic autonomy and economic resilience.

5.17. Intermediate structures such as SME networks, regional development agencies, clusters, industrial alliances and public-private partnerships must support and reinforce strategic value chains and bring together all dynamic forces (innovative SMEs, big companies, research institutes, social economy enterprises and public authorities) to strengthen economic ecosystems.

6. **Coronavirus**

6.1. The COVID-19 pandemic has created a massive economic recession (the ECB forecasts an economic contraction of 8,7 % for this year! ([12])) that, unlike other crises in the past, involves both supply and demand shocks. All means must be used to avoid the temporary loss of industrial production becoming a permanent one and/or a liquidity problem becoming a solvency crisis.

6.2. Therefore, the EESC welcomes the Commission proposal on a EU Recovery Plan (including the Next Generation EU recovery fund). Indeed this plan:

— will give a boost to the new industrial strategy through the doubling down of InvestEU, the creation of a Strategic Investment Facility and the new Solvency Support,

([10]) OJ C 97, 24.3.2020, p. 31.
([11]) OJ C 228, 5.7.2019, p. 67.
([12]) https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2020-economic-forecast-deep-and-uneven-recession-uncertain-recovery_ro

— provides a truly European answer to the pandemic crisis that is ambitious and will have a significant macroeconomic impact. It will help avoid further destruction of capital (including human), restore confidence and generate important multiplier effects,

— contributes to avoiding an asymmetric recovery and strengthens internal cohesion and solidarity,

— substantially increases the resources of the Just Transition Fund,

— advances our shared societal and economic priorities: bringing industry back to normal, promoting public and private investments in the twin digital and green transition, developing common programmes for industrial reconstruction, supporting employment in future-oriented activities.

6.3. The EESC urges the institutions to achieve a swift agreement in order to start the implementation of the plan as soon as possible. The combination of the Green Deal, the Recovery Plan and the new industrial strategy provide a powerful and coherent toolbox for fighting the recession and preparing our common future.

6.4. With so many industrial sectors in lockdown, the EESC deems it is:

— urgent to map out how deep the impact of the COVID-19 crisis is on industrial sectors and value chains in order to identify and address the specific needs of each sector with a view to restoring production/employment,

— necessary to (re-)build integrated industrial value chains inside the EU in order to boost Europe's strategic autonomy and economic resilience; reshoring of strategic activities must be supported and security of supply must be guaranteed in sectors such as energy, healthcare and active pharmaceutical ingredients.

6.5. It is very clear that the European Union must show its strength and power in these difficult times. The EESC signals that the only possibility for Member States to overcome this crisis is by acting in a coordinated manner, leaving no one behind. There is no room for populist ideas and national planning. Solidarity, cooperation and respect for one another are essential for a speedy recovery, which, if it is to be sustainable, must learn all the lessons to be drawn from the past lack of respect for ecosystems.

6.6. The relaxation of fiscal rules will only support productive investment if one of the goals is upward convergence of the lower-income Member States. It is time to propose concrete measures to prove that European solidarity actually exists in deeds and not just in words.

6.7. SMEs will probably be the hardest hit by this crisis, as they are usually dependent on large companies and lack liquidity. Finding the right tool to support all Europe's SMEs is of paramount importance and the EESC endorses the intention to help SMEs scale up and attract a qualified workforce e.g. through the introduction of stock options for employees ([13]).

6.8. Key industries and sectors must be identified and supported, from human resources to research, resulting in a European industrial policy that protects these strategic sectors from the market and ensures security of supply of key elements, such as respirators, masks and other things. This must mean supporting corporations which relocate production capacity to Europe, allowing the EU to regain control over production and ensuring autonomy vis-à-vis the world market, always in line with a just ecological transition. The EU's growing dependency on imports of medicines and active pharmaceutical ingredients may pose systemic problems by creating medicine shortages and health risks. This poses serious concerns to the UE's strategic autonomy.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([13]) COM/2020/103 final.

Opinion of the European Economic and Social Committee on (a) 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Long term action plan for better implementation and enforcement of single market rules'

(COM(2020) 94 final)

(b) 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Identifying and addressing barriers to the Single Market'

(COM(2020) 93 final)

(2020/C 364/16)

Rapporteur: **Gerardo LARGHI**

Co-rapporteur: **Gonçalo LOBO XAVIER**

Referral	(a) European Commission, 22.4.2020
	(b) European Commission, 22.4.2020
Legal basis	(a) and (b) Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	25.6.2020
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote	
(for/against/abstentions)	212/2/5

1. **Conclusions and recommendations**

1.1. The European Economic and Social Committee (EESC) supports the Commission's Long-term action plan for better implementation and enforcement of single market rules [1].

1.2. The EESC is willing to support and endorse the Commission's Communication on *Identifying and tackling barriers to the single market* [2].

1.3. The EESC believes that for too long the insufficient or inadequate application of EU rules has been the Achilles heel of EU law, and that therefore many instances of fraud and illegal behaviour have not been dealt with. The application of EU law is essential to build business and consumer confidence and to ensure that the single market delivers its full potential to businesses, employees and consumers.

1.4. The EESC believes that to be effective an implementation strategy must: (1) be based on a strong partnership involving all relevant stakeholders; (2) allow for greater cooperation at European level between existing enforcement networks to ensure that problems which affect several sectors simultaneously are targeted; (3) develop strategies and means to target wide-ranging EU infringements, where a single effective and transparent enforcement action can be taken to protect all stakeholders and ensure transnational law enforcement; (4) use the potential of new technologies.

(1) COM(2020) 94 final.
(2) COM(2020) 93 final.

1.5. The EESC urges the Commission to include in the action plan a clearly defined role for civil society actors, entrepreneurs, workers and consumers.

1.6. The EESC fully supports the European Commission's idea to transform SOLVIT into an effective default tool for unjustified barriers on the single market, but it is important that SOLVIT be equipped with a more structured procedure to refer important cases to the Commission and work across all sectors and policy areas.

1.7. The EESC welcomes the initiative focused on **improving *ex ante* assessments of restrictive regulation under the Proportionality Test** Directive [3]. Stakeholder involvement during 'proportionality testing' should be the norm rather than the exception.

1.8. **The Single Digital Gateway** is one way to digitally accommodate businesses' and consumers' needs for online information. Single points of contact will be quickly integrated into the Single Digital Gateway, so companies and consumers will only need to refer to one place for assistance and information.

1.9. The EESC supports the Commission's call for the European Parliament and the Council to adopt the proposal on the enforcement of Directive 2006/123/EC on services in the internal market laying down a notification procedure for authorisation schemes and requirements related to services [4].

1.10. The Committee stresses that the crisis linked to the spread of COVID-19 entails serious risks for the single market, namely that differences between EU countries in terms of economic development, social guarantees and levels of prosperity could increase after the pandemic is over.

1.11. The Committee notes that despite the real achievements of the single market, businesses and consumers still report too many remaining obstacles.

1.12. The EESC agrees with the Commission's action plan, according to which 'a real partnership of the different actors at European and Member State level responsible for implementation and enforcement will be essential to overcome existing single market barriers'.

1.13. The EESC therefore urges the Commission to use the new Single Market Enforcement Strategy to build a strong collaborative framework that includes all stakeholders active in the application of EU law. Among other things, organisations should be fully involved in the work of the announced Single Market Enforcement Task-Force (SMET), which should serve as a forum to discuss horizontal enforcement issues.

1.14. The EESC believes that enforcement is essentially a horizontal problem and therefore should not be dealt with in a compartmentalised way. It is essential to better organise and streamline the workflow between the different enforcement networks and to facilitate their exchange of information and good practice.

1.15. The Consumer Protection Cooperation (CPC) Regulation has helped to build a bridge between civil society organisations and law enforcement authorities through better recognition of their cooperation. However, while positive, this framework remains incomplete and requires further improvement, for example in the speed of response to citizens' alerts.

1.16. The EESC believes that data and artificial intelligence can be used to help monitor markets. It therefore considers that these digital tools should be developed at EU level and shared by all stakeholders.

1.17. Enforcement authorities today face a proliferation of dishonest practices in the single market, while their work is often subject to strict budgetary constraints. In this context, the Committee calls for better use of scarce resources, better coordination between existing networks, development of new synergies between all actors, and new tools based on new technologies that can contribute to the effective implementation of EU law.

([3]) OJ L 173, 9.7.2018, p. 25.

([4]) COM(2016) 821 final.

2. **Regarding the Communication — Long term action plan for better implementation and enforcement of single market rules (COM(2020) 94 final) — INT/899**

2.1. *Challenges for the single market*

2.1.1. The single market is at the heart of the European project and has made the life of European consumers and businesses easier. An efficient single market should allow EU citizens to enjoy a wider choice of services and products and better job opportunities. The single market should stimulate trade and competition and is fundamental to achieving the EU's green, industrial and digital transformations.

2.1.2. To achieve this, Europe needs to establish criteria-based priorities and proceed on the basis of well-established criteria towards clear political guidance, giving absolute priority to people.

2.1.3. To strengthen cooperation on enforcement of single market rules, the European Commission announces the establishment of a Single Market Enforcement Task-Force (SMET), whose role is to assess the state of compliance of national law with single market rules, prioritising the most pressing barriers, addressing overregulation, discussing horizontal enforcement issues, and monitoring implementation of the proposed action plan. In this respect, SMET should lay down clear criteria to decide what the most pressing obstacles are according to their economic value.

2.1.4. The Commission also intends to use preventive mechanisms to: avoid new barriers to providing services in the single market; improve capacity to detect non-compliance; set up a platform for online enforcement (e-enforcement lab) to share information about illegal and non-compliant industrial and consumer products; establish a single European information entry point for authorities for controls on non-food products and the forthcoming Customs Single Window; ensure that the Internal Market Information system (IMI) becomes the default tool; create a tool allowing individuals and businesses to report anonymously on regulatory obstacles encountered by them in exercising their internal market rights; improve enforcement in relation to EU agri-food legislation (including animal and plant health); assess the integration of existing structures (such as the Consumer Protection Cooperation Network, the EU Product Compliance Network or the EUIPO observatory) and a laboratory funded under the Single Market Programme or the Digital Europe Programme to test and apply advanced IT solutions; strengthen the fight against counterfeit and illegal products, including illicit products produced or assembled in the EU from imported components, and extend OLAF's current mandate; strengthen enforcement in the agri-food chain; develop labelling and traceability systems by promoting the use of digital tools to allow for more targeted controls at the external borders and within the EU; make SOLVIT the default tool for single market dispute resolution; streamline the process for handling cases, carrying out a preliminary review of complaints within two months so as to establish the next steps; and use the EU Pilot system under clear conditions and timetables for cases where a quick solution within a short period appears attainable.

2.2. *General comments*

2.2.1. The EESC considers that completion and effective enforcement of the single market is paramount, being a means of delivering on the political objectives enshrined in the European Union's founding documents, rather than an end in itself.

2.2.2. The main barriers identified in the Communication are: regulatory choices at national and EU level; transposition, implementation and enforcement of legislation; administrative and practical capacity in the Member States; the general business and consumer environment; and underlying causes unrelated to public policy, such as language or culture.

2.2.3. Making SOLVIT the default tool: the EESC supports the aim of ensuring that SOLVIT procedures become the default tool for unjustified barriers on the single market. However it only has dialogue and soft power at its disposal; moreover, it cannot be used in parallel with litigations. The SOLVIT system needs a more structured procedure to refer important cases to the Commission. At the same time, it is important that SOLVIT works across all sectors and policy areas.

2.2.4. Improving *ex ante* assessments of restrictive regulation under the Proportionality Test Directive [5] is a very welcome measure. However, the Commission should provide structured assistance and issue guidance to Member States on how to conduct *ex ante* proportionality assessments of newly planned national regulation of professions according to the Proportionality Test Directive. Moreover, stakeholder involvement during 'proportionality testing' should be the norm rather than the exception.

2.2.5. Obtaining information and administrative procedures: the Single Digital Gateway is one way to digitally accommodate businesses' and consumers' needs for online information, but according to existing single market legislation, Member States must also inform companies through single points of contact. Various pieces of EU legislation provide for centralisation of single points of contact. These will be quickly integrated into the Single Digital Gateway, so companies and consumers will only need to refer to one place for assistance and information. Businesses should only receive a single, coordinated answer.

2.2.6. The EU is currently being shaken to its very foundations by both external factors such as the ongoing pandemic, which has caused many deaths and sown panic, tipping the entire EU economy into recession, and internal factors such as the absence of that surge of solidarity which brought about the birth of the Union. We are therefore asking ourselves what is needed to establish a single market that is not just a technical and legislative exercise, rethinking the entire model of the European project. It is absolutely reasonable to wonder whether a united Europe — as some imagined, many have struggled to build and others have undertaken to destroy bit by bit, at least since the rejection of the EU constitution — will still be here in 2050 and beyond as a model of freedom, a beacon of culture, a champion of peace, supporting good will between peoples and defending equal opportunities for men and women in a world without discrimination or barriers.

2.2.7. The above is all the more true in this particularly difficult time, when Europe is being suffocated by a prolonged crisis that is systemic rather than just triggered by the current state of the economy: this is not just an economic and financial crisis, but also a crisis of social and cultural values. A fair number of citizens believe that the only credible solution is to set aside the purely monetary and economic approach in favour of a genuinely political Union.

2.2.8. The EESC believes that the COVID-19 crisis, which has affected all European countries, calls for a rethink of the whole system, not only in an organisational sense but also to generate new ideas and devise new business models.

2.2.9. Civil protection systems have not worked in every country to deal with the crisis. On the contrary, in many places those systems have failed: neither central governments, nor municipalities, nor citizens have shown that they were ready for an emergency, and responses have often been slow and costly, and sometimes baffling.

2.2.10. It has become apparent that in some areas Europe is dependent on third countries, a situation that requires a rethinking of certain foundations of the European Union, which must demonstrate a capacity to react and reorganise itself. Municipal, regional and state procurement, and support for local suppliers, will require particular attention: public procurement must become a guarantee of economic security.

2.2.11. Market-driven standardisation plays an important role under the 'new approach', applied not just to products but to services as well.

2.2.12. There should be an accurate assessment of the need for and the efficiency and impact of the measures to be adopted, so that, when regulating services, those relevant to the single market are clearly distinguished from other services.

2.2.13. The EESC agrees with the Commission on the importance of all measures designed to promote the development, implementation and enforcement of EU law in the single market. Fields such as goods and services, public procurement, market surveillance, corporate law, contract and extra-contractual law, the fight against money-laundering, free movement of capital, financial services, competition and the development of tools for governance all urgently require the establishment of a single market which upholds the rights of individuals, producers, workers and consumers, without undermining balanced economic activity.

(5) OJ L 173, 9.7.2018, p. 25.

2.2.14. The EESC calls for a fair single market to take account of the need to comply with labour, consumer and environmental rules, in line with the newly proposed industrial strategy for Europe ([6]), the circular economy principles set out in the Commission's programme. The EESC has already fully endorsed these principles and considers that Europe should take the lead in this area.

2.2.15. The EESC supports the decision to set up a Single Market Enforcement Task-Force (SMET), made up of the Member States and the Commission, in line with proposals and recommendations made by the EESC on a number of occasions ([7]).

2.2.16. The EESC stresses the importance of fighting every single instance of overregulation and incorrect enforcement of the rules, which have so often undermined the proper functioning of the market. The EESC strongly asks to be represented in this task force at least as an observer.

2.2.17. As already stated in several of its previous opinions ([8]), the EESC agrees with the Commission's identification of risks and delays in the completion of the single market linked to market fragmentation, discrepancies in enforceable rules, uncertainty regarding confidentiality of data, unscrupulous and not always controllable use of IT networks, and the fact that illegal services are available online, mostly due to the lack of enforcement through fiscalisation and penalties by the relevant parts of the Commission. The EESC recommends that the Commission DGs tackle these issues based on a cross-cutting approach.

2.2.18. The EESC regrets that EU laws are still not effectively enforced. European citizens need to have the right to meaningful collective action at European level, which should be introduced unambiguously and promptly; this would greatly help to guarantee, as a last resort, accountability for failure to comply with European rules and thus contribute to voluntary compliance with those rules ([9]).

2.2.19. The EESC emphasises that very often the Member States themselves have breached agreed single market rules or created and tolerated obstacles in national law, with the aim of creating additional protection in their market and deriving advantages for national businesses. The gains are often very short term, but this harms SMEs and start-ups, along with individuals and consumers who are put at risk by non-compliant products or enjoy less choice.

2.2.20. For this reason, the EESC supports the Commission's call for the European Parliament and the Council to adopt the proposal for a Directive on the notification of national rules under the Services Directive ([10]). However, the agreement should not undermine the existing Services Directive through exemptions from the notification obligation as regards territorial restrictions (including urban spatial planning) or by stripping the Commission of its current decision-making powers.

2.3. *Specific comments*

2.3.1. The scope of the single market means that the EU is able to create a multilateral, open, non-discriminatory and rules-based commercial system. Third-country businesses must comply with EU rules in order to gain access to the single market, including in fields such as health, the environment, food and product safety, and consumer protection.

2.3.2. The EESC endorses the Commission's decision to combine tools already in place to support the development of a single market with new tools (such as a central information point that civil servants in the Member States can refer to if they have practical questions, platforms for exchanges with Member States such as the one used for the Public Procurement Directives, and improved access to information on rules and requirements for users via the Single Digital Gateway).

([6]) COM(2020) 102 final.
([7]) See OJ C 43, 15.2.2012, p. 14 and the other above-mentioned opinions.
([8]) See attached list.
([9]) The EESC has drawn up several opinions on this issue, including: OJ C 309, 16.12.2006, p. 1, OJ C 324, 30.12.2006, p. 1, OJ C 162, 25.6.2008, p. 1, OJ C 228, 22.9.2009, p. 40 and OJ C 128, 18.5.2010, p. 97.
([10]) COM(2016) 821 final.

2.3.3. The EESC recommends that the Commission add guidance on the following principles:

(a) subsidiarity and 'double subsidiarity';

(b) mutual recognition;

(c) innovation and precaution;

(d) the general interest with respect to certain services (e.g. banking and insurance).

2.3.4. The EESC agrees with the decision to focus on public procurement. Administrators and beneficiaries of EU funds must be helped to improve their public procurement practices, so as to ensure a level playing-field and use procurement as a strategic tool for pursuing key policy objectives, such as circular economy principles.

