



Contents

I Resolutions, recommendations and opinions

OPINIONS

European Economic and Social Committee

564th plenary session of the European Economic and Social Committee – INTERACTIO, 20.10.2021-21.10.2021

2022/C 105/01	Opinion of the European Economic and Social Committee on reconciling ambitious sustainable and social objectives with an enabling environment for micro, small and medium-sized enterprises (own-initiative opinion)	1
2022/C 105/02	Opinion of the European Economic and Social Committee on advertising for modern, responsible consumption (own-initiative opinion)	6
2022/C 105/03	Opinion of the European Economic and Social Committee on reshaping the EU fiscal framework for a sustainable recovery and a just transition (own-initiative opinion)	11
2022/C 105/04	Opinion of the European Economic and Social Committee 'Glass in Europe at a crossroads: delivering a greener, energy-efficient industry, while enhancing competitiveness and maintaining quality jobs' (own-initiative opinion)	18
2022/C 105/05	Opinion of the European Economic and Social Committee on the EU mobility strategy and EU industrial value chains: automotive eco-systems approach (own-initiative opinion)	26
2022/C 105/06	Opinion of the European Economic and Social Committee on the societal and ecological impact of the 5G ecosystem (own-initiative opinion)	34
2022/C 105/07	Opinion of the European Economic and Social Committee 'Next Generation Trade and Sustainable Development — Reviewing the 15-point action plan' (own-initiative opinion)	40
2022/C 105/08	Opinion of the European Economic and Social Committee 'Towards a holistic strategy on sustainable rural/urban development' (own-initiative opinion)	49

2022/C 105/09	Opinion of the European Economic and Social Committee on ‘Strategic autonomy and food security and sustainability’ (own-initiative opinion)	56
---------------	---	----

III Preparatory acts

European Economic and Social Committee

564th plenary session of the European Economic and Social Committee – INTERACTIO, 20.10.2021-21.10.2021

2022/C 105/10	Opinion of the European Economic and Social Committee on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe’s recovery (COM(2021) 350 final)	63
2022/C 105/11	Opinion of the European Economic and Social Committee on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Global Approach to Research and Innovation — Europe’s strategy for international cooperation in a changing world [COM(2021) 252 final]	77
2022/C 105/12	Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 910/2014 as regards establishing a framework for a European Digital Identity (COM(2021) 281 final – 2021/0136 (COD))	81
2022/C 105/13	Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council on foreign subsidies distorting the internal market (COM(2021) 223 final – 2021/0114 (COD))	87
2022/C 105/14	Opinion of the European Economic and Social Committee on the proposal for a Directive of the European Parliament and of the Council on consumer credits ((COM(2021) 347 final – 2021/0171 (COD))	92
2022/C 105/15	Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council on general product safety, amending Regulation (EU) No 1025/2012 of the European Parliament and of the Council, and repealing Council Directive 87/357/EEC and Directive 2001/95/EC of the European Parliament and of the Council (COM(2021) 346 final – 2021/0170 (COD))	99
2022/C 105/16	Opinion of the European Economic and Social Committee on the proposal for a Council Regulation temporarily suspending autonomous Common Customs Tariff duties on imports of certain industrial products into the Canary Islands (COM(2021) 392 final – 2021/0209 (CNS))	105
2022/C 105/17	Opinion of the European Economic and Social Committee on the communication from the Commission to the European Parliament and the Council ‘A strategy towards a fully functioning and resilient Schengen area’ (COM(2021) 277 final) and the proposal for a Council Regulation on the establishment and operation of an evaluation and monitoring mechanism to verify the application of the Schengen <i>acquis</i> and repealing Regulation (EU) No 1053/2013 (COM(2021) 278 final – 2021/0140 (CNS))	108
2022/C 105/18	Opinion of the European Economic and Social Committee on the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – EU strategic framework on health and safety at work 2021 2027 – Occupational safety and health in a changing world of work (COM(2021) 323 final)	114
2022/C 105/19	Opinion of the European Economic and Social Committee on the proposal for a Council Recommendation on blended learning for high quality and inclusive primary and secondary education (COM(2021) 455 final)	128

2022/C 105/20	Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council on ensuring a level playing field for sustainable air transport (COM(2021) 561 final — 2021/0205 (COD))	134
2022/C 105/21	Opinion of the European Economic and Social Committee on the proposal for a Decision of the European Parliament and of the Council amending Directive 2003/87/EC as regards the notification of offsetting in respect of a global market-based measure for aircraft operators based in the Union (COM(2021) 567 final – 2021/0204 (COD))	140
2022/C 105/22	Opinion of the European Economic and Social Committee on the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Pathway to a Healthy Planet for All — EU Action Plan: ‘Towards Zero Pollution for Air, Water and Soil’ (COM(2021) 400 final)	143
2022/C 105/23	Opinion of the European Economic and Social Committee on the proposal for a Directive of the European Parliament and of the Council on uniform procedures for checks on the transport of dangerous goods by road (codification) (COM(2021) 483 final – 2021/0275 (COD))	148
2022/C 105/24	Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1286/2014 as regards the extension of the transitional arrangement for management companies, investment companies and persons advising on, or selling, units of undertakings for collective investment in transferable securities (UCITS) and non-UCITS (COM(2021) 397 final – 2021/0215 (COD))	149
2022/C 105/25	Opinion of the European Economic and Social Committee on the proposal for a Directive of the European Parliament and of the Council amending Directive 2009/65/EC as regards the use of key information documents by management companies of undertakings for collective investment in transferable securities (UCITS) (COM(2021) 399 final – 2021/0219 (COD))	150
2022/C 105/26	Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council laying down conservation and management measures for the Conservation of the Southern Bluefin Tuna (COM(2021) 424 final — 2021/0242 (COD))	151
2022/C 105/27	Opinion of the European Economic and Social Committee on the communication from the Commission to the European Parliament, the European Council, 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 2021 (COM(2020) 575 final) (additional opinion)	152
2022/C 105/28	Opinion of the European Economic and Social Committee on the Recommendation for a Council Recommendation on the economic policy of the euro area (COM(2020) 746 final) (additional opinion)	158

I

(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

564TH PLENARY SESSION OF THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE –
INTERACTIO, 20.10.2021-21.10.2021

Opinion of the European Economic and Social Committee on reconciling ambitious sustainable and social objectives with an enabling environment for micro, small and medium-sized enterprises

(own-initiative opinion)

(2022/C 105/01)

Rapporteur: **Bruno CHOIX**

Plenary Assembly decision	25.3.2021
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Single Market, Production and Consumption
Adopted in section	30.9.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	227/0/9

1. Conclusions and recommendations

1.1. Micro, small and medium-sized enterprises make up 99,8 % of all European companies, employing 82,4 million people: they are the linchpin of the economic recovery and key to achieving the EU's social and environmental objectives. The nature of these businesses — their small scale and local presence — makes it natural for them to take on these challenges, and they perform well here, even during periods of crisis.

1.2. To achieve this, micro, small and medium-sized enterprises need a regulatory framework that accommodates their particular needs. The European Economic and Social Committee (EESC) calls for the Small Business Act, the 'Think small first' principle and the SME Strategy to be properly deployed to help SMEs. Red tape, e.g. in relation to transparency and reporting, must be strictly limited because any constraint involves costs.

1.3. The EESC supports the Better Law-making approach and recommends systematic involvement of the social partners, professional associations and chambers of commerce at every legislative stage (holding of public hearings, impact assessments, amendments). The Committee urges the Commission to take the findings of impact assessments on board. The 'one in, one out' principle must be applied swiftly, effectively and evenly in order to achieve ambitious environmental legislation. Finally, the EESC suggests that the coordination of SME envoys be increased at both national and EU level.

1.4. The EESC calls on the European institutions to take a methodical look at alternatives to transparency and reporting requirements where they give rise to too heavy a burden.

1.5. National and regional social dialogue initiatives in microenterprises, the craft sector and the professions facilitate commitment to social issues, dialogue between business owners and employees, and conflict prevention, and they should be encouraged.

1.6. The EESC believes that the potential of branches of the professions and professional associations, as well as that of chambers, should be better used for promoting innovation in relation to social and environmental matters and governance, and that micro, small and medium-sized enterprises should be better supported. The Committee recommends that the Commission and the Member States rely on their expertise and networks rather than devising new onerous and restrictive rules.

1.7. The EESC would like access to lifelong learning to be guaranteed for entrepreneurs from the moment they take up their position or take over a business, enabling them to acquire the skills needed for good management, for the establishment of social dialogue and for the green and digital transitions.

2. Background and general comments

2.1. Micro, small and medium-sized enterprises lie at the heart of Europe's economy and, given their presence across the EU, play a key role in supporting local communities with shaky economies and boost the resilience of the system as a whole.

2.2. Economic recovery is the only way of avoiding depopulation; it allows the employment rate to be kept up and wealth to be redistributed, especially since in Europe this is based on sustainability objectives.

2.3. Micro, small and medium-sized enterprises are being mobilised towards the green and digital economies. The circular economy, sustainable development and social dialogue are part of the DNA of microenterprises, the craft sector and the professions. The EESC calls on the European institutions to have faith in these entities' ability to evolve and to support their role as drivers of the green and digital transitions (through targeted funding, technical and planning programmes and appropriate policies). It is important not to hinder their growth.

2.4. The EESC notes that many businesses and public authorities are innovating to help micro, small and medium-sized enterprises integrate the circular economy into their business models (eliminating waste and unsold goods and promoting repair, re-use and recycling) in keeping with the EU's objectives.

2.5. Despite the Small Business Act of 2008, the last thirteen years have shown that legislators, instead of adopting texts that respect the administrative and financial capacity of micro, small and medium-sized enterprises, usually opt for rules applicable to all businesses and then adapt them to the smallest enterprises, placing new burdens on them and undermining their competitiveness, capacity for innovation and ability to create jobs. There is room for improvement in the way the results of the SME Test are taken into account. Generating more and more transparency and disclosure measures could be harmful. Thus, the GDPR ⁽¹⁾ has put in place unclear procedures that oblige micro, small and medium-sized enterprises to refer to guidelines or to use external experts, which entails costs. The Machinery Regulation lays down similar obligations, by requesting evaluation procedures through certification by external bodies. The Money Laundering Directive ⁽²⁾ introduces an obligation to report beneficial owners for all businesses, which has to be paid for in several Member States.

2.6. The 2020 report of the Regulatory Scrutiny Board shows that the impact of legislative proposals on SMEs is not adequately assessed.

2.7. The EESC welcomed the SME strategy published by the Commission in 2020. It supports Parliament's resolution ⁽³⁾ stating that good administrative, regulatory and technical conditions must be put in place to help micro, small and medium-sized enterprises improve their performance, especially from an environmental perspective, and that excessive administrative and regulatory burdens are hindering their ability to thrive.

⁽¹⁾ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1).

⁽²⁾ Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU (OJ L 156, 19.6.2018, p. 43).

⁽³⁾ European Parliament Resolution of 16 December 2020 on a new strategy for European SMEs (2020/2131(INI)).

2.8. The EESC welcomed the communication on Better Regulation, which emphasises that better regulation is the key to sustainable development. This cannot be based on economic growth alone, but also requires a balance between the economic, sustainability and social dimensions.

2.9. Despite this, several legislative proposals and debates point to new reporting obligations for micro, small and medium-sized enterprises (corporate sustainability reporting⁽⁴⁾, pay transparency⁽⁵⁾ and due diligence). These obligations may apply to micro, small and medium-sized enterprises directly or indirectly, as a result of requests from large companies in the value chain; they also represent a cost for these enterprises, since they do not have the human and financial resources to meet the obligations, putting their business, business model and thus their very survival at risk, above all during periods of crisis.

2.10. Yet micro, small and medium-sized enterprises are achieving encouraging results that are even better than national averages, and are doing so without any constraints. The EESC calls for legislation to be conceived for the 21 million enterprises of this type in Europe, rather than designing it for the 0,2 % of businesses that are larger and then trying to apply those principles to the smaller ones. The aim should be to meet the needs not just of business owners but also of their many employees. The EESC would also like alternatives to reporting to be systematically put forward.

3. Costs and benefits of reporting measures

3.1. The Commission's estimation of the costs and administrative burdens often lacks transparency and penalises micro, small and medium-sized enterprises. There are, in addition, the indirect effects of value chain obligations, which the Commission struggles to quantify. As stated in the Communication on Better Regulation, the amendments tabled by Parliament and the Council are only rarely subject to SME Tests. Finally, the transposition of measures into national law is sometimes accompanied by additional costs.

3.2. In order to meet these growing obligations, entrepreneurs can only either respond themselves, using the time set aside for their business activity, or call on external expertise. Both methods affect the operations of a business and entail additional costs. Costs are proportionally higher in microenterprises than in large companies. On top of this, the EESC warns that the proliferation of reporting measures, though they seem minor when taken individually, have a considerable impact once combined.

3.3. Yet in areas where there are no reporting obligations, good results are obtained: many micro, small and medium-sized enterprises, encouraged by their professional association or chambers of commerce, invest in the circular economy, as they see a benefit for their growth and reputation⁽⁶⁾; the human size of micro, small and medium-sized enterprises facilitates exchanges between employers and employees, which makes gender pay gaps often smaller than the national average⁽⁷⁾, etc. Countries that have put in place thresholds for SMEs for some social legislation report a low number of formal complaints, which suggests that the latter can be models without having burdensome measures imposed on them. The definition of an SME should be addressed, as recommended in EESC opinions⁽⁸⁾.

3.4. Micro, small and medium-sized enterprises, including social enterprises, play a full part in the circular economy, offering community-based services which strengthen social ties, creating non-relocatable jobs and wealth in areas without industry and certain public services, and providing business opportunities and employment for socially vulnerable groups. More than half of dual-learning apprentices are trained in micro, small and medium-sized enterprises, enabling such entities to play an active role in youth employment. Their business model and human scale promotes the implementation of artificial intelligence where humans remain in control, and focuses on quality of life at work and participatory governance.

3.5. The addition of reporting measures is often seen as an unfair burden, which impacts negatively on their business activity and risks denying them access to public procurement or funding, while failing to deliver significant progress on policies that they have often initiated themselves. This accumulation feeds resentment towards a Europe that is considered overly bureaucratic and disconnected from the grassroots level.

3.6. Furthermore, the EESC considers that social and environmental objectives will only be achieved by targeting the causes of imbalances, not by increasing binding requirements.

⁽⁴⁾ Proposal for a directive on corporate sustainability reporting [2021/0104(COD)].

⁽⁵⁾ Proposal for a directive to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms [2021/0050(COD)].

⁽⁶⁾ An example of a craft business that has put in place circular economy measures without any transparency obligation in the Netherlands: <https://www.deb.nl/ondernemersverhalen/slagerij-van-koppen-dacht-na-over-duurzaamheid/>

⁽⁷⁾ *Les entreprises de proximité au féminin*, March 2019: https://u2p-france.fr/sites/default/files/etude_les_entreprises_de_proximite_au_feminin.pdf

⁽⁸⁾ OJ C 345, 13.10.2017, p. 15 and OJ C 81, 2.3.2018, p. 1.

3.7. In order to foster an SME-friendly environment, particular attention must be paid to demographic change, which is significantly reducing both the availability of qualified workers and SMEs' productivity. Vocational education and training, apprenticeships and skills development should be priorities, including those relating to green and digital skills.

4. Better Regulation

4.1. Better regulation requires striking the right balance between the economic, sustainability and social dimensions. The EESC recommends that the European Commission rely more on the social partners, professional associations and chambers of commerce at the European, national, regional and local levels when assessing the impact of any legislation.

4.2. Each transparency measure has a cost. The EESC draws the Commission's attention to the need to apply the Small Business Act and the 'Think small first' principle, as it has pledged to do. Further to the Better Regulation communication, the EESC calls for any new direct or indirect administrative burden to be kept to the strict minimum.

4.3. The EESC asks the Commission to consult it when designing surveys so as to take better account of the particularities of SMEs by asking questions that are unbiased and apply to all types of enterprise. The Committee emphasises the need to prioritise short surveys in all the EU official languages so as to make them more useful.

4.4. The EESC urges the Commission to strengthen the network of SME Envoys and their coordination, nationally and in their exchanges with the Commission.

4.5. The EESC takes note of the 'one in, one out' principle which the Commission has committed to apply. Cutting red tape must be explored with the social partners in order to lighten it without compromising policy objectives or lowering the EU's high economic, social and environmental standards. To this end the EESC calls on the Commission to provide operational and methodological information enabling unnecessary red tape to be identified. The time frame for applying this principle does not seem to fit with the Commission's work programme, under which several key documents will be published over the next few months. The EESC calls on the Commission to identify without delay those administrative burdens that can be scrapped. Furthermore, the EESC calls on the Commission, whenever such a burden is withdrawn, to monitor its reduction in national legislation in order to ensure the effectiveness of the principle of equal treatment.

4.6. The EESC calls for any new proposal, especially one that entails direct or indirect reporting and transparency measures, to be subject to proper impact assessment. The SME Test must be applied by all the institutions, it must include an economic and legal analysis, and its sources must be published. The Test must be carried out whenever there is a new version of a text, both when it is proposed and during negotiations. The EESC recommends that the social partners, including employers' organisations, be consulted in each impact assessment in order to contribute to the analysis of provisions with regard to micro, small and medium-sized enterprises. The results of impact assessments must be duly taken into account by the Commission when identifying a preferred policy option. In line with the Communication on Better Regulation, the EESC calls on MEPs and the Council to document the impact of their amendments on micro, small and medium-sized enterprises.

4.7. The report of the Regulatory Scrutiny Board shows that the proportion of proposals containing provisions for SMEs has decreased substantially (from 22 % in the period 2017-2019 to 15 % in 2020). If transparency rules are adopted, the EESC calls on the institutions to provide for thresholds to mitigate the burden on micro, small and medium-sized enterprises. The EESC calls for implementation of the Single Digital Gateway, scheduled for 2023, to be speeded up.

5. Alternatives to publishing information

5.1. To avoid rolling out measures that might be considered punitive, the EESC encourages the Commission to incorporate alternatives to reporting obligations for micro, small and medium-sized enterprises in each proposal.

5.2. Many Member States have special consultative bodies within which the social partners can discuss social and economic measures and their specific application. Many national SME organisations can represent their interests. The EESC would advise the Commission to refer more to SME associations, the social partners, professional associations, and chambers of commerce at European, national, regional and local level. Their experience, expertise and active networks makes them the best placed bodies to support and encourage micro, small and medium-sized enterprises, and to develop mechanisms for attaining social and environmental objectives. It is important to give these bodies the financial and human resources they need to develop support measures.

5.3. The EESC notes that the Commission has devised a number of instruments that could be useful for micro, small and medium-sized enterprises, but which are not reaching those they were intended for. The Committee recommends stepping up the mobilisation of SME Envoys so that these instruments can be adapted to the needs of micro, small and medium-sized enterprises and to promote awareness and adoption of them.

5.4. The EESC proposes promoting and building on national and regional measures facilitating social dialogue in microenterprises, crafts and the liberal professions⁽⁹⁾, by giving employees and employers comprehensive information/advice on the legal or contractual provisions applicable to them, discussing and issuing useful opinions on issues specific to businesses and their employees, and contributing to conflict prevention based on information and recommendations to employees and employers.

5.5. The EESC encourages the Member States to support professional associations in the training, advice and support they offer micro, small and medium-sized enterprises in order to meet social and environmental rules. Such initiatives should be prioritised over restrictive provisions.

5.6. In line with the Committee's own-initiative opinion *Towards circular public procurement*⁽¹⁰⁾, the EESC calls on public authorities to support micro, small and medium-sized enterprises to gain an understanding of more sustainable public procurement, particularly local public procurement, while ensuring that specifications respect a balance between qualitative and quantitative criteria.

5.7. The training of entrepreneurs in micro, small and medium-sized enterprises must be accessible to them on a lifelong basis, in the same way as for employees, including when a business is being set up from scratch or is being taken over. In order to build a pool of entrepreneurs and new owners of existing businesses who are capable of addressing social, environmental and economic challenges, the EESC considers it essential to propose and encourage participation in training cycles tailored to the new skills.

5.8. The EESC proposes that incentives to reduce the carbon impact of micro, small and medium-sized enterprises be supported through financial assistance, without this being either a constraint on business development or an additional burden.

5.9. The EESC recommends encouraging voluntary enterprise labelling schemes that are free of charge in which a third party is involved to provide credibility⁽¹¹⁾, while ensuring that such systems are not a barrier to market access and avoiding their proliferation so as not to create confusion for consumers.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

⁽⁹⁾ Joint regional cross-industry craft committees (*Commissions paritaires régionales interprofessionnelles de l'artisanat*, CPRIA: <https://cpria.proximeo-france.fr/>) and joint regional committees for the liberal professions (*commissions paritaires régionales pour les professions libérales*, CPR-PL).

⁽¹⁰⁾ OJ C 341, 24.8.2021, p. 16.

⁽¹¹⁾ Example of *Répar'acteurs*: <https://www.artisanat.fr/reparacteurs#:~:text=Le%20label%20%C2%AB%20R%C3%A9par'acteurs%20%C2%BB,de%20la%20r%C3%A9duction%20des%20d%C3%A9chets>

Opinion of the European Economic and Social Committee on advertising for modern, responsible consumption

(own-initiative opinion)

(2022/C 105/02)

Rapporteur: **Thierry LIBAERT**

Plenary Assembly decision	25.3.2021
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Single Market, Production and Consumption
Adopted in section	30.9.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	132/0/5

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) stresses the need for the European Union (EU) to support its advertising industry, which has been hit hard by the COVID-19 crisis. In the face of the digital transition and competition from the Big Four tech companies, advertising is a driver for economic activities and jobs and is more important now than ever before.