3. **Regarding the Communication — Identifying and addressing barriers to the Single Market (COM(2020) 93 final) — INT/908**

3.1. *Barriers to the single market*

3.1.1. The Commission's Communication to identify and remove barriers to the single market focuses on the 13 main barriers, demonstrating that they are not only regulatory or administrative, but also practical. Businesses and consumers operating in the EU often face several constraints at the same time. This concerns in particular small and medium-sized enterprises (SMEs), professionals and consumers.

3.1.2. In order to propose possible solutions at EU and Member State level, the Communication identifies five main root causes: regulatory choices at national and EU level; transposition, implementation and enforcement of legislation; administrative capacity and practices in the Member States; the general business and consumer environment; and root causes unrelated to public policy, such as language and culture.

3.1.3. Sometimes it appears that Member States breach agreed single market rules or create and tolerate obstacles in national law, with the aim of creating additional protection in their market and deriving advantages for national businesses.

3.2. *General comments*

3.2.1. The EESC acknowledges that the Commission's communication identifies the main remaining barriers to a real single market. These barriers are not only regulatory or administrative, but also practical, meaning that businesses and consumers operating in the EU often face several constraints at the same time. This has a negative impact on SMEs and liberal professionals in particular.

3.2.2. The EESC believes that an effective implementation strategy must: (1) be based on a strong partnership involving all stakeholders; (2) allow for greater cooperation at European level between the existing enforcement networks to ensure that infringements are targeted and complex problems affecting several sectors simultaneously are addressed; (3) develop strategies and means to efficiently target large-scale infringements of EU rules, where a single enforcement action can be taken to protect all stakeholders and ensure transnational law enforcement; (4) use the potential of new technologies to promote more efficient enforcement actions and closer market surveillance.

3.2.3. The EESC believes that for too long insufficient or inadequate application of EU rules has been the Achilles heel of EU law and has meant that many cases of fraud and illegal practices have not been tackled. Strong enforcement of EU law is essential to build consumer confidence and to ensure that businesses, employees and consumers use the full potential of the single market.

3.2.4. The damage caused to the single market by the COVID-19 crisis will amplify the damage caused by the UK's withdrawal from the EU. This could mean that when the pandemic is over, differences between EU countries in terms of economic development, social guarantees and levels of prosperity will increase, with consequences for the single market and its development.

3.2.5. The EESC believes that the current situation could well lead to the single market being reduced to a mere free trade zone — not the natural result of a supranational political project but just the lowest common denominator of countries' national interests.

3.2.6. The EESC therefore calls on the European institutions and civil society organisations concerned to clearly inform European citizens about the limitations of the single market so that they get a realistic idea of what they can actually expect from its realisation and enforcement. That makes it important not to impose either measures that may be superfluous and unjustified and which really only throw up barriers to the operation of businesses, particularly SMEs ([11]), including liberal professions, or full harmonisation, which is not defensible given that other principles must take precedence, for instance consumer rights and consumer protection. The single market must reflect the tenet of strength in diversity, which should be pivotal in European policy alongside harmonisation.

3.2.7. Standardisation plays an important role under the 'new approach', applied not just to products but to services as well.

3.2.8. A long-term plan like the one drawn up by the Commission to remove remaining barriers is an ambitious and laudable undertaking, but it must be accompanied by substantial investment in information, warning, learning, training, integration and standardisation processes.

3.3. *The social dimension of the single market*

3.3.1. The EESC calls again on the Commission to take into account the social dimension of the EU in order to promote the creation of good-quality and effective jobs, promote cross-border mobility, improve capacities and skills, and step up investment in those SMEs which feel they are particularly limited by EU-imposed rules and benefit least from the status quo. For this reason, the EESC welcomes the adoption of the SME strategy for a sustainable and digital Europe.

3.3.2. The EESC considers that the rules laid down for the single market are useful only in so far as they contribute to the development of a healthy social market economy with a view to preventing poverty, inequality, discrimination and social exclusion, with a particular emphasis on ensuring that young people have a place in society.

3.3.3. There is a strong feeling among SMEs and employees that they are the ones hit hardest by the economic crises, the introduction of the euro and now the very serious pandemic which has pushed the European economy into recession. This means that every measure in support of a European single market must entail more straightforward, direct and effective communication, less red tape and rules that can be understood by everyone.

3.3.4. The EESC also calls for the future green economy measures and the Commission's single market action plan to include rules on the social economy sector so as to guarantee a level playing field for social economy enterprises and promote the development of this sector.

3.3.5. Support for young entrepreneurs and innovative products and services is a key aspect of the programme to deliver the single market. The EESC endorses the decision to support new business models, namely the circular economy, advanced technologies, low CO_2, resource-efficient solutions and other initiatives intended, for instance, to promote businesses' international dimension, attract talent and improve staff skills.

3.3.6. The EESC agrees that SMEs investing in digital projects should be supported. Projects should also be designed so as to benefit businesses, consumers and civil society as a whole.

3.4. *Specific comments*

3.4.1. The EESC emphasises the difficulties that European companies have when competing in global markets with oligopolies or monopolies, which are state-owned in certain cases. Examples include the railway industry, air transport and wind power, where European companies face ferocious competition (from third-country and, in particular, Chinese companies).

([11]) OJ C 376, 22.12.2011, p. 51.

3.4.2. The EESC stands by the Commission in its fight to ensure the product compliance of online platforms so that illegal and unsafe products are not placed on the market. It emphasises the importance of every single measure designed to check the compliance of products sold on online platforms and to try and ensure product safety in the global online supply chain.

3.4.3. However, the EESC would like to recommend that the Commission also consider, as part of this exercise, matters like artificial intelligence, commercial communications, marketing and advertising, legal and contractual guarantees in the sale of goods and services, and specific provisions for the implementation and enforcement of the internal market in the banking and insurance sectors.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on 'Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions — Europe's moment: Repair and Prepare for the Next Generation'

(COM(2020) 456 final)

'Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. The EU budget powering the recovery plan for Europe'

(COM(2020) 442 final)

'Proposal for a Council Regulation establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 pandemic'

(COM(2020) 441 final/2 — 2020/0111 (NLE))

'Amended proposal for a Council Regulation laying down the multiannual financial framework for the years 2021 to 2027'

(COM(2020) 443 final — 2018/0166 (APP))

'Amended proposal for a Council Decision on the system of Own Resources of the European Union'

(COM(2020) 445 final — 2018/0135 (CNS))

'Proposal for a Council Regulation amending Council Regulation (EU, EURATOM) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020'

(COM(2020) 446 final — 2020/0109 (APP))

'Amended proposal for a Regulation of the European Parliament and of the Council establishing Horizon Europe — the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, Decision of the European Parliament and of the Council on establishing the specific programme implementing Horizon Europe — the Framework Programme for Research and Innovation, Regulation of the European Parliament and of the Council establishing the Neighbourhood, Development and International Cooperation Instrument, Regulation of the European Parliament and of the Council establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council'

(COM(2020) 459 final — 2018/0224 COD)

(2020/C 364/17)

Rapporteur-general: **Petru Sorin DANDEA**

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Referrals	European Parliament, 17.6.2020 (COM(2020) 459 final — 2018/0224 COD)
	Council of the European Union, 10.6.2020 (COM(2020) 459 final — 2018/0224 COD)
	European Commission, 17.6.2020:
	COM(2020) 441 final/2 — 2020/0111 (NLE)
	COM(2020) 442 final
	COM(2020) 443 final — 2018/0166 (APP)
	European Commission, 2.7.2020:
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(for/against/abstentions)	206/4/5

1. **Conclusions and recommendations**

1.1. The EESC is aware of the severe economic and social consequences of the COVID-19 pandemic for all Member States. That is why it strongly supports the Commission's proposal — Next Generation EU — as a specific tool for a quick and effective recovery. The Commission has taken into account the economic and social dissymmetries caused by the measures adopted after the 2008 crisis and has based its actions on the principle of solidarity between all countries, with no one excluded. It is returning to the founding values of the European Union as written in the founding Treaty, which it is implementing decisively.

1.2. The EESC is well aware of the extraordinary and serious economic situation caused by the pandemic and agrees with the set of measures adopted to soften the negative impacts on economic performance. The effects have varied, including not only an unprecedented demand shock and a reduction of liquidity, but also a suspension of supply chains and serious problems on the supply side, where supply chains were interrupted and many companies faced problems with components, labour, raw materials, and so on, and had to stop their production processes for this reason. In this sense, the measures provided also have to be exceptional and the EESC requests that they be very comprehensive.

1.3. The EESC therefore welcomes the decision to provide the Union with a substantial financial tool enabling all Member States to achieve a prompt and effective economic and social recovery. The EESC also positively welcomes the Commission's decision to provide the extraordinary recovery fund with all that is needed to revitalise the Union's economy and, furthermore, to reaffirm its competitive position at global level, together with the social achievements that are characteristics of the European Union, which must also remain an essential objective.

1.4. The EESC takes a very positive view of the Commission's two main decisions. The first is to introduce an extraordinary financial recovery instrument as part of the multiannual financial framework. The MFF is an instrument whose procedural rules are accepted by all Member States, that has worked well for a long time, and that is therefore fully functional. The second main decision is to raise common debt, which will be repaid over a long period of time, and prevent the extraordinary financial burden from falling directly on the Member States in the short run, which are all — with no exceptions — suffering from the negative economic and social effects of the pandemic to a greater or lesser extent.

1.5. The second decision has led the Commission to request authorisation to benefit from the European Union's high credit rating on the financial market so as to raise, in successive tranches, very long-term common European loans with low interest rates for all Member States. The financial effort must help to revive the European economy as soon as possible, restore confidence and build a more sustainable and fairer Union.

1.6. The EESC welcomes the two key decisions adopted because, as repeatedly stated in the legislative and non-legislative documents that were presented, the economies of the Member States can no longer resist the adverse effects of the crisis on their own because they are all highly dependent on each other due to the many years of consolidation of the single market, which has had the positive effect intended by the EU's founders and the founding Treaties.

1.7. Overall, in the broader context of the entire MFF, the Next Generation EU Programme gives a signal as to how to mobilise and utilise the common EU financial resources in the future. Additionally, the total amount of EUR 750 billion may seem gigantic, but it is certainly not beyond the EU's economic means (it is equal to just 4,1 % of EU GDP in 2019), and can be fully repaid until 2058.

1.8. The EESC appreciates the innovative and original approach that the European Commission is taking to increase the EU's fiscal base from 1,1 % of EU GDP to approximately 1,7 % in comparable terms, or even more if needed in the future. The EESC considers this response to be a signal as to how to mobilise and utilise the EU's common financial resources in a modern way in the future.

1.9. The EESC strongly welcomes the fact that the newly proposed instrument should be closely coordinated with the European Semester process, which has proved its viability, and supports the proposal for Member States to specify their needs in national Recovery and Resilience Plans.

1.10. The EESC welcomes the Commission's proposal for an EU budget that intends to introduce additional genuine own resources based on different taxes (revenues from the EU Emissions Trading System, digital taxation, large companies' revenues). In particular, the EESC points out that the huge financial support required by the EU Member States to overcome the economic crisis should be accompanied by a more ambitious fiscal reform project — a Fiscal Union — aiming to set a harmonised tax regime based on the principles of fair competition and solidarity and avoid the distortions and discriminations existing in EU countries that have led to opportunistic behaviour in both States and individual taxpayers and that have undermined the unity of the single market.

1.11. The EESC calls upon the European Commission to prepare a strongly supported and consensual background document on the EU's own financial resources; the EESC understands the long timeframe for repaying Next Generation EU, but the final solution concerning the own resources has to be adopted well in advance of that date.

1.12. The EESC strongly calls for the measures proposed by the Commission to be made operational as soon as possible, with the time factor being essential. It therefore calls on the Council to reach a consensus without delay by persuading those Member States who currently oppose the plan of the value of unity and cohesion at this difficult time and reminding them that all countries, with no exceptions, are economically and socially interdependent.

1.13. Finally, the EESC would like to note that the crisis has once again accentuated the need to speed up the reforms undertaken for the eurozone and overcome the limitations that still prevent genuine economic, social, fiscal and political integration. This is something that the EESC already highlighted during the previous financial crisis that erupted in 2008.

2. **Summary of the Commission proposal**

2.1. In response to the COVID-19 pandemic and its immediate economic and social consequences, on 27 June 2020, the European Commission proposed a temporary EUR 750 billion recovery instrument, called Next Generation EU, to boost the financial firepower of the EU budget.

2.2. The recovery instrument is embedded in a reinforced multiannual financial framework for 2021-2027 to channel investment quickly to where it is needed most, strengthen the single market, step up cooperation in areas such as health and crisis management, and equip the Union with a long-term budget to drive the green and digital transitions and build a fairer and more resilient economy.

2.3. The recovery plan consists of a grant element of EUR 440 billion that will be distributed across all headings of the budget. Furthermore, EUR 60 billion will be provided in guarantees. Around EUR 250 billion will be given to Member States as loans.

2.4. To finance the proposed recovery measures, the Commission will borrow up to EUR 750 billion on the financial markets on behalf of the Union, for recovery measures over the period 2021-2024.

2.5. To make this possible, the Commission will use the headroom — the difference between the Own Resources ceiling of the long-term budget (the maximum amount of funds that the Union can request from Member States to cover its financial obligations) and the ceiling on the actual spending (MFF payment ceiling).

2.6. The Own Resources ceiling is to be increased on an exceptional and temporary basis by 0,6 percentage points. This increase will come on top of the permanent Own Resources ceiling — 1,4 % of EU gross national income, which is proposed on account of economic uncertainties and Brexit. The increase of 0,6 percentage points will expire when all funds have been repaid and all liabilities have ceased to exist.

2.7. With the EU budget headroom as guarantee, the EU will be able to issue debt on relatively advantageous terms compared to many individual Member States. The funds raised will be repaid from future EU budgets starting after 2027 and by 2058 at the latest, from future EU budgets. The loans will be repaid by the borrowing Member States.

2.8. Since the loan element consists of EUR 250 billion, the EU collectively has to repay EUR 500 billion through the own resources mechanism (however, the EU would also be liable for loan defaults by Member States on the remaining EUR 250 billion).

2.9. To facilitate the repayment of the market finance raised and further help reduce the pressure on national budgets, the Commission will propose additional new own resources — on top of the already proposed ones — at a later stage of the 2021-2027 financial period. These will be closely linked to the EU priorities (climate change, circular economy and fair taxation).

2.10. The use of the money from the recovery package is built on three pillars.

2.10.1. PILLAR 1 — Supporting Member States to recover, repair and emerge stronger from the crisis: This comprises a range of instruments to support investment and reforms in the Member States, focusing on where the crisis impact and resilience needs are greatest:

— a new Recovery and Resilience Facility of EUR 560 billion to be used for investments and reforms for recovery and resilience,

— the REACT-EU initiative will provide EUR 55 billion of additional cohesion policy funding between now and 2022,

— changes to the European Social Fund Plus,

— a proposal to strengthen the Just Transition Fund up to EUR 40 billion,

— a proposal to reinforce the budget for the European Agricultural Fund for Rural Development by EUR 15 billion.

2.10.2. PILLAR 2 — Kick-starting the economy and helping private investment get moving again:

— a new Solvency Support Instrument will use the EU budget guarantee to mobilise private resources to urgently support the equity of viable European companies from all economic sectors,

— a strengthened InvestEU, which is uniquely suited to mobilising investment and supporting Union policies during the recovery in areas such as sustainable infrastructure, innovation and digitisation,

— within InvestEU, the Commission is proposing to create a Strategic Investment Facility to increase Europe's resilience by building strategic autonomy in vital supply chains at the European level.

2.10.3. PILLAR 3 — Learning the lessons of the crisis and addressing Europe's strategic challenges

— a new Health programme, EU4Health, of EUR 9,4 billion to ensure that the Union is equipped with the critical capacities to react to future crises rapidly,

— a EUR 2 billion increase for rescEU, the Union's civil protection mechanism,

— an upgrade for Horizon Europe to EUR 94,4 billion,

— an increase of the Neighbourhood, Development and International Cooperation Instrument to EUR 86 billion, via a new External Action Guarantee, and an additional EUR 1 billion for the European Fund for Sustainable Development,

— an increase of EUR 5 billion for the Humanitarian Aid Instrument.

2.11. In addition to the reinforcements under Next Generation EU, the Commission proposes to strengthen further programmes so they can play their full role in making the Union more resilient and addressing challenges brought along by the pandemic and its consequences:

the Digital Europe Programme; the Connecting Europe Facility; the Single Market Programme and programmes supporting cooperation in the fields of taxation and customs; Erasmus Plus; Creative Europe; the Common Agricultural Policy and the European Maritime and Fisheries Fund; the Asylum and Migration Fund and Integrated Border Management Fund; the Internal Security Fund; the Union's pre-accession assistance.

2.12. The recovery fund is included in the EU budget structure. As a result, disbursement will require programming and is linked to the European Semester (and therefore macroeconomic conditionality). It is also linked to the European Commission's budgetary management and control systems, and the budgetary control of the European Parliament applies.

2.13. To bridge the transitional period until ratification of the amended Own Resources Decision, and to make much-needed funding available to workers, businesses and Member States already in 2020, the Commission is also proposing to adjust the current 2014-2020 long-term budget in order to allow for higher spending still in 2020.

2.14. The EU's growth strategy, the European Green Deal — including the Just Transition Mechanism proposed in January — and the Union's digital and industrial strategies are vital for the EU's sustainable recovery and continue to be at the heart of the Commission's proposals as they are critical to bounce our economy forward and prepare the future for the next generation. Investments and reforms to advance them will therefore have to be included in all national Recovery and Resilience Plans.

2.15. Although in May 2018, the Commission proposed to eliminate all corrections on the revenue side (rebates), given the economic impact of the COVID-19 pandemic, the Commission now takes the stance that the phasing out of rebates and the recovery plan could entail disproportionate increases in contributions for certain Member States in the next long-term budget. To avoid this, the Commission proposes that the current rebates be phased out over a much longer period of time.

2.16. The Commission's proposal for a Regulation on the protection of the EU budget against generalised deficiencies in the rule of law remains a key feature of the recovery package.

3. **General comments**

3.1. With regard to the presentation on the recovery plan that Commission President Ursula von der Leyen made to the European Parliament on 27 May 2020, the EESC particularly appreciates and shares the profound and significant motivations that led to Next Generation EU. This instrument is a fair pact between generations that will create a strengthened and future-oriented European Union. It will have the appropriate tools to make it stronger and more cohesive so that future generations will benefit greatly from it, rather than just bearing the burden of the very long-term debt incurred today.