1.2. The need for greater respect for consumers and the challenges of the green transition and the fight against climate change call for a broad debate with a view to the advertising industry accommodating in particular the Paris Agreement objectives.

1.3. The EESC calls on the advertising industry to commit to reducing its carbon footprint in order, in line with the EU's objectives, to achieve carbon neutrality in its activities by 2050, and to reduce greenhouse gas (GHG) emissions by 55 % by 2030 with a view to contributing to the collective achievement of carbon neutrality by 2050.

1.4. The EESC calls on each operator in the advertising industry to commit to reducing their environmental impact in their own business sector. This can be achieved by reducing the energy consumption of digital advertising screens and making them more recyclable, by opting to use paper from sustainably managed forests (PEFC and FSC labels) and inks complying with REACH and GreenGuard standards for paper displays and advertising leaflets, and by reducing the technical, energy and logistical impact of audiovisual productions.

1.5. The EESC recommends that operators in the advertising industry increase their *pro bono* contribution to support the environmentally responsible initiatives of those who do not have sufficient financial resources (SMEs, start-ups, cooperatives, etc.).

1.6. The EESC calls on operators in the industry to give their members more training in the challenges of the green transition. University courses in communication professions should also include such awareness-raising.

1.7. The EESC recommends that the advertising industry launch a debate about the fantasy created by advertising and related representations. This will help to ensure that, rather than being an obstacle, advertising becomes a real driver for the green transition, enabling products which help to reduce environmental impact to be promoted with factual, accurate information.

1.8. The EESC calls for the continuation of efforts to strengthen EU-wide regulation of advertising to combat greenwashing and misleading environmental claims, with the aim of achieving harmonisation between EU Member States.

1.9. The EESC would like to see special attention paid not just to aspects of the green transition, but also to advertising targeting young people, particularly on social media.

1.10. The EESC considers that there can be no fully responsible advertising if advertising operators in Europe do not take responsibility for disinformation. The European Commission must step up its efforts to fight the monetisation of disinformation ⁽¹⁾.

1.11. The EESC calls on the advertising industry to increase its openness to civil society and to create more frequent opportunities for exchanges with its various audiences so that it can develop in line with society's new expectations.

2. Definitions

2.1. The definition of advertising used here is that of the EU, which described it as 'the making of a representation in any form in connection with a trade, business, craft or profession in order to promote the supply of goods or services ...'. However, this definition does not include advertising for an institutional purpose (improving a company's reputation) or by public bodies or associations.

2.2. Responsible advertising is advertising that shoulders its share of responsibility for major societal and environmental challenges, including the need to fight climate change.

3. Advertising as a driver of economic activity and employment in Europe

3.1. Advertising is closely linked to growth and jobs. Economic growth is higher when advertising investment is high than when such investment is lower ⁽²⁾. In Europe, according to a 2017 study by the World Federation of Advertisers relating to 2016, the EUR 92 billion of advertising expenditure narrowly defined would have generated EUR 643 billion in additional wealth ⁽³⁾.

3.2. According to various studies, an investment of EUR 1 in advertising produces a multiplier and spillover effect of 5-7 in additional growth. Applied to Belgium, the multiplier would be 5 (EUR 2,2 billion of advertising expenditure contributed EUR 13 billion to the Belgian economy) ⁽⁴⁾.

3.3. Advertising speeds up the spread of new products and services and sometimes innovation, as illustrated perfectly by the lifespan of certain products such as computers and telephones. The faster spread of new products raises questions about the environmental impact of advertising.

3.4. Advertising boosts competition. Without advertising, we would all be using the same bank, which would set its tariffs as it sees fit. Banking services are generally similar from one bank to the next, with the distinction between them also arising from advertising. The same applies to many other sectors of the economy, including energy and commerce.

3.5. Advertising sustains many sectors, most notably the media. In many EU countries, it largely funds print media, radio and television. Moreover, it is as much a resource as a relationship of dependence which is sometimes likely to influence the content of productions and raise questions with regard to editorial independence.

3.6. Advertising has a turnover of EUR 140 billion (2018) in Europe, with 280 000 companies, often small and medium-sized, working partially or wholly for business communication and employing 998 000 people ⁽⁵⁾.

3.7. Advertising has indirect effects on many related professions, such as audiovisual production, the arts or photography. A Belgian study demonstrated that 87 000 people had jobs that were funded by advertising revenue or were involved in producing advertising through supply chains.

⁽¹⁾ European Commission: Guidance to strengthen the Code of Practice on Disinformation. 26 May 2021. https://ec.europa.eu/commission/presscorner/detail/en/ip_21_2585

⁽²⁾ Maximilien Nayaradou, *L'impact de la régulation de la publicité sur la croissance économique* [The impact of regulating advertising on economic growth], summary in *Publicité et croissance économique* [Advertising and economic growth], *Union des annonceurs* [French advertisers' union], 2006. From a thesis defended at Paris Dauphine University in 2004.

⁽³⁾ World Federation of Advertising. The value of advertising, Deloitte, 2017.

⁽⁴⁾ Union belge des annonceurs [Belgian advertisers' union], *L'impact de la publicité sur la croissance économique en Belgique* [The impact of advertising on economic growth in Belgium], 3 December 2015.

⁽⁵⁾ Source: Eurostat. *Advertising and Market Research Statistics*.

3.8. Moreover, if all business communication spending is included, the considerable sums spent each year in the EU to sponsor entertainment, whether sport or cultural activities, should be added.

4. Impact that goes beyond economic and social aspects

4.1. It is generally accepted that advertising's effect on the press has been to allow broader access to the media. Without advertising, newspaper prices would rise sharply, and reducing advertising would lead to the demise of many publications.

4.2. It is also thanks to advertising that free printed publications are available to the public, thus allowing several million people to read the news on a daily basis.

4.3. The artistic and creative aspect should be emphasised: a great many film-makers, photographers and designers began their careers in advertising.

4.4. The incorporation of advertising into certain cityscapes has turned them into popular tourist destinations — examples are Times Square in New York and Piccadilly Circus in London. It is the vibrancy of advertising itself that brands a city and makes certain places alluring. This influence of advertising in the public space can of course be very controversial.

4.5. Advertising helps to provide a positive narrative about the world, about happiness, about pleasure or beauty. In the context of ongoing crises, advertising narratives help to spread optimistic and inspiring messages. Advertising has also brought us words of wisdom, such as 'Don't imitate, innovate' (Hugo Boss), 'Take care of yourself' (Garnier) and 'Impossible is nothing' (Adidas). Thus, advertising generally conveys a positive view of the world. This positive view could prove to be a significant driver for the green transition.

5. The advertising model and its societal and environmental consequences

5.1. Advertising has direct consequences for GHG emissions. It has an impact on the use of paper, as well as on the consumption of various resources (in particular by the new LCD screens) and of energy by the internet or audiovisual media. The impact in terms of GHG emissions or wider environmental impact (e.g. recyclability of the medium) is never in practice used as one of the main criteria when determining the form of an advertising campaign.

5.2. Outdoor advertising also has a specific environmental impact. This can be observed in particular when it comes to illuminated and digital display boards, whose energy consumption and impact in terms of light pollution are not insignificant. Based on a standard 200 kg panel, an estimated 8 tonnes of material are needed to manufacture one digital advertising screen ⁽⁶⁾.

5.3. By seeking to continually increase the consumption of what it promotes, advertising encourages overconsumption that does not necessarily reflect needs. There are many examples of products and gadgets whose real utility is ultimately limited and sometimes out of proportion to their environmental impact. Some are only used once and then discarded. Advertising models the needs and expectations of individuals according to the interests of distributors, and not necessarily the collective interest.

5.4. With its strong presence in metropolitan areas, advertising can also help homogenise the urban spaces of European cities. Thanks to identical advertising campaigns, urban landscapes are becoming uniform and losing quality. This is due to the fact that a small number of advertisers are responsible for the majority of advertisements.

5.5. The messages it conveys are often far from promoting sharing, solidarity and moderation. Advertising conveys an image of happiness based on acquisition. The advertising fantasy says that everything can be bought. To be happy, we need to possess and consume more. However, public surveys do not show a strong statistical link between consumption and perception of happiness: happiness is determined mainly by belief in certain values and the strength of the family and physical social networks. Advertising can also be a source of constant dissatisfaction for consumers, forcing them to consume ever more, and of frustration for all, particularly the most disadvantaged people, who do not have the means to buy the products and services promoted.

⁽⁶⁾ French Agency for Ecological Transition (ADEME). *Modélisation et évaluation environnementale des panneaux publicitaires numériques*. [Modelling and environmental assessment of digital advertising panels.] September 2020.

5.6. Unwittingly, European companies spend more than EUR 400 million on disinformation sites (⁷). It is recognised that the major purveyors of disinformation have financial objectives, notably through referencing methods that enable them to obtain large sums of money from online advertising.

5.7. The EESC has noted that more and more advertisements on social media are not presented as advertising, but hidden behind influencers, some better known than others. It has been estimated that more than a quarter (26,6 %) of advertisements on social media do not mention the brand and commercial purpose (⁸). This creates confusion that undermines confidence in brands, which the Digital Services Act can help to combat by requiring the name of the body in whose name the advertisement is disseminated to be communicated (⁹).

6. Speeding up the evolution of advertising to make its model more compatible with the challenges of the green transition

6.1. While the issue of climate is becoming increasingly urgent, it is difficult to understand why the advertising industry has not formally committed itself to compliance with the Paris Agreement. More recently, the European Parliament (EP) adopted a resolution to achieve a 55 % reduction in GHG emissions by 2030, and on 14 July 2021 the Commission published its package of twelve *Fit for 55* measures for achieving this goal. All sectors must contribute to the collective effort and, like the other sectors, the advertising industry has less than 10 years to take this major objective on board.

6.2. Most advertisers have understood the challenges of climate change and the need to listen to society's high expectations. For several years, they have been working to tackle misleading environmental claims and greenwashing. They now need to step up their efforts.

6.3. This drive is being promoted by the Commission. In 2012, DG JUST set up a working group (Multi-Stakeholder Group on Environmental Claims). Several reports were published, in 2013 and then in 2016. These reports have increased understanding of the issue of misleading environmental claims and had an impact on the implementation of Directive 2005/29/EC of the European Parliament and of the Council (¹⁰) on unfair commercial practices. The Commission is working on updating these guidelines, which are due to be published by the end of 2021. The final text should provide further details on the application of Directive 2005/29/EC with regard to misleading environmental claims. In 2020, national consumer protection authorities carried out a 'sweep', coordinated by the Commission, of company websites claiming to sell green products. It was concluded that in 42 % of cases the claims were exaggerated, false or misleading and could potentially qualify as unfair commercial practices under EU rules (¹¹).

6.4. More recently, the new Circular Economy Action Plan published by the Commission on 11 March 2020 includes for the first time a focus on responsible advertising. Section 2.2 states the Commission's desire to increase consumer protection against greenwashing. Companies will have to substantiate their environmental claims using Product and Organisation Environmental Footprint methods. Section 3.2 conveys the desire to develop incentives to increase vehicle occupancy rates. (This could be done through advertisements showing fewer drivers alone in their cars.)

6.5. The EP adopted an own-initiative report entitled *Towards a more sustainable single market for business and consumers* (¹²) drawn up by its IMCO (Internal Market and Consumer Protection) Committee in November 2020. This text 'stresses the importance of responsible advertising that respects public standards on the environment and consumer health'.

6.6. The EESC has been particularly active, notably in the area of banning misleading environmental claims, for instance with an opinion on *Environmental, social and health claims in the single market* (¹³). It has adopted an opinion entitled *Towards an EU Strategy on sustainable consumption* (¹⁴), which stressed the importance of providing a better framework for advertising to facilitate more sustainable consumption. More recently, the opinion on a *New Consumer Agenda* (¹⁵) underlined the need for better consumer information and the need to combat greenwashing.

(⁷) Claudia Cohen, *Des marques financent, malgré elles, la désinformation* [Brands unwittingly finance disinformation], Le Figaro, 5 August 2021.

(⁸) *Observatoire de l'influence responsable* [Responsible Influencing Observatory]. ARPP French professional advertising regulatory authority [ARPP]. 13 September 2021.

(⁹) OJ C 286, 16.7.2021, p. 70.

(¹⁰) Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council ('Unfair Commercial Practices Directive') (OJ L 149, 11.6.2005, p. 22).

(¹¹) Agence Europe, *Europe Daily Bulletin* No 12646, 24 January 2021.

(¹²) [https://oeil.secure.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2020/2021\(INI\)&l=en](https://oeil.secure.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2020/2021(INI)&l=en)

(¹³) OJ C 383, 17.11.2015, p. 8.

(¹⁴) OJ C 429, 11.12.2020, p. 51.

(¹⁵) OJ C 286, 16.7.2021, p. 45.

7. Ensuring European advertising which can help achieve more sustainable and responsible consumption

7.1. The EESC calls for an approach that provides incentives based on advertisers holding themselves accountable. This approach is justified both by the progress made by the sector, in particular in combating misleading environmental claims, and progress in the field of regulation. It is also a response to the need to support a sector that creates growth and jobs, in a particularly difficult period. The EESC believes that any hindrance to European advertising models risks benefiting digital advertising systems, which are mainly owned by the Big Four tech companies, even though they are still significantly outside the scope of European tax systems. This model will itself have to change in the future because of the changes in the rules on cookies. However, the EESC recognises that for certain types of products which have a particular impact, such as fossil fuels, stronger forms of regulation may be envisaged.

7.2. In the context of the current economic crisis, the EESC calls for swift, exceptional financial support to be deployed for the smallest and most fragile players in the advertising sector (SMEs) to enable structures to survive in the current context, in return for structural changes on the points described above.

7.3. Every advertising business in Europe and advertising agencies operating in the European Union should incorporate the objectives of the 2015 Paris Agreement into their GHG emission reduction policy, particularly the objectives recently set by the EU of a 55 % reduction by 2030.

7.4. All economic operators in the advertising industry should recognise the objectives of the green transition and incorporate them into their working methods, providing assessments of their GHG balances, reduction trajectories, and action plans to achieve the objectives. This shift in the role of advertising should take place in a flexible way, in particular to encourage and support medium-sized agencies.

7.5. Operators in the advertising industry must undertake to assess the carbon impact of advertising products in order to develop practices, propose greener production alternatives, and examine the options for reshoring to Europe.

7.6. Operators must increase their *pro bono* contribution to support the organisations most active in the field of climate transition and social inclusion. More broadly, governance of advertising regulation must be developed in a way that involves civil society more widely, potentially by reinventing forms of governance.

7.7. Operators must organise systematic training on green transition challenges and more responsible advertising practices, with internal courses for their staff while helping to train students in marketing and communication.

7.8. The advertising industry must undertake to continue to strengthen the mechanisms for professional regulation of advertising by extending the supervisory powers of the regulatory bodies in Europe and by involving civil society (environmental NGOs, consumer associations, trade unions, etc.) more effectively in its governance.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on reshaping the EU fiscal framework for a sustainable recovery and a just transition

(own-initiative opinion)

(2022/C 105/03)

Rapporteur: **Dominika BIEGON**

Plenary Assembly decision	25.3.2021
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	5.10.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	168/3/5

1. Conclusions and recommendations

1.1. The European fiscal rules need a revision: deficiencies were already obvious after the 2008/2009 financial crisis and the COVID-19 pandemic poses even more serious challenges to the current fiscal framework. In past opinions, the EESC has welcomed the European Commission's economic governance review. In this opinion, the EESC reiterates its position on the need for reforms and calls on the Commission to swiftly continue the revision of the EU economic governance framework, which has currently come to a halt. Before the revised framework comes into force, the Commission should put forward guidelines for a transition period, during which time the excessive deficit procedure should not be triggered, and with the possibility to use the 'unusual event clause' on a country-specific basis.

1.2. Any future fiscal framework needs to: (a) strengthen public investments; (b) allow for more cyclical leeway; and (c) permit greater flexibility and country-specific differentiation as far as debt adjustment paths are concerned, while at the same time guaranteeing fiscal sustainability. A revision of the EU fiscal framework is not only necessary for the purpose of short- to medium- term stabilisation of the economy. It is also of vital importance in order to finance the socio-ecological transformation of our economy, guaranteeing full employment, high-quality jobs and just transitions.

1.3. More specifically, the EESC's main proposal for the revision of the fiscal framework is to introduce a golden rule for public investments, which the EESC has already put forward in past opinions, in combination with an expenditure rule. In addition to this, the EESC welcomes the proposal made by the European Fiscal Board (EFB) regarding the country-specific differentiation of fiscal adjustment paths.

1.4. Finally, the EESC points out that fiscal policy is the classic domain of parliamentary politics and its decisions affect the entire structure of state expenditure and revenue. Therefore, both national parliaments and the European Parliament need to be given a prominent role in the future EU economic governance framework.

1.5. In a similar vein, there is a need to involve civil society to a greater extent in the European Semester at both national and EU level. This way, a balanced economic policy can be established, where all interests are reconciled. This is particularly the case for the governance of the Recovery and Resilience Facility, where civil society involvement has not been satisfactory⁽¹⁾. The partnership principle, which has long been a tradition in the governance of the European Structural and Investments funds, should serve as a blueprint for an effective mechanism of civil society involvement.

⁽¹⁾ EESC Resolution on the Involvement of organised civil society in the National Recovery and Resilience Plans — What works and what does not? (2021) (OJ C 155, 30.4.2021, p. 1).

2. Background: new challenges after the COVID-19 pandemic

2.1. The European fiscal rules need a revision. Before the crisis, the European Fiscal Board's (2019) ⁽²⁾ assessment of the EU fiscal framework rightly pointed out two main problems: first, fiscal rules tend to be procyclical: following the 2008/2009 financial crisis, fiscal consolidation came too early because of overwhelming sustainability concerns, leading the European economy into a double-dip recession. Second, public investment in the EU has been the first target for spending cuts. Comparing the average government investment rate for 2015–2019 with the pre-crisis average (2005–2009), 20 out of 27 Member States saw their rates decline, for some by as much as 50 %, to such an extent that the value of the stock of public capital, marked by negative net public investment figures, deteriorated between 2013 and 2017 in the euro area.

2.2. The COVID-19 pandemic poses even more serious challenges to the EU fiscal framework: the economic slump together with policy measures to mitigate the social and economic impact of the pandemic have led to massive increases in government deficit and debt to GDP levels in many Member States ⁽³⁾. Estimations by the European Fiscal Board (2020) ⁽⁴⁾ show that if the EU fiscal rules were activated unchanged after lifting the general escape clause, the expected debt ratio reduction path would overburden some Member States, with significant negative economic, social and political consequences endangering the economic recovery in the EU.

2.3. A reform of the EU fiscal rules is not only necessary for the purpose of a short- to medium-term stabilisation of the economy. It is also of vital importance in order to finance the socio-ecological transformation of our economy, guaranteeing full employment, high-quality jobs and just transitions. To achieve the EU climate targets, a profound modernisation of the capital stock is needed. A sustainable economy needs a massive expansion of public investments, otherwise European economies will be facing climate-related fiscal risks ⁽⁵⁾. At the same time, fiscal sustainability needs to be ensured. In previous opinions, the EESC has already underlined the need to introduce a golden rule for public investment in the EU fiscal framework ⁽⁶⁾. These demands remain valid: for Europe to meet its 2030 climate and environmental targets, the European Commission recently estimated the overall funding gap to be around EUR 470 billion a year until 2030 ⁽⁷⁾. As rightly emphasised 'mobilising the necessary scale of finance will be a significant policy challenge', and clearly public investment will have a critical role to play, not least also in order to trigger private investment. The reform of the EU fiscal framework has to take these considerations into account.

2.4. The EESC underlines that Member States must face the challenge of reducing debt to GDP ratios after economic recovery takes hold to retain enough fiscal space to counter the next economic crisis. The expenditure rule proposed in this opinion (see paragraphs 3.3.2 and 3.3.3) would indeed ensure that Member States consolidate their public finances in good times.

2.5. The EESC underlines that a revision of the EU fiscal framework needs to take into account the current macroeconomic context. Both the IMF ⁽⁸⁾ and the European Commission ⁽⁹⁾ state that debt to GDP ratios should stabilise in the short to medium term thanks to low interest rates and increased growth rates. The sustainability of sovereign debt depends on the (real) GDP growth rate, annual primary balance and the (real) interest rates on outstanding sovereign debt. The EESC urges the European Commission to take these factors into consideration when assessing Member States' debt sustainability.

2.6. Moreover, the EESC stresses that sustainable public finances depend to a large extent on reliable public revenues and fair taxation, including, for example, the fight against tax fraud and aggressive tax planning. In addition, the announced new own resources should contribute to enhancing fair taxation, as well as to social and climate justice. Transparency of revenue and spending, open contracting and the constant involvement of civil society in the oversight of public financial management is also necessary to ensure sustainable public finances.

⁽²⁾ European Fiscal Board (2019): *Assessment of EU fiscal rules with a focus on the six and two-pack legislation*.

⁽³⁾ European Commission, *European Economic Forecast Spring 2021*.

⁽⁴⁾ European Fiscal Board (2020): *Annual Report 2020*.

⁽⁵⁾ Finance Watch (2021), *Fiscal Mythology Unmasked. Debunking eight tales about European public debt and fiscal rules*.