3.2. The EESC cites the following reasons in particular why the proposal is extraordinary, even revolutionary:

— for the first time, the EU's budgetary resources are to work with an implicit debt, which will be repayable over the following 30 years,

— for the first time, resources would be borrowed on the financial markets and the solution would be market-tested; during this time, the total sum would be guaranteed by the EU as a whole,

— the solution could lead to a future increase in the EU's own resources and a corresponding reduction in its direct dependence on Member State contributions,

— it would also increase the Union's financial base from 1,1 % of EU GDP, as it is currently, to about 1,7 % in comparable terms,

— the solution is very supportive, not only for those directly affected by the pandemic, but also for those who need assistance with their structural reforms,

— the proposal very much relies on the use of the financial instruments, which will ensure a more efficient redistribution of the resources.

3.3. It is necessary at this stage to avoid reciprocal negative repercussions by demonstrating solidarity with the countries most affected by the pandemic and/or with weaker economies due to the current imbalances and limitations of the eurozone.

3.4. The EESC acknowledges the announcement of the Next Generation EU Programme as well as the proposal made in the amended proposal for a 2021-2027 MFF to increase the EU's fiscal (budgetary) base and tailor it to the current urgent needs. The proposed fiscal measures also complement the steps that have already been taken in the monetary and structural policies as well as in the regulatory frameworks.

3.5. In numerous previous opinions, and also notably in its 2018 opinion on the 2021-2027 MFF, the EESC has called for a strong EU budget and for the EU to be equipped with the financial resources to credibly deliver on its political agenda ([1]).

3.6. In terms of funding the EU budget, the EESC and the European Parliament have long been calling for a sufficiently large amount of autonomous, transparent and fair own resources, and for a shift away from the dominance of GNI-based contributions. The EESC supports the findings of the High-Level Group on Own Resources, chaired by Mario Monti ([2]). Methods of raising revenue should complement and reinforce the EU's policy objectives. The EESC therefore welcomes the Commission's proposal for additional genuine own resources ([3]).

([1]) OJ C 440, 6.12.2018, p. 106, OJ C 81, 2.3.2018, p. 131, OJ C 75, 10.3.2017, p. 63 and OJ C 34, 2.2.2017, p. 1.
([2]) Future financing: Final report and recommendations of the High-Level Group on Own Resources December 2016 https://ec.europa.eu/budget/mff/hlgor/library/reports-communication/hlgor-report_20170104.pdf
([3]) OJ C 440, 6.12.2018, p. 106 and OJ C 81, 2.3.2018, p. 131.

3.7. The EESC calls upon the European Commission to draw up a policy background document and a feasibility test for the own financial resources. The EESC understands that it will take some time before a final solution is adopted. However, it would be very useful if the current uncertainty regarding the way of financing of the EU budget could be eliminated. Without a solution, this entire concept is very vulnerable.

3.8. The EESC takes note of the Commission's proposal in the context of the recovery plan to phase out the current rebates for certain net-contributor Member States over a longer period of time than proposed in 2018. However, the EESC retains the position it expressed in its recent opinions, where it ultimately calls for an end to all rebates ([4]).

3.9. Because Next Generation EU has been included in the EU budget, this will involve a link with the European Semester — in terms of conditionality — and with the Commission's management and control system, which is also under the control of the European Parliament. The EESC points out that potential conflicts between Member States and the Commission or between the Commission and the European Parliament could lead to significant delays in the disbursement of funds.

3.10. The EESC believes that Member States need to significantly improve their programming capacity if an additional EUR 165 billion worth of funds is to be distributed in the first three years of the new financial framework and used effectively. The Committee also recommends that the Commission consider making the rules more flexible in order to support Member States in the additional programming required.

3.11. The EESC welcomes the letter sent by the presidents of the European Parliament's main political groups in which they encourage the European Council and the Council to speedily reach an agreement on the basis of the Commission's proposal. The EESC also agrees with the Parliament resolution of 15 May 2020, in which the Parliament advocates a EUR 2 trillion recovery package to tackle the fallout from COVID-19 ([5]).

3.12. The EESC acknowledges that the package to establish a Recovery Instrument and tailor the 2021-2027 MFF to the needs of the post-COVID-19 period is considered an extraordinary step in EU financing, but it is also necessary and urgent. The EU budgetary policy under the current circumstances would simply have been insufficiently flexible and unable to support any action that could visibly help to solve the crisis situation.

3.13. The EESC also understands that the proposal is the best that could be made under the current political circumstances.

4. **Specific comments**

4.1. Regarding the Recovery and Resilience Facility, the EESC highly appreciates the proposed link with the European Semester process as well as the Recovery and Resilience Plans that can be the basis and benchmark for funding.

4.2. With respect to the REACT-EU initiative, the EESC welcomes not only the fairly robust increase in the cohesion policy base, but also the exceptional flexibility rules designed to provide significant support to areas in need and urgent priorities.

4.3. The EESC also strongly supports a big increase in the allocation of the Just Transition Fund and the proposed steps in the other pillars of the Just Transition Mechanism. The designed scheme can now more easily and more robustly support the structural shift towards new and more diversified economic activities, which is a crucial part of the EU Green Deal.

4.4. In order to return to the pre-crisis economic situation, it is very important to create favourable conditions for private investments. The EESC welcomes the proposal to establish a Solvency Support Instrument, which should help healthy businesses affected by the pandemic.

([4]) OJ C 440, 6.12.2018, p. 106.
([5]) https://www.europarl.europa.eu/doceo/document/TA-9-2020-0124_EN.html

4.5. The EESC appreciates the content of the second pillar of the Next Generation EU Programme, which focuses on the recovery of investment activity, which will be supported by innovative financial instruments.

4.6. The EESC welcomes the content of the third pillar of the Next Generation EU Programme, which addresses issues that have so far mainly been the Member States' responsibility.

4.7. The EESC believes that the structure of the Next Generation EU programme is well balanced and addresses the needs that have to be met by the common EU resources, while also respecting the principle of subsidiarity.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on ‘Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility’

(COM(2020) 408 final — 2020/0104 (COD))

‘Proposal for a Regulation of the European Parliament and of the Council establishing a Technical Support Instrument’

(COM(2020) 409 final — 2020/0103 (COD))

(2020/C 364/18)

Rapporteur-general: **Dimitris DIMITRIADIS**

Referral	Council of the European Union, 10.6.2020
	European Parliament, 17.6.2020
Legal basis	Articles 175(3) and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote	
(for/against/abstentions)	208/4/4

1. **Conclusions and recommendations**

1.1. The EESC welcomes the proposed Recovery and Resilience Facility (the ‘Facility’) ([1]).

1.2. Beyond its economic dimension, the European Commission’s proposal is also essentially promoting the deepening and unification of the European family, as it strengthens solidarity and cooperation between the Member States.

1.3. The European Commission’s proposal proves, among other things, that the European Union, provided that there is the appropriate political will, can deal effectively with major crises, provide serious and credible solutions, and make the necessary and realistic compromises, contributing ultimately to the substantial promotion of the European ideal.

1.4. The EESC believes that the Facility should support the transition towards climate neutrality and digital economy using funds from Next Generation EU ([2]) to help alleviate the socioeconomic impact of the transition in the regions most heavily affected.

1.5. In light of the COVID-19 crisis, the need for a sustainable, green and digital recovery has become even more pressing, as has the need to provide support to the most vulnerable regions.

([1]) Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, COM(2020) 408 final, 28.5.2020.

([2]) Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions — The EU budget powering the recovery plan for Europe, COM(2020) 442 final.

1.6. The EESC has already made it clear that it is 'in favour of a strong linkage between the Reform Support Programme ([3]) and the European Semester' ([4]). Therefore, the plans submitted by the Member States should address the main challenges identified in the European Semester and should be harmonised with the principles of European Green Deal and the Digital Agenda.

1.7. Quick and effective coordination of action between the European Commission, European Parliament and European Council is needed so as to avoid delays that would jeopardise the achievement of the Facility's goals.

1.8. An immediate and full response from the Member States is required given the short time within which the various project plans should be prepared and completed.

1.9. The EESC considers it important that Member States cooperate closely with the European Commission to approve, monitor and ensure the successful completion of the project plans submitted under the Facility.

1.10. The plans should provide direct financial support to small and medium-sized enterprises.

1.11. The EESC considers it very important that every measure announced, especially those providing financial support, should be accompanied by clear, business-friendly information on what type of support is provided, how an SME can effectively access the different EU financial instruments that exist, who to contact at EU level if they have questions, who are the national bodies involved in channelling the funds, who are the national players SMEs can turn to, what is the role of national banks and what are their obligations.

1.12. The submission, approval, monitoring and completion of projects could be sped up by actively involving private sector consulting companies with global experience in the relevant areas.

1.13. The EESC emphasises once more the need to share best practices within the EU, and to speed up bureaucratic processes regarding the allocation and disbursement of available funds, with the European Commission providing the necessary technical support ([5]).

1.14. The role and views of the social partners and civil society organisations should be integrated in the plans submitted by the Member States. In particular, the EESC has already called for a more active role for organised civil society '… in obtaining agreement between the European Commission and the Member States on the content of reform programmes' ([6]).

1.15. The Technical Support Instrument can act as an effective complement to the packages of measures that are proposed by the Commission to address the economic fallout of the COVID-19 pandemic.

2. **Introduction and general comments**

2.1. The objective of the proposed Facility is to promote the Union's economic, social and territorial cohesion by improving the resilience and adjustment capacity of the Member States, mitigating the social and economic impact of the crisis, and supporting the green and digital transitions aimed at achieving a climate-neutral Europe by 2050, thereby contributing to restoring the growth potential of the economies of the Member States in the aftermath of the COVID-19 crisis, fostering employment creation and promoting sustainable growth.

2.2. The Facility will be built around the provision of non-repayable financial support and loans to help countries — especially those with a lower per capita income and high unemployment — to deal adequately with the severe economic effects of the pandemic.

2.3. Loans will play a complementary role to non-repayable support and will benefit from the long maturities and favourable interest rates that the Union enjoys.

([3]) Proposal for a Regulation of the European Parliament and of the Council on the establishment of a European Stabilisation Function, COM(2018) 387 final.
([4]) OJ C 62, 15.2.2019, p. 121.
([5]) OJ C 237, 6.7.2018, p. 53.
([6]) OJ C 62, 15.2.2019, p. 121.

2.4. The COVID-19 pandemic is the defining global health crisis of our time, costing the lives of more than 420 000 people as of 12 June 2020 ([7]). COVID-19 is much more than a health crisis: it has had a tremendous socioeconomic impact around the world, the scale of which is still hard to assess. According to the latest report on the Global Economy by the World Bank Global Economic Prospects (June 2020) the coronavirus shock will cause the deepest global recession since the World War II.

2.5. The global economy is expected to contract by 5,2 % in 2020, which is approximately three times the scale of the 2008-09 global financial crisis. Among the advanced economies real GDP growth rates for 2020 are expected to be - 6,1 % in the US and - 9,1 % in the euro area, respectively. As explicitly stated in the World Bank's June 2020 report ([8]): 'With more than 90 % of EMDEs [emerging markets and developing economies] expected to experience contractions in per capita incomes this year, many millions are likely to fall back into poverty'.

The economic consequences of the COVID-19 shock are ([9]):

1) an elevation of uncertainty, which increases precautionary savings;

2) a reduction of consumption;

3) a reduction of interest in productivity investments;

4) a rise in unemployment, part of which is likely to be permanent;

5) a decline in the volume of the global trade as well as significant disruptions in global supply chains;

6) a decline in commodity prices (especially the price of oil), making current account financing of traditional commodity exporters particularly difficult;

7) a sharp increase in the required risk premiums for holding risky assets.

2.6. As is now common knowledge, the measures that can help solve the health crisis can make the economic crisis worse and vice versa. Flattening the curve of the pandemic inevitably steepens the macroeconomic recession curve and puts all supply chains in danger, including those crucial for human survival (food and medicine). Should the impact of the pandemic continue to grow, financial crises may follow, resulting in a collapse in lending, a longer global recession, and a slower recovery. As stated in the World Bank's June 2020 Global Economic Prospects report, '[r]ising levels of debt have made the global financial system more vulnerable to financial market stress'.

2.7. Therefore, there is a need for urgent and large-scale financial intervention so as to curb the economic consequences of the recent crisis and make Member States' economies more resilient and better prepared for the future.

2.8. The economic priorities should be the following:

1) it is important to ensure that the workforce remains employed even if quarantined or forced to stay home;

2) governments should channel financial support to public and private institutions that support vulnerable citizen groups;

3) SMEs should be safeguarded against bankruptcy (the need for taxpayer money to support large non-financial corporations is much less obvious);

([7]) https://ourworldindata.org/grapher/total-deaths-covid-19
([8]) World Bank, Global Economic Prospects, June 2020.
([9]) Koundouri, P., Athens University of Economics and Business Working Paper, 2020.

4) policies will be needed to support the financial system as non-performing loans mount;

5) fiscal packages comparable to the crisis-related loss of GDP should be adopted.

2.9. The Commission now proposes to deploy a reinforced EU budget to help repair the immediate economic and social damage brought by the COVID-19 pandemic, kickstart the recovery and prepare for a better future for the next generation. To ensure the recovery is sustainable, even, inclusive and fair for all Member States, the European Commission is proposing to create a new recovery instrument, Next Generation EU, embedded within a powerful, modern and revamped long-term EU budget. The flagship of Next Generation EU is the Recovery and Resilience Facility ([10]).

3. **General Principles of the Recovery and Resilience Facility and the Technical Support Instrument**

3.1. The EESC very much welcomes and supports the proposed Recovery and Resilience Facility (the Facility) and the Technical Support Instrument (the Instrument), the objective of which is to offer large-scale financial support for public investments and reforms, notably in the green and digital transitions, that are expected not only to make Member States economies more resilient and better prepared for the future, but also to help them overcome the consequences of the pandemic faster and more effectively.

3.2. The EESC is deeply concerned about the economic consequences of the pandemic in the Member States, especially regarding an increase in unemployment which in some southern EU countries has even reached 33 % among young people as well as growth of poverty rates.

3.3. The EESC agrees that the pandemic seems to be constituting 'the worst economic shock since the Great Depression, with devastating consequences for millions of our citizens and businesses, and of course, with the potential to deepen the economic and social divergence — the risk of a Great Fragmentation' ([11]).

3.4. The EESC has already underlined that recent economic development 'has not been spread evenly throughout the EU and the euro area and that the progress of convergence remains unsatisfactory. Sustainability also remains an increasingly complicated challenge for the EU' ([12]).

3.5. The EESC believes that 'European integration is at a crossroads. One lesson from the recent long-lasting economic crisis and the deep social scars it has left in several Member States is that the absence of economic and social convergence among Member States and regions is a threat to the political sustainability of the European project and all the benefits it has brought to European citizens' ([13]).

3.6. The EESC feels that '[s]trengthening the competitiveness of the European economy, that is its capacity to increase its productivity and living standards in a sustainable manner while at the same time becoming climate neutral, not least by means of research, development and more and better skills for the labour force, should go hand in hand with these initiatives' ([14]).

3.7. The EESC believes that '[d]eveloping economic and labour market resilience with economic, social, environmental and institutional sustainability should be the principle guiding policies which will foster upwards convergence and fairness in the transition towards a climate-neutral economy — i.e. an economy in which there is a balance between emissions and absorption of greenhouse gases — while managing the challenges posed by digitalisation and demographic change' ([15]). Moreover, the EESC thus supports the call for the European Union to commit to achieving carbon neutrality by 2050, and accordingly adjust its greenhouse gas reduction target for 2030. The UN Environment Programme (UNEP) Emissions Gap Report 2019 indicates that global emissions need to be cut by 7,6 % per year, starting now, in order to limit global warming to 1,5 °C. This adds up to a global reduction target of at least 68 % by 2030.

([10]) Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, COM(2020) 408 final, 28.5.2020.
([11]) Remarks by Commissioner Gentiloni at the press conference on the Recovery and Resilience Facility, European Commission Press release, 28 May 2020.
([12]) OJ C 47, 11.2.2020, p. 106.
([13]) OJ C 353, 18.10.2019, p. 23.
([14]) Idem.
([15]) Idem.

3.8. Therefore, the EESC agrees that the main objective of the Facility should be:

1) to promote the Union's economic, social and territorial cohesion;

2) to mitigate the social and economic impact of the crisis; and

3) to support the green and digital transitions aimed at achieving a climate-neutral Europe by 2050, thereby contributing to restoring the growth potential of the economies of the Member States in the aftermath of the COVID-19 crisis, fostering employment creation and promoting sustainable growth.

3.9. The EESC would like to emphasise that these investments and reforms should focus on challenges and investment needs related to the green and digital transitions, thereby ensuring a sustainable recovery.

3.10. It is now widely acknowledged that green stimulus policies have advantages over traditional fiscal stimuli and that climate-positive policies also offer superior economic characteristics. Green construction projects, such as insulation retrofits or renewable energy infrastructure, can deliver higher multiplier effects due to reduced long-term energy costs and flow-on effects to the wider economy.

3.11. The EESC agrees that, in addition to directing funds into controlling the epidemic and into relevant biomedical research, and investing in border security, safe travel and safe trade, now is the time for financial institutions and governments to embrace the EU taxonomy for sustainable investments (2019), phase out fossil fuels by deploying existing renewable energy technologies, redirect subsidies from fossil fuels to green and smart climate mitigation and adaptation infrastructure projects, invest in circular and low-carbon economies, shift from industrial to regenerative agriculture and invest in food security, promote European supply chains, reduce transportation needs and exploit the limits of the digital revolution, while ensuring the security of ICT networks ([16]).

3.12. The EESC agrees with the International Energy Agency that clean energy transitions can help kick-start the European economy, with an ambitious agenda for job creation and climate change goals through the modernisation of energy systems. Given that governments directly or indirectly drive more than 70 % of global energy investment, in this time of crisis, their actions matter more than ever. Policy settings can actively steer energy-related investments onto a more sustainable path, while making energy efficiency, renewables and battery storage central to economic recovery. Stimulus programmes in energy industries should be prioritised to support existing workforces, create new jobs and drive reductions in emissions. The International Energy Agency ([17]) advises, 'Build on what you already have — and think big'. Policies with existing legal and institutional structures are the easiest to scale up.

3.13. The EESC strongly agrees that the Facility established by this Regulation should contribute to mainstreaming climate actions and environmental sustainability and to the achievement of an overall target of 25 % of the EU budget expenditures supporting climate objectives.

3.14. The EESC feels strongly that the Facility should be built mainly around the provision of non-repayable financial support to help countries — especially those with a lower per capita income and high unemployment — to deal adequately with the severe economic effects of the pandemic, whereas loans should play only a complementary role to non-repayable support and should benefit from the long maturities and favourable interest rates that the Union enjoys.

([16]) Koundouri, P., *Never Waste a Good Crisis: For a Sustainable Recovery from COVID-19*, April 2020.
([17]) International Energy Agency: https://www.iea.org/

3.15. The EESC supports the Commission's intention to harness the full power of the EU budget to mobilise investment and frontload financial support in the crucial first years of recovery through the combined adoption of an emergency European Recovery Instrument amounting to EUR 808 984,090 million (in current prices) and a reinforced multiannual financial framework (MFF) for 2021-2027.

3.16. The EESC calls 'for the continuation of effective structural reforms with well targeted investment strategies' ([18]).

3.17. The EESC agrees with the establishment of a standalone Technical Support Instrument available to all Member States, as a successor to the Structural Reform Support Programme (SRSP) ([19]).

4. **Preparation of national recovery and resilience plans, submission, assesment and deadlines**

4.1. The EESC believes that the funds of the Facility must be deployed as swiftly as possible to the Member States, which in turn should use them efficiently in order to maximise the benefits of the Facility.

4.2. Member States should prepare national recovery and resilience plans that set out the reform and investment agenda for the next four years.

4.3. The EESC believes that these plans should address the main challenges Member States are facing as identified in the European Semester, in areas such as competitiveness, productivity, education and skills, health, employment, and economic, social and territorial cohesion. They should also ensure that these investments and reforms focus appropriately on the challenges related to the green and digital transitions, to help create jobs and sustainable growth and make the Union more resilient.

4.4. The EESC believes that it is necessary to strengthen the current framework for the provision of support to small and medium-sized enterprises and provide them direct financial support through an innovative tool so as to safeguard them from bankruptcy.

4.5. Every measure announced, especially those providing financial support, should be accompanied by clear, business-friendly information on what type of support is provided, how an SME can effectively access the different EU financial instruments that exist, who to contact at EU level if they have questions, who are the national bodies involved in channelling the funds, who are the national players SMEs can turn to, what is the role of national banks and what are their obligations, etc.

4.6. The EESC believes that, during this process, the role and views of the social partners and civil society organisations should be taken seriously into account.

4.7. The EESC has already suggested 'introducing a rule whereby no financing should be given to a Member State unless they have fully adopted the application of the Partnership principle with a real involvement of the social partners and civil society when deciding on the multiannual reform commitment packages ([20]). The Partnership principle application is paramount for ensuring the delivery of evidence-based reforms, connected to the real-life situation in the economies of each Member State' ([21]).

4.8. The EESC agrees that the plans should be assessed by the Commission on the basis of transparent criteria, notably, *inter alia*: whether the plan is expected to effectively address challenges identified in the **European Semester Proceess**, whether it contributes to strengthening the growth potential and economic and social resilience of the Member State, and contributes to enhancing economic, social and territorial cohesion; whether the plan contains measures that are relevant for the green and the digital transitions; and whether the cost estimate provided by the Member State is reasonable and plausible and is commensurate with the expected impact on the economy.

4.9. The EESC believes that the allocation of funds should also take into consideration convergence criteria ([22]).

([18]) OJ C 47, 11.2.2020, p. 106.
([19]) Regulation (EU) 2017/825 of the European Parliament and of the Council of 17 May 2017 on the establishment of the Structural Reform Support Programme for the period 2017 to 2020 and amending Regulations (EU) No 1303/2013 and (EU) No 1305/2013 (OJ L 129, 19.5.2017, p. 1).
([20]) Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds (OJ L 74, 14.3.2014, p. 1).
([21]) OJ C 237, 6.7.2018, p. 53.
([22]) Idem.

4.10. The EESC finds it reasonable that:

1) The financial support and the relevant actions undertaken by the Member States under the Facility should be frontloaded by the end of 2024 and, as regards the non-repayable financial support, that at least 60 % of the total should be committed by the end of 2022;

2) Member States should submit recovery and resilience plans at the latest by 30 April, in the form of a separate annex to their National Reform Programmes;

3) Member States should be able to submit a draft plan, together with the draft budget for the forthcoming year, on 15 October of the preceding year;

4) the remaining years from 2024 to the end of the MFF (2027) should be used by the Commission and the Member States to foster the implementation of the relevant actions on the ground and to achieve the expected recovery in the relevant economic and social sectors and promote resilience and convergence.

4.11. The EESC emphasises the need for a sufficient period of time in order to effectively implement and achieve the objectives of 'the Facility' project. In addition, the EESC points out the danger, in case that opinions for a short period of time of implementation of the plan prevail, that the latter will ultimately fail in the objectives it has set.

4.12. The EESC stresses the need for quick and effective coordination of actions between the European Commission, European Parliament and European Council so as to avoid delays that would jeopardise the achievement of the Facility's goals. An immediate and full response is also required from the Member States given the short time within which the various project plans should be prepared and completed. Member States should cooperate closely with the European Commission to approve, monitor and ensure the successful completion of the project plans submitted under the Facility. The submission, approval, monitoring and completion of projects could be sped up by actively involving private sector consulting companies with global experience in the relevant areas.

4.13. The EESC emphasises once more the need to share best practices within the EU, and to speed up bureaucratic processes regarding the allocation and disbursement of available funds, with the European Commission providing the necessary technical support ([23]).

5. **Technical Support Instrument**

5.1. The EESC advocates steady structural reforms geared towards social and economic development, including institutional capacity-building to improve administrative quality. Such reforms should be country-specific and backed by democratic support, avoiding a one-size-fits-all approach for all Member States ([24]).

5.2. The EESC agrees that the Technical Support Instrument should aim to accompany the national authorities of the requesting Member States throughout the stages or in specific phases of the reform process.

5.3. The EESC emphasises the need for the Technical Support Instrument to support Member State authorities in their efforts to design reforms according to their own priorities and enhance their capacity to develop and implement reform policies and strategies, as well as benefitting from good practices and examples of peers.

5.4. The EESC agrees that the Technical Support Instrument can act as an effective complement to the packages of measures that are proposed by the Commission to address the economic fallout of the COVID-19 pandemic.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([23]) Idem.
([24]) Idem.

Opinion of the European Economic and Social Committee on 'Proposal for a regulation of the European Parliament and of the Council establishing the InvestEU Programme'

(COM(2020) 403 final — 2020/0108 (COD))

'Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2015/1017 as regards creation of a Solvency Support Instrument'

(COM(2020) 404 final — 2020/0106 (COD))

(2020/C 364/19)

Rapporteur-general: **Ronny LANNOO**

Referral	Council, 11.6.2020
	Parliament, 17.6.2020
Legal basis	Articles 172, 173, 175(3), 182(1) and 304 of the TFEU
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Bureau decision	09.6.2020
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote	
(for/against/abstentions)	208/0/8

1. **Conclusions and recommendations**

1.1. From the beginning of the COVID-19 crisis, the EESC has expressed its conviction in various statements that in these times of great uncertainty, only a comprehensive European economic recovery plan would enable us to cope with the consequences of the pandemic and to rebuild a more sustainable and resilient European economy.

1.2. The EESC therefore welcomes the ambitious recovery package put forward by the European Commission and stresses that the recovery can only be successful with strong and unanimous political leadership. The EESC insists that the introduction of these measures reflects the urgency of the alarming socio-economic situation.

1.3. To ensure the swift and sustainable recovery of the European economy, it is crucial that the necessary financial resources are made available. The EESC therefore strongly supports the reinforcement of the EU budget and calls on European decision makers to reach a swift agreement on both the next Multiannual Financial Framework (MFF) 2021-2027 and the new recovery instrument, Next Generation EU.

1.4. The EESC welcomes the strengthening of the InvestEU programme and the complementary Solvency Support Instrument (SSI) and calls for swift agreement on these proposals to ensure that both programmes can be made operational quickly and that a sufficient number of eligible projects can be developed to benefit from them.

1.5. Given that almost the entirety of InvestEU will be allocated under Next Generation EU and not under the MFF 2021-2027, which means that it will need to be implemented by the end of 2026, the EESC asks the legislators to make provisions to ensure that there will not be a funding gap after 2026 and before the start of the MFF post-2027.

1.6. The EESC reiterates its support ([1]) for the Commission's aim to strengthen investment activity in the EU within the next long-term EU budget. This has assumed even greater importance in light of the economic downturn as a result of the COVID-19 pandemic.

1.7. The EESC continuously supports the focus on long-term investment projects that are of high public interest, while also respecting the sustainable development criteria. It is crucial that the COVID-19 crisis does not steer the EU away from its medium and long-term objectives, as outlined in the European Green Deal, the 2020 Sustainable Growth Strategy and the European Pillar for Social Rights.

1.8. The EESC considers the InvestEU programme to be especially well placed to provide long-term funding and to support Union policies in the recovery from a deep economic and social crisis. The Committee stresses the importance of having a clear definition of which projects are eligible to benefit from the new fifth window, as this is crucial to create complementarity with the other four policy windows. The EESC also advocates for a wider definition of innovation that goes beyond information technology and digitalisation. Small and medium-sized enterprises (SMEs), and in particular micro- and small enterprises, are very heavily hit by the current crisis and should therefore be explicitly eligible for support under the new fifth window. For this, structural cooperation between the implementing partners and the European, national and regional level authorities is essential.

1.9. The EESC calls for specific and clear guidelines aimed at identifying projects eligible to benefit from InvestEU, as well as on the possibilities for synergies between the numerous EU programmes, thereby ensuring their adequate and efficient implementation.

1.10. The coronavirus crisis has affected all EU Member States; however, some countries have been hit harder than others. The EESC stresses that the recovery following the coronavirus crisis should not result in more divergence among the Member States.

1.11. In light of this, the EESC welcomes the new Solvency Support Instrument and underlines the importance of ensuring that it can indeed benefit those Member States whose economies have been most affected by the effects of the COVID-19 pandemic. While it is vital to ensure a speedy recovery, it is equally important that the available funds be allocated to companies with viable business models. This would contribute to the creation of a sustainable and resilient European economy.

1.12. The EESC underlines the role of the European financial markets in ensuring that these instruments can mobilise the expected amounts of investment, as well as the leading role of the European Investment Bank Group (EIB and European Investment Fund (EIF)) and the considerable need for an appropriate structure for the implementing partners, especially at national level. It is important that the flow of funds via the EIB group and the promotional banks and institutions is transparent, clear and easily accessible.

2. **Background**

2.1. The COVID-19 crisis, which first of all represents a human health emergency, has led to a severe economic and social shock with a sharp decline in economic output, a rapid increase in unemployment, worsening of standards of living (reduction of real income, job uncertainty, restricted mobility) and a drastic reduction in foreign trade turnover both within the EU as well as with third countries. The crisis also brought about a sharp deterioration in public finance indicators and a downturn in investments.

2.2. On 27 May 2020, the European Commission announced an ambitious recovery plan, the Next Generation EU plan, and a revised proposal for the overall EU budget for 2021-2027 ([2]).

2.3. For the next Multiannual Financial Framework (MFF) 2021-2027, the Commission aims to provide the EU economy with an investment programme that is able to cater for cross-cutting objectives in terms of simplification, flexibility, synergies and coherence across relevant EU policies. The need for such an investment programme has increased further due to the COVID-19 pandemic.

([1]) EESC opinion on 'Proposal for a Regulation of the European Parliament and of the Council establishing the InvestEU Programme' (OJ C 62, 15.2.2019, p. 131).

([2]) Recovery Plan Communication: *Europe's moment: Repair and Prepare for the Next Generation*.

2.4. That is why the Commission withdrew its earlier proposal presented in May 2018 for the **InvestEU Programme** and put forward a new proposal [3], reflecting the partial agreement already reached between the European Parliament and the Council in April 2019.

2.5. In order to better equip the InvestEU programme to respond to the economic and social crisis caused by the COVID-19 pandemic, the Commission proposes increasing the financial envelope envisaged for the original InvestEU Programme, in order to reflect the higher overall investment needs and an environment of increased risk.

2.6. Furthermore, the new proposal expands the scope of the InvestEU Programme by creating a fifth window, the Strategic Investment Facility, catering to the future needs of the European economy and securing or maintaining strategic autonomy in key sectors.

2.7. The enhanced InvestEU programme would be able to support companies in the recovery phase while, in line with its original goals, ensuring strong focus by investors on the Union's medium- and long-term priorities, such as the green and digital transformations.

2.8. The European Commission also put forward a proposal [4] for a temporary equity-based instrument, the **Solvency Support Instrument**.

2.9. The Solvency Support Instrument would support companies with otherwise viable business models, which are solvency constrained due to the COVID-19 crisis. The purpose is to help them weather this difficult period so that they are in a position to carry the recovery when the time comes. Another objective of the proposal is to counter-balance the expected distortions in the single market, given that certain Member States may not have sufficient budgetary means available to provide adequate support to companies in need.

2.10. The Solvency Support Instrument is expected to be put in place as soon as possible in 2020, at the latest by the start of October 2020, so that it can be deployed at full capacity quickly in the course of 2021.

3. **General comments**

3.1. The EESC reiterates [5] its support for the InvestEU programme and the continuation and extension of a financial instrument based on the guarantee principle. It considers it essential not least with a view to the long-term development and management of the EU budget.

3.2. The EESC welcomes the additional capacity for the InvestEU project, which will bring the EU guarantee size up to EUR 75,2 billion (in current prices and including the new Strategic Investment Window), to trigger EUR 1 trillion in additional investment. The EESC calls for a balanced distribution of funds between policy objectives.

3.3. The EESC welcomes the addition of a fifth window, the Strategic European Investment Window, which will be provided with EUR 31,2 billion of the EU Guarantee to support investments in strategic sectors and key value chains, including those that are crucial to the green and digital transformation.

3.4. The Committee stresses the importance of having a clear definition of which projects are eligible to benefit from the fifth window, as this is to create complementarity with the other four windows. The EESC also advocates for a wider definition of innovation that goes beyond information technology and digitalisation. It should be explicitly stated that SMEs, particularly micro- and small enterprises, are also eligible under this window. This is even more important in light of the decrease in the EU guarantee allocated to the SME window — from EUR 11,25 billion to EUR 10,17 billion (in current prices) — compared to the European Commission's initial proposal. For this, structural cooperation between the implementing partners and the financial intermediaries, as well as European, national and regional level authorities, is essential.

(3) *Proposal for a Regulation establishing the InvestEU Programme.*
(4) *Proposal for a Regulation creating a Solvency Support programme.*
(5) EESC opinion on 'Proposal for a Regulation of the European Parliament and of the Council establishing the InvestEU Programme' (OJ C 62, 15.2.2019, p. 131).

3.5. The EESC underlines that investments in skills are crucial for the transition to a greener and just economy, therefore social investments should not be neglected under the InvestEU programme.

3.6. Many SMEs, particularly micro- and small enterprises, are suffering substantially from the COVID-19 crisis and the lockdown measures adopted by most EU countries. That is why it is crucial to make sure that sufficient funding will be made available in order to allow them to recover from the crisis. This support needs to be demand-driven, meaning that both debt and equity products need to be available. Since the guarantee capacity of the SME window decreases, this decrease should be compensated for by making SME portfolios, and particularly those of small and micro-enterprises, eligible for the Strategic Investment Window. This shall be accompanied by proportionate reporting requirements in order to avoid creating excessive administrative burdens for the smallest enterprises with scarce resources, as this would discourage them from seeking support from InvestEU. The role of the implementing partners and the financial intermediaries is crucial to ensuring that the funds reach these companies.

3.7. During the current crisis, government policies and support have become particularly important; however, the capacity of Member State governments to support the sectors and businesses that are most harshly hit by the crisis varies greatly across the EU.

3.8. The EESC therefore welcomes the new Solvency Support Instrument (SSI) and that the instrument, while it is open to all Member States, will focus on those countries whose economies have been most affected by the effects of the COVID-19 pandemic and/or where the availability of state solvency support is more limited. The EESC agrees that support should be granted exclusively to companies with viable business models that were not in difficulties before the COVID-19 crisis. It furthermore welcomes the embedding of the SSI in the European Fund for Strategic Investment (EFSI). In order to ensure an efficient use of funds, it is advisable to allow for flexible shifts to and from the other policy windows of the EFSI. Lastly, a well-balanced market-driven distribution of available funds between equity and quasi-equity products such as subordinated loans should be envisaged.

3.9. The twin transition (green and digitalisation) is encouraged within the framework of the Solvency Support Instrument. These conditions must also be realistic and feasible for micro- and small enterprises and traditional sectors.

3.10. The coronavirus crisis has affected all EU Member States; however, some countries have been hit harder than others. The EESC stresses that the recovery following the coronavirus crisis should not result in more divergence among the Member States. While no geographical quotas are set either for InvestEU or for the new SSI, the EESC welcomes that its steering board will define specific geographical concentration limits.

3.11. The simplification, enhanced transparency and greater potential for synergies offered by the creation of InvestEU as an umbrella financial instrument has assumed even more importance with regard to the creation of the European Green Deal Investment Plan and the other components of the European recovery plan. The EESC calls for specific and clear guidelines aimed at identifying eligible projects and possibilities for synergy between the numerous EU programmes, thereby ensuring their adequate and efficient implementation.

3.12. The COVID-19 crisis should not steer the EU away from its medium and long-term objectives, as outlined in the European Green Deal, the 2020 Sustainable Growth Strategy and the European Pillar for Social Rights. In its recent resolution ([6]), the EESC stated that Europe must finance activities that meet two criteria: the reshoring of strategic production to make Europe independent — particularly as regards health protection and response — and to provide quality jobs, and placing the focus on sustainable investments that are socially responsible and environment-friendly. Small and medium-size enterprises, just like large enterprises and social enterprises, could play a crucial role in restructuring the European production system.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([6]) *EESC proposals for post-COVID-19 crisis reconstruction and recovery.*

Opinion of the European Economic and Social Committee on ‘Proposal for a Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law)’

(COM(2020) 80 final — 2020/0036 (COD))

(2020/C 364/20)

Rapporteur: **Jan DIRX**

Co-rapporteur: **Tellervo KYLÄ-HARAKKA-RUONALA**

Referral	European Parliament, 10.3.2020
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Plenary session No	553
Outcome of vote	
(for/against/abstentions)	210/2/9

1. **Conclusions and recommendations**

1.1. Like many key EU institutions and individuals, the EESC underlines that climate action and the economic reconstruction and recovery from the coronavirus crisis can and must go hand in hand. This can be done by restoring the European economy through the promotion of an effective and fully sustainable package of public and private investments. The EESC thus regards the proposal for a European Climate Law as one of the instruments to contribute to this desired and necessary rebuilding of the European economy.