⁽⁶⁾ OJ C 353, 18.10.2019, p. 32; OJ C 123, 9.4.2021, p. 12 and OJ C 429, 11.12.2020, p. 227.

⁽⁷⁾ Commission Staff Working Document (2020), *Identifying Europe's recovery needs*, SWD(2020) 98 final.

⁽⁸⁾ IMF *Fiscal Monitor Reports*, April 2021.

⁽⁹⁾ *Debt Sustainability Monitor*, European Commission, February 2021.

2.7. In past opinions, the EESC has welcomed the European Commission's economic governance review and highlighted the need for a revision⁽¹⁰⁾. The EESC has also proposed that the question of reforming EU economic governance should be debated at the Conference on the Future of Europe. Adapting the TFEU's economic governance provisions to the EU's current economic reality should not be taboo. The EESC reiterates this call, particularly in the face of the COVID-19 crisis. To prevent a return to the old fiscal rules and manage a shift towards a prosperity-focused economic governance, the EESC urges that the review process be resumed as soon as possible⁽¹¹⁾.

3. Specific comments

3.1. Rebalancing EU economic governance

3.1.1. Fiscal policy should be part of a broader multi-level and balanced governance framework. The EESC advocates a prosperity-focused economic governance, where people's social and economic wellbeing is prioritised so that no one is left behind, while ensuring public debt sustainability. Therefore, the Committee calls for a balanced economic policy that stresses the importance of and gives equal weight to a range of key policy objectives such as sustainable and inclusive growth, full employment, decent work and just transitions, a fair distribution of income and wealth, public health and quality of life, environmental sustainability, financial market stability, price stability, well-balanced trade relations, a competitive social market economy and sustainable public finances. These objectives are consistent with both the objectives set out in Article 3 of the Treaty on European Union and the current UN Sustainable Development Goals⁽¹²⁾.

3.1.2. In order to support Member States on their way to a sustainable and inclusive economy it is not only necessary to allow for more fiscal leeway under certain conditions. In addition to this, incentives for reforms must be promoted. The current EU economic governance framework consists of three pillars: (a) fiscal surveillance; (b) macroeconomic surveillance; and (c) social and employment policy coordination. Thus, it already has a strong focus on reforms. A variety of empirical studies emphasise that despite reforms, the bulk of past country-specific recommendations have focused on boosting competitiveness and consolidating public budgets⁽¹³⁾. The EESC urges the EU institutions to be more balanced in future country-specific recommendations: fiscal benchmarks, as well as EU climate goals and the European Pillar of Social Rights should serve equally as important reference points for country-specific recommendations. Special focus should be put on reforms that support the transition towards a green and digital economy (such as active labour market policies and lifelong learning schemes, including programmes to reskill and offer career change support) and on reforms that guarantee that EU funds are absorbed effectively (such as building up technical capacities in public administrations to manage investment projects, effective and open public procurement systems and reforms to remove other non-monetary barriers to an effective investment policy).

3.2. Strengthening public investment

3.2.1. The EESC underlines that the EU fiscal framework needs to be reformed in a way that better protects public investments⁽¹⁴⁾. The multiplier effect of public investment is particularly high, and cuts in public investment therefore have a particularly negative impact on economic growth and employment. Cuts in public investment in particular, and in government spending more generally, are particularly damaging in times of economic slumps and recessions⁽¹⁵⁾. In addition, many studies also identify public investment as a growth booster in the long term⁽¹⁶⁾. A long-term increase in public investments also provides a more secure basis for private-sector planning⁽¹⁷⁾.

⁽¹⁰⁾ OJ C 429, 11.12.2020, p. 227.

⁽¹¹⁾ OJ C 123, 9.4.2021, p. 12.

⁽¹²⁾ OJ C 429, 11.12.2020, p. 227.

⁽¹³⁾ Crespy, Amandine and Vanheuverzwijn, Pierre (2019), 'What Brussels means by structural reforms: empty signifier or constructive ambiguity?', in: *Comparative European Politics*, Vol. 17, Iss. 1, pp. 92-111; Hacker, Björn (2019): *A European Social Semester? The European Pillar of Social Rights in Practice*. Brussels, ETUI.

⁽¹⁴⁾ See also *European Fiscal Board* (2019).

⁽¹⁵⁾ European Commission (2016), *Report on Public Finances in EMU 2016*, Institutional Paper No 045; J-M Fournier (2016), *The positive effect of public investment on potential growth*, OECD Economics Department, Working Paper No 1347.

⁽¹⁶⁾ IMF Fiscal Monitor (2020), *Policies for the Recovery*.

⁽¹⁷⁾ H. Bardt, S. Dullien, M. Hüther and K. Rietzler (2020), *For a sound fiscal policy. Enabling public investments*, IW policy paper No 6/2020, Institut der deutschen Wirtschaft (IW), Köln.

3.2.2. These facts justify an approach that treats public investments preferentially as far as the assessment of Member States' compliance with EU fiscal rules is concerned. The EESC advocates a 'golden rule' for public investments⁽¹⁸⁾, to safeguard productivity and the social and ecological base for the wellbeing of future generations, while at the same time ensuring fiscal sustainability. In general, the EESC suggests implementing the traditional public finance concept of the golden rule within the revised fiscal framework⁽¹⁹⁾. This means that net public investments need to be excluded from the calculation of the headline deficits. If an expenditure rule is implemented as called for by the EESC (see points 3.3.2 and 3.3.3) net public investments should also be excluded from the public expenditure ceiling, while investment costs would be distributed over the entire service life, instead of a four-year period, as is currently the case. Net public investment increases the public and/or social capital stock and provides benefits for future generations⁽²⁰⁾. Future generations inherit the servicing of the public debt, but in exchange, they receive a corresponding and increased public capital stock.

3.2.3. The EESC underlines that the golden rule leads to preferential treatment of public investments under the EU fiscal framework. It does not release governments from the obligation to justify and win majorities for relevant investment projects. Transparency and parliamentary accountability must, in any case, be retained, also to ensure that only those public investments that serve the common good are made.

3.2.4. As a very first step, the EESC recommends a fundamental revision of the 'investment clause'. Firstly, the EESC suggests that the 'investment clause' in the Stability and Growth Pact should be interpreted more flexibly. So far, it has been rarely invoked primarily because of its restrictive eligibility criteria⁽²¹⁾. These eligibility criteria should be loosened: in principle, public investments should justify a temporary deviation from the adjustment paths, independently of the position of the Member State in the economic cycle and even if these investments lead to an excess over the 3 % of GDP deficit reference value.

3.2.5. Currently, deviations from the medium-term budgetary objective (MTO) or the adjustment path towards it are only allowed if they are linked to national expenditure on projects co-funded by the EU⁽²²⁾. The EESC suggests a broader definition of investments. At the same time, the definition of investments needs to be clear and practicable to prevent 'creative accounting'. The European Commission's guidance to Member States in the context of the Recovery and Resilience Facility and the definition of investments therein constitutes a good starting point⁽²³⁾, as it includes investments in tangible assets but also investments in health, social protection, education and training, and investments aimed at the green and digital transition.

3.2.6. The EESC welcomes the taxonomy for sustainable activities. It establishes in a clear-cut manner what qualifies as an 'environmentally sustainable economic activity', which in turn makes it possible to define 'environmentally sustainable investments'⁽²⁴⁾. Therefore, the EESC recommends taking the well-developed EU taxonomy for sustainable activities as a basis for an evaluation of the sustainability of public investments, in a combination with a golden rule. Moreover, the EESC awaits with interest the Commission's proposals on green budgeting.

3.3. More cyclical leeway for fiscal policy

Reforming cyclical adjustment methods or introducing an expenditure rule

3.3.1. The EESC underlines that the European Commission's method for cyclical adjustment is opaque, and a source of procyclicality. The European Commission's method determining the structural balance has proven to be problematic because the calculated potential output is strongly influenced by the current economic situation. In phases of economic downturn, for example, potential output is quickly and sharply revised downwards, although this does not have to reflect real conditions⁽²⁵⁾. The downward revision of potential output has severe consequences for the calculated structural deficit

⁽¹⁸⁾ OJ C 429, 11.12.2020, p. 227.

⁽¹⁹⁾ A. Truger (2020), *Reforming EU Fiscal Rules: More Leeway, Investment Orientation and Democratic Coordination*, Intereconomics, 55(5).

⁽²⁰⁾ See also P. Bom and J. Ligthart (2014), *What have we learned from three decades of research on the productivity of public capital?*, Journal of Economic Surveys, 28(5), 889-916.

⁽²¹⁾ J. Valero (2019), *New investment clause fails to win EU Member State support*, Euractiv. See European Commission (2015), *Making the best use of the flexibility within the existing rules of the stability and growth pact*, COM(2015) 012 final.

⁽²²⁾ European Commission (2015).

⁽²³⁾ European Commission (2021), *Guidance to Member States. Recovery and resilience plans*, SWD(2021) 12 final, part 2/2.

⁽²⁴⁾ OJ C 62, 15.2.2019, p. 103.

⁽²⁵⁾ A. Truger (2015), *Austerity, cyclical adjustment and the remaining leeway for expansionary fiscal policies within the current EU fiscal framework*, Journal for a Progressive Economy, 6, 32-37.

and the consolidation efforts identified correspondingly. Making the calculation of the potential output less sensitive to cyclical fluctuations can open up considerable fiscal room for Member States for countercyclical economic policies. This reform proposal could be implemented easily and should be taken into consideration merely as a minimum requirement for making the EU fiscal rules more fit to deal with cyclical fluctuations. However, even if reformed, the structural deficit will remain an extremely complex concept and its calculation is nearly impossible to explain to citizens and stakeholders. Because of the technical problems and the opaqueness of the concept, alternative options should be considered.

3.3.2. An alternative reform option is to abandon the contested concept of structural deficit altogether and, instead, to implement a public expenditure rule in a revised fiscal framework⁽²⁶⁾. Unlike the cyclically adjusted deficit, public expenditure is observable in real time and are directly controlled by the government. Public investment should be favoured by separating current and investment budgets, subjecting only the current budget to limits for nominal expenditure growth. This way, the golden rule approach could be combined with an expenditure rule⁽²⁷⁾.

3.3.3. Nominal public expenditure would be calculated net of interest payments and net of cyclical government expenditure. The limits could be determined by the medium-term growth rate of real potential output plus the European Central Bank (ECB) target inflation rate of 2 %. If cyclical factors cause tax revenue to decline (in a recession) or rise (in a boom), the rule promotes stability by ensuring that government expenditure only increases within the stipulated limits. Expenditure in excess of the established limit should only be allowed if it is budget-neutral, i.e. if spending is cut by the same amount elsewhere or if tax revenue increases. In the case of general tax cuts, expenditure growth rates would have to incorporate these withdrawals of resources. The proposed combination of an expenditure rule and a golden rule for public investment could constitute an effective tool for limiting public spending to sustainable levels, while at the same time allowing the automatic stabilisers to operate and enabling governments to take discretionary measures.

Flexible and country-specific debt adjustment paths

3.3.4. The EESC supports the proposal made by the European Fiscal Board (2020)⁽²⁸⁾ to introduce country-specific elements in a simplified fiscal framework. In particular, the EESC welcomes the suggestion regarding the differentiation of the fiscal adjustment in the Member States, while maintaining debt sustainability. A country-differentiation of debt to GDP reduction strategies should be based on a comprehensive economic analysis taking into account factors such as the initial level of debt and its composition, the interest rate-growth differentials as a matter of sustainability, inflation perspectives, the projected costs of ageing and environmental challenges, unemployment and poverty levels, income and wealth distribution, internal and external imbalances and, primarily, whether the fiscal adjustment (e.g. the required primary budget surplus) is realistic⁽²⁹⁾.

3.3.5. The EESC recalls that the fiscal reference values are not defined in Article 126 TFEU itself but by Protocol No 12 in the Annex to the Treaty. Therefore, these values can be changed by unanimous vote in the Council without a formal Treaty change procedure. The EESC encourages the EU institutions to consider raising the 60 % debt ceiling while taking into account the current macroeconomic context and ensuring fiscal sustainability.

3.3.6. Finally, it is worth adding in this context, that relying solely on national automatic stabilisers in recessions is not fully in line with the idea of countercyclical policy. Fiscal deficits caused by reduced output and employment do not fully compensate cyclical losses and are not enough to fully counter a cyclical downturn. They are only passive and partial countercyclical responses and need to be supplemented by active discretionary temporary responses to cyclical downfalls to be reversed in upswings. In the past, a range of Member States have decided to continue decreasing debt to GDP ratios with negative economic consequences while fiscal stimuluses would have been more appropriate. In a future fiscal framework, provided that a favourable interest rate environment continues, larger primary deficits should be allowed, while keeping debt to GDP ratios constant or decreasing and ensuring debt sustainability. This is why exceptional clauses must remain a cornerstone of any future EU fiscal framework and should be adapted accordingly.

⁽²⁶⁾ OJ C 429, 11.12.2020, p. 227.

⁽²⁷⁾ OJ C 429, 11.12.2020, p. 227.

⁽²⁸⁾ European Fiscal Board (2020).

⁽²⁹⁾ European Fiscal Board (2020).

Deactivation of escape clause

3.3.7. The EESC welcomes the activation of the fiscal framework's general escape clause and warns against 'returning to normal' too quickly as this might cause a contractive impulse, leading Member States to cut spending in order to reach MTOs, as was the case after 2010 causing a double-dip recession. This would counteract the aim of the Next Generation EU programme and could trigger a new recession.

3.3.8. The EESC supports the European Commission's decision to continue applying the general escape clause in 2022 and to deactivate the clause in 2023, provided that the level of economic activity reaches the pre-crisis level⁽³⁰⁾. What is more, the EESC supports the European Commission's assertion that 'country-specific situations will continue to be taken into account after the deactivation of the general escape clause'⁽³¹⁾. Finally, the Commission should put forward guidelines for a transition period until the new fiscal framework is in place, during which time no excessive deficit procedure should be activated, and with the possibility to use the 'unusual event clause' on a country-specific basis. Moreover, the EESC calls on the Commission to swiftly continue the revision of the EU economic governance framework, which has come to a halt. Instead of a 'return', the EESC recommends a 'turn' towards a revised economic governance framework as indicated below⁽³²⁾.

3.4. The international role of the euro

3.4.1. Our common currency — the euro — enjoys a strong international reputation and has been recognised for its global significance as a reserve and trading currency. The euro's reputation as a stable and trusted currency is dependent on clear, comprehensible and enforceable fiscal rules that strengthen public investments to allow for the modernisation of the capital stock and generate more cyclical leeway in economic downturns, while at the same time ensuring debt sustainability. The EESC is therefore convinced that a revision of fiscal rules must not undermine the stability of the euro as the main 'anchor' currency of the Union in any way. Particular emphasis should be given to the financial market's perception of the euro's long-term prospects as a globally important currency during the debate on the revision of the fiscal rules. In general, the Euro's reputation depends on economic, social and political stability.

3.5. Strengthening the role of parliaments and civil society in EU economic governance

3.5.1. The EESC points out that fiscal policy is the classic domain of parliamentary politics and its decisions affect the entire structure of state expenditure and revenue. Therefore, both national parliaments and the European Parliament need to be given a prominent role in the future EU economic governance framework. The role of the European Parliament should be strengthened in the European Semester through an interinstitutional agreement. At the same time, the principle of subsidiarity and the division of competences in the Treaties must be respected. National parliaments must hold governments accountable for the fiscal policies they pursue. Therefore, they need to be effectively involved in the European Semester and the implementation of national recovery plans.

3.5.2. In a similar vein, there is a need to involve civil society to a greater extent in the European Semester at both national and EU level. This way, a balanced economic policy can be established, where all interests are reconciled. This is particularly the case for the governance of the Recovery and Resilience Facility, where civil society involvement has not been satisfactory⁽³³⁾. The partnership principle, which has long been a tradition in the governance of the European Structural and Investments Funds, should serve as a blueprint for an effective mechanism of civil society involvement.

3.5.3. In the event of significant deviations from indicators representing the economic policy objectives, negotiations between the EU institutions and the Member States should follow. The two sides should develop solutions together and on an equal footing. Instead of threatening the Member States concerned with financial sanctions, the introduction of positive incentives could ease the problem. The promotion of inclusive and sustainable growth must be the key criterion in recommendations⁽³⁴⁾.

3.5.4. The EESC criticises so-called 'macroeconomic conditionalities' in the common provisions regulation applying to the European Structural and Investment Funds, in the regulation on the Recovery and Resilience Facility and in the intergovernmental treaty on the European Stability Mechanism which, generally speaking, allow the disbursement of EU

⁽³⁰⁾ European Commission (2021): *Economic policy coordination in 2021: overcoming COVID-19, supporting the recovery and modernising our economy*, COM(2021) 500 final.

⁽³¹⁾ European Commission (2021): *One year since the outbreak of COVID-19: fiscal policy response*, COM(2021) 105 final.

⁽³²⁾ OJ C 429, 11.12.2020, p. 227.

⁽³³⁾ EESC Resolution on the Involvement of organised civil society in the National Recovery and Resilience Plans — What works and what does not? (2021) (OJ C 155, 30.4.2021, p. 1).

⁽³⁴⁾ OJ C 429, 11.12.2020, p. 227.

funds to be stopped if Member States breach the EU fiscal rules or contribute to macroeconomic imbalances. After the deactivation of the escape clause, these macroeconomic conditionalities might cause a contractive impulse, leading Member States to cut spending in order to reach fiscal targets. This would counteract the political aim of territorial cohesion and the broader aims of the Next Generation EU Programme.

3.5.5. For a sustainable recovery, an accommodating monetary policy remains vital. The European Parliament could use its annual resolutions on the ECB and its quarterly 'monetary dialogue' hearings with the ECB to vote on secondary objectives and to develop a process that is more democratic, with guidelines on macroeconomic and industrial policy. This would allow greater involvement of social partners and citizens, along with national parliaments. In this manner, the ECB would receive renewed legitimacy for an expanded set of goals. It could work efficiently, deploying its full toolkit to work towards a clear and politically defined set of policy objectives, guided by democratic institutions. The ECB is a public institution and can be enlisted to help Member States to fund themselves in times of rising interest rates, from either a price stability or an employment perspective, by targeting interest rates and spreads and through targeted monetary tools.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee ‘Glass in Europe at a crossroads: delivering a greener, energy-efficient industry, while enhancing competitiveness and maintaining quality jobs’

(own-initiative opinion)

(2022/C 105/04)

Rapporteur: **Aurel Laurențiu PLOSCEANU**

Co-rapporteur: **Gerald KREUZER**

Plenary Assembly decision	25.3.2021
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Consultative Commission on Industrial Change (CCMI)
Adopted in section	29.9.2021
Adopted at plenary	21.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	142/1/3

1. Conclusions and recommendations

1.1. The European glass industry is an innovative and highly strategic sector from which the EU benefits greatly. Glass products are indispensable to the transition towards a climate-neutral circular economy: for renovating buildings, producing more renewable electricity, decarbonising means of transport and making sustainable packaging. Glass also contributes to Europe’s digitalisation revolution. In short: glass is the future.

1.2. The EESC asks EU policymakers to put the glass sector and all its subsectors at the heart of current policy priorities such as the ‘Fit for 55’ package, the Circular Economy Package, the Digital Agenda, the strategic value chains agenda and the EU’s international trade policy and associated instruments.

1.3. The EU’s Renovation Wave would be a tremendous source of business opportunities for glass, triggering investments, while contributing enormously to the reduction of CO₂ emissions from buildings. We call upon EU and upon national policymakers to at least uphold the current proposed goals and where possible strengthen them.

1.4. An energy transition within the sector is necessary in order to make the inherently energy-intensive process of producing glass carbon-neutral. This energy transition will result in major cost increases in doing business due to higher operational costs and capital requirements.

1.5. The EESC strongly recommends that EU policies support the glass industry in order to enable this transition, with financial support for both capital and operational expenditure, with renewable energy capacity building, with an affordable energy supply and by ensuring that the industry is not exposed to unfair competition from outside the EU market.

1.6. The EESC supports all EU policies and national recovery plans that facilitate the transport revolution to smart and climate-neutral cars and the massive expansion of public transport systems. High-tech glass has an important role to play.

1.7. The EESC strongly recommends that the EU classify glass as a permanent material, due to its inert, reusable and infinitely recyclable characteristics.

1.8. The EESC demands a switch from non-linear materials to fully circular, reusable and recyclable glass to reduce dependency on imports of fossil fuels, the extraction of virgin raw materials and resource depletion. The Committee suggests that the EU should recognise the benefits of glass in contributing to sustainable packaging systems.

1.9. The EESC strongly recommends wider implementation of circular economy principles, coupled with public and private financial support and partnerships such as the Close the Glass Loop initiative, to encourage the take-up of glass recycling. This will enable Europe to avoid glass waste, reduce energy consumption and CO₂ emissions and create new jobs in the glass recycling sector.

1.10. The EESC urges the EU to recognise that glass is indispensable for the production of green energy. Glass is a key component not only of photovoltaic solar panels but also of wind turbines and can be used in other ways to produce green electricity. The EESC calls upon the Commission and the Parliament to develop new EU policies regarding climate goals and strategic value chains in order to restart the production of photovoltaic cells in Europe and safeguard the production of other strategic glass products and the value chains they belong to (e.g. windscreens for transportation manufacturers).

1.11. The EESC requests that investment in education and training be supported to provide new and young employees entering the sector to replace the ageing workforce with the necessary knowledge and capabilities, as well as to enable current workers to keep up with innovation and transitional changes in the industry.