1.2. The EESC supports the approach of a transition to climate neutrality at EU level overall instead of in every Member State individually. This approach has the advantage that an optimal distribution of efforts can be accomplished EU-wide, taking into account relevant differences among Member States. The EESC is also convinced that the greatest support for climate policy will be established if the overall aim is to achieve the highest greenhouse gas emissions reduction at the lowest socio-economic costs.

1.3. The EESC urges the Commission to take the impact of the coronavirus crisis fully into account by assessing the 2030 emissions target and to opt for a minimum of 55 % reduction by 2030 with the corresponding legislative proposals. The EESC points out that the UNEP Emissions Gap Report 2019 tells us that an even more ambitious 2030 emission reduction target is needed globally to achieve the 1,5 °C target set in the Paris Agreement.

1.4. The EESC recognises that everyone will have to take extra steps to achieve the set goal of climate neutrality in 2050. The recent Eurobarometer (before the coronavirus crisis) found that 92 % of EU citizens support the EU’s climate neutrality goal. Retaining the support requires the acceleration of climate action hand in hand with the economic recovery and reconstruction.

1.5. The EESC calls on the EU to play an initiating and inspiring role at the postponed November 2020 climate summit in Glasgow and subsequent climate summits in order to engage at least all major players worldwide in working energetically on climate neutrality.

1.6. The achievement of the target of climate neutrality in the Union by 2050 at European level is only possible if each country makes its contributions on mitigation and adaptation fully and on time. The EESC therefore supports that the Commission may issue recommendations to a Member State if that Member State's measures are inconsistent with the objective of mitigation or inadequate to ensure progress on adaptation, based on clear and transparent assessment criteria.

1.7. The EESC proposes that the full assessment document of any draft measure or legislative proposal in connection with the climate neutrality objective will be made publicly accessible as soon as the assessment is finalised.

1.8. The Commission proposal covers quite rightly both mitigation and adaptation, 'in accordance with Article 7 of the Paris Agreement'.

1.9. The EESC proposes setting up a European Climate Pact Stakeholder Platform, as set out in our opinion on the Climate Pact, to organise and facilitate active participation of 'all parts of society'.

2. **Introduction**

2.1. The current worldwide coronavirus (COVID-19) crisis makes it clear once again how vulnerable life is on our earth. While it is necessary to fully combat the coronavirus crisis and the consequent economic, social and ecological impacts, it is also necessary to continue to focus on preventing and, where necessary, fighting other developments that threaten the quality of life such as climate change and the loss of biodiversity ([1]). Or, as the Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC) Patricia Espinosa warned when announcing the postponement of the November 2020 climate change summit (COP26) in Glasgow: 'COVID-19 is the most pressing threat to humanity today, but we must not forget that climate change is the greatest threat in the long term.'

2.2. For the EESC this means climate action and the economic recovery and reconstruction from the coronavirus crisis can and must go hand in hand. The recovery and reconstruction measures need to be in line with the climate objective, and climate action needs to be taken in a way that minimises costs and generates economic benefits.

2.3. In this spirit, the EESC also notes the following statements by key EU institutions and individuals:

With an overwhelming majority, the European Parliament voted on April 16 to place the European Green Deal at the core of the upcoming EU recovery and reconstruction package 'in order to kick-start the economy, improve its resilience and create jobs while at the same time assist in the ecological transition, foster sustainable economic and social development'.

On the same day, European Commission President Ursula von der Leyen also said that Europe must double down on investing in the European Green Deal. European Commission Vice-President Frans Timmermans gave the same message in an open letter in seven European newsletters. And President Charles Michel of the European Council also wants to use this opportunity to make the EU greener: 'The European Union must become better than before, we must take advantage of this crisis.'

2.4. This can all be done by restoring the European economy through the promotion of a fully sustainable package of effective public and private investments, covering for example things like reducing energy consumption, sustainable energy, network investments, clean production processes, or recycling — accompanied by the enhancement of sustainable consumption. In addition, enhancing carbon sinks and storage by means of e.g. sustainable forest and soil management is needed to reach climate neutrality. A European Climate Law is one of the instruments to contribute to this desired and necessary rebuilding of the European economy.

([1]) Some experts maintain that biodiversity is a natural barrier to virus and disease transmission from wildlife to humans (zoonosis). Therefore, biodiversity loss might lead to more pandemics in the future. This is a topical additional argument.

2.5. The EESC therefore welcomes the proposal for a European Climate Law ([2]) presented by the European Commission on 4 March 2020, which establishes a legal framework for achieving the goal of climate neutrality in the Union by 2050. The EESC endorses the desirability and necessity of the objective of climate neutrality by 2050, and if possible earlier, to contribute to achieving the goal of the Paris Agreement, according to which global warming must remain well below 2 °C and efforts need to be pursued to keep it to below 1,5 °C.

2.6. It goes without saying for the EESC that, in order to achieve the objectives of the Paris Agreement, it is imperative that at least all major players worldwide also work energetically on climate neutrality. On the one hand, this requires active climate diplomacy from the EU and, on the other hand, measures — such as carbon pricing — to provide a level playing field for the EU products and services in terms of their greenhouse gas footprint in relation to competitors from outside the EU.

2.7. The proposal for the European Climate Law is a cornerstone of the European Green Deal ([3]) that the Commission published on 11 December 2019. The European Green Deal sets out how to make Europe the first climate-neutral continent by 2050, boosting the economy, improving people's health and quality of life, caring for nature, and leaving no one behind.

2.8. The EESC has noted with satisfaction that at the political level this goal of net climate neutrality by 2050 has already been endorsed by the European Parliament in its resolution of 14 March 2019 and by the European Council in its conclusions of 12 December 2019. And on 5 March 2020 the Environment Council of the EU submitted, on behalf of the European Union and its Member States, the long-term low greenhouse gas emission development strategy of the European Union and its Member States (with the objective of achieving a climate-neutral EU by 2050) to the UNFCCC ([4]).

2.9. The EESC recognises that achieving the goal of climate neutrality in 2050 will demand a great deal from governments, municipalities, businesses, trade unions, civil society organisations and citizens. And that means that everyone will have to take extra steps to achieve that set goal in 2050, or as the Commission puts it: 'Additional action needs to be taken and every sector will have to contribute as current policies are expected to only reduce greenhouse gas emissions by 60 % by 2050, and thus much more remains to be done to reach climate neutrality' ([5]).

2.10. The EESC emphasises the importance of considering the points of 'international developments and efforts' and the 'competitiveness of the Union's economy' as mentioned in Article 3.3 of the proposal. And the EESC draws special attention to the importance of 'the need to ensure a just and socially fair transition' (Article 3(3)(h)). The EESC would like to emphasise that particularly energy poverty needs to be prevented, and recommends that this issue should be part of the assessment of national measures as regulated in Article 6 of the Proposal.

2.11. By September 2020, the Commission plans to come up with the review of the Union's 2030 target for climate in light of the climate-neutrality objective and explore options for a new 2030 target of 50 to 55 % emission reductions compared to 1990, as well as to provide the corresponding legislative proposals by mid-2021. The EESC expects that the new 2030 emissions target will be based on a broad review and proper impact assessment. The EESC also argues that there are decisive arguments for the aim of a minimum reduction of 55 % by 2030, in order for the EU to respond for its part to the massive global need for decreasing emissions. For example, the UN Environment Programme (UNEP) Emissions Gap Report 2019 ([6]) indicates that an even more ambitious 2030 emission reduction target is needed globally to achieve the 1,5 °C target set in the Paris Agreement ([7]).

([2]) European Climate Law.
([3]) European Green Deal.
([4]) Submission to the UNFCCC.
([5]) European Climate Law, see for example page 2.
([6]) Emissions Gap Report 2019.
([7]) The UN Environment Programme (UNEP) Emissions Gap Report 2019 indicates that global emissions need to be cut by 7,6 % per year, starting now, in order to limit global warming to 1,5 °C. Calculated, this means a reduction target of at least 68 % by 2030.

2.12. While making impact assessments, it is important to recognise that the coronavirus crisis has unprecedented economic, social and environmental consequences, which for their part have implications on the impact of the measures to be taken for the mitigation of climate change.

2.13. The EESC believes that the potential impact of the Corona crisis cannot and should not lead to relaxing the 2030 reduction target.

2.14. The EESC calls for this process to be realised in a way that enables the EU to play an initiating and inspiring role at the postponed November 2020 climate summit in Glasgow and subsequent climate summits in order to engage at least all major players worldwide in working energetically on climate neutrality.

2.15. Furthermore, the EESC recommends that the Commission start the preparation of an intermediate climate target for 2040, on emissions reductions, to achieve climate neutrality by 2050, or earlier if possible, accompanied by a legislative proposal to the European Parliament and the Council to that effect, including a proposal to set new emission reduction obligations for the period 2031-2040 to be adopted before 2028. Setting a target in due time is necessary to guarantee the highest possible degree of predictability and transparency for society and all economic sectors.

2.16. The recent Eurobarometer (before the coronavirus crisis) found 93 % of EU citizens see climate change as a serious problem and 92 % support the EU's climate neutrality goal ([8]). Retaining the support requires the acceleration of climate action hand in hand with the economic reconstruction and recovery.

3. **Delegation of power**

3.1. The proposed climate law (Article 3) gives the Commission a delegated power to 'supplement' the climate law, thus 'outlining a path at Union level to achieve the climate neutrality target set in Article 2(1) up to 2050'. Moreover, within six months after each global stocktake referred to in Article 14 of the Paris Agreement, the Commission shall review the trajectory.

Instead of adopting delegated acts, the EESC considers it necessary for the Commission to make a legislative proposal to set and adjust the trajectory where it considers this appropriate as a result of the review.

3.2. In all circumstances, it is necessary to continue safeguarding the democratic rules of our institutional system. This includes the right of civil society actors and their organisations, such as the EESC, to contribute to the democratic decision-making process. On this point, we would like to refer to what the Commission says in Article 8 of the draft Climate Law: 'The Commission shall engage with all parts of society (…)'.

4. **Assessment of progress and measures**

4.1. According to Article 5, the Commission shall assess the Union progress and measures. It will assess 'any draft measure or legislative proposal in light of the climate neutrality objective (…) before adoption, and include this analysis in any impact assessment accompanying these measures or proposals'.

This means in practice that the Commission includes the consideration of impact on climate neutrality in the impact assessments that accompany its proposals. The EESC advises the Commission to investigate if this can be achieved under the existing framework for better regulation without changes to legislation.

4.2. Article 5 stipulates that the result of that assessment will be made public at the time of adoption. However the Court of Justice (in case C 57/16 P, Client Earth v Commission, decided on September 4 2018) has been very clear that even draft Impact Assessment reports are to be made 'directly accessible' in line with Article 12(2) of Regulation (EC) No 1049/2001 ([9]). Therefore the EESC proposes to change the wording in that the full assessment document will be made publicly accessible as soon as the assessment is finalised.

4.3. The EESC believes that the achievement of the 2050 target of climate neutrality in the Union by 2050 at European level is only possible if each country makes its contributions on mitigation and adaptation fully and on time.

([8]) Citizen support for climate action.

([9]) OJ L 145, 31.5.2001, p. 43.

The EESC therefore endorses the following Commission intention: The Commission may issue recommendations to a Member State if that Member State's measures are inconsistent with the objective of mitigation or inadequate to ensure progress on adaptation with respect to the national plans. The EESC supports the Commission in this and recommends that in its recommendations the Commission opt for an effective mix of measures appropriate to the circumstances. However, the EESC calls for it to be made clear which objectives and criteria the progress in individual Member States is assessed against.

4.4. The proposal from the Commission aims to achieve a climate-neutral European Union by 2050. This implies that not every Member State has to achieve climate neutrality individually. The EESC supports this approach — which is in fact a continuation of the current approach of EU climate legislation — because this approach has the advantage that an optimal distribution of efforts can be accomplished EU-wide, taking into account relevant differences among Member States. However, the EESC does consider it necessary that each Member State will be obliged to indicate in its national energy and climate action plan to be submitted by 1 January 2029 (according to Article 3 of the Governance Regulation (EU) 2018/1999 ([10])) whether and, if so, when it wants to reach climate neutrality and what kind of measures it is going to take to reach an optimal EU level result, including measures that contribute to other Member States' efforts or will be realised in one or more other Member States, thereby ensuring that such arrangements are made in time and by means of enforceable agreements.

4.5. The EESC is also convinced that the greatest support for climate policy will be realised if the overall aim is to achieve the highest greenhouse gas emissions reduction at the lowest socio-economic costs. Accordingly, offsets/compensations between Member States should be possible if governed by a solid regulatory framework supplemented with enforcement. It is also important to recognise that in the current system ETS-sectors are regulated through an EU-wide scheme, while other sectors fall under the effort-sharing of national emissions caps. Over time, more sectors will obviously fall into the framework of emissions trading.

4.6. In addition to the ETS scheme, there is a lot of EU level legislation such as technical requirements that control the emissions of different sectors and are thus part of the implementation of the overall target. EU level regulation is particularly relevant in the fields related to the proper functioning of the Single Market.

4.7. The EESC also proposes proper monitoring of the possible implications of the EU measures in the global context. This includes for example effects on foreign investment and trade and the consequent impacts on the development of emissions both directly and indirectly.

4.8. The Commission proposal states: '… action at EU level should aim to provide for cost effective delivery of long-term climate objectives, while ensuring fairness and environmental integrity'. The EESC recognises that there are still many questions, both procedural (what is the best decision-making approach?) and substantive (what are fair and economically sound distribution criteria that guarantee a high level of environmental protection?), on how to achieve this. So the process element (the ongoing discussion horizontally between EU institutions, including the EESC and the CoR, and vertically with Member States) is important. What is even more fundamental is the question of what to do if Member States want to achieve climate neutrality in their own country sooner than 2050 and this will not be the most cost- and/or climate-effective at EU level. The EESC calls on the European Commission and the Council to provide clarification and guidance on this matter as soon as possible.

5. **Adaptation**

5.1. The Commission proposal covers quite rightly both mitigation and adaptation, 'in accordance with Article 7 of the Paris Agreement'. Particularly with regard to adaptation, the Commission proposes to extend EU action towards national adaptation action.

Generally, adaptation is perceived to be more connected to local governmental action than mitigation is. The EESC therefore believes that, in accordance with the principle of subsidiarity, the Commission should clarify the extent to which powers should be conferred at EU level and the obligations to be imposed on Member States.

([10]) OJ L 328, 21.12.2018, p. 1.

5.2. Furthermore, it remains to examine what the obligation entails for the ‘relevant EU institutions’. The proposal specifies that Member States must adopt national adaptation strategies and plans. No specific action — such as a plan — is required for EU institutions.

5.3. The Commission proposes to get the power to assess not only the mitigation actions, but also the adaptation actions from Member States (Article 6, paragraph 1(b)). If the Commission finds that a Member State’s measures are ‘inadequate to ensure progress on adaptation as referred to in Article 4, it may issue recommendations to that Member State’. This is a very open provision. The EESC considers it desirable for the Commission to establish criteria for such an assessment.

6. **Public participation**

6.1. The EESC takes it for granted and therefore welcomes Article 8 (Public participation) of the Climate Act. Active participation of ‘all parts of society’ is a necessary condition for climate policy to be successful within the EU, considering that it is the civil society actors (enterprises, workers, consumers and citizens and their organisations) who realise the climate objectives in practice.

Therefore the EESC calls on the Commission and the Member States to actively invite all these civil society actors to participate and put on the table their proposals for concrete climate policy and climate action.

6.2. The EESC therefore welcomes the fact that the European Commission recently opened a public consultation to gather views on ways to engage with the public on climate action ([11]). This will serve as background for the Commission to launch a ‘Climate Pact’ in the 3rd quarter of 2020. With the European Climate Pact, the European Commission intends to bring together stakeholders, including regions, local authorities, local communities, civil society, schools, businesses and individuals.

6.3. In view of the positive experiences with the European Circular Economy Stakeholder Platform set up by the European Commission and the European Economic and Social Committee and in line with the proposals in our opinion on the Climate Pact (NAT/785) ([12]), the EESC proposes to set up a European Climate Pact Stakeholder Platform based on the principles of inclusiveness, transparency and genuine participation and ownership by local climate actors.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([11]) European Climate Pact consultation.
([12]) EESC opinion: *European Climate Pact* (see page 67 of this Official Journal).

Opinion of the European Economic and Social Committee on 'Proposal for a Decision of the European Parliament and of the Council on a European Year of Rail (2021)'

(COM(2020) 78 final)

(2020/C 364/21)

Rapporteur: **Alberto MAZZOLA**

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(for/against/abstentions)	209/1/4

1. **Conclusions and recommendations**

1.1. The EESC welcomes the proposal of the Commission and supports its goals, in particular to encourage and support the European Union, Members States, regional and local authorities, social partners and market forces to increase the share of rail in passenger and freight mobility.

1.2. The EESC considers that the European Year of Rail will have to bring the broad public of citizens, railway workers, social partners, businesses and academic communities, and European youth in particular closer to the public debate of the EU institutions on EU sustainability and mobility policies and on the future of European mobility to promote rail as a sustainable, innovative and safe mode of transport.

1.3. The Year of Rail for the EESC should be an opportunity to communicate on the sustainability credentials of railways, also where available as a suitable replacement of short-haul flights, on the Strategy for Smart and Sustainable Mobility as well as on the EU rail investment policies.

1.4. The EESC recommends during the European Year of Rail to assess the quality of rail services and, if necessary, adapt them to the needs of users so that they meet the criteria set out in Protocol°26 on services of general interest annexed to the TFEU, to develop projects that promote a holistic approach to accessibility, to reinforce the link between digitalisation and sustainability, to exchange with the community of investors on possible initiatives against the background of the Commission's sustainable finance action plan.

1.5. The EESC calls for initiatives under the European Year of Rail to re-gain the trust of customers in public transport, and rail especially, to communicate better, especially to young Europeans, the attractiveness of a career in the railways, by supporting joint initiatives with social partners, universities, the academic community at large as well as European youth organisations.

1.6. The EESC is strongly convinced that the Year of Rail should be an opportunity to create public awareness of sustainable tourism and to give new momentum to the DiscoverEU initiative. The EESC strongly supports the initiative of the European Parliament to grant each European citizen, when they turn 18, the right to have a DiscoverEU pass as a symbol of the EU identity.

1.7. The EESC points out that the Year of Rail should be used to provide more information on the calendar of initiatives of Europalia as well as to communicate to wider audiences the contents created in already existing cultural events, such as film festivals (Cannes, Venice, Berlin) and arts exhibitions. In the same context, rail stations and museums during 2021 could be the setting for major initiatives connecting the future and the past of railways with major industries such as architecture and construction, design, the electromechanical sector, food and tourism. In this context, the Committee could include in its 2021 cultural programme an exhibition on the railways.

1.8. It is necessary that the Year of Rail seek the participation of all European rail museums, invite citizens to discover their collections including via their digitalisation, promote exchanges between museums and a European tour of rail museums.

1.9. The EESC is deeply convinced that the European Year of Rail should also be a chance to promote very ambitious goals with European socio-economic as well symbolic European added value — also as a way to react to the dramatic COVID-19 crisis — such as relaunching the move towards the achievement of a European rail high speed network as foreseen by the White Paper on Transport (2011) to connect all EU capitals and cities with more than 500 000 inhabitants.

1.10. The EESC stresses the importance of using the European Year of Rail also as a unique opportunity to communicate on rail safety records, which is unparalleled among land transport modes. In this context, the EESC recalls that each year the 11 June is the International Level Crossing Awareness Day (ILCAD) and that in 2020 ILCAD celebrated its 12th Anniversary. Special attention should be dedicated to this day in the frame of the European Year of Rail.

2. **Proposal of the Commission**

2.1. The proposal to declare 2021 'European Year of Rail' aims to promote rail transport in line with the objectives set out in the Commission Communication on the European Green Deal, including with regard to sustainable and smart mobility. Through projects, debates, events, exhibitions and initiatives across Europe, the European Year of Rail will promote rail as an attractive and sustainable way to move across Europe, to citizens, business and authorities, emphasising its Union wide and innovative dimension. By reaching out to citizens, beyond the railway sector, through dedicated events and communication campaigns, it will convince more people and businesses to make use of rail ([1]).

2.2. The objective of the European Year of Rail shall be to encourage and support the efforts of the Union, the Member States, regional and local authorities, and other organisations to increase the share of passengers and freight moving by rail. In particular, the European Year should promote rail as a sustainable, innovative and safe mode of transport, by reaching out to the wider public, especially the youth. It should also highlight the European, cross-border dimension of rail, that brings citizens closer together, allows them to explore the Union in all its diversity, fosters cohesion and contributes to integrate the Union internal market. It should also enhance the contribution of rail to Union economy, industry and society at large, and promote rail as an important element of the relations between the Union and third countries ([2]).

3. **Rail and the COVID-19 pandemic**

3.1. The rail sector suffered and is still suffering from the containment measures taken by Member States to fight the spread of the COVID-19 pandemic and from the huge drop in mobility.

([1]) COM(2020) 78 final.
([2]) COM(2020) 78 final.

3.2. According to first rough estimates, calculated by sectoral associations like the CER, the lost revenues suffered by all passenger operators as a consequence of the pandemic amounts to EUR°900 million per week since the beginning of the crisis. The impact of the COVID-19 outbreak caused an approximate average decline in rail freight revenues of 25 % across the European Union (EU27) over March and April 2020 and lost revenues of about EUR 78 million per week. Even though rail freight showed a strong resilience, it could have done even better if the 'Green Lanes' measures fully applied to rail, if track access charges were reduced to zero, if Switzerland would have suspended the ban introduced on 1 January 2020. Rail infrastructure managers are becoming increasingly impacted by the outbreak of COVID-19.

3.3. Despite the very sharp drop in demand, rail operators and railway workers still provided services wherever possible, managing to enable medical staff and essential workforce to commute to work. Additionally, operators have been offering medical trains to enable the transport of people affected by the virus from the most affected regions to less crowded hospitals.

3.4. The relaunch of Europe after COVID-19 will also be an occasion for relaunching and improving passenger and goods transport by rail. The EU recovery plan oriented towards the Green Deal and Digital Agenda will provide short-term support to rail services and focus on short to long term financing, possibly including State Aid to get rail back on track after the huge loss of revenues provoked by the virus crisis.

3.5. If, in the wake of the COVID-19 crisis, railways are expected to replace certain air routes, they should benefit from the State aid that was earmarked for those routes, in particular to avoid job losses and for retraining the individuals concerned.

3.6. Transport workers have been and still are in direct contact with passengers at the front line and are at risk of contracting the virus in the performance of their daily duties. They are also the ones who are affected by the disastrous economic consequences of the virus — both operationally as employees in the rail sector and as citizens. Railway workers keep Europe moving in troubled times by ensuring that medical care and essential goods are delivered to the places where they are needed.

3.7. The renaissance of Europe after COVID-19 will also be a renaissance of passenger railways and the confirmation of freight railways. The resources made available by the revised MFF 2021-2027 and that will be managed both at EU and national level will also have to be destined to railways if the European Green Deal and Digital Agenda ambitions are not to be given up.

3.8. A wide variety of rail projects can absorb the additional resources of the MFF and of the Next Generation EU initiative: rail infrastructure projects — for passenger and freight, national and cross-border, conventional as well as high speed lines — rail rolling stock projects as well as all projects related to automation and digitisation of the rail system, which include Digital Automatic Coupling technologies, further electrification of the European network, ERTMS (European Rail Traffic Management System) deployment, wagon upgrades with brake blocks technology considering all climates and scrapping schemes for rolling stock renewal. Upgrades of rail stations (specifically platforms including a PRM access) would be another area where funds are needed and short-term positive economic effects would be achieved. Boosting the TEN-T investments and maintenance and renewal of existing lines could strongly and quickly contribute to the EU's economic recovery.

3.9. The overarching objectives to improve capacity and efficiency of freight and passenger rail transport, part of a smart multimodal transport system, as outlined in the Green Deal Communication may over time provide a significant contribution to economic recovery, reducing the market share of road freight and the environmental footprint of transport.

3.10. Initiatives under the European Year of Rail should pay particular attention to re-gaining the trust of customers in public transport, and rail especially. Initiatives aimed at raising public awareness on the additional hygiene measures taken by rail undertakings, mask policies and social-distancing policies should be put in place. Regarding passenger rights, clarity over compulsory refunds and voluntary vouchers should be provided. Such measures should go hand in hand with a comprehensive application of passenger rights to all railway services, secured all along passengers' journeys, well explained to the public and effectively enforced via alternative dispute resolution schemes and national enforcement bodies.

4. **General comments**

Historical background

4.1. The long history of railways and of rail technology will have many anniversaries in 2021. As underlined by Europalia in the catalogue of its 2021 arts festival, in 2021 the Belgian and French railways will celebrate the 175th anniversary of the rail link between Paris and Brussels. In 1846, these capitals became the first in the world to be linked by a railway line. That same year, Brussels and London were also linked by a rail link through the Ostend-Dover trunk. 2021 will also coincide with the 25th anniversary of Thalys and the 170th anniversary of the first service on the Saxo-Bohemian rail link between Prague and Dresden. Other railway anniversaries in 2021 are the 50th anniversary of the Mulhouse Train Museum and the 75th anniversary of Luxembourg Railways. Remarkably, 2021 will also be the year of the 45th anniversary of the first Pendolino in Italy, the 40th anniversary of the TGV in France and the 30th anniversary of the ICE in Germany. It is also the 20th anniversary of the publication of the European Union's first white paper on railways in Europe.

4.2. The Year of Rail will be an opportunity to celebrate railway history, the history of its technological advancement as well as the history of a progressively closer European continent thanks to railway connections. At the same time, it is also an opportunity to evaluate the developments to date.

The European Green Deal

4.3. In 2019, the European Commission presented its Communication on a European Green Deal. The Communication pushes the EU to progressively decarbonise its economy towards the achievement of climate neutrality by 2050, and outlines a policy strategy to reach such a target. The European Green Deal contributes to the Commission's strategy to implement the United Nations 2030 Agenda and the Sustainable Development Goals.

4.4. Among other initiatives, the European Green Deal calls for accelerating the shift to sustainable and smart mobility, as transport accounts for a quarter of the European Union's greenhouse gas emissions, and is still growing. All modes of transport will have to contribute to the reduction. Amongst other actions, according to the European Green Deal, a substantial part of the 75 % of inland freight carried today by road should shift onto rail and inland waterways. Rapid action is needed to implement this ambitious plan and ensure the increase of the modal share of rail, with the provision of stronger incentives for the promotion of rail freight.

4.5. To implement the general objectives set out in the Green Deal, the Commission will present a Strategy for Smart and Sustainable Mobility during the last quarter of 2020. That strategy will *inter alia* focus on initiatives aiming to increase capacity and improve freight capacity handling in rail and inland waterways and to create a smart, seamless and user attractive multimodal transport system with a view to reduce the market share of road transport and enhance the attractiveness of multimodality including rail. Initiatives in this sense are in fact already planned for 2021.

4.6. The Year of Rail will be an opportunity to underline and communicate on the sustainability credentials of railways, on the Strategy for Smart and Sustainable Mobility as well as on the EU rail investment policies. Investments in railway infrastructure are capable of boosting the economy, creating quality jobs that are socially and environmentally sustainable and making railway services more attractive to customers. Raising public awareness on this topic will help influence customers' behaviours and modal choices regarding public transport and low emission mobility.

4.7. The European Year of Rail will also be an opportunity to assess the quality of rail services and, if necessary, adapt them to the needs of users so that they meet the criteria set out in Protocol 26 on services of general interest annexed to the TFEU.

The European Digital Agenda

4.8. The EU Digital Agenda should take great efforts towards including the rail sector in the digital revolution and in all support measures designed for that purpose. It should help boost the implementation of ERTMS, the development of Mobility-as-a-Service solutions, new ticketing solutions, along with 5G deployment on the TEN-T core and comprehensive network. This will enable railways to meet the demand of their current and future customers.

4.9. Employees must be given adequate support in the ongoing digitisation process and their jobs must be secured. Gender-specific requirements must be given special consideration to guarantee gender equality. The concerns of the employees in this transformation process must be appropriately safeguarded by involving employee representatives and trade unions. Employees must have access to training and further education in order to remain in high-quality jobs and sustainable employment.

4.10. As 5G will raise mobile and internet technology to the status of a General Purpose Technology, the EESC urges the EU institutions and Member States to complete the Digital Single Market, including the development of capabilities to integrate and use 5G services to defend and improve the competitiveness of European industries such as transport, and rail in particular. The EESC also calls on the Commission to commission a biological impact assessment of 5G radiation and the risk of interference with other frequency ranges ([3]).

4.11. Demographic, economic and political trends will shape new ways of moving in urban and non-urban areas, and railways reckon that it will be imperative to adapt to be able to integrate themselves into a multimodal, ever more digitalised transport chain. I particular, an increasing number of elderly and young people may be led to use trains more frequently both in urban areas and for long distance journeys, if new needs in terms of comfort and accessibility are going to be taken care of even more by the railways. At the same time, a tech-savvy generation of customers will rely much less on private transport, over which shared mobility and public transport solutions will be preferred, provided there is an adequate level of service quality.

4.12. It will be especially critical for railways to improve their ticketing technologies, making the purchase of tickets easier with the possibility of combining different travel segments into one ticket as well as to foresee the future possibility of multimodal ticketing. The EESC urges the European Commission to support initiatives aimed at achieving this goal, for instance through expert guidance, sharing of best practices, awarding grants, etc.

4.13. Since multimodality is essential especially for rail freight, it is important to use the European Year of Rail to promote the dialogue between transport customers, rail and other transport sectors, both at national and EU levels, to define practical problems hampering the development of rail freight and finding solutions that make rail freight services attractive to customers. The EESC underscores that it is important to involve all transport sectors in such a dialogue. Finding paradigms for cooperation between companies that do not conflict with competition law may be an important aspect of such a dialogue.

4.14. Digitalisation of railways will also enable railways to continue adapting their services to accommodate the needs of shippers in an increasingly efficient manner, for example by maximising the use of available train capacity and mixing different types of freight services. Given the current downward trend of the market share of rail freight, the possibilities to provide improved efficiency and flexibility in the services offered should be emphasised.

4.15. Rail infrastructure managers will have to become increasingly digital, in order to improve their operational performance in terms of better punctuality and increased capacity. A strong push in this direction will come from rolling out the automatic train control system ERTMS. In particular, the EESC believes that ERTMS deployment should be dramatically accelerated. The required investment (more than EUR 100 billion, including digital interlockings) shall be pursued in the recovery plan and the EESC encourages rail to develop a comprehensive and interoperable Mobility-as-a-Service (MaaS) framework together with other modes of transport.

4.16. To enable rail digital transformation, the free flow of data is essential. The EESC therefore calls for effective solutions that eliminate the problems associated with the accessibility, interoperability and transfer of data, while securing adequate data protection and privacy, fair competition and wider consumer choice as well as static and dynamic information to passengers. The same conditions must apply to public and private companies with reciprocity for data exchanges and compensation of costs ([4]).

([3]) OJ C 353, 18.10.2019, p.79.
([4]) OJ C 353, 18.10.2019, p.79.

4.17. For the above reasons, the topic of rail digitalisation should be one of the focal points of the Year of Rail. In particular, the link between digitalisation and sustainability should be underlined with appropriate communication initiatives.

Railway workers

4.18. European railways employ around 1,3 million European citizens directly, and roughly 1 million further European citizens indirectly, making it one of the largest employers in the European Union. Railway undertakings are an essential factor in the training of young people and thus contribute to combating youth unemployment in Europe, especially in economically difficult times.

4.19. The European Year of Rail is also the Year of Railway Workers. High-quality jobs for transport workers and a safe, reliable service for customers must be guaranteed. In the spirit of a social Europe, the working conditions of employees must be at the centre of attention. Wage and social dumping have no place in the railway sector and must be eliminated.

4.20. Railway workers deserve public recognition. To this end, it is important to make their achievements visible and to recognise their challenges. Europe-wide actions should help to show recognition for the achievements of workers and underline the demands for quality jobs. All railway workers must be protected from wage and social dumping in order to maintain safe rail operations in Europe. This can only be guaranteed by active social partnership in the sector.

4.21. Digitalisation, of course, represents an opportunity for railways as well as a business imperative. Only by digitalising their internal processes as well as the way they deliver their services will railways be able to respond to the challenges of the present. At the same time, however, the utmost caution should be exercised when implementing digitalisation, in order to avoid disruptive transitions and social discord. It is absolutely essential that the European social partners meet as part of the EU sectoral social dialogue on railways to decide on joint projects in order to better identify and anticipate the impact of automation and digitalisation to maintain a high level of employment and social guarantees as part of a socially just transition ([5]).

4.22. The key to address this challenge is to put the focus on professional transitions, supported by life-long learning and investments in staff's employability to avoid laying people off. For railways, two important challenges are the imbalanced age pyramid of its workforce and recruitment difficulties, especially among young people and women ([6]).

4.23. The Year of Railways should be an opportunity to communicate better, especially to young Europeans, the attractiveness of a career in the railways, by supporting joint initiatives with social partners, universities, the academic community at large as well as European youth organisations.

Infrastructure

4.24. The TEN-T framework strongly contributed to identifying the substantial financial resources necessary for new rail infrastructure, around EUR 500 billion for the core network alone by 2030, even though available resources are still not sufficient to cover all the needs. The completion of the core network should lead to a European high speed network serving almost all capitals and major European cities (with more than 500 000 inhabitants). Furthermore, maintenance of TEN-T infrastructures is an issue that has been greatly underestimated in several countries, where it is now emerging rather dramatically, while in others it has been undertaken properly.

4.25. If, on the one hand, the EESC approves the promotion of railway connections between large cities by means of high-speed trains and the TEN-T network, we recall the importance of maintaining adequate levels of funding and financing for national and regional lines.

4.26. The EESC calls to boost the investment to complete the network, including rural and regional areas, and cover ordinary and extraordinary maintenance funding for the whole TEN-T network through the EU recovery plan. Further additional funds are needed for the development of the railways, investments in infrastructure and a denser passenger and freight network. Every euro invested in rail creates and maintains jobs, including in the rail supply industry and regions.

([5]) OJ C 47, 11.2.2020, p. 23.
([6]) OJ C 47, 11.2.2020, p. 23.

Sustainable Finance

4.27. The European Commission Action Plan on Financing Sustainable Growth (COM(2018) 97 final) aims to reorient capital flows towards sustainable investments in order to achieve sustainable and inclusive growth, manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues and foster transparency and long-term thinking in financial and economic activity.

4.28. The unified EU classification system (taxonomy), which will provide clarity on which activities can be considered sustainable, is particularly important.

4.29. Building on the development of the EU sustainability taxonomy and the results achieved so far by the Action Plan, the Commission announced a revision of the Action Plan within the European Green Deal.

4.30. The EESC welcomed the proposals regarding the taxonomy as a first step towards implementing the Action Plan on Financing Sustainable Growth [7]. The Committee also welcomed the proposal relating to the development of new low-carbon and positive carbon impact benchmarks. That foundation also needs to mesh with the big ambitions set out in the Action Plan, which states that 'Europe is well-placed to step into the role of global leader'. It is now time to take action in line with that ambition and to develop the taxonomy accordingly.

4.31. Given their sustainability credentials, railways should be able to find opportunities in all sustainable finance initiatives. While it remains undisputed that the funding for maintenance and further expansion of railway infrastructure as such is a public task and must count on the public budget, attention should be paid to the funding needs of tomorrow's rail system, in particular rolling stock and rail stations, as well as to investigating the possibility of private investors to participate in rail projects.

4.32. To ensure the viability of the policy framework provided by the Commission initiatives on sustainable finance, it is important that EU Member States complete as quickly as possible the process of ratification of the 2007 Luxembourg Protocol to the 2001 Cape Town convention on international interests in mobile equipment on matters specific to railway rolling stock (aka the Luxembourg Rail Protocol).