1.12. The EESC calls on the EU to protect our glass industries against the risk of carbon leakage. Increasing climate ambitions and rising carbon costs require strengthened rather than weakened carbon leakage protection. The competitiveness of glass products in export markets and in the EU itself can be partly ensured by effective carbon leakage measures through the Emissions Trading System (ETS). This system should be maintained to support the industry in the transition to meet the EU's climate neutrality objective. The introduction of the Carbon Border Adjustment Mechanism (CBAM) and the taxonomy package must be carefully considered. The Committee asks that the CBAM include a solution for exports and that carbon leakage measures be strengthened by complementing the CBAM with full benchmark-based free allocation at least until 2030, in line with WTO rules.

1.13. A green and digital transition in Europe, and in the glass industry in particular, has to be a just transition. To ensure maximum support for this transition, the EESC calls for workers to be included. Therefore, social dialogue at every level should be supported by EU legislation.

1.14. In order to monitor developments in the glass industry, in terms of CO₂ reduction, production and other relevant variables, the EESC would welcome more focused support and analysis for the sector as a whole and its subsectors and for each Member State.

2. General description of the glass industrial sector

2.1. Production

Glass production in the EU reached 36,8 million tonnes in 2020 according to Glass Alliance Europe. The EU is one of the largest glass producers in the world. It comprises five subsectors:

- a) 60,4 % — Container glass
- b) 29,2 % — Flat glass
- c) 3,2 % — Domestic glass
- d) 5,3 % — Fibres (reinforcement and insulation)
- e) 2,1 % — Special glass

2.2. Employment

In 2018, the glass sector employed approximately 290 000 workers across the EU-27⁽¹⁾. This figure covers glass manufacturing, recycling and processing since some sectors, like flat glass in particular, have complex value chains. The glass-processing sector also includes a considerable number of SMEs.

⁽¹⁾ Source: Eurostat and FERVER.

2.3. Health and safety

2.3.1. The European glass industry offers quality jobs to a wide range of profiles: from unskilled blue-collar to high-level engineering jobs.

2.3.2. Working as a blue-collar worker in the glass industry can be physically hard and sometimes still dangerous. Health and safety measures require investment and often have a positive impact on productivity. Measures to prevent occupational diseases are continuously being improved, as is the case for the prevention of silicosis, as part of the European Network for Silica (NEPSI) social dialogue on respirable crystalline silica. The culture of safety and prevention has contributed to the quality of the jobs in the sector.

2.4. Age, education and training

In contrary to central and eastern Europe, western European countries' workforce is mostly older (50+) and very experienced. It is increasingly difficult to attract new and younger workers. Replacing older and experienced workers means training new workers and enabling current workers to keep up with innovation and changes in the industry.

2.5. Glass is a very innovative sector

2.5.1. Health and well-being trends are opening up new opportunities and markets for sustainable, healthy, reusable and infinitely recyclable closed-loop glass packaging. The glass sector is working on design innovation and more 'disruptive' routes for decarbonising the production process, heralding a major transformation in the production of glass.

2.5.2. Glass used in construction and the automotive sector is becoming more sophisticated by integrating foils, gases, coatings, cameras, radars and other materials to enhance safety, insulation properties and transmissibility of data. Photovoltaic cells can be integrated into façade glass or into car panoramic sunroofs to maintain efficiency and generate renewable electricity.

2.5.3. High-tech glass products are also used in the aerospace and defence sectors. Glass products and composites are also used in spacecraft and satellites as coatings, electronics, sensors, displays, etc. This makes the glass industry not only a high-tech and innovative sector, but also a highly strategic one.

2.6. Impact of COVID-19

Markets have been depressed in key sectors since the pandemic started, resulting in reduced production with slow recovery in some important glass sectors (flat glass, domestic glass, fibres). In 2020, the sector was down by 1 % to 14 % depending on the subsector. In the flat glass sector, which mainly serves the construction and automotive industries, the EU market shrunk by more than 10 % in 2020. While the uptake in construction has been steadier than anticipated, the automotive glass market remains very depressed to date.

3. Glass's contribution to the EU's climate neutrality, circular economy, well-being and Digital Agenda

3.1. Climate neutrality

3.1.1. Renovation Wave

3.1.1.1. Glass products are at the core of the EU's Renovation Wave that aims to drastically reduce energy consumption and CO₂ emissions from buildings. Glazing with the highest energy performance standards will need to be used in windows to insulate buildings. This would mean massive CO₂ reductions since high-performance glazing could cut 37,4 % of CO₂ emissions from buildings by 2050 ⁽²⁾. Glass wool, foam glass and other insulating glass fibre derivatives are also key to attaining optimal insulation in buildings.

⁽²⁾ The source is a TNO report from 2019: Glazing potential: energy savings and CO₂ emission reduction — Glass for Europe

3.1.1.2. The EU's Renovation Wave would be a tremendous source of business opportunities. Doubling the window replacement rate could result in the flat glass market growing by over 60 % and could thus trigger investments.

3.1.2. Production of green energy

3.1.2.1. Glass is indispensable for the production of green energy. Glass is a key component of photovoltaic solar panels. Wind turbines use glass fibres to make them lightweight but sturdy. Green electricity can also be generated by special mirror glass focusing light onto a central element connected to a generator.

3.1.2.2. The swift rise and fall of the European solar panel production industry due to unfair competition from Chinese companies can serve as an example of how not to manage new green energy opportunities in an internationally competitive environment. New EU policies regarding climate goals and strategic value chains should aim to revamp the production of photovoltaic cells in Europe.

3.1.3. Transportation

3.1.3.1. The glass sector is a large supplier for rolling stock producers. Due to the COVID-19 crisis, some public transport companies have paused or cancelled a number of large orders, with several sites risking closure, which could result in an increase in imports. Timely national recovery plans could be effective in supporting European production.

3.1.3.2. Even though the automotive industry was already in crisis even before COVID-19, there will likely be a demand for more advanced lightweight, high-insulation glazing. Autonomous cars will intensify demand for more sophisticated specialised glass products to serve as displays, control panels and augmented reality devices, etc.

3.1.4. Sustainable packaging

Glass provides Europe's food and beverage, cosmetics and pharmaceutical (e.g. COVID-19 vaccines) sectors with healthy and sustainable inert packaging. The glass sector is leading on a wide range of innovations in eco-design, decarbonisation and energy efficiency processes to transform the way glass is produced. Every year, no less than 10 % of production costs are invested in decarbonisation, energy efficiency and plant upgrades. The latest container glass Furnace for the Future project ⁽³⁾, which has applied to the ETS Innovation Fund, will cut emissions by 60 %. This is one of several initiatives to support the sector's aim to deliver climate-neutral glass packaging which will transform the sector and offer big opportunities for growth in low-carbon glass packaging.

3.2. Circular economy: glass as a perfect circular product

3.2.1. Glass is a permanent, inert material that is reusable and infinitely recyclable without losing its properties.

3.2.2. Glass is an environmentally friendly alternative for a lot of plastic applications, leading the race in terms of effective recycling and it is 100 % reusable, providing a fully circular system. It is the only packaging that does not need a plastic layer or liner and always remains healthy and safe for food grade packaging, no matter how many times it is recycled, making it the only packaging that can achieve this. Glass is one of the most recycled packaging materials, with 76 % of all glass put on the market these days being collected for recycling. Using recycled glass saves both energy and CO₂ emissions. EU-wide incentives to encourage stakeholders throughout the value chain, including consumers, to recycle more and better should continue to be supported.

3.2.3. In the building glass sector, recycled glass nowadays accounts for 26 % of the raw material input ⁽⁴⁾. There is the potential to increase recycling by improving the collection, sorting and cleaning of glass coming from old windows or façades.

⁽³⁾ Furnace for the Future: <https://feve.org/about-glass/furnace-for-the-future/>

⁽⁴⁾ Glass for Europe — 2050: Flat glass in climate-neutral Europe — 2019. <https://glassforeurope.com/wp-content/uploads/2020/01/flat-glass-climate-neutral-europe.pdf>

3.2.4. The end of life of the first generation of photovoltaic cells can create a new opportunity to revamp industrial policy on solar energy and keep precious materials in Europe through enhanced recycling. A clear EU vision and policy should support this.

3.3. *Well-being*

3.3.1. Glass is all around us. Modern life would not be possible without it. The glass sector is also one of the oldest industries and has profound historical roots in Europe in decorative glass, arts and culture. This long tradition has shaped European know-how, practices and the art of glass-making.

3.3.2. These days, glass makes medical technology, biotechnology and life science engineering possible. Glass also protects us from X-ray radiation (radiology) and gamma rays (nuclear). Interior design glass and glass furniture like mirrors, partitions, balustrades, tables, shelves and glass lighting enhance our living and office spaces.

3.3.3. Glass protects the quality and shelf life of our food and beverages. Glass tableware enables fine dining and *art de vivre* accessories. Glass windows let natural light into our homes and offices. Glass is used in home and office appliances and electronics like oven doors, hobs, TV and computer screens and smartphones.

3.4. *Digital Europe*

European production sites already make the thinnest glass available, which is used for displays, smartphones, tablets and other (touch) screens. Glass fibre-optic wires and cables ensure both large-scale and even intercontinental transportation of data as well as micro connections in electronic devices and chips.

4. **Glass as an energy-intensive sector**

4.1. Every year, new furnaces are progressively rebuilt or adapted with innovative low-carbon technologies that are much more energy-efficient. The industry continues to reduce energy consumption by making use of waste heat recovery technologies, Organic Rankine Cycle technology, increasing cullet usage and other symbiotic technologies. New energy management systems and technologies deployed throughout glass plants are helping to increase energy efficiency.

4.2. The reduction in energy use in the glass sector has been on a steep downward trajectory for almost 100 years and is now reaching its thermodynamic limit.

4.3. As CO₂ emissions in the glass sector are directly linked to the energy used, energy efficiency improvements can be seen in the reduction of CO₂ emissions. These improvements have in fact led to steep reductions in CO₂ emissions. For example, the French glass industry — which is quite diverse and sophisticated — reduced its CO₂ emissions by 70 % between 1960 and 2010.

4.4. In order to monitor the progress made by the glass industry compared to other energy-intensive sectors, more focused support should be developed for the sector as a whole and its subsectors and for each Member State.

4.5. *Pathways to climate/carbon neutrality*

4.5.1. The glass sector has almost reached its thermodynamic limit, which means that significant reductions of CO₂ emissions are no longer possible with current techniques and the combustion of natural gas. What is needed is an energy transition and even greater circularity in glass production in the areas where potential exists.

4.5.2. *Green electricity*

Electrification is another promising pathway to decarbonising glass production. A demonstration project — Furnace for the Future — is currently being developed. It would be the first large-scale hybrid electric container glass furnace in the world. There are already small-scale electric furnaces operating in the container glass and domestic glass subsectors. As is the case for hydrogen, the capacity of green electricity needs to be developed.

4.5.3. Green hydrogen

Hydrogen is a very promising alternative to natural gas. The glass sector is already exploring the option of hydrogen furnaces. It will still take several years before the first hydrogen-driven furnace is operational in a competitive setting and before there is sufficient production and transportation capacity for hydrogen.

4.5.4. Circularity

When melting glass with natural gas furnaces, up to 80 % of the CO₂ is emitted through the combustion of natural gas and 20 % is emitted by virgin raw materials. Replacing the virgin raw materials with recycled glass (cullet) prevents the need to extract virgin materials, reduces waste and CO₂ and saves energy. There is the potential to 'close the glass loop'⁽⁵⁾ and for more glass to be recycled post-consumption. In both the construction and automotive glass subsectors, several initiatives and models are being tested to improve collection. The pre-dismantling of glass and glazing from buildings before demolition and a material-specific collection target should be envisaged to complement the generic target for construction and demolition waste that is ineffective when it comes to lightweight materials like glass. Separate collection systems are needed to ensure high quality so that high levels of recycled content can be used in glass products.

4.5.5. Hurdles and challenges

The energy transition will result in higher operational costs (OPEX) and capital requirements (CAPEX). EU policies must support industry investments to enable this transition and must ensure that the industry is not exposed to unfair competition from outside the EU market. Furthermore, action must be taken now as furnaces have a lifetime of about 10 to 15 years (container glass) or 15 to 20 years (flat glass). That only gives us two generations of furnaces until the crucial year 2050.

5. Glass industry in EU policy

5.1. Green recovery: The Green Deal, the EU Renovation Wave, the push for more renewable energy, sustainable transport policy and circular economy initiatives should be effective drivers for low-carbon glass products.

5.2. New energy sources: Support and build renewable energy capacity for green electricity and green hydrogen and ensure the availability of biogas. Support wind and solar power in the energy mix.

5.3. R & D: Increase public support and funding for R & D and demonstration projects⁽⁶⁾ such as the ETS Innovation Fund in order to decarbonise production and further develop energy-efficient furnaces. The Fund has been massively oversubscribed in its first call, and this is also expected to be the case in subsequent calls.

5.4. Market uptake: Mechanisms to support the market uptake of low-carbon glass products are needed to ensure return on investment for low-carbon production investments. Support the replacement of plastics by sustainable glass alternatives in the retail sector, at home, in the hospitality sector, for takeaway meals and on-the-go food and beverages, to help move from linear to circular economy systems.

5.5. Renovation Wave: Support Renovation Wave measures which have the potential to encourage the use of products avoiding CO₂ to boost energy efficiency and renewables in both buildings and transport. Increase the energy efficiency target and make it binding at EU level to encourage the renovation of public buildings and increase the level of ambition for energy saving obligations. Support the increase in funding available for building renovation through a number of instruments, including the New Social Climate Fund.

5.6. Sustainable transport: Support the transport revolution to smart and climate-neutral cars and the expansion of public transport systems. High-tech glass plays an important role in this.

⁽⁵⁾ Close the Glass Loop: <https://closetheglassloop.eu/>

⁽⁶⁾ The glass industry has several decarbonisation strategies, such as switching to renewable energy sources, energy-efficiency measures, low-carbon raw materials, uptake of recycled glass, transport and logistics.

5.7. Sustainable packaging: Support the switch from non-linear materials to fully circular, reusable and recyclable glass to reduce dependency on imports of fossil fuels, the extraction of virgin raw materials and resource depletion.

5.8. Circularity: Support separate collection and recycling infrastructures, capacity building and technologies to maximise the quantity and quality of post-consumer glass for closed-loop recycling back into new glass products. Encourage public and private sector value chain partnerships, such as the 'Close the Glass Loop' platform for container glass⁽⁷⁾, to work together.

5.8.1. In particular, efforts need to be made in the field of construction sector activities, including demolition waste, to exploit the potential of end-of-life building glass.

5.8.2. High reuse rates of glass packages and high recycling rates of glass packaging have been shown to contribute to lowering the environmental impacts of glass packaging systems and increasing resource efficiency. In order to achieve high reuse and recycling rates, in addition to extended producer responsibility (EPR) schemes for recycling one way glass packaging, the industry has introduced voluntary deposit systems on reusable glass packaging and some Member States of the European Economic Area (EEA) have implemented mandatory deposit refund systems (DRSs) on one-way beverage packaging. While mandatory deposit refund systems for one way packaging are seen as an effective means for preventing littering and achieving high recycling rates of beverage packages, the EESC considers that DRS for one-way glass for other glass containers (and not only beverages containers) is not compatible with the well-functioning EPR schemes which are a proven fit for purpose collection for recycling system and which have achieved very high recycling rates.

5.8.3. For non-refillable container glass, support extended producer responsibility schemes that can collect glass in bulk. These are much more effective than deposit return schemes for one-way packaging, both environmentally and economically.

5.9. Digitalisation: Support industries and employees that are enabling a digital Europe (fibre optics, touchscreens, displays, sensors) through an effective EU industrial policy and the development of ecosystems, taking into account all the above challenges and reflecting the specific features of the various glass subsectors.

5.10. *Ensuring competitiveness on the European market*

5.10.1. The glass sector energy transition will take time and, during the transition, the very high and rising energy costs are creating an extremely challenging situation in the glass sector, currently representing about 25-30 % of glass production costs, depending on products and price fluctuations.

5.10.2. State aid

All glass subsectors should benefit from support instruments for CAPEX and OPEX, such as the modernisation fund, the EU structural funds and the ETS innovation fund, among others. Glass should be exempted from the Energy Taxation Directive but included in the block exemption for electricity compensation and should benefit from Carbon Contracts for Difference so that they can invest in low CO₂-production processes. In particular, special glass should be added to the climate list for State aid.

5.10.3. Competitiveness worldwide

5.10.3.1. Unfair trade practices from third countries need to be addressed swiftly with effective trade policy instruments.

5.10.3.2. The continuous filament glass fibre sector has suffered from a distorted market due to high imports of dumped and subsidised glass fibres from Asia. There is an urgent need for anti-circumvention measures, for example on imports from Egypt and Bahrain.

(7) Close the Glass Loop www.closestheglassloop.eu

5.10.3.3. The glass sector producing windscreens for the automotive sector also faces harsh competition mainly from Chinese producers. Lower environmental and CO₂ emission standards combined with lower wages and poorer working conditions lead to unfair competition that could cause European car assemblers to increase imports from far east Asia, causing more CO₂ emissions globally.

5.10.3.4. Europe is the leading producer of glass packaging in the world. The sector serves the EU's essential food and beverage sector, the largest sector in the EU. Glass also contributes to the external trade of an estimated EUR 250 billion worth of products that are packaged or likely to be packaged in glass, providing more extra EU export earnings than plastic resins and pellets, organic chemicals and aircraft.

5.11. *Ensuring a just transition*

Life-long learning and training should be encouraged and supported to ensure that the workforce adapts to new technologies and processes and to provide more job security, within both the sector itself and the broader job market. Workers should be included in the transition and, therefore, social dialogue at every level should be supported by EU legislation.

5.12. *Legislative stability and certainty*

5.12.1. Carbon leakage: Effective carbon leakage measures through the ETS should be maintained to support the industry in the transition to meet the EU's climate neutrality objective and to create and maintain a level playing field at European and international level.

5.12.2. CBAM: The EESC is in favour of a careful introduction of the CBAM, in line with WTO rules, but it should include a solution for exports and it should complement free allocation at full benchmark level at least until 2030 to allow companies to focus on low-carbon investment and to assess the effectiveness of the CBAM.

5.12.3. Taxonomy: The Committee welcomes the work on the EU taxonomy package aimed at directing private financing towards sustainable activities, but thinks that the role of glass manufacturing and its contribution to climate change adaptation and mitigation should be addressed.

5.12.4. Circularity: The Committee welcomes the Circular Economy Action Plan and asks that glass be fully recognised as a permanent material which remains productive in our economies and that initiatives to enhance the circularity of glass be fully supported.

5.12.5. Fit for 55: This package was presented while this opinion was being drafted. It proposes amending a dozen existing proposals (Emissions Trading Directive, Energy Taxation Directive, Renewable Energy Directive, etc.) and introduces a few new ones (like the CBAM proposal). The Committee calls upon the Commission to carefully assess this package's impact on the glass industry. Given the magnitude of the changes introduced in a lot of different fields, it is crucial to ensure coherence between the various pieces of legislation and avoid potential conflicts. The package should support industry towards its energy transition while ensuring a level playing field with competitors outside the EU that are not facing the same carbon costs.

Brussels, 21 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the EU mobility strategy and EU industrial value chains: automotive eco-systems approach

(own-initiative opinion)

(2022/C 105/05)

Rapporteur: **Arnaud SCHWARTZ**

Co-rapporteur: **Monika SITÁROVÁ**

Plenary Assembly decision	25.3.2021
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Consultative Commission on Industrial Change (CCMI)
Adopted in section	29.9.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	235/1/5

1. Conclusions and recommendations

1.1. The EESC believes that the European automotive ecosystem can become a frontrunner in developing and deploying sustainable mobility solutions. Therefore, the automotive ecosystem must actively develop strategies to shape the ongoing disruption and megatrends in Europe's automotive landscape.

1.2. In order to reduce transport emissions by 90 % by 2050, the EESC wants the EU to strive to make all transport modes sustainable, while making sustainable alternatives widely available and accessible to EU citizens. This objective can be achieved with a smart combination of powertrains that strikes a balance between environmental protection, efficient use of renewables, economic viability, and consumer acceptance, while respecting the principle of technology neutrality.

1.3. The EESC strongly underlines that individual mobility must remain accessible and affordable for all, especially for commuters without access to quality public transport or other mobility solutions. A societal polarisation between those that can afford to buy a green car and those that cannot must be avoided at all costs. In this respect, the EESC warns that setting up an adjacent ETS system for the transport sector could undermine public support for the de-fossilisation of road transport if lower income groups and those that depend on road transport for their livelihood are not properly compensated.

1.4. The EESC points out that the European automotive industry has always been a global leader and a driver for growth and jobs. In the transition to the paradigm of a digitalised and decarbonised road transport system, it should retain this position and develop the transformation pathways that allow it to deal with the disruptive trends the industry is currently facing. It should do so by building on its strengths in technology, its skilled workforce, world-class engineering, demanding consumers, sophisticated supply chains, strong SME culture, and constructive labour relations.

1.5. The successful launch of the IPCEI on batteries has proved that pooling public and private resources clearly contributes to strengthening the automotive supply chain. The EESC is therefore convinced that more IPCEIs in this sector have to be considered, e.g. on hydrogen (in preparation), automated and connected cars, the circular economy, raw

materials, etc. Bold action is required to deal with the supply bottlenecks in semiconductors, and setting up a second IPCEI for semiconductors would help tackle this issue.