4.33. It is necessary that railways and the community of private investors meet and exchange on possible synergies, also against the background of the Commission's sustainable finance initiatives. The European Year of Rail should plan activities that would allow these exchanges to take place, involving both the rail community and the community of private investors, in particular long-term investors such as insurance, investments and pension funds.

Accessibility

4.34. The promotion of universal access as laid down in Protocol 26 on SGI and its references to SGEI implies appropriate access for all users throughout the territory (territorial accessibility), it being understood that the conditions of access (waiting times, density of access points, infrastructure, etc.) may vary according to user needs. Equal treatment and the promotion of universal access also mean combating all forms of discrimination.

4.35. In order to make rail travel more attractive for daily trips as well as for long-distance and cross-border travel, it will be important to strengthen passengers' rights, make passengers aware of such protections, as well as to keep and possibly improve rail transport affordability and quality of service.

4.36. European railway undertakings, station managers and infrastructure managers continuously improve the travel experience of people with reduced mobility or disabilities. Rail services are by far more accessible than they were in the past and many passengers with disabilities are able to take trains without assistance. Rail operators are heavily contributing towards enhancing the social inclusion of people with disabilities and are dedicated to delivering on their commitments in this area together with public authorities and passengers' associations.

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(7) OJ C 62, 15.2.2019, p. 103.

4.37. Investments have been made to continue removing barriers in stations and on trains over the next decade in order to facilitate the travel experience of passengers with reduced mobility or disabilities.

4.38. As such, continued third-party funding, either from national governments or directly from the EU, will be needed if the rail network's accessibility is to be continuously improved along the lines envisaged in the existing EU legislation on rail accessibility.

4.39. The European Year of Rail should also be an opportunity to develop projects that promote a holistic approach to accessibility, addressing not only the initiatives taken by the rail sector both in rail stations and on trains to enhance assistance and accessibility, but also everything that is needed to ensure all passengers are able to reach transport hubs in the first place.

Sustainable tourism

4.40. The European Union is one of the most developed and most visited tourism regions worldwide. The EU accounts for 40 % of the world's international tourist arrivals and 31 % of international tourism receipts. The EU is both home of some of world's largest outbound markets and world's most visited destinations. In 2016, nearly 270 million EU residents (2/3 of the then resident population) made at least one trip for leisure purposes, over a half of which were international trips. Transport typically accounts for 27 % of expenditure for a leisure trip.

4.41. Addressing the environmental impact of transport linked to tourism is one of the main challenges identified in the EC Agenda for a sustainable and competitive European tourism (COM2007/621).

4.42. The movement around Fridays for Future as well as increasing extreme weather and climate events are making citizens re-think their usual travel plans and consider rail as a mode of transport to their destination. Leisure and holiday travellers represent the biggest category of single rail travellers.

4.43. Today, European tourism is facing a transition phase, with well-established destinations developing new visions for developing tourism with more respect for the principles of economic, social and environmental sustainability. New patterns of tourism development are needed to address tourism's environmental impact and overtourism.

4.44. For many Member States, European regions and cities, tourism is a key contributor to the economic and social fabric, while also providing jobs and income. However, the COVID-19 pandemic hit this ecosystem hard.

4.45. In this context, action must be taken to help international, continental and national tourism resume for the sake of broad sectors of the EU economy. Railways can help develop touristic destinations that are not adequately served by aviation, open new routes and foster new value chains. For European railways it is an opportunity to meet the growing demand of climate-minded tourists on the market.

4.46. The Year of Rail should be an opportunity to create public awareness of sustainable tourism and the new touristic routes that European citizens can discover thanks to rail connections. Touristic modal shift should be a concept developed and communicated with appropriate communication initiatives, with the joint support of the rail community, the European cultural industry and national and European representatives of the tourism industry.

4.47. In this context, the European Year of Rail should also be an opportunity to give better visibility and foster public awareness regarding historic and scenic train routes across Europe, like the Orient Express from Paris to Venice, the rail route of Creusot crossing eastern and Southern France, the Munich to Neuschwaanstein Castle line in Germany, the rail itinerary of the d'Orcia valley in Italy, the Malopolska Train Routes in Poland and many others across the continent.

DiscoverEU

4.48. For several reasons a substantial number of young Europeans have never or rarely travelled within Europe. Although educational exchange programmes exist, the EU has just started a tool that would allow for any European to be provided with a travel experience that would better connect young people with the European identity, raising awareness of the core values of the European Union, and familiarise them with a sustainable and clean mode of transportation. DiscoverEU is an initiative of the European Union that gives people the opportunity to discover Europe through learning experiences. Travelling predominantly by rail (there are exceptions to allow those living on islands or in remote areas to participate), young Europeans can discover Europe, its cities and towns.

4.49. The role played by travel in creating a European identity has been recognised since the preparatory works for the inclusion of the sector in the Treaty of Lisbon. Professor Richard Jobs recently demonstrated the more specific role played by the Interrail Pass in shaping common European values ([8]).

4.50. The Year of Rail should be an opportunity to give new momentum to the DiscoverEU initiative, supporting its goals and reaching out to young Europeans who have not yet participated in the project. The EESC supports the initiative of the European Parliament to grant each European citizen, when they turn 18, the right to have a DiscoverEU pass as a symbol of the EU identity.

Europalia and other European rail museums

4.51. Every two years, Europalia presents to the public in Belgium and in neighbouring countries a programme of events and exhibitions about themes with a strong European dimension and perspective. Traditionally, Europalia attracts high numbers of visitors, many of them from abroad.

4.52. The theme of the next edition (starting in October 2021) will be railways and the influence they have had and continue to have on the way in which we travel, work, communicate and live in Europe. The emphasis will be on railways as ‘precursors’ to the EU’s efforts to bring nations and citizens together and on trains as game changers in the direction of green mobility, building on the ideas set out in the European Green Deal and the influence of railways on the arts and highlighting the role of rail as a powerful promotor of social, economic and industrial change.

4.53. In this context, it would be useful to use the Year of Rail to provide more information on the calendar of initiatives of Europalia as well as to communicate to wider audiences the contents created in already existing cultural events, such as film festivals (Cannes, Venice, Berlin) and arts exhibitions. In the same context, rail stations and museums during 2021 could be the setting for major initiatives connecting the future and the past of railways with major industries such as architecture and construction, design, tourism, the electromechanical sector, food and tourism.

4.54. It is also necessary that the Year of Rail seek the participation of all European rail museums, invite citizens to discover their collections including via their digitalisation, promote exchanges between museums and a European tour of rail museums.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([8]) See Jobs, R.I. (2017). *Backpack Ambassador — How Youth Travel Integrated Europe*, University of Chicago Press, p. 249.

Opinion of the European Economic and Social Committee on 'Proposal for a Regulation of the European Parliament and of the Council establishing measures for a sustainable rail market in view of the COVID-19 pandemic'

(COM(2020) 260 final — 2020/0127 (COD))

(2020/C 364/22)

Rapporteur-general: **Alberto MAZZOLA**

Referral	European Parliament, 8.7.2020
	Council, 30.6.2020
Legal basis	Article 91 of the Treaty on the Functioning of the European Union
Section responsible	Transport, Energy, Infrastructure and the Information Society
EESC President's approval	25.6/2020 (urgency procedure, Rule 62 of the Rules of Procedure)
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote	
(for/against/abstentions)	211/2/2

1. **Conclusions and recommendations**

1.1. The EESC welcomes the proposal of the European Commission and finds that it is in line with point 3.2 of EESC TEN/710 opinion [1], European Year of Rail (2021), where, among comments regarding the resilience demonstrated by the rail sector even during the height of the COVID-19 outbreak, the EESC argued that 'even though rail freight showed a strong resilience, it could have done even better if […] track access charges were reduced to zero […]'.

1.2. The EESC underlines the importance for the Member States and infrastructure managers to apply as soon as possible the derogations granted by the European Commission proposal for the whole period indicated by the proposal. The EESC considers that the proposed measures will be useful in the short run and throughout the period of their application.

1.3. The EESC suggests however that before the end of the period of validity of the proposed derogations, the European Commission and the legislators should consider extending the validity of these measures, especially in the event that the economic recovery of the sector proves to be slower than expected.

1.4. The EESC stresses the importance of the provisions aimed at ensuring that Member States compensate infrastructure managers for any economic losses caused by the application of the derogations from Directive 2012/34/EU [2] proposed by the Commission.

2. **The Commission proposal**

2.1. The Commission proposal is aimed, like other recent proposals, at offering economic relief measures to the European rail sector. In this case, measures concern the waiver, reduction or deferral of track access charges for the use of rail infrastructure, as well as the waiver of reservation charges. They cover a reference period from 1 March 2020 until 31 December 2020, in respect of which charges may be altered, by derogation from Article 27 of Directive 2012/34/EU. The network statement, displaying all applicable charges, must thereby be published no less than four months in advance for the deadline for requests for infrastructure capacity.

(1) See page 149 of this Official Journal.
(2) OJ L 343, 14.12.2012, p. 32.

2.2. Specifically, it is proposed to derogate from the principle laid down by Article 31(3) of the Directive that requires that minimum access package track access charges be set at the level of the cost directly incurred as a result of operating the train service. By derogation from certain provisions of Directive 2012/34/EU, Member States are allowed downward adjustments in the levying of mark-ups in the course of the current working timetable. By derogation from Article 36 of Directive 2012/34/EU, infrastructure managers are allowed to decide to waive reservation charges for cancelled train paths due to the disruption caused by the pandemic.

2.3. The Commission also proposes that Member States be authorised to compensate infrastructure managers for the economic losses caused by each of the derogations from Directive 2012/34/EU referred above (charges based on direct cost, mark-ups and reservation charges). By derogation from Directive 2012/324/EU, infrastructure managers can be refunded within a period shorter than the one established in Article 8(4) of that Directive, i.e. by 31 December of the year following the year in which the loss was incurred.

2.4. The network statement sets out in detail the general rules, deadlines, procedures and criteria for charging and capacity-allocation schemes, including information for applications for infrastructure capacity. It is proposed to stipulate that the network statements should be kept up to date and amended without delay.

3. General comments

3.1. Railways have experienced significant and unexpected disruption to business continuity due to the outbreak of the COVID-19 pandemic, with a huge drop in mobility. During the peak of the crisis ridership went down by more than 90 % in several countries and even after the end of the lockdown rail passenger figures have not yet reached 50 % of the pre-crisis level.

3.2. According to first rough estimates, calculated by sectoral associations like the CER, the lost revenues suffered by all passenger operators as a consequence of the pandemic amount to EUR 900 million per week since the beginning of the crisis. The impact of the COVID-19 outbreak caused an approximate average decline in rail freight revenues of 25 % across the European Union (EU-27) over March and April 2020 and lost revenues of about EUR 78 million per week. Rail infrastructure managers are increasingly impacted by the outbreak of COVID-19 due to the reduction in traffic and the revenues it generates.

3.3. The reduction of track access charges below the level foreseen by Directive 2012/34/EU and the increased flexibility for infrastructure managers to allocate rail paths will partially relieve the impact of the crisis on rail operators.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

Opinion of the European Economic and Social Committee on 'Implementation of Free Trade Agreements 1 January 2018-31 December 2018'

(COM(2019) 455 final)

(2020/C 364/23)

Rapporteur: **Tanja BUZEK**

Co-Rapporteur: **Alberto MAZZOLA**

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Outcome of vote (for/against/abstentions)	203/0/7

1. **Conclusions and recommendations**

1.1. COVID-19 has had a profound and unprecedented impact on our globalised world and its people, and on trade and investment. The World Trade Organization (WTO) estimates world trade to drop by 13 % to 32 % in 2020 ([1]). As an important driver of growth, job creation and sustainable development, trade will have a key role in promoting a sustainable economic recovery from the crisis and allowing companies to rebuild and re-organise their disrupted value chains. Europe urgently needs a strong, social, sustainable and inclusive EU Recovery Plan that will support companies and people, to overcome this crisis and to safeguard decent employment, including through leveraging international trade. This Plan should be financed by using Eurobonds or other common European long-term debt.

1.2. This crisis underlines how important global cooperation and the WTO reform process are to ensure a strong and effective organisation that can act against protectionism and unilateralism. The time has come for the WTO to play its role in actively promoting core labour standards and the Paris Agreement ([2]).

1.3. The announced early EU Trade Strategy review needs to draw important lessons from this crisis. The EU is not self-sufficient and depends on access to international markets. Global supply chains need to become more resilient, diversified and responsible. Stronger instruments need to deliver on a sustainable trade and investment agenda in all its dimensions. It needs to be consistent with the Green Deal and show equal ambition on the effective implementation and enforcement of labour provisions. The European Economic and Social Committee's (EESC) recommendations made in a series of recent and ongoing key opinions on EU trade should inform this review ([3]). The new EU Trade Strategy should go beyond old trade models, building a new model that is economically resilient, greener, socially sustainable and responsible.

([1]) WTO Trade Forecast, April 2020.

([2]) OJ C 159, 10.5.2019, p. 15.

([3]) Recent opinions referenced in OJ C 47, 11.2.2020. REX/529 'A post COVID-19 emergency: designing a New Multilateral Matrix' (see page xx of this Official Journal), ongoing NAT/791 'Compatibility of EU trade policy with the European Green Deal' and REX/532 'Sustainable supply chains and decent work in international trade'.

1.4. Civil society plays an important role in raising awareness of EU trade policy implementation. It can help communicating its benefits and is crucial in flagging concerns and shortcomings. Therefore, the EESC particularly regrets that the work and voice of Domestic Advisory Groups (DAGs) remains largely absent from the implementation report. The contribution of DAG work programmes and Joint Declarations with DAGs in partner countries should be more reflected in future reports.

1.5. In future agreements, DAGs' monitoring scope will cover the entire agreement, while they should pay special attention to the impact on trade and sustainable development (TSD). The impact of DAG recommendations, notably but not exclusively on investigating TSD violations, needs to be considerably strengthened. The expert group with Member States on TSD, the new Chief Trade Enforcement Officer (CTEO) and relevant EU institutions should establish a structured follow-up exchange with DAGs and joint DAG-to-DAG meetings should be looped in on agreement negotiations.

1.6. Free Trade Agreements (FTAs) create a framework for companies to develop long-term relationships with new customers and suppliers, seize opportunities in new countries and build local capacity to meet their requirements. An ambitious bilateral and multilateral trade agenda reflecting the lessons above, and full implementation of existing EU FTAs, need to lay the foundation.

1.7. The annual FTA implementation report provides a comprehensive and visible overview of the EU trade network. It measures individual FTAs' progress and performance, and flags implementation shortcomings. However, it needs to enhance its informative potential and better interlink with past reports and the overall life cycle of trade evaluation policy. Sustainable impact assessments (SIA) should notably be used as sources of information. When drafting future reports, the European Commission (EC) should consult with civil society as a matter of priority.

1.8. Securing and breaking down data seems to be the biggest challenge. The report should use national data more consistently, showing the different realities per EU Member State or region, and, where need be, invest in active data collection. Establishing criteria makes comparisons more tangible. Other sources, like the International Labour Organization (ILO) on labour violations, should complement the picture.

1.9. Future reports should reflect more systematically on trade in services and its evolution. There is a need for more granular data, per sector and mode of supply, to evaluate the extent to which businesses of all sizes take advantage of EU FTA opportunities. To help services exporters, the reviewed Market Access Database should cover services in a consistent way and be supplemented by an EU guide for European services exporters and investors.

1.10. To bring added value to all stakeholders, the annual report should pay more attention to specific areas and groups. Consumers would need to see how increases in trade flows can materialise in concrete benefits. Data needs to show a better symmetry between ambitious negotiation goals for consumers and their later implementation.

1.11. The preference utilisation rate (PUR) is an important indicator for FTA implementation. The report shows that the PUR is generally lower for EU exports to partner countries than for imports into the EU. The EC and Member States need to take joint action to improve the utilisation of trade preferences and increase awareness of trade benefits, in particular amongst small and medium size companies (SMEs). In cooperation with the EU business community, they should promote FTAs in their national language and develop national implementation action plans for each FTA. Outreach activities also need to consider importers in partner countries.

1.12. Transparency is crucial to improve public procurement market access for European companies in FTAs' partner countries. Publication of third country tenders in a dedicated section of the EU Tenders Electronic Daily database would greatly enhance the ability for European companies of all sizes to benefit from the procurement chapter. Additionally, the EU should promote best practices on how to include environmental and social criteria in public procurement.

1.13. FTAs offer considerable potential for EU exports in agricultural products while Geographical Indications (GI) increase the competitiveness of EU agri-food producers both within and outside the EU. However, the implementation of agri-food provisions seems to be falling short of its ambitious goals. Traceability of products and capacity to enforce the precautionary principle are key to ensuring good quality food and its safe and secure supply. Efficient monitoring of Sanitary and Phytosanitary Standards (SPS) calls for inspections with adequate resources.

1.14. Years after FTAs were concluded, we still witness a lack of progress in compliance with TSD commitments in some partner countries. Fully supportive of the EC finally taking legal action in the Korea labour rights dispute, the EESC nonetheless expresses concerns over the actual impact of the panel report, given that TSD chapters currently lack binding enforcement tools. In this respect, the EESC calls for firm progress on the Comprehensive Economic and Trade Agreement (CETA) review of labour and environmental provisions' effective enforceability ([4]). The review process should closely involve and consult both parties' DAGs.

1.15. The EESC strongly welcomes recent initiatives from the EC and Member States to step up efforts on trade and sustainability. In negotiations with the UK, the EU is embarking in a new path, ensuring a sustainable level playing field and applying the general dispute chapter with access to remedies, reflecting the parties' unique relationship. The Green Deal Communication calls for the Paris Agreement to become an essential element for all future comprehensive trade agreements — a positive step that should be extended to cover ILO fundamental and up-to-date Conventions ratified by all EU Member States. As the recognised body at international level, the ILO should be involved in monitoring the implementation of ILO Conventions in FTAs. The EESC looks forward to a fresh debate amongst Member States on how to strengthen TSD chapters to live up fully to their legally binding commitments ([5]). This debate needs to keep environmental and labour standards equally high on the implementation and enforcement agenda.

2. **Background**

2.1. In its 2015 Trade for All communication, the EC committed to reporting annually on the implementation of the EU's most significant trade agreements. This is now the third report on this matter, and the first time the EESC has made recommendations.