1.6. The EESC wants the EU to support a global level playing field. Europe must have the ambition to maintain its strong export position in the automotive industry. Actions must therefore be taken to:

- strive for reciprocity in trade relations (market access, public procurement, investments, respect of IPRs, subsidies);
- conclude bilateral free trade agreements (including a chapter on automotive/road transport);
- fight against unfair trading practices (subsidies, bilateral free trade agreements, differences in the price of carbon, social and environmental dumping);
- promote international cooperation on clean cars and low-carbon fuel technologies.

1.7. The transformation of the automotive industry will have a dramatic impact on the quantity and quality of jobs needed. Active labour market policies are thus required to maintain the employability of the workforce through up- and re-skilling initiatives, for example, (like the Automotive Skills Alliance) in order to equip workers with the skills of the future. For employees that have to leave the sector, a smooth transition to another job must be guaranteed (in addition to early retirement schemes).

1.8. The EESC calls for a clear mapping of the impact of the sector's digital and green transition in order to identify the regions and parts of the supply chain that are most at risk. Also, the changing footprint of the industry due to decarbonisation and digitalisation needs to be monitored taking all relevant life cycle stages into account. As the challenges the automotive supply chain has to deal with are massive, the EESC considers it imperative to set up a just transition mechanism for the sector in order to put in place the necessary flanking measures to avoid social disruption and to ensure a socially responsible transition.

2. General comments

Current situation

2.1. The automotive industry has always been **a cornerstone of European Union's industry** and has important linkages with upstream industries such as steel, chemicals, and textiles, as well as downstream industries such as ICT, repairs, fuels, lubricants and mobility services. The sector represents over 8 % of EU GDP, accounts for 28 % of total EU R & D spending and its exports generate a large trade surplus. However, the future of Europe's automotive industry will depend on how it is able to make the fundamental adjustments needed to address the unprecedented challenges it is facing today.

2.2. The European car industry is **at the crossroads of a radical new paradigm** resulting from the complex transition towards a digital and green economy. On 28 November 2018, the Commission adopted a long-term vision for a climate-neutral economy by 2050. The transport sector was identified as playing an important role in this transition. The European Green Deal of December 2019 sets a strategic framework for achieving climate neutrality. It calls for a 90 % reduction in transport emissions by 2050. In this context, the EU has decided to revise its 2030 greenhouse gas emission reduction target to at least - 55 %. To reach this objective, the Commission unveiled its 'Fit for 55' package on 14 July 2021, which revises the Effort Sharing Regulation, the Directive on the Deployment of Alternative Fuels Infrastructure and the Regulation on Setting CO₂ Emission Performance Standards.

2.3. The shift from fossil fuels to low-carbon power as well as the shift from creating added value in mass production of cars towards delivering mobility services, will create **deep turmoil for the industry**, for the many SMEs in its complex supply chains, and for the 13,8 million workers in the sector. Therefore, the challenge will be to manage this transition towards net-zero in a socially acceptable way.

Disruptive megatrends

2.4. **Globalisation.** As sales on mature markets slow, automotive sales are growing in emerging markets. As a result, the economic centre of gravity is moving from the EU and the US to Asia. China is currently churning out 26 million cars per year as against 22 million in the EU. China has also been among the first to start producing electric vehicles and has a mature battery industry. Japan and Korea also have a lead on batteries and are especially strong in semiconductors. Europe also has problematic access to ethically sourced raw materials such as lithium and cobalt⁽¹⁾. Additionally, the automotive sector has to take into account mounting geopolitical tensions.

2.5. **The challenge of sustainable development.** According to the vision set out in the EU's Sustainable and Smart Mobility Strategy, 'by 2030, there will be at least 30 million zero-emission cars' on European roads. On 14 July, the EU Commission proposed that only zero-emission vehicles will be allowed to be marketed from 2035. This will require a steep increase in the share of zero-emission vehicles in the vehicle fleet (from 0,2 % currently to 11-14 % in 2030)⁽²⁾. Delivering on the objectives of the Green Deal will create first-mover advantages, and support Europe's leadership in low-carbon technologies and its global competitiveness. This also means massive investments in the development of alternative drivetrains (battery-electric, hybrid, hydrogen) and defossilised fuels for conventional drivetrains that will still be present in the fleet for a long time. The pace of uptake of these powertrains and fuels depends on the enabling regulatory framework and the payback periods for these investments. The EU's Sustainable and Smart Mobility Strategy recognises the need 'to make all modes of transport more sustainable'. This approach requires the uptake of low and zero emission vehicles as well as renewable and low-carbon fuels for road, waterborne and air transport.

2.6. **Changing consumer mindsets.** Mobility behaviour is changing. A new generation of consumers is less interested in owning a car as many live in urban areas with well-established collective transport systems. Instead of owning a car, they will look for another mobility solution (car-sharing, ride-hailing, micro-mobility). Other trends that were already visible have been reinforced by the pandemic, such as online shopping, remote working, videoconferencing, delivery services. They will result in a reduction in personal car mobility, while the use of commercial vans will increase.

2.7. **Increasing connectivity.** Digital technologies aim to allow cars to become almost permanently connected. This could create considerable potential for new data-driven business models. Smart cars would be equipped with active safety features, infotainment, traffic information services, vehicle-to-infrastructure communication, etc.

2.8. **The gradual automation of the car.** The journey to self-driving cars will lead to ever increasing levels of autonomous vehicle features. Automated driving would require enormous investments in software, communication networks, and hardware (radars, lidars, transponders). It also creates many challenges regarding reliability, the legal framework, price, road equipment, and liabilities.

2.9. **Digitalisation of production.** The automotive industry invented the assembly line (Ford), the principles of lean manufacturing (Toyota), and globalised production platforms (VW). Currently it is embracing the principles of Industry 4.0 with advanced robotisation, digitally integrated supply chains, advanced manufacturing systems, and additive manufacturing.

Consequences of the green and digital transformation

2.10. A smaller, digitalised and decarbonised automotive industry will create **an enormous job challenge**. BEVs have fewer components and are simpler to produce, while at least 36 % of their added value is in batteries. Based on an extrapolation from a recent study by the German IFO Institute, 620 000 jobs will be at risk in the EU value chain of conventional powertrains. Solutions can be partly found in (early) retirement⁽³⁾, for example, or more broadly in revolutionising the future of work⁽⁴⁾. On the other hand, the transition will also generate new jobs in adjacent industries as power electronics, smart grids, road and charging infrastructure, batteries, new materials, and alternative fuel powertrains.

(1) https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2312

(2) Commission Staff Working Document, Sustainable and Smart Mobility, SWD(2020)331, p. 248.

(3) Dr Oliver Falck, Dr Nina Czernich, Auswirkungen der vermehrten Produktion elektrisch betriebener Pkw auf die Beschäftigung in Deutschland, Mai 2021, ifo Institut; https://www.ifo.de/DocDL/ifoStudie-2021_Elektromobilitaet-Beschaeftigung.pdf

(4) <https://eeb.org/library/escaping-the-growth-and-jobs-treadmill/>

2.11. **A trend for consolidation, strategic alliances** (e.g. Stellantis, alliances between BMW and Mercedes and between VW and Ford) in order to pool R & D in new powertrains, combine the purchasing of components. These mergers and alliances will always result in new company strategies, revisiting of the industrial footprint, outsourcing to regions with lower labour costs, job reduction schemes and increased pressure on suppliers. Furthermore, spinning off mature businesses allows companies to concentrate resources on the new powertrains.

2.12. **Blurring boundaries between the automotive industry and the IT sector.** Information technologies will penetrate at all stages of the supply chain. Data will become a new raw material and a source of revenue. A global industry reshuffle is underway with new players making inroads in the industry: mobility providers (Uber), IT giants (Google, Apple, Baidu), chip producers (Intel, NXP, STM), battery producers (Panasonic, CATL, LG), emerging OEMs (Tesla).

2.13. **Added value could shift away from the core of the automotive industry (OEMs)** to other parts of the supply chain as the share of information technologies as a percentage of added value will only increase to the detriment of mechanical components.

2.14. It is likely that more and **more added value will be created in mobility services** such as ride-hailing, ridesharing, car-sharing and plenty of digital services like navigation apps, infotainment, advertising, and advanced driver assistance systems. This will create new business models: while OEMs see the car industry as a market of 100 million vehicles, digital platforms are looking at it as a market where 10 trillion miles can be sold every year.

2.15. The **job structure of the sector will be completely overhauled.** New skills and experience will be needed (electronics, electrochemistry, new materials, information technologies), while in parallel there will be a fall in demand for traditional mechanical skills. Equipping the workforce with these skills will be an important challenge for the automotive industry.

2.16. All the above-mentioned megatrends will reinforce each other. While there is widespread consensus that game-changing disruption has started, making the social transition towards decarbonised transport more gradual by organising a just transition must become a priority for all stakeholders. Sustainable mobility must be affordable for all to be accepted.

3. Mastering the transformation

Environment: shifting gears towards sustainability

3.1. **To reduce transport emissions by 90 % by 2050 the EU should strive to make all transport modes sustainable while making sustainable alternatives widely available and accessible to EU citizens. This objective can be achieved through a smart combination of powertrains that strikes a balance between environmental protection, efficient use of renewables, economic viability, and consumer acceptance, while respecting the principle of technology neutrality.** This requires a combination of different strategies:

- Reduction of tank-to-wheel CO₂ emissions (48V, hybrids, electricity, hydrogen, more efficient internal combustion engines, etc.).
- Reduction of well-to-wheel CO₂ emissions. The development of e-fuels, and biofuels that are in line with the UN SDGs and the sustainability criteria set out in the Directive on the promotion of the use of energy from renewable sources^(?) needs support to avoid impact on land-use, biodiversity, and forests.
- A coordinated strategy for clean cities (e.g. by decarbonising last-mile transport, innovative micro-mobility solutions, intermodal travelling).

^(?) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

- Reduction of life-cycle emissions (manufacturing and recycling).
- Reduction of the emission intensity of the transport sector (intelligent transport solutions, shared mobility). For each transport need, a sustainable mobility solution must be available (long distance freight transport via biofuels and synthetic fuels/hydrogen, battery electric powertrains for urban last-mile delivery) in respect of the principle of technological neutrality.
- Encouraging retrofitting whereby the ICE is replaced with an electric engine or supplemented (hybridized) with in-wheel hub motors.
- Reducing the weight of newly marketed cars ⁽⁶⁾.

3.2. The Commission intends to set up an adjacent ETS system for road transport and buildings. Putting a price on road transport emissions will equate to taxing fuel (but with a qualified majority). The revenues will be used to compensate those that are reliant on an internal combustion engine vehicle, either for work or due to a lack of alternative transport options. As the design of such a compensation mechanism will be extremely complex and the higher fuel prices will hurt lower income groups disproportionately, the EESC is not convinced that this is the way forward as it will undermine public support for climate action. Instead, efforts to reduce the lifecycle cost of alternative powertrains, and to reduce the cost of low and net-zero carbon fuels would seem to be a better way to bring low carbon transport within the financial reach of the many.

3.3. **Priority should be given to so-called ‘charging deserts’.** Today, 213 000 charging stations are available and 70 % of all EU charging stations are concentrated in three countries (the Netherlands, Germany and France). With a target of 1 million public chargers by 2025 and 3 million by 2030, **the gap to be bridged in terms of infrastructure development is enormous** (the European Sustainable and Smart Mobility Strategy estimates that the additional investments needed in charging and refuelling infrastructure for low-carbon fuels are equivalent to EUR 130 billion per year, for the next decade). Therefore, the EESC supports the introduction of mandatory targets. As part of the Recovery and Resilience Facility, the flagship project ‘Recharge and Refuel’ only encourages the Member States to accelerate the deployment of recharging and refuelling stations as part of their recovery plans. Special attention should be given to dwellings, the preparation of grids for increased EV integration, the interoperability of charging infrastructure, the development of smart charging services (e.g. through load balancing) and the supply of renewable and low-carbon fuels. As fully electric heavy duty vehicles (HDV) are becoming a reality, they also deserve a dedicated focus.

3.4. As long as price parity between conventional and electric vehicles (foreseen for 2025-27) is not achieved, **financial incentives will be needed** to support the market uptake of low-carbon vehicles. These can be financial (subsidies, tax breaks and scrapping systems) or non-financial (priority lanes, toll exemptions, reserved parking spaces), including a coherent regulatory environment for the promotion of investments in low-carbon fuels. Special attention should be paid to greening car fleets as this could be an important lever to accelerate the transition, and also because this will contribute to creating a second-hand market for zero- and low-carbon vehicles.

3.5. **Support for the development of the circular economy in the automotive ecosystem:** the recycling, re-use and re-manufacturing of cars and parts. Circular economy principles should also be applied to increase the amount of secondary raw materials available to the industry and reduce the dependence on imports. However, recent studies suggest that recycled materials will only be on an adequate market scale in a decade, when the lifespan of EVs is reached. It is therefore necessary to be realistic and understand that primary extraction is crucial at least in the 2020s. Therefore, the diversification of supply chains, as well as a green and ethical mining strategy, must guarantee the security of supply. Furthermore, the upcoming revision of the End-of-Life Vehicles Directive 2000/53/EC ⁽⁷⁾ needs to take account of the electrification of vehicles and the need to develop markets for secondary materials.

⁽⁶⁾ Cars under 1 000 kg/over 1 500 kg were respectively 36%/7 % of those sold in France in 1998 and 15%/16 % in 2019 (Eurostat).

⁽⁷⁾ Directive 2000/53/EC of the European Parliament and of the Council of 18 September 2000 on end-of life vehicles (OJ L 269, 21.10.2000, p. 34).

Economy: Maintaining and developing the full automotive supply chain inside the EU

3.6. Promoting industrial collaboration. The huge R & D budgets (currently EUR 60 billion per year) that are currently invested in the development of decarbonised, connected, automated and shared mobility require industrial collaboration and public-private partnerships. In this respect, the roll-out of innovation partnerships under cluster 5 (climate, energy, mobility) of Horizon Europe (clean hydrogen, batteries, connected and automated mobility, zero-emission road transport, driving urban transition) deserves full support. Furthermore, industrial alliances under the auspices of the European Commission (like for batteries, hydrogen, raw materials and the one announced for the Renewable and Low-Carbon Fuels Value Chain) provide a broad and open platform to establish strategic roadmaps and the coordination of R & D, investments and the market introduction of new innovations. Finally, pooling public and private resources in IPCEIs will clearly strengthen the European automotive supply chain, reduce strategic dependencies and foster the twin green and digital transition. New IPCEIs have to be considered: connected and automated cars, the circular economy, integration of energy systems, supply of raw materials, the data economy, semiconductors.

3.7. **Challenges of developing a sustainable and circular battery value chain⁽⁸⁾ inside the EU** Localising the manufacture of batteries and fuel cells must be a crucial EU objective. EU battery and hydrogen alliances deserve to be supported and sufficient resources must be made available to them. These industrial alliances must trigger massive investments in production facilities and provide thousands of jobs in Europe. Care will have to be taken to prevent fractures between the regions of Europe, as is currently visible.

3.8. The megatrend of connected and automated cars could lead to a shift in value added from selling and servicing vehicles towards new disruptive business models based on data-enabled services and mobility as a service. The automotive ecosystem must be prepared for entering and securing its presence in these new business models. This will require technological and regulatory standards to provide new innovative mobility services such as pay per use, location-based advertising, distance updates/maintenance of vehicles. Building a European mobility data space will also be key in securing European leadership in digital mobility services. It will also be necessary to deploy the requisite digital communications infrastructure and to design roadmaps for increasing levels of automation (including a framework for large-scale testing, access to data, and a new approach to the type approval of vehicles). Furthermore, the long-term impact of increasingly automated vehicles, in particular on jobs and ethical issues, needs to be assessed as this will be important to ensure social acceptance. Finally, as freight transport may intensify in the future (e-commerce), intelligent transport mobility solutions need to be developed based on the multimodal organisation of transport, cost-efficiency (high-capacity vehicle combinations), and sustainable transport modes, using automation and connectivity solutions in the logistics chain.

3.9. **Smart technologies and digital solutions based on the 'Industry 4.0 paradigm'** must support the integration of production systems and help to make them more flexible. Enhanced production systems (not only integration of the production processes at company level) along the full supply chain will make automotive supply chains more resilient and underpin competitiveness. Digitalisation has to be supported by creating an industrial data space for the sector. However, these technologies also entail increased automation with a negative jobs impact, and that has to be addressed.

3.10. **Supporting a global level playing field.** Europe must have the ambition to maintain its strong export position in the automotive industry. Therefore, actions must be taken to:

- strive for reciprocity in trade relations (market access, public procurement, investments, respect of IPRs, subsidies);
- conclude bilateral free trade agreements (including a chapter on automotive/road transport);
- fight against unfair trading practices (subsidies, bilateral free trade agreements, differences in the price of carbon, social and environmental dumping);
- promote international cooperation on clean cars and low-carbon fuel technologies.

⁽⁸⁾ In this respect the role of the European battery regulation is described in detail in opinion OJ C 220, 9.6.2021, p. 128.

3.11. Support for global technical harmonisation within the framework of the United Nations Economic Commission for Europe (UNECE) needs to be strengthened. The **supply bottlenecks in automotive semiconductors** need to be solved by bold action. Demand for semiconductors will continue to rise as cars are becoming electronic devices. In this respect, the EESC fully supports the proposal in the latest communication on industrial policy to develop a toolbox for reducing and preventing Europe's strategic dependencies. Also, the goal set in the European Digital Compass of doubling Europe's market share in global semiconductors from 10 to 20 % needs full support. Setting up a second semiconductor IPCEI will certainly contribute to achieving this goal. The EU Member States should also deliver on their promise to spend 20 % of the COVID Recovery and Resilience Facility on the digital transition. Further actions could include attracting foreign direct investment, and establishing strategic cooperation between automotive companies and semiconductor producers. Finally, the Observatory of Critical Technologies needs to closely monitor the many other strategic dependencies in the automotive industry: raw materials, hydrogen, batteries, renewable energy, cloud technologies, etc.

3.12. **The impact of the new automotive landscape on the aftermarket needs to be addressed.** The automotive aftermarket, which employs four million people, is set to be confronted with deep structural change coming from reduced sales, electrification, reduced demand for fuels, online sales, and reduced maintenance. The sector will have to re-invent itself as a provider of mobility services: updating cars, preventive maintenance, ride-hailing, car-sharing, and developing business models in micro-mobility. Conflicting interests regarding access to in-vehicle data must be overcome and an interoperable and standardised platform set up in order to allow the aftermarket to develop data-based services (like remote diagnostics, software updating, preventive maintenance).

Society: Managing change and ensuring a socially fair transition

3.13. The transformation of the automotive industry will have a dramatic impact on the quantity of jobs needed in the manufacturing of cars and their components, as well as on the job profiles needed for the new paradigm. Therefore, labour market policies should focus on maintaining/increasing the employability of the workforce by means of lifelong learning, and on creating flexible pathways between the world of education and the world of work (e.g. dual learning systems, well-functioning apprenticeship markets and certification of non-formal learning). The internal mobility of workers in companies should be promoted by up- and re-skilling in order to equip them with the skills of the future (decrease in manual work and sharp increase in digital skills with a special focus on software and electronics engineering). European sectoral initiatives such as DRIVES and ALBATTIS and the new Automotive Skills Alliance are key tools in addressing the skills challenge.

3.14. For employees that have to leave the sector, **a smooth transition to another job should be organised.** They must be offered access to the new jobs that will indeed be created in emerging industries such as IT, 5G networks, power electronics, charging infrastructure, the production of renewables, smart grids, smart roads, mobility services, batteries, alternative fuels, energy storage, electricity production and distribution. This will be very challenging as these jobs will probably be created elsewhere at another time and with other skillsets than the jobs that will disappear. Income security must be guaranteed during the transition. Mass redundancies can also be avoided by means of systems of early retirement, short-time work and working time reduction. A proper social dialogue must be ensured in order to be able to anticipate change in good time and to avoid social disruptions and conflicts.

3.15. **A clear mapping of the impact of the sector's digital and green transition** is needed in order to identify the regions and parts of the supply chain that are most at risk. New social fractures should not appear between East and West, nor between southern and northern Europe. Also, the changing footprint of the industry because of decarbonisation and digitalisation needs to be monitored. The potential progress in the use of sustainable biomass should be looked at closely, as there are also opportunities for the creation of new jobs here, with due regard, at the same time, to the need to stay within the ecological boundaries.

3.16. All stakeholders (companies, trade unions, cluster organisations, authorities, labour market agencies, regional development bodies) in automotive regions should work together intensively on **comprehensive regional re-development plans.**

3.17. **Stranded assets in the automotive supply chains must be avoided** by ensuring timely and adequate support for the many SMEs that do not have the resources (human and financial) to reshape their activities and move to more promising business models.

3.18. **Individual mobility must remain accessible and affordable for all**, especially for commuters without access to quality public transport or other mobility solutions. This can be achieved by providing compensation for the higher price of alternative powertrains, and of low and net zero-carbon fuels that can be used in a conventional car. A societal polarisation between those that can afford to buy a green car and those that cannot must be avoided at all costs.

3.19. **Conclusion.** The European automotive industry has always been a global leader and a driver for growth and jobs. In the transition to the paradigm of a digitalised and decarbonised road transport system, it should retain this position and develop the transformation pathways that allow to deal with the disruptive trends the industry is currently facing. It should do so by building on its strengths in technology, its skilled workforce, world-class engineering, demanding consumers, sophisticated supply chains, strong SME culture, and constructive labour relations. The European automotive ecosystem must become a frontrunner in developing and deploying sustainable mobility solutions. Therefore, the automotive ecosystem must actively develop strategies to shape the ongoing disruption and megatrends in Europe's automotive landscape. **As the challenges the automotive supply chain has to deal with are massive, the EESC considers it imperative to set up a just transition mechanism for the sector in order to put in place the necessary flanking measures to avoid social disruption and to ensure a socially responsible transition.**

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the societal and ecological impact of the 5G ecosystem

(own-initiative opinion)

(2022/C 105/06)

Rapporteur: **Dumitru FORNEA**

Plenary Assembly decision	25.3.2021
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Transport, Energy, Infrastructure and the Information Society
Adopted in section	7.10.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	210/2/19

1. Conclusions and recommendations

1.1. The EESC observes that the rapid digitisation and development of electronic communications has a strong impact on the economy and society at large. Through the responsible use of these technologies, humanity has a historic chance to build a better society. Nevertheless, without due diligence and democratic control, our communities might face serious challenges in the administration of these technological systems in the future.

1.2. The EESC acknowledges that electronic communications infrastructure can greatly improve the quality of life of citizens and has a direct influence on fighting poverty. 5G technology presents an enormous opportunity to improve human health services through the development of telemedicine and by improving access to medical care. The important role that telemedicine has played during the pandemic is recognised in society.

1.3. The EESC notes that the debate on the deployment of 5G networks has turned into a controversial and political discussion, but nevertheless, social, health and environmental issues need to be clarified, involving citizens and all relevant actors.

1.4. The EESC encourages the European Commission to move forward in the process of assessing the multisectoral impact of new 5G and 6G technologies, considering that tools and measures are needed to address risks and vulnerabilities. Therefore, the EESC recommends that European and national funds be allocated towards more in-depth multidisciplinary research and impact studies focused on both humans and the environment, and also towards disseminating these results in order to educate the public and decision-makers.

1.5. The EESC proposes that the European Commission, consults citizens and civil society organisations and through the involvement of all relevant public institutions can feed the decision-making process with respect to the societal and ecological impact of mobile electronic communications.

1.6. The EESC considers that the EU needs an independent European body, with up-to-date methodologies, in line with the current technological context and a multidisciplinary approach, to establish guidelines for the protection of the general public and workers in the event of exposure to radio frequency electromagnetic radiation.

1.7. The EESC recommends that all radio frequency transmission stations and the frequency bands on which they operate be inventoried and this information published for better territorial management and the protection of the interests of citizens, particularly of vulnerable groups (children, pregnant women, chronically ill persons, the elderly, electrohypersensitive people). The health and safety of workers must also be taken into account.

1.8. The EESC supports the idea that 5G network equipment must be designed, from the factory, with capabilities to provide real-time and public information on the emission power and other relevant technical parameters for the consumers' organizations and the interested public. These data must be centralised, managed and disclosed by the competent authorities.

1.9. The EESC believes that monitoring and control of electromagnetic pollution must be carried out on the basis of a rigorous interinstitutional and interdisciplinary scientific approach, supported by the provision of modern equipment for measuring the parameters of electronic communications networks, so that the cumulative effects over longer periods of time are properly highlighted and evaluated.

1.10. While there is no recognised scientific data showing a negative impact of 5G on human health, the EESC believes that the social, health and environmental aspects of 5G need to be continuously monitored in line with the precautionary principle. It recognises the concern about health effects, including thermal and non-thermal, exposure intensity and long-term effects of such exposure. Some regions/areas will concentrate more exposure than others, and in such cases, specific measures should be considered, including the recommendation to extend the application of the ALARA Principle to limit the effects of electromagnetic radiation generated by 5G networks.

1.11. The EESC notes that exposure of the population to a variety of electromagnetic fields is almost impossible to avoid. When reviewing the exposure limit values in the European Directive on minimum health and safety requirements for the exposure of workers to the risks posed by physical agents (electromagnetic fields)⁽¹⁾, the social partners should be involved from the outset. Special attention should be paid to non-thermal effects.

1.12. Health and safety protection measures must be enhanced and consolidated through rigorous monitoring of the radiation levels and by a strict application of safety standards for people working near sources of electromagnetic radiation.

1.13. The EESC notes the need to update the institutional mechanisms aimed at upholding all human rights in the new context of hyperdigitalisation, hyper-automation and hyperconnectivity facilitated by the implementation of 5G, considering that any technological development must incorporate these universal values which represent a valid and necessary dimension in the assessment of the cost-benefit report.

1.14. The EESC understands citizens' concern about ensuring that their property rights are upheld in the distribution of antennas or the right to own their own bodies in the context of 5G networks extending everywhere, from their own homes to orbital satellite. The right to property and people's choices must be respected. The definition of informed consent should be guaranteed, so that the citizen has a real right to free, fully informed and valid consent.

1.15. The EESC supports the strengthening of European capacities for cyber risk prevention, education and protection, both by strengthening relevant institutions such as ENISA and by creating technological, institutional and legal instruments to ensure that citizens' rights are respected. In order to remedy certain security threats, the EU should invest more in building its own technologies and supporting the tech industry and developers. Most importantly, these actions should be tailored to incentivise European SMEs to develop secure and reliable 5G infrastructure.

2. Introduction

2.1. 5G is not a new technology per se; it is a development of existing technologies (from 1G to 4G) and will exist alongside them. This will result in a mixed network of networks: a greater number of more varied radio frequency bands, a range of devices that exchange data and a plethora of interactions with users. Some of the new equipment and the new technologies employed might have different effects than the previous generations.

(¹) Directive 2013/35/EU of the European Parliament and of the Council of 26 June 2013 on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields) (20th individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC) and repealing Directive 2004/40/EC (OJ L 179, 29.6.2013, p. 1).

2.2. 5G technology should allow for wireless hyperconnectivity, the ability to cover and connect up a huge number of devices and much faster transfer speed measured in Gbps. It will achieve this by means of beamforming spectrum aggregation and multiple parallel connections using both Massive MIMO antennas (the operator's phased-array base station) and regular MIMO antennas (the client's own device) and low latency (milliseconds for the operator's own infrastructure but not with the rest of the internet).

2.3. A 2019 study by GSMA shows that the new 5G network capabilities are needed for autonomous driving, virtual reality, augmented reality and the 'tactile internet'; the other applications can be delivered using current technology (4G LTE and fibre optic). 5G technology will also speed up the transition to Industry 4.0 and facilitate the development of applications based on artificial intelligence, and therefore, this technology is considered to be a key and necessary element in the development of a modern, increasingly automated and digitised economy.

2.4. There are scientific communities around the world who have put forward evidence⁽²⁾ that there is valid cause for concern regarding prolonged, ubiquitous exposure of the human body and other biological organisms to the range of microwave frequencies used by 5G networks and the 10-20-30 or more gigahertz radio sections and frequencies specific to 5G technologies, as well as the potentially harmful effects on human health, biodiversity and the environment. However, until now, relevant EU and national public authorities have communicated that there is no scientific proof of 5G's negative impact on human health. The WHO states that 'to date, and after much research performed, no adverse health effects has been causally linked with exposure to wireless technologies'.

2.5. Together with the emerging technologies it facilitates, 5G brings uncertainty and as with every new technology, some effects which may be yet invisible. In order to properly address any question about 5G's impact on public health and to prevent public opinion being the victim of disinformation, civil society considers that suitable anticipatory governance is needed, applying the *precautionary principle* to the European legislative process for regulating this new technological generation of electronic communications.

3. General comments

3.1. Broadly speaking, international institutions, corporations and national authorities are unabashedly enthusiastic about the advantages that 5G technology will bring. However, it is necessary to study if any negative effects could appear as the 5G ecosystem develops and, implicitly, the conditions required for social acceptance of these infrastructures and services which have a significant societal impact.

3.2. With the rapid development of electronic communications technologies and internet infrastructure, there has been increasing debate among the general public and organised civil society in developed countries regarding the need to and benefits of exponentially speeding up the development of ICT networks. Public authorities need to acknowledge challenges linked to the ways these technological systems could potentially affect the environment, living organisms or people's civil rights.

3.3. At European level, concerns about the potential effects of electromagnetic pollution on health are set out in recital 31 of Decision No 243/2012/EU of the European Parliament and of the Council⁽³⁾: 'A coherent approach to spectrum authorisation in the Union should take full account of the protection of public health against electromagnetic fields which is essential for citizens' well-being. While observing Council Recommendation 1999/519/EC of 12 July 1999 on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz), it is essential to ensure constant monitoring of the ionising and non-ionising effects of spectrum use on health, including the real-life cumulative effects of spectrum use in various frequencies by an increasing number of equipment types.'

⁽²⁾ <https://ehtrust.org/environmental-health-trust-et-al-v-fcc-key-documents/>

⁽³⁾ Decision No 243/2012/EU of the European Parliament and of the Council of 14 March 2012 establishing a multiannual radio spectrum policy programme (OJ L 81, 21.3.2012, p. 7).

4. Specific comments

5G technology and the impact on people's civil rights

4.1. In recent years, several civil society organisations in the EU and other countries have issued warnings about the harmful effects and complex, serious crises which might be triggered by a lack of democratic control and transparency and by security threats arising from dependence on technologies provided by third-country players.

4.2. The electronic communications industry and the disruptive 5G-type applications it offers are based on the exploitation of two very important resources. Firstly, the use of the radio frequency spectrum. This is a limited natural resource which is owned by the people and managed on their behalf by governments through national agencies or other public bodies that lease these resources to electronic communications operators.

4.3. Another essential resource is access to the data and metadata of consumers and individuals. With the development of the digital services market, these data are hugely valuable and give enormous benefits to the companies which utilise them. Some of the challenges in this regard were highlighted in the EESC's opinion on Data Strategy ⁽⁴⁾.

4.4. Taking the above into consideration, it has to be underlined that 5G and data sharing and aggregating, like many other technologies, is a powerful tool that can be used to strengthen civil society, make public services more effective and reliable, and reduce inequalities by boosting economic growth. Hence, the EU and the Member States should take advantage of 5G technology to improve access to high-quality data and develop better digital administration infrastructure (e-administration), thereby bringing public and democratic institutions closer to the citizen.

4.5. Consequently, the responsible and sustainable development of electronic communications infrastructure should improve the quality of life for ordinary citizens, especially in the regions and less developed countries. The development of these technologies thus has a direct influence on fighting poverty.

4.6. In order to roll out 5G networks with all speed, the European Union, through Directive (EU) 2018/1972 of the European Parliament and of the Council ⁽⁵⁾ (Articles 42, 43 and 44), created a regulatory framework facilitating electronic communications operators' access to property on which equipment and infrastructure facilities vital for the development of these networks need to be installed. Civil society monitors the interpretation of this provision, so that the transposition of the directive does not lead to unconstitutional derogations from the guarantee of citizens' property rights.

Impact of the 5G ecosystem on the environment

4.7. Some civil society organisations have flagged up the potential environmental impact of the new 5G networks. Some of their allegations relate to insufficient provision made for environmental impact studies or inappropriate mechanisms and measures to reduce the energy footprint of 5G network infrastructure or promote recycling of electronic waste ⁽⁶⁾.

4.8. In order to carry out a proper evaluation of the impact of 5G on the environment and climate, public authorities must take into account aspects like GHG emissions ⁽⁷⁾, critical raw material availability and consumption, the amount (and sources) of energy used by all objects connected and used within IoT, as well as the amount (and sources) of energy used to transport wireless data and run data centralisation and transit points.

4.9. With the roll-out of 5G and the internet of Things, billions of new 5G network elements and household goods (electronic and white goods, facilities, etc.) will be added to the category of electronic waste (*e-waste*) ⁽⁸⁾, which has to be taken into account in the context of the concept of the circular economy as well as zero waste policies.

⁽⁴⁾ TEN/708 — (OJ C 429, 11.12.2020, p. 290).

⁽⁵⁾ Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code (OJ L 321, 17.12.2018, p. 36).

⁽⁶⁾ <https://www.greenpeace.org/static/planet4-eastasia-stateless/2021/05/a5886d59-china-5g-and-data-center-carbon-emissions-outlook-2035-english.pdf>

⁽⁷⁾ https://www.hautconseilclimat.fr/wp-content/uploads/2020/12/rapport-5g_haut-conseil-pour-le-climat.pdf

⁽⁸⁾ <https://www.itu.int/en/ITU-D/Climate-Change/Pages/Global-E-waste-Monitor-2017.aspx>

Concerns regarding the impact of 5G networks on human health and living organisms

4.10. 5G technology presents an enormous opportunity to improve human health. The development of ICT infrastructure and incorporation of 5G will speed up the advance of telemedicine, including through the concept of the internet of things. 5G will enable complex surgery to be carried out remotely, thus greatly improving access to high-quality medical care, especially to those who cannot afford to travel abroad in order to receive the treatment they need.

4.11. The development of telemedicine is especially important in times of pandemic, where stationary access to medical care is greatly decreased. Moreover, 4G technology has allowed for the development of teleradiology. ICT infrastructure has enabled patients to be diagnosed remotely (MRI, CT) and receive a quality medical service, regardless of the location. The technology of 5G will further develop that process, allowing people to have better access to diagnostics and direct medical services that are performed remotely.

4.12. On the other hand, the rapid technological development of the last 20 years has led to an increase in electromagnetic fields and implicitly to increased pollution due to this electrosmog. The impact of electrosmog needs to be addressed with an evidence-based approach in order to evaluate the real risk.

4.13. Electromagnetic hypersensitivity or electromagnetic intolerance is an illness which has been recognised by the European Parliament⁽⁹⁾, the EESC⁽¹⁰⁾ and the Council of Europe⁽¹¹⁾. It affects a number of people, and with the roll-out of 5G (which needs a much denser electronic network) it is to be expected that this condition may affect more.

4.14. Globally, studies have been conducted which conclude that the biological effects of electromagnetic radiation do not present any health risks, provided national or ICNIRP standards are met. At the same time, there are also studies conducted since the 1970s up to the present⁽¹²⁾ which have concluded that there are dangers for human health⁽¹³⁾.

4.15. In reports on concerns relating to the long-term exposure of people to electromagnetic fields generated by 5G technology produced in 2019 and 2020 respectively, the European Commission and the Federal Communications Commission (FCC)⁽¹⁴⁾ argue that there is no solid or credible scientific proof of health issues caused by exposure to radio frequency energy emitted by mobile telephones.

4.16. Years ago, the World Health Organization classified the electromagnetic field produced by radio frequencies as a possible carcinogen; it now takes a similar position to that of EU and US authorities. However, with the roll-out of 5G networks, it announced in 2022 that it would conduct another evaluation of the risks of electromagnetic fields for the radio frequency spectrum (from 3 kHz to 3 000 GHz)⁽¹⁵⁾.

4.17. The final version of Resolution 1815 of 27 May 2011 of the Council of Europe on *The potential dangers of electromagnetic fields and their effect on the environment* warns about the impact of electromagnetic pollution on human health and includes a set of general and specific recommendations for a consistent medium- and long-term approach to the challenges posed by the proliferation of mobile telephony. This document underscores the need to take all reasonable measures to reduce exposure to electromagnetic fields in line with the ALARA principle⁽¹⁶⁾, which must be applied in the event of ionising radiation.

⁽⁹⁾ European Parliament resolution of 2 April 2009 on health concerns associated with electromagnetic fields (2008/2211(INI)) 28. https://www.europarl.europa.eu/doceo/document/TA-6-2009-0216_EN.html?redirect

⁽¹⁰⁾ EESC's Opinion on Secure 5G deployment — EU toolbox: TEN/704 — (OJ C 429, 11.12.2020, p. 281).

⁽¹¹⁾ Resolution 1815 (2011) final version, Art. 8.1.4 <http://assembly.coe.int/nw/xml/XRef/Xref-XML2HTML-en.asp?fileid=17994>

⁽¹²⁾ <https://bioinitiative.org/updated-research-summaries/>

⁽¹³⁾ Defence Intelligence Agency — Biological Effects of Electromagnetic Radiation (Radiowaves and Microwaves) — March 1976.

⁽¹⁴⁾ The FCC's position has been challenged in court by US civil society organisations: <https://ehtrust.org/eh-takes-the-fcc-to-court/>

⁽¹⁵⁾ According to the International Telecommunication Union (ITU) Radio Regulations.

⁽¹⁶⁾ *As Low As Reasonably Achievable* — the ALARA principle is used when establishing programmes to safeguard against ionising radiation.

4.18. There are studies arguing that the effects of radiation emitted by mobile telephones and wireless communications infrastructure (even non-thermal emissions) pose risks to human health from a neuronal, reproductive, oncologic and genotoxic perspective ⁽¹⁷⁾. However, the relevant institutions consider, based on their own assessments and methodologies, that the radiation emitted by mobile telephones and wireless communications infrastructure is safe for humans.

4.19. As mentioned above, there are studies that have examined the impact of electromagnetic radiation on human and animal health. However, very little is clarified and even less is communicated regarding the complex impact that exposure to non-ionising electromagnetic radiation might have as a non-thermal effect on flora and fauna. The best known studies refer to the significant and immediate impact on pollinators and birds, but scientists are very concerned about the long-term impact of electromagnetic emissions on living ecosystems.

Allegations regarding ICNIRP guidelines ⁽¹⁸⁾

4.20. The European Commission and the vast majority of national governments around the world use ICNIRP guidelines when setting limits for public exposure to electromagnetic field radiation. The ICNIRP guidelines updated and published in 2020 also took account of beamforming and frequencies — parameters that are specific to 5G, but the frequencies aggregation and the increased density of connexions were not taken into account.

4.21. Despite the fact that ICNIRP goes to considerable lengths to communicate the scientific methods used to establish the protection guidelines, it only recognises the thermal effects produced by electromagnetic radiation as being potentially harmful.

4.22. The STOA study carried out by the European Parliament ⁽¹⁹⁾, in line with the recommendations set out in the Council of Europe's Resolution No 1815 of 2011, argues in favour of abiding by the precautionary principle, reviewing the thresholds proposed by ICNIRP and adopting technical and administrative measures to reduce the impact of electromagnetic pollution produced by electronic communications.

4.23. The measures proposed seek to ensure a more responsible architecture for communications infrastructure (placement of antennas and other specific equipment), to ensure that the general public is informed about the potential effects of electromagnetic pollution and the options available to them to reduce the impact of exposure to electromagnetic radiation, to develop capacity to monitor electromagnetic fields, etc. European and national funds should be provided in order to carry out more in-depth multidisciplinary research and impact studies on humans and the environment, and also to disseminate the results to educate the public and decision-makers.

5G cybersecurity — Tools, measures and their effectiveness

4.24. The EESC has already highlighted many of the cyber security challenges in its Secure 5G deployment — EU toolbox opinion ⁽²⁰⁾. Unresolved cyber vulnerabilities in 4G will be amplified in 5G. These reside at the technical level of architecture, topology and protocol, as mapped by ENISA ⁽²¹⁾, and, according to the NIS Report ⁽²²⁾, cannot yet be countered with efficient measures.

4.25. In order to remedy certain security threats, the EU should invest more in building its own technologies and supporting the tech industry and developers. Most importantly, these actions should be tailored to incentivise European SMEs to develop secure and reliable 5G infrastructure.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

⁽¹⁷⁾ For example, the European REFLEX study (2004) that was carried out on behalf of the EU by 12 academic institutions with a total budget of over EUR 3 million, with a EUR 2,059 million contribution from the European Commission.

⁽¹⁸⁾ International Commission on Non-Ionizing Radiation Protection.

⁽¹⁹⁾ <https://www.home-biology.com/images/emfsafetylimits/EuropeanParliamentSTOA.pdf>

⁽²⁰⁾ OJ C 429, 11.12.2020, p. 281.

⁽²¹⁾ https://www.enisa.europa.eu/publications/enisa-threat-landscape-report-for-5g-networks/at_download/fullReport

⁽²²⁾ https://ec.europa.eu/newsroom/dae/document.cfm?doc_id=64468

Opinion of the European Economic and Social Committee 'Next Generation Trade and Sustainable Development — Reviewing the 15-point action plan'

(own-initiative opinion)

(2022/C 105/07)

Rapporteur: **Tanja BUZEK**

Plenary Assembly decision	25.3.2021
Legal basis	Rule 32(2) of the Rules of Procedure
	Own-initiative opinion
Section responsible	External Relations
Adopted in section	28.9.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	236/2/5

1. Conclusions and recommendations

1.1. Trade needs the right policy framework to drive growth, decent job creation, sustainable development and support a sustainable economic recovery from the COVID-19 crisis, allowing companies to rebuild and re-organise their disrupted supply and value chains. 2021 is a turning point to re-think EU trade governance and the EESC supports its open, sustainable and assertive new path.

1.2. Trade and sustainable development (TSD) chapters express the EU's commitment to a 'values-based trade agenda' fostering economic, social and environmental development simultaneously. Tackling non-compliance and improved implementation of TSD commitments are crucial to achieving high labour and sustainability standards through trade tools. Both at the bilateral and the global level, the EU should set ambitious TSD benchmarks with like-minded trade partners ready to lead.

1.3. The EESC welcomes the early review of the *15-point action plan*, and expects it to overcome its limited and 'siloed' framework set up in 2018. TSD chapters not living up fully to their legally binding commitments leads the EESC to propose an ambitious review, featuring a revamped sanctionable enforcement approach with stronger civil society monitoring, using innovative instruments and enhancing the leverage for TSD. This 'next generation TSD' must be an integral part of the EU trade strategy, applying to current and future negotiating mandates alike.