2.2. FTAs make up a rising share of EU trade. In 2018, 31 % of EU trade in goods with the rest of the world was covered by preferential trade agreements and this figure is expected to rise to over 40 % when considering the trade agreements concluded since then.

2.3. At present, the EU has the largest trade network in the world, with 44 preferential trade agreements covering 76 countries. The annual implementation report covers different types of EU trade agreements:

— 'first generation' agreements, negotiated before 2006, that focus on tariff elimination,

— 'new generation' agreements that extend to new areas, including services, investments, public procurement, competition, subsidies, regulatory issues and sustainable development,

— Deep and Comprehensive Free Trade Areas (DCFTA) that create stronger economic links between the EU and its neighbouring countries,

— Economic Partnership Agreements (EPA) focusing on the development needs of African, Caribbean and Pacific regions.

([4]) CETA Joint Interpretative Instrument, October 2016.
([5]) Non-paper from the Netherlands and France on trade, social economic effects and sustainable development, May 2020.

2.4. Since 2015, the EU has completed ex-post evaluations on its trade agreements with Mexico, Chile and South Korea. Ex-post evaluations on CARIFORUM and six Mediterranean countries, as well as EU-Moldova and EU-Georgia, the EU-Colombia, Ecuador and Peru agreement and the EU-Central America agreement are in progress.

2.5. This 2019 report provides an update on the implementation of 35 major trade agreements with 62 partners, including the first full year report on CETA. In addition, the report describes the work undertaken prior to the entry into force of the EU-Japan Economic Partnership Agreement and includes dedicated chapters on SMEs, services and agri-food trade.

2.6. The report seeks to investigate the impact of the provisions included in the dedicated TSD chapters, which are part of all new-generation EU trade agreements, and reports on legal enforcement actions taken under EU trade agreements. Its comprehensive staff working document provides detailed information for each individual agreement.

3. **COVID-19 pandemic and global and EU trade**

3.1. COVID-19 will have a profound and unprecedented impact on our globalised trade world. So far, the EC estimates there will be a record 9,7 % decrease in global trade, a possible reduction of 9,2 % in extra-EU27 exports of goods and services, and an 8,8 % decrease in extra-EU27 imports for 2020 [6]. We have witnessed large-scale disruptions to supply chains, ad hoc export restrictions on crisis-relevant goods like medical supplies, tightened customs and border controls, and restrictions on the free movement of workers and service suppliers. This crisis has unveiled a worrying fragility and risks related to highly fragmented and undiversified supply chains. It also stresses the importance of economies being underpinned with well-functioning and financially strong public services, in particular public health services, to keep trade ‘healthy’ and moving.

3.2. This crisis underlines the importance of global cooperation and showcases that national and unilateral solutions are not the answer, neither at European nor at global level. Hence, the reform process of the WTO must continue in order to ensure a strong and effective organisation that can act against protectionism and unilateralism. The time has come for the WTO to play its role in actively promoting core labour standards and the Paris Agreement [7].

3.3. The EESC recognises that trade, with the right policy framework in place, can be an effective driver of growth, job creation and sustainable development. In 2017, one in seven EU jobs depended on exports, with 36 million jobs and 15,3 % of EU employment. In addition, the importance of the Single Market to EU trade and its positive ‘spill-over effects’ are illustrated by the fact that one fifth of export-supported jobs were located in a different Member State [8].

3.4. Trade will play a key role in promoting a sustainable economic recovery and allowing companies to rebuild and re-organise their disrupted value chains. An EU Recovery Plan that must be strong, social, sustainable and inclusive, shall offer companies the opportunities to strengthen their position in international trade and to safeguard decent employment. This Plan should be financed by using Eurobonds or other common European long-term debt.

3.5. Upcoming 2020 and 2021 reports should undertake a comprehensive policy assessment of the post-COVID trade environment, and how to ensure it brings benefits for all. The EC should consult with civil society as a matter of priority for future FTA implementation reports, and the EESC stands ready to contribute with its on-the-ground experience. The new Trade Strategy aimed at recovering from COVID and strengthening world trade should take the following factors into account — factors that originated from the crisis, but also from the EU’s commitment to a carbon-neutral economy. European industrial policy must strengthen industrial sovereignty in key sectors such as pharmaceuticals and medical equipment. It must happen at EU level.

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(6) ‘The impact of the COVID-19 pandemic on global and EU trade’, Chief Economist team, DG TRADE, April 2020.
(7) OJ C 159, 10.5.2019, p. 15.
(8) OJ C 47, 11.2.2020, p. 38.

3.6. EESC recommendations made in a series of recent and ongoing key opinions on EU trade [9] should inform the early trade strategy review. Ongoing bilateral and WTO negotiations should urgently take stock of COVID impacts to address related challenges, most notably export restrictions and sustainability of supply chains, and review trade mandates overall.

3.7. While the EU's large network of preferential trade rules provides important predictability and certainty for EU businesses, this crisis demonstrates the urgent need for stronger instruments encompassing sustainability of trade in all its dimensions, namely economic, social and environmental. In this context, the EESC would like to refer to ongoing work on a dedicated opinion on sustainable supply chains [10], due for adoption in September 2020.

3.8. Global supply chains will need to become more resilient and responsible. Diversified trade relations constitute an important element of economic sustainability as they provide insurance against disruptions in specific countries and regions. EU trade policy has an essential role to play in this regard. FTAs create a framework for companies to develop long-term relationships with new suppliers, start operations in new countries and build local capacity to meet their requirements.

3.9. Reviving trade flows must build on strong commitments to social and labour standards and their effective enforcement. The disruption of supply and production processes has demonstrated the importance of having occupational health and safety measures in place and effectively enforced, and of keeping workers safe and healthy to supply the world with goods and services. The ratification, implementation and enforcement of the ILO core conventions on freedom of association and collective bargaining constitute a key gateway to ensure safe and decent working conditions, together with all ILO fundamental and up-to-date Conventions.

3.10. Given the enormous financial recovery measures to be undertaken in the EU and globally, the Green Deal must not be sidelined, but should become a fast-track priority in existing and future EU trade relations, to deliver a socially and environmentally just transition. Green Deal measures need to be addressed throughout all elements of FTAs, including the promotion of best practices of how to include environmental and social criteria in public procurement.

4. **General comments on the annual report**

4.1. The EESC broadly welcomes the annual report on the implementation of FTAs, which the EC first launched in 2017, as it provides a comprehensive and visible overview of the EU trade network. It allows the measuring of individual FTAs' progress and performance. As such, it should flag implementation shortcomings, including those, like the TSD chapters, not measurable with economic statistics. Hence, future reports should build more clearly on conclusions from past reports and use traceable follow-up measures.

4.2. Time is a relevant factor for the implementation and measuring the performance of FTAs. In this respect, annual reports are only snapshots of sustained trends that might materialise over time or need further investigation, and which deserve handling in a better interlinked evaluation policy. Each trade agreement is under substantial evaluation at various moments in its life cycle. The EESC thus suggests approaching future reports in a more holistic manner, revisiting findings of former impact assessments conducted before and during the negotiations. SIAs should notably be used as source of information and should be cross-read with the implementation work.

4.3. Information is crucial for fine-tuning EU trade and investment policy and maximising its benefits. Securing and breaking down data seems the biggest challenge. The EU should thus use national data more consistently, showing the different realities per EU Member State or region, and, where need be, invest in active data collection. Establishing criteria can make findings more tangible to compare. When it comes to trade and sustainable development, and in particular the situation of labour standards in countries, other data sources like the ILO need to complete the picture.

(9) See footnote 3.
(10) Opinion REX/532 'Sustainable supply chains and decent work in international trade' (expected for September 2020).

4.4. The PUR is an important implementation indicator. However, it only analyses trade in goods, and not all benefits like market access in procurement are actually expressed through tariff preferences. The average PUR for imports from EU preferential trading partner countries into the EU was 87 % in 2018; it was generally lower for EU exports to partner countries. However, an exact average PUR calculation is not available since the EU relies on data collected by the importing country and these statistics are not harmonised. To provide a more comprehensive picture, other indicators need to be developed to evaluate the extent to which businesses of all sizes take advantage of EU FTA opportunities.

4.5. In 2018, services exports accounted for 32 % of the total value of EU exports, and almost 59 % when counted as trade in value added (TiVA) ([11]). Regrettably, the share of the report dedicated to trade in services does not adequately reflect the high value of trade in services for the EU (25,2 % of its GDP) and it lacks in detail. Future reports should reflect more systematically on trade in services and its evolution, not only as an aggregate, but on a sectoral level and by mode of supply. For example, a growing part of professional services are covered by trade agreements. Liberal professions like lawyers, engineers or architects provide highly specialised services that often link to other related services and procurement, but are not reflected in the report.

4.6. The EESC calls for future reports to draw more attention to specific areas and groups that are largely absent from the report. The benefits of EU trade agreements for SMEs and agri-food trade are already well highlighted. With agriculture, looking at the cumulative impact of FTAs on specific sectors is important and should be reflected upon before new negotiations start. In particular for consumers, an increase in trade flows needs to materialise in concrete benefits. For this reason, the EESC has called for 'a consumer-specific chapter on "trade and consumers" within the TSD framework, incorporating relevant international consumer standards and strengthening cooperation on the enforcement of consumer rights' ([12]).

4.7. The EESC strongly supports including a dedicated chapter on TSD implementation in the report. Its focus should look beyond undertaken activities and flesh out their outcomes, expressed views and opinions as well as follow-up measures. The EESC particularly regrets that the work and voice of DAGs in monitoring the impact of agreements on the TSD commitments is largely absent from the report, despite their institutional contribution under all new-generation agreements. The contribution of DAG work programmes and Joint Declarations with DAGs in partner countries should be more reflected in future reports.

5. **Specific comments on the implementation of FTAs**

5.1. Civil society plays an important role in raising awareness of EU trade policy implementation, can help communicate its benefits and is crucial in flagging concerns and shortcomings. The EESC plays an active part in all this, through its opinions and as a member of DAGs. Extending the scope of future DAGs to monitoring all aspects of the agreement, while paying special attention to trade and sustainable development, could complement the EC's efforts to promote better implementation of future EU FTAs. The EESC thus supports such an extension ([13]).

5.2. DAGs are a key achievement of new-generation FTAs, but have to be strengthened to fulfil their monitoring tasks successfully, notably on TSD and, in future EU FTAs, beyond. The expert group with Member States on TSD, and the new CTEO, should be closely linked to the work of DAGs, with reporting and exchange structures put in place. This should be complemented by an exchange of information with the ILO on labour-related TSD implementation. For more visibility and inter-institutional follow-up, there is a need for a structural dialogue between the EU DAGs, the EC, the EU External Action Service (EEAS), the European Parliament (EP) and Member States. To make the most of the dialogue with civil society in partner countries, joint DAG-to-DAG meetings are imperative and should be included when negotiating the text of the

([11]) As services also account for a significant share of 34 % in exports of manufactured goods. All data from Trade in Added Value (TiVA) database, 2016.
([12]) OJ C 227, 28.6.2018, p. 27.
([13]) OJ C 159, 10.5.2019, p. 28.

agreement. DAGs could indeed usefully contribute through joint projects and joint recommendations. With the growing number of FTAs, and consequently DAGs, there is an urgent need to implement systemic solutions with adequate resources in place, both human and financial. There is no 'one-size-fits-all' solution. Any potential new approach, like regionalising DAGs, will have to guarantee their effective functioning to address challenges in the specific agreement's implementation and involve DAGs themselves in its shaping.

5.3. The EESC strongly welcomes a series of recent efforts to enhance FTA implementation and enforcement. The appointment of a CTEO signals a clear political commitment and strategy. It should result in more effective implementation and enforcement of all FTA elements, and strengthen the role of civil society in implementing the agreements, including through submitting complaints. The recent French and Dutch trade ministers' non-paper ([14]) is a welcome initiative to launch a fresh debate on how to ensure TSD chapters live up fully to their legally binding commitments. This debate needs to keep environmental and labour standards equally high on the implementation and enforcement agenda. Reflecting their unique relationship, the EU draft text for a future UK trade agreement sets a new path in putting the level playing field and sustainability up front, and notably, for any breach, applies the general dispute settlement mechanism with access to remedies ([15]). Making the respect of the Paris agreement an essential element for all future comprehensive trade agreements, as announced in the Green Deal Communication ([16]), is a positive step that must be extended to include also the respect and implementation of ILO fundamental and up-to-date Conventions that all EU Member States have ratified. In accordance with its new initiative, the ILO should be involved in monitoring the implementation of ILO Conventions in FTAs, as it is recognised at international level, to monitor, assist, investigate violations and propose solutions.

5.4. Years after FTAs were concluded, we still witness a lack of progress in compliance with TSD commitments in some partner countries. In December 2018, the EU called for the constitution of a Panel of Experts to conduct an inquiry into the EU-Korea dispute on labour rights, notably the non-ratification of fundamental and up-to-date ILO Conventions. The EESC welcomes this first ever use of TSD-related dispute settlement procedures ([17]); it only regrets the length of the procedure given the agreement was ratified eight years ago. The EESC had thus recommended further strengthening civil society monitoring mechanisms by enabling them 'to independently trigger investigations into violations of clear TSD commitments' ([18]). Regrettably, the panel's scope did not include numerous additional legislative provisions and violations of the right to freedom of association, which the ILO has requested Korea to rectify ([19]). Oral presentation of civil society actors, beyond written amicus curiae submissions, should form an integral part of the panel's hearing. The outcome of the panel report and its binding impact remains to be seen, as current TSD chapters lack further-reaching enforcement tools. In this respect, the EESC calls for firm progress on the CETA review of labour and environmental provisions' effective enforceability ([20]). The review process should closely involve and consult both parties' DAGs ([21]).

5.5. FTAs offer considerable potential for EU exports in agricultural products while GIs increase the competitiveness of EU agri-food producers both within and outside the EU. With combined imports and exports of EUR 254 billion in 2018, the EU remains the world's foremost trader in agri-food products ([22]). While agri-food trade is often heavily scrutinised

([14]) See footnote 5.
([15]) Draft text of the Agreement on the New Partnership with the United Kingdom, 18 March 2020.
([16]) COM(2019) 640 final.
([17]) Taking note of two dispute settlements launched in 2019, notably with Ukraine and the South African Customs Union, under the FTAs general dispute settlement mechanism.
([18]) OJ C 227, 28.6.2018, p. 27.
([19]) Amicus curiae for the attention of the Panel of Experts assessing the Republic of Korea's adherence to the sustainability chapter, January 2020.
([20]) See footnote 4.
([21]) Joint Statement EU-Canada DAGs, November 2019.
([22]) Agri-food trade in 2018, DG Agriculture and Rural Development, 2019.

during negotiations, the implementation of provisions seems to be falling short of its ambitious goals. Traceability of products and capacity to enforce the precautionary principle are key to ensuring good quality food and its safe and secure supply. Efficient monitoring of Sanitary and Phytosanitary Standards (SPS) calls for inspections with adequate resources.

5.6. In spite of significant opportunities for companies, there remains a lack of awareness of FTAs' benefits, in particular in the first couple of years of their implementation. The EC and the Member States should promote the agreements, in cooperation with the EU business community in their respective national languages amongst potential exporters to close knowledge gaps, in particular amongst SMEs. Action could include the development of national implementation action plans for each FTA before its entry into force.

5.7. As direct benefiters from duty savings, importers in trade partner countries are key actors in the utilisation of tariff preferences under an FTA. They should be considered in any EU efforts to increase the PUR for its exports. Outreach activities could include seminars on opportunities offered by the respective FTA and on how to apply for tariff preferences. The EU's outreach in FTA partner countries should be conducted in close cooperation between EU delegations, national representations and business representatives, including chambers of commerce.

5.8. Services make up a large volume of modern FTA provisions, but their advantages are harder to read than tariff reductions. Here, transparency on regulatory requirements in third markets is key for facilitating trade. The upcoming merger of the EU Market Access Data Base and the Trade Helpdesk provides an opportunity to cover not only goods, but also services in a consistent way. A new portal should provide information on market access and restrictions by mode of supply for each CPC code [23], as well as information on documentation, certification, licensing, testing and other requirements by sector. Moreover, a Guide for European services exporters and investors for the EU's most important preferential trading partners for services, such as Japan or Canada, could help.

5.9. The EU is the most open public procurement market in the world and FTAs provide comprehensive rules and significant procurement market access opportunities for European companies in partner countries. Yet there is a lack of transparency and lack of coherent measures to integrate labour clauses in public contracting, policies and practices [24], which should be reflected in FTAs. Publication of third country tenders in a dedicated section of the EU Tenders Electronic Daily database would greatly enhance the ability for European companies of all sizes to benefit from the procurement chapter. In addition, a specialised automatic translation tool in all EU languages for the tenders published could help overcome the language barrier.

5.10. To benefit from preferential duties under an FTA, products have to comply with rules of origin (ROOs). The reduction of the administrative cost of applying for preferential tariffs needs to be considered a key factor in increasing the PUR, particularly for low-value transactions. The simplification and harmonisation of ROOs across different FTAs would be crucial in this regard. Moreover, the new approach to origin verification agreed to in the FTAs with Canada and Japan, with the importing authority determining whether products meet origin requirements, may de facto require the exporter to transfer commercially sensitive data.

5.11. FTA investment chapters provide legal certainty to inward and outward Foreign Direct Investment (FDI) and remove barriers to investment. European companies lead in the provision of sustainable, long-term investments globally. However, attracting these investments remains challenging. The EU External Investment Plan (EIP), focusing on sustainable development and jobs and growth, is a promising step in this regard, but it is too limited geographically, thematically and in terms of funding available. The EU could support this strategy by placing relevant sustainable investment-related issues high on the political agenda during official visits, high-level meetings and missions to these countries, in coordination with its Member States and the EU business community.

([23]) Central Product Classification code under the WTO services sectoral classification list.

([24]) ILO General Survey 2008, Labour clauses in public contracts. Integrating the social dimension into procurement policies and practices.

5.12. European companies operating in third countries are key drivers and enforcers of Responsible Business Conduct (RBC). The EESC notes that provisions on business responsibilities in trade and investment agreements are growing and going into various directions ([25]). With European companies being world leaders in this area, the EU is uniquely placed to take the lead on due diligence; consequently, the EESC welcomes the fact that the EC is following its recommendation to propose EU legislation in this area ([26]).

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([25]) Business Responsibilities and Investment Treaties, Consultation paper by the OECD Secretariat, January 2020.
([26]) OJ C 47, 11.2.2020, p. 38.

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