1.4. A fresh take starts with breaking down the silos. Successful TSD implementation and enforcement require a vivid, structured and more collaborative interaction of players. Exchange between institutions, international bodies, and most importantly, of them all with the Domestic Advisory Groups (DAGs) and among the DAGs. As the recognised body at international level, the International Labour Organization (ILO) should take part in monitoring the implementation of ILO Conventions in free trade agreements (FTAs).

1.5. Major problems often stem from the very beginning. The EESC stresses the importance of securing pre-ratification commitments of international core conventions or binding and enforceable roadmaps within the TSD chapter itself, with clear timelines on their ratification. The first ever TSD enforcement case under the current model has confirmed that vague terminology was insufficient.

1.6. All three dimensions of TSD are intertwined and must not be tackled in silos. The EESC welcomes the active role of business in pursuing efforts to ensure sustainable trade and sees a positive role for them in promoting climate action opportunities, for instance for the clean tech industry with special attention on SMEs. TSD chapters must develop deeper links with the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE

Declaration), promoting the ratification of its Conventions, and with the Organisation for Economic and Cooperation Development (OECD) Guidelines for Multinational Enterprises, especially down the supply chain.

1.7. Effective change on the ground requires going beyond classic TSD chapters and considering the great leverage of additional policy instruments. The EESC calls for conditional public procurement allocation to companies from countries that comply with ILO core standards and the Paris Agreement. It also calls for ambitious EU legislation on mandatory due diligence as another key flanking measure. Foreign investors should have to comply with due diligence before benefitting from an international investment agreement. Measures should be complemented with action against money laundering, tax crimes and avoidance, and the fight against corruption to achieve sustainable trade.

1.8. Sustainable development must reflect evolutions and drive them, keeping labour and environmental standards equally high on its agenda. The Green Deal, circular economy initiatives and the Carbon Border Adjustment Mechanism (CBAM) complement relevant TSD topics, as biodiversity already has. To set concrete obligations, environmental commitments need to operationalise into international standards.

1.9. There is no 'silver bullet' to enforcement but it starts with stepping up effective enforceability. The EESC has long called for a revamped Panel of Experts mechanism with the possibility of financial penalties or sanctions and an active role for DAGs in its activation. In putting level playing field and sustainability on the frontline, to the benefit of businesses and workers alike, the EU-UK Trade and Cooperation Agreement (TCA) could be a template.

1.10. EU trade partners show fresh 'out of the box' thinking on new trade instruments. Taking an innovative approach to labour dispute settlement, the EU should look at the suspension of preferential tariffs for companies that breach agreed international standards. For a progressive economic link, the EESC supports a staged tariff reduction for partner countries' implementation of TSD commitments, with the possibility of withdrawal in the event of breaches.

1.11. There is no sustainability without civil society. Creating the DAGs was not an end in itself. To be taken seriously, they need information, resources, and access to advise the parties on implementation and enforcement as well as a stronger institutionalised framework. Beyond the DAGs, the EESC calls for the reinstatement of the expert group on FTAs.

1.12. The EESC is one of the DAGs' strongest advocates and will continue to support their work. Debates over strengthening the DAGs have recently intensified and the EESC encourages the Commission (EC) and other stakeholders ⁽¹⁾ to work with the DAGs on improving their composition, the organisation of their work, their scope and role in enforcement mechanisms, and their institutional channels as laid out in detail in chapter five of this opinion.

2. Introduction

2.1. An active trade policy needs to effectively drive sustainable development and is to the benefit of businesses, workers, consumers and people in general, provided that it creates new market opportunities and decent jobs and levels the playing field. It also bears inherent risks that only an inclusive trade policy, where civil society, stakeholders and the wider public may raise concerns, can mitigate effectively.

2.2. The EESC has long called for sustainability to be one of the drivers for trade policy, given the crucial role trade must play in achieving the UN Sustainable Development Goals (SDGs). This year's new EU trade strategy sets the framework for the years to come. The EESC provided recommendations on the trade aspects in a separate opinion ⁽²⁾, while welcoming its sustainability focus and calling for an ambitious strengthening of TSD chapters and their effective enforceability.

⁽¹⁾ In 2020, a Friedrich-Ebert-Foundation (FES) study analysed DAG shortcomings, and a group of DAG member organisations, coordinated by CNV Internationaal, is currently compiling a non-paper with recommendations on how to strengthen them.

⁽²⁾ OJ C 374, 16.9.2021, p. 73.

2.3. Building on previous EESC work, this opinion provides a civil society assessment of the current approach to inform the ongoing TSD Review. It draws from an innovative mindset for trade to deliver on EU sustainable development values: TSD chapters for future generations.

3. Trade and sustainable development: A values-based EU trade agenda

3.1. By systematically integrating TSD chapters into its FTAs, the EU highlights its commitment to a 'values-based trade agenda', which fosters economic, social and environmental development simultaneously. Tackling non-compliance and improved implementation of TSD commitments are crucial to achieving high labour and sustainability standards through trade tools.

3.2. Starting from an embryonic form in the 2011 EU-South Korea FTA, TSD chapters have consistently evolved in all ensuing EU FTAs. They have a mere consultation-based dispute settlement mechanism and DAGs for institutionalised civil society monitoring. They contain commitments to respect multilateral labour and environmental agreements and to prevent parties from relaxing or lowering labour and environmental protection levels to attract trade and investment. As bilateral fora for dialogue and cooperation they can also serve as platforms to advance the multilateral agenda for sustainable trade.

3.3. While the EU has taken steps to bring sustainability to the core of its trade ambitions, current negotiations are not living up to this. Injecting life and giving teeth through 'out of the box' thinking, the TSD review must step out of its old 'non-paper status' and, as integral part of the EU trade strategy, also apply to currently negotiated agreements and be included in revised negotiating mandates.

4. 15-Point Action Plan — an evaluation

4.1. The EP, the EESC and a large group of stakeholders engaged in a growing public debate around the EU TSD approach's effectiveness, only to be cut short in early 2018 with the EC launch of a *15-point action plan*. Grouped under four main headings, it set the limited and 'siloed' framework for TSD evolution in the past years, evaluated below against the backdrop of its delivery and shortcomings.

Working Together

4.2. *Partnering with Member States and the EP:* The EC Expert Group on TSD strengthened the link with Member States, however its very structure leads to loss of important expertise and information in the process. Its work deserves better communication of findings and recommendations and requires stronger and regular connections with the DAGs and the EESC. DG Trade's engagement needs to expand to TSD leading departments in Member States, possibly by involving other relevant Directorates-General (DG) like EMPL and CLIMA for their own networks, and work with international organisations as part of this information and feedback flow. Updating the EP on TSD relevant issues should include DAGs on an equal footing and must not happen *in-camera*. The EP must play a role in TSD monitoring and implementation and be fully informed of activities and involved in decisions of the TSD Sub-Committee and other relevant joint governance bodies. This is of particular importance in the context of the level playing field mechanism of the EU-UK TCA.

4.3. *Working with international organisations:* Advocating a more proactive and systemic approach, the EESC calls for the involvement of international bodies like the ILO even during the negotiation and throughout the implementation of FTAs, including at all stages of roadmaps. As the ratification case of Vietnam underpins, the ILO could play an essential role in the pre- and early implementation phase. Requiring stronger collaboration between the EC, the ILO and the EESC is instrumental for shaping ILO technical assistance and capacity-building projects in partner countries. Action needs to go hand in hand with a stronger integration of the ILO with the DAGs' monitoring role and annual DG EMPL High-level meetings could be opened to the EESC and possibly DAG presidencies. The approach on Multilateral Environmental Agreements (MEAs) seems underexplored and could be extended to other relevant international organisations like the OECD, and, with the growing importance of SDG financing, the World Bank and the International Monetary Fund.

Enabling civil society including the Social Partners to play their role in implementation

4.4. *Facilitate the monitoring role of civil society including the Social Partners:* The EESC welcomes the EU Partnership Instrument project financing some of the EU DAG members' participation in meetings, and preserving the DAGs' political independence. It calls on the EC to renew the funding and to collaborate with the DAGs on its design. It recommends greater flexibility in the future logistical and technical support. The use of video-conferencing could complement, but not replace, physical meetings. Future funding should provide for annual meetings bringing all DAG members together to discuss cross-cutting TSD issues. Beyond providing financial resources, addressing structural and organisational challenges is required to fully empower DAGs as laid out in chapter five.

4.5. *Extend the scope for civil society, including the Social Partners, to the whole FTA:* The EESC has long and strongly recommended that DAGs should advise on all aspects of EU trade agreements, while keeping a special focus on TSD implementation and the impact of trade on sustainable development more widely. This new scope will be tested first in the EU-UK TCA. The EESC suggests extending current DAGs' scope in all existing FTAs, by means of revised agreement texts or via harmonised practices under the DAG rules of procedure.

4.6. *Take action regarding responsible business conduct:* The EESC welcomes the active role of business in pursuing efforts to ensure sustainable trade and the EC's commitment to promoting responsible business behaviour. It however regrets that neither the EESC nor relevant DAGs have been involved in the oversight of the projects with the OECD and the ILO. The EC should develop indicators to assess tangible project outcomes beyond awareness-raising and include a more targeted and in-depth review down the supply chains.

Delivering

4.7. *Country priorities:* The EESC agrees with a strategic and more focussed approach, however partner countries differ considerably, even within a regional agreement such as EU-Central America. Priority setting and evaluation must proactively, and at different junctures in the process, seek civil society consultations, notably involving the DAGs. Geographical units in DG Trade and EU Delegations should interact more with the DAGs to obtain input and to provide systematic feedback. It requires a regular assessment of the EC's progress or regression towards these priorities.

4.8. *Assertive enforcement:* The Korean labour dispute case teaches important lessons. First, for the EC to be more proactive and swift in activating TSD dispute settlement procedures, giving DAGs an active role. Second, the importance of having international labour law experts in the panels, consulting with the ILO on its jurisprudence and binding interpretation. Third, the Panel report confirms the need for binding and sanctionable roadmaps with clear timelines on ratifying ILO conventions. The vague terminology 'continued and sustained efforts' grants Parties too much margin for manoeuvre. While Korea did ratify three out of four missing ILO Conventions (not C105 on abolition of forced labour), questions do remain on whether the Korean legislation amendments fully implement the provisions of C29, C87 and C98. The case thus remains open and the EESC reinforces its call for follow-up action. However, compliance problems not only exist in partner countries. The EESC notes with concern, that there seems to be a lack of instruments for robust enforcement in the EU and its Member States.

4.9. *Encourage early ratification of core international agreements:* The EESC supports the ratification of international core conventions before concluding and signing an FTA, to benefit from the maximum negotiation and diplomatic leverage. The latest case of Vietnam showcased these positive effects as the country ratified ILO C98 and C105. However, there is no progress on the ratification of C87. Thus, the EESC stresses the importance of securing pre-ratification commitments of core international agreements or binding and enforceable roadmaps within the TSD chapter itself, with clear deadlines for their ratification.

4.10. *Reviewing the TSD implementation effectiveness:* The EESC concurs on the need for regular reviews and assessments of TSD implementation. It however regrets the small visibility of DAGs' work and the disregard for their recommendations in these processes, notably in the annual implementation reports. Future reports should reflect better DAGs' work programmes and joint declarations with partner DAGs. In particular, the EESC regrets the lack of progress to date in making

current TSD chapters effectively enforceable. In the case of the Comprehensive Economic and Trade Agreement with Canada (CETA), the EESC, the EU DAG and the Canadian DAGs had repeatedly called for firm progress on the early review, which the Parties had committed to in the Joint Interpretative Instrument (JII) intended to bring more effective enforceability of labour and environmental provisions. This review process should closely involve both parties' DAGs.

4.11. *Handbook for implementation*: The EESC welcomes developing tool books on implementation, to help FTA partners better understand TSD commitments and guide their implementation. With regard to labour issues, social partners need to be seen as key partners on the ground. Formal comparative databases must go well beyond progress on agreement wording and focus on the actual level of implementation of TSD provisions.

4.12. *Step up resources*: The EU should target some of its Aid for Trade resources to support non-EU DAGs and civil society organisations' participation and capacity-building, regarding sustainable trade and investment endeavours.

4.13. *Climate Action*: If trade is not the driver of climate policy, it should play its part in enabling the global climate agenda, with a positive role for business in promoting opportunities for the clean tech industry with special attention on SMEs. Making the Paris Agreement an 'essential element' for all future comprehensive trade agreements, meaning to suspend them in case of non-compliance, is a positive step that should be extended to cover ILO fundamental and up-to-date Conventions.

4.14. *Trade and Labour*: The EESC welcomes the widened scope of labour issues included in TSD chapters and encourages further updates of commitments. TSD Chapters must have deeper links with the ILO MNE Declaration and with the OECD Guidelines for MNEs. The EC should promote the ratification of the ILO Conventions included in the MNE Declaration. Advanced EU legislation, notably sustainable corporate governance and mandatory due diligence, should provide continued context for the further development of TSD chapters. However, to make a difference on the ground, these commitments require more proactive enforcement and improved enforceability.

Transparency and Communication

4.15. *More transparency and better communication*: The EESC joins all institutions and stakeholders stressing the importance of transparency and communication. The publication of comprehensive minutes provides a useful entry point for civil society engagement. EC Civil Society Dialogue meetings are an important channel, however, they must improve towards a more structured follow-up. To this end, the EESC recommends breaking silos and ensuring communication channels mutually reinforce each other — with the EP, Member States and civil society.

4.16. *Time-bound response to TSD submissions*: The EESC welcomes the 2020 launch of a complaint system by creating the Single Entry Point, and in particular, the dedicated Unit under the Chief Trade Enforcement Officer (CTEO) dealing exclusively with TSD complaints. It is too early to assess the effectiveness but the EESC expects the continuous shaping of this mechanism to involve and follow civil society recommendations.

5. A Next Generation TSD

5.1. Since the 2018 action plan, the trade world has moved on and so had the TSD debate. The Green Deal is an overarching policy goal also for the EU trade agenda. Institutional players like the EP and Member States call increasingly for ambitious TSD reform. The COVID-19 pandemic has disrupted trade flows in an unprecedented manner unveiling major problems in global supply and value chains, often linked to non-compliance with TSD commitments. The first ever TSD-related dispute settlement case put the current system to its institutional litmus test. The new CTEO created high expectations for greater focus, resources and new legislative tools to better implement and enforce TSD commitments. Meanwhile EU trade partners like Canada and the U.S. have adopted strong enforcement instruments in their own FTAs or, like New Zealand, have tabled ambitious proposals in EU trade talks, ensuring trade works for all.

5.2. TSD is not just a debate over values, it is a matter of survival both at the EU and global level. Advocating a holistic approach, the EESC supports EU efforts to push the sustainability agenda at the multilateral level and calls for strategic alliances with key trading partners on priority issues such as carbon leakage or due diligence. It reiterates the need for EU leadership on an ambitious reform of the World Trade Organization (WTO) and breaking down taboos i.e. on social aspects of trade. As positive re-thinking, the EESC welcomed the U.S. proposal to address the global problem of forced labour on fishing vessels in ongoing WTO fisheries subsidies negotiations ⁽³⁾.

5.3. The EESC has constantly asked for the integration of more powerful TSD chapters, feeling the *15-point action plan* was not delivering. In the same vein, the 2021 Trade Policy Review considers further actions on the effective implementation and enforcement of TSD chapters, including among others 'the possibility of sanctions for non-compliance'.

5.4. There is now sufficient experience gained and lessons learned to re-think the current approach and the EESC suggests introducing a fresh mindset of initiatives on enabling TSD chapters to 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.

Policy instruments providing additional leverage to the TSD implementation

5.5. In May 2020, France and the Netherlands released a Non-paper, asking the EU to improve its analysis of 'socioeconomic aspects of trade effects, and to increase its ambition regarding the nexus between trade and sustainable development in all its dimensions' ⁽⁴⁾, in light of the European Green Deal. The EESC welcomes taking a more analytical approach towards trade effects and strongly supports the recommendation to incentivise effective implementation of TSD commitments with a staged tariff reduction, including the possibility of withdrawing specific tariff lines in the event of a subsequent breach, and the clarification of conditions countries must meet for these reductions.

5.6. The EESC further encourages to look outside the classic trade toolbox for flanking measures which would secure effective change on the ground. The EU should adopt an ambitious EU Directive on mandatory due diligence that acknowledges responsibility based on current standards and offers a clear and secure legal framework for European businesses and non-EU businesses operating within the EU. The EESC has strongly advocated for due diligence obligations in trade agreements with regard to global supply and value chains in order to guide management decisions that aim at sustainable companies, economically, ecologically and socially ⁽⁵⁾.

5.7. To advance its sustainable development agenda, the EC also needs to look into chapters and areas other than the traditional TSD chapters like investment, establishing links and synergies. Foreign investors should have to comply with due diligence before they can benefit from the coverage of an international investment agreement. Similarly, Parties to an FTA should guarantee that companies resident on their territories comply with due diligence requirements ⁽⁶⁾.

5.8. In order to have sustainable trade, the EU must imperatively introduce provisions on cooperation between the parties in the fight against money laundering, tax crimes and tax avoidance. Corruption equally undercuts sustainable development efforts and requires including comparable high standards on its elimination.

5.9. The allocation of public procurement should be conditional, with contracts awarded to companies from countries that comply with the ILO's core standards and the Paris Agreement. EU FTAs must also promote best practices on how to include environmental and social criteria in public procurement ⁽⁷⁾.

5.10. While the environmental angle in TSD chapters has advanced the most over the past decade, two challenges remain. First, climate obligations under the Paris Agreement come down to nationally determined implementation, making it difficult to pin down breaches. Second, the lack of international environmental standards, i.e. for clean air or water, makes

⁽³⁾ OJ C 374, 16.9.2021, p. 73.

⁽⁴⁾ Non-paper on trade, social economic effects and sustainable development, 2020.

⁽⁵⁾ OJ C 429, 11.12.2020, p. 136 and OJ C 429, 11.12.2020, p. 197.

⁽⁶⁾ Ebd.

⁽⁷⁾ OJ C 374, 16.9.2021, p. 73.

it hard to set obligations. It is important to work towards operationalising environmental commitments to come up with standards, also linked to due diligence. In light of the COVID-19 pandemic, biodiversity has emerged with more urgency than ever. The Green Deal, EU circular economy legislative initiatives or the CBAM ⁽⁸⁾ become relevant topics in the context of TSD.

5.11. Taking a more comprehensive view unveils serious sustainability issues with FTAs that cannot be solved within TSD chapters. Agriculture, one of the EU's main negotiating chips, has clear sustainability impacts, for instance. The EESC puts particular focus on bringing EU food security and sustainability to the heart of the analysis ⁽⁹⁾. Aiming at a more efficient and fairer food supply chain, the EESC calls for a smooth implementation of the Directive on unfair trading practices in the agricultural and food supply chain.

Stepping up effective enforceability

5.12. The EESC has long called for a revamped Panel of Experts to be able to trigger a treaty State-to-State dispute settlement mechanism, with possibilities for financial penalties or sanctions, and remedies for the aggrieved party ⁽¹⁰⁾. DAGs should have an active role in the dispute settlement framework. The CTEO team should investigate cases brought forward by a DAG, and inform and follow-up on any enforcement action and Panel of Experts reports.

5.13. The EESC welcomes the new TCA approach putting the level playing field and sustainability in the frontline, and applying a dispute settlement mechanism with access to remedies for any breach. This 'hybrid' model combines the Panel of Experts approach with an enforceable leg for persisting lack of compliance with non-regression or domestic enforcement on labour, social, environment or climate provisions. This includes temporary compensation agreed between the Parties, or unilateral suspension of obligations by the complaining Party in any area (e.g. trade tariffs, air traffic rights, access to fisheries waters) under certain conditions.

5.14. An independent labour secretariat to address transnational labour issues under an FTA, including labour market impacts, and to monitor and investigate compliance of its labour chapter, and a collective complaint mechanism should complement enforcement of TSD chapters ⁽¹¹⁾. As the recognised body at international level, the ILO should be involved in monitoring the implementation of ILO Conventions in FTAs. Its role should also be strengthened and institutionalised when it comes to the correct interpretation of ILO instruments in case of a dispute involving international labour standards. The ILO should be systematically involved to give guidance to the Panel of Experts on these matters.

5.15. The EESC suggests looking into innovative approaches to labour dispute settlements that would allow ad hoc international panels to impose remedies on a company breaching agreed international labour standards. The EU and Canadian CETA DAGs ⁽¹²⁾ flagged up the example of the USMCA ⁽¹³⁾ Rapid Response Mechanism under which penalties include suspension of preferential tariffs based on an escalating scale of severity and repeat offence. The aim remains to encourage, wherever possible, remediation through bilateral collaboration and dialogue between parties. However, putting consequences in place deters firms from falling out of compliance.

5.16. Assessing enforcement based on successfully litigated cases only provides a partial picture, especially as litigation is always a last resort. The possibility of sanctions also stands as a 'robust encouragement' for compliance, whether used or not. Eventually, the 'non-cases' and their evolution tell compelling stories that the EC should consider for conducting its comparative study on countries' different approaches. Mere comparison of the agreements' wording and how they progress on language would bring little meaningful insight on its own. It also requires a qualitative assessment of implementation results, for instance, by drawing from civil society experiences in advising the negotiation and monitoring the implementation of such provisions.

⁽⁸⁾ Upcoming opinion NAT/834 on the CBAM.

⁽⁹⁾ Upcoming opinion NAT/822 on *Strategic autonomy and food security and sustainability*.

⁽¹⁰⁾ OJ C 364, 28.10.2020, p. 53.

⁽¹¹⁾ OJ C 227, 28.6.2018, p.27.

⁽¹²⁾ EU and Canada DAG joint declaration, September 2020.

⁽¹³⁾ United States-Mexico-Canada Agreement

Empowering framework for civil society involvement in DAGs

5.17. DAGs are a key achievement of new-generation FTAs, but they need a stronger institutionalised framework to fulfil monitoring tasks successfully, be it on TSD or on whole EU FTAs.

5.18. Major concerns are linked to some DAG bodies in partner countries not being active, representative or even lacking independence from governmental influence. The problem often originates from set-up processes being left undefined in the agreement, the parties' liberty to choose existing bodies and the lack of consequences when commitments are not implemented. The EESC particularly fears that the deletion of 'balanced' in the TCA with regard to DAG composition could severely impact its operation.

5.19. In the framework of regional trade agreements such as those for EU-Central America and EU-Colombia/Peru/Ecuador, or any future EU-Mercosur FTA, concerns remain over the setting up of individual DAGs in each partner country. This strict 'domestic' approach constitutes a severe obstacle for any meaningful engagement between the domestic partner DAGs as well as with their counterpart EU DAG.

5.20. Hence, TSD chapters need to create specifically tasked DAG bodies with clearly defined independence, representativeness and a balanced composition. Parties must be accountable for their set-up and functioning. Regional agreements should establish joint regional bodies with adequate secretariat support. EU Delegations and the EESC should support the set-up and running process, including guidelines and best practices. Equally, the EESC suggests looking into better matching representative organisations across EU and non-EU DAGs, notably for environment and business stakeholders.

5.21. To strengthen the EU DAG collaboration with their civil society counterpart in partner countries, annual joint DAG-to-DAG meetings are imperative and should be included in the FTAs themselves. The EESC sees added value in creating joint civil society bodies and contributes greatly, in particular in supporting civil society in partner countries. Its special role is to be maintained in the Joint Consultative Committees (JCCs) as an essential space for dialogue for civil society on both sides of Association Agreements such as EU-Chile⁽¹⁴⁾.

5.22. The role of the EESC in shaping and ensuring DAGs are effectively operational is key and should be reinforced. In July 2021, the EESC set the way forward by organising the first ever #AllDAGs meeting that brought together all members of the current 11 DAGs to discuss concrete improvement steps. Present in all DAGs, the EESC forms one vital part of DAG presidencies, composed of a chair and two vice-chairs, selected from among the three groups and all members of a DAG. The collaboration within the joint DAG presidencies benefits from both EESC and non-EESC expertise to lead the work of the DAG and this practice should continue. In particular, for the DAGs on Ukraine, Moldova and Georgia, EESC membership coming from neighbouring EU countries has proven extremely valuable. Beyond the role of its members, the EESC also helps the DAGs by providing DAGs with valuable secretariat support.

5.23. Enhanced visibility and structured institutional channels are crucial to deliver. DAG presidencies should have a standing invitation to the Parties' TSD Sub-Committee meetings and the EP monitoring groups of the respective agreements. The expert group with Member States on TSD, and the CTEO, should be closely linked to the work of DAGs, via reporting and exchange structures. This should be complemented by an exchange of information with the ILO on labour-related TSD implementation, and with MEA secretariats on environment and climate. The EU External Action Service (EEAS) and EU Delegations in partner countries should hold regular briefings with DAGs and in targeted countries be supported by dedicated labour and environment attachés.

5.24. The EESC stresses the need to boost cooperation with civil society, from shaping to monitoring trade tools and agreements. It calls for the reinstatement of the expert group on FTAs which provided an unequalled, necessary and regular engagement on trade issues. DAGs are also an untapped wealth of know-how on cross-cutting TSD issues that should be used to its full potential.

⁽¹⁴⁾ An upcoming opinion REX/536 will explore the framework for civil society involvement throughout the entire life cycle of trade and political agreements, due to be adopted in spring 2022.

5.25. The growing challenges for DAGs require systemic solutions with adequate resources in place, both human and financial. DAGs themselves should be more involved in related decisions.

5.26. Rationalising DAGs is no goal in itself. Any potential new approach, such as focusing structures more on individual topics, has to guarantee their effective functioning to address challenges in the specific agreement's implementation and involve DAGs themselves in shaping it. Recurrent meetings of all EU DAG members would help find common solutions to cross-cutting issues and provides a platform to discuss pragmatic and practical ways before the next renewal of DAG membership in spring 2023.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee ‘Towards a holistic strategy on sustainable rural/urban development’

(own-initiative opinion)

(2022/C 105/08)

Rapporteur: **Josep PUXEU ROCAMORA**

Co-rapporteur: **Piroska KÁLLAY**

Plenary Assembly decision	25.3.2021
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Agriculture, Rural Development and the Environment
Adopted in section	4.10.2021
Adopted at plenary	21.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	220/0/1

1. Conclusions and recommendations

1.1. The EESC is convinced that the **future of Europe** will depend on how we deal with rural areas and that more cooperation with **urban** areas is needed to ensure that no area or citizen is ‘left behind’ in the just transition to a climate-neutral, sustainable and prosperous European Union. This would be in line with the objectives of the European Green and Social Deal, the Next Generation EU recovery package, the Territorial Agenda 2030 and the 17 Sustainable Development Goals.

1.2. The EESC believes that the EU should **reduce disparities between regions** by promoting policies that ensure a just and sustainable transition in all spheres and guarantee a good quality of life in rural areas.

1.3. Due to the challenges relating to climate change and pandemics, the EESC emphasises the **urgent need** to act now and to implement a **paradigm shift** to demonstrate the added value of working together and of promoting mutual respect and understanding, for the benefit of all citizens.

1.4. The EESC therefore calls on policymakers to develop and implement a **comprehensive and holistic EU strategy** for balanced, cohesive, equitable and sustainable rural and urban development, by leveraging the role of local communities, boosting traditional industries and creating new economic activities and job opportunities in rural areas, while fostering synergies with urban areas.

1.5. In order to level the playing field between **rural communities and the urban environment**, the EESC makes the following recommendations:

- rural policies need to be adequately resourced, and technological communication, transport infrastructure (especially public transport, which is absolutely necessary for everyday life and employment), and quality and efficient education and healthcare delivery systems must be provided. These should be fully aligned with the relevant urban services (‘equal health’);
- the supply of jobs, training and housing should reflect and harness rural natural resources, while also creating innovative business opportunities;

3. rural parliaments and Community-led Local Development (CLLD), as models of **participatory democracy**, should be supported by political leaders and should involve all rural citizens, including the social partners, women, older people, people with disabilities, minorities and, especially, young people;

4. cultural heritage assets should be protected and promoted ⁽¹⁾.

1.6. The EESC makes the following recommendations for **rural/urban development**:

1. governments must be transparent and fair when providing services to citizens in all areas;

2. civil society organisations, including LEADER and local action groups, should develop **local rural and urban partnerships** to create economic, social and environmental opportunities and foster a better understanding of interdependencies;

3. the **governance model** of Food Policy Councils could serve as an inspiration for effective cooperation between all stakeholders at the local level. Opportunities for home working, the need for rural housing and access to land use have all been disrupted by new environmental impacts and challenges and by the pandemic;

4. encouraging and supporting the exchange of good practices and risk cases between regions is to be welcomed;

5. access to high-quality education in rural areas can be one of the contributing factors to local economic development and can help rural communities adapt to a fast-changing environment.

1.7. In particular, the EESC makes the following **recommendations to the European Commission and national and regional governments**:

1. the Commission's recently adopted long-term vision for rural areas ⁽²⁾ needs to be further developed to ensure a rural and urban commitment to a fair approach. It is important to show the added value of rural and urban organisations working together, as in the Farm to Fork Initiative and a socially inclusive Green Deal;

2. the European Commission should commit itself to creating a **group of rural and urban stakeholders**, building on the Smart Villages Initiative, to develop good practices in partnership models;

3. to support engagement, there should be investment for local pilot projects and pan-European **incentives/conditionalities and prizes** for progressive examples that demonstrate inclusive agreements.

1.8. The EESC further commits to collaborate with the European Parliament and the Committee of the Regions through commissioning research, consulting organised civil society and promoting a Europe-wide Charter of **rural/urban rights and responsibilities**.

1.9. The EESC will incorporate a holistic vision into its future opinions on territorial, urban and rural policies. By way of example, this opinion was discussed among different EESC sections before its adoption.

2. Introduction

2.1. Following the recommendations of the EESC opinion on An integrated approach to vulnerable areas in the EU, adopted in September 2020 ⁽³⁾, and of the hearing held on 18 June 2021 ⁽⁴⁾, the EESC is now seeking a holistic EU strategy on sustainable rural and urban development, analysing the overall framework that links rural policy with all other relevant policies, identifying existing challenges and obstacles, and highlighting the role of civil society, businesses and local communities in developing bottom-up approaches. The EESC will actively contribute to ensuring that this strategy is taken into account when EU policies are designed.

⁽¹⁾ EESC opinion on the Contribution of Europe's Rural Areas to the 2018 Year of Cultural Heritage ensuring sustainability and urban/rural cohesion (OJ C 440, 6.12.2018, p. 22).

⁽²⁾ COM(2021) 345 final.

⁽³⁾ OJ C 429, 11.12.2020, p. 60.

⁽⁴⁾ Towards a holistic strategy on sustainable and equitable rural and urban development | European Economic and Social Committee.

2.2. It is essential to manage the **diversity that exists in rural areas more effectively, on the basis of the opportunities available in each one**. There are some rural areas which, due to their proximity to urban areas, can benefit from the 'agglomeration effect' through rural-urban interaction, while others that are more remote depend much more on one sector, often agriculture, forestry, fishing or mining, where interaction with cities is less visible.

2.3. Although rural and urban areas are different types of area, with their own specific characteristics and uneven levels of development, reality shows that they are **closely interlinked**. These interdependencies are at the same time increasingly complex and dynamic, and involve structural and functional flows of people and capital goods, information, technology and lifestyles. It is therefore crucial to strike a balance between rural and urban areas, two types of area that need each other and which cannot exist without one another.

2.4. The ideal of the rural way of life as a situation of **well-being and quality of life** for citizens must be an objective to be achieved, even in remote or disadvantaged areas. The strategy must find the formula to strike the necessary balance between these two aspects and a way of complementing them both, in order to achieve sustainability in the future.

2.5. The challenges faced by rural areas (such as demographic change, depopulation, the digital divide, low incomes, limited access to certain services, the need for better employment prospects or specific impacts of climate change) can only be addressed from a holistic and renewed place-based perspective that seeks out a reciprocal relationship for development.

2.6. This new context, which **goes beyond the traditional link between rural areas**, which have been focused on the agricultural sector and cut off from the urban environment, requires rural development measures to be based on a multi-sectoral and integrated approach across all regions, exploiting synergies and complementing rural, urban and intermediate areas.

3. Challenges and proposals for action

3.1. The traditional view, which makes a clear distinction between rural and urban areas, requires **new concepts, new interpretations and new approaches**, and the local reality has to be taken into account to define the region in question.

3.2. The future development of Europe's regions should be based on **complementarity between rural and urban areas and on the coordination of policies targeting them**, with the ultimate aim of achieving social and economic cohesion and environmental sustainability in those areas.

3.3. The EESC considers that more consistency is needed in rural and urban development strategic approaches to avoid overlaps and discrepancies between strategies (e.g. LAG strategy, Integrated Territorial Investment strategy, local development strategy, regional development strategy) and to facilitate their implementation by local actors in development processes and investments.

3.4. Rural and urban development must be governed in accordance with the principles set out in the EU's Territorial Agenda 2030, the Leipzig Charter, the UN Urban Agenda, the EU urban agenda, the Pact of Amsterdam, the Cork 2.0 Declaration on a Better Life in Rural Areas and the OECD's Principles on Urban and Rural Policy, in which thematic partnerships and shared management between urban and rural areas are considered.

3.5. **Medium-sized cities play a key role in connecting urban metropolitan areas with rural ones** and therefore warrant special attention, when it comes to both land-use planning and the allocation of resources and services. Many European cities (including Toulouse in France, Manresa in Spain, Turin in Italy and Aalborg in Denmark) have already implemented very successful approaches. Networks of cities such as ICLEI ⁽⁵⁾, Eurotowns ⁽⁶⁾ and Eurocities ⁽⁷⁾ are key players in exchanging experiences and promoting best practices.

⁽⁵⁾ <https://www.iclei.org>

⁽⁶⁾ <https://www.eurotowns.org/>

⁽⁷⁾ <https://eurocities.eu>

3.6. The interaction between the countryside and the city must feature on the **political agenda**, and we need to make it easier for political leaders and **policymakers** to understand this and to promote ways of organising matters locally.

3.7. EU-funded **research** should also continue to explore ways of promoting equitable, sustainable rural/urban development and of revitalising the economic development of rural areas. Projects such as ROBUST ⁽⁸⁾, RUBIZMO ⁽⁹⁾ and LIVERUR ⁽¹⁰⁾ should be further developed and should lead to tangible changes.

3.8. Achieving sustainability (economic, social and environmental) in these areas, both rural and urban, requires a **comprehensive policy** linked to each area's socioeconomic, cultural and ethnographic situation, promoting cooperation between rural and urban areas and engagement between the different social and economic stakeholders, as well as appropriate governance mechanisms together with local authorities.

3.9. **Remote rural areas** are even more exposed to the challenges faced by rural areas and therefore require specific policies and treatment. In addition to resolving problems concerning the difficulty of accessing public services, including health and education, the EESC proposes the creation of programmes that regenerate the local economic ecosystem in cooperation with neighbouring settlements.

3.10. Many of the challenges faced by rural areas fall outside the scope and funds of the common agricultural policy (CAP), as highlighted in our recent information report on the impact of the CAP on the territorial development of rural areas ⁽¹¹⁾, and it is therefore essential to move towards an integrated approach to **action** and funding in the different policies that have an impact on rural areas. Funds from national policies should supplement the CAP funds for rural development.

3.11. Agricultural, food and rural policies must therefore tie in with climate and biodiversity policies, policies aimed at reducing poverty, infrastructure and transport policies, education and training policies, policies for the provision of basic services of general interest (healthcare, housing, etc.), policies promoting the development of new activities based on the circular economy and the bioeconomy, digitalisation policies, and policies combating depopulation, among others.

3.12. These policies must also be consistent and complementary with European strategies such as the **Green Deal** ⁽¹²⁾ and the **Farm to Fork Strategy** ⁽¹³⁾ and, particularly, with the New Industrial Strategy ⁽¹⁴⁾, which defines the agri-food sector as one of the key EU strategic ecosystems, *as well as with policies ensuring food security*. Experimenting with new forms of urban-rural cooperation in the context of the European Green Deal is not only a prerequisite but also an opportunity for a just transition and territorially balanced sustainable development.

3.13. The **governance** and harmonisation of European, national and subnational **funds** should be improved in order to address sustainable development better by addressing cross-cutting issues better and always meeting each territory's needs.

3.14. The EESC draws attention to the need to ensure access to sustainable finance and the development of customised financial instruments for rural and urban development, taking account of the risk structure and the characteristics of the economic mix. Moreover, the taxonomy and fiscal approach for rural areas should take into account development and investment needs.

3.15. This integrated approach requires **coordination between the various administrations** and management bodies, including the many European Commission directorates dealing with cross-cutting policies. This cross-cutting coordination requires an approach in which political leaders **mainstream rural issues into all policies** to ensure that rural needs are taken into account.

⁽⁸⁾ <https://rural-urban/eu>

⁽⁹⁾ <https://rubizmo.eu>

⁽¹⁰⁾ <https://liverur.eu/>

⁽¹¹⁾ <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/information-reports/evaluation-caps-impact-territorial-development-rural-areas-information-report>

⁽¹²⁾ A European Green Deal | European Commission.

⁽¹³⁾ Farm to Fork Strategy.

⁽¹⁴⁾ [Communication-industrial-strategy-update-2020_en.pdf](https://www.europa.eu/communication-industrial-strategy-update-2020_en.pdf) (europa.eu).

3.16. **Successful coordination between administrations** should take into account the following aspects:

- i) identifying the **correct scale of intervention**;
- ii) establishing a clear **leadership role in policy coordination**;
- iii) strengthening **cooperation agreements** between regions or municipalities;
- iv) promoting **partnerships between rural and urban areas** to make use of functional links;
- v) improving **vertical coordination** between levels of government.

3.17. A direct link needs to be maintained with rural areas through the active role of the EU's regions, which play a crucial part in drawing up and implementing rural development policies at local level. **Multi-stakeholder involvement** and a **'bottom-up' approach** are key ingredients for ensuring sustainability and local ownership of rural policies. The EESC calls for account to be taken of the role that local action groups can play and of the Community-led local development model.

3.18. The EESC also suggests using the **governance model** of the Food Policy Councils as an inspiration for effective cooperation between all stakeholders at local level.

3.19. Progress should be made on **area-based contracts** supported by policies of engagement, which entail defining objectives, joining forces, providing incentives for public and private commitments with an area-based focus, developing mechanisms for interinstitutional and cross-sectoral cooperation, creating a new institutional structure to promote sustainable development, recognising the diversity of rural areas and promoting urban-rural links. In this regard, companies and organisations in the agri-food sector now have the opportunity to sign the code of conduct on responsible business and marketing practices⁽¹⁵⁾ launched by the Commission as part of the F2F strategy.

3.20. Area-based contracts should be based on fairness and respect. **Rural codes of conduct** are in place in England, Wales and Scotland to help people understand how to respect rural areas. This could become a **European Charter of Rights and**⁽¹⁶⁾ **Responsibilities for equitable, sustainable rural-urban relations**. This Charter should be incorporated into citizenship education for all.

3.21. The EESC recognises that there are no standard formulas applicable to the different regions and that each **subnational unit** should focus and specialise, respecting its uniqueness, diversity and multifunctionality of uses, finding solutions based on its own potential, needs, capabilities and aspirations. The use of existing infrastructure and the reflection on the development of new ones must be considered globally, while looking at the trends to invest in the right places.

3.22. The need to **improve job opportunities**:

- i) the COVID-19 pandemic has speeded up digitalisation and greening processes that require efforts to sustain them over time;
- ii) new employment opportunities must be created and maintained in rural areas, including those related to the provision of rural services, home working, new technologies or renewable energies;
- iii) strengthening the multifunctional aspects of agriculture, promoting non-agricultural activities and establishing businesses in the clean energy services and industries sector in rural areas can create many job opportunities;
- iv) promoting entrepreneurship, ensuring fair competition rules for **SMEs** and paying attention to the needs of younger generations (e.g. remote working);

⁽¹⁵⁾ Code of Conduct (europa.eu).

⁽¹⁶⁾ The Countryside Code: advice for countryside visitors gov.uk.

- v) keeping jobs and shops close to people. The rural-urban vision offers opportunities to develop a circular economy;
- vi) promoting decent work and improving working conditions in rural areas, while ensuring that everyone involved has a say in this improvement process;
- vii) linking consumer demand with regional and rural markets through the marketing of local products and quality labels;
- viii) the creation of cultural opportunities in rural areas should be widely promoted, including the promotion of cultural events and the protection of rural historical and religious buildings (churches, castles, etc.);
- ix) digitalisation processes open up new opportunities that could create expectations and appeal for citizens — especially young people — and bring about a change in depopulation trends and the quality of life in rural areas. To this end, the rural environment must have adequate infrastructure to ensure connectivity. Connectivity strategies and **digital platforms** offer solutions here while a **rural digital act** would facilitate the development of digital technologies in agriculture and rural areas;
- x) sustainable agriculture and aquaculture ⁽¹⁷⁾ in rural and peri-urban areas should be supported, along with eco-tourism, leisure and educational activities on sustainability, and these activities should be compatible with the protection of biodiversity in order to ensure people's quality of life;
- xi) Quality and accessible rural education, starting from children's early years, can help improve outcomes in education, while access to public services, such as childcare and schools, is a location-based factor shaping the attractiveness of rural areas, including for highly skilled workers.

3.23. Economic growth and job creation are important, but must be complemented by a sufficient supply of good-quality **services**, housing, energy, leisure, education and training, lifelong learning and healthcare systems to ensure that rural areas are not only sustainable but also attractive places to live. The EU urgently needs to develop the foundations for a sustainable and inclusive **wellbeing economy** that works for everyone ⁽¹⁸⁾.

3.24. In particular, the continued development of affordable public transport should be a priority for the development of rural areas and thus for connectivity with urban areas. The provision of affordable public transport is absolutely necessary for everyday life and employment, related to the accessibility of essential public services such as schools, childcare facilities, doctors or pharmacies and commuting to and from the workplace.

3.25. This requires **new forms of rural service provision**:

- i) integrated service provision (co-working by several services in one space; collaboration between service providers; cooperation between teams of professionals; co-production between public, private and community organisations);
- ii) an approach based on the provision of alternative and more flexible services (such as mobile services delivering the service to people; radial system models, where services are provided regularly from a central hub; services better adapted to local needs);
- iii) technological and digital solutions, including in the education and health sectors.

3.26. A holistic strategy to reach **service thresholds** in different areas and the exchange of services between different locations within areas are key elements for the design of sustainable urban and rural areas.

⁽¹⁷⁾ See opinion on *Strategic Guidelines for the sustainable development of EU aquaculture* — NAT/816 (OJ C 517, 22.12.2021, p. 103) and on a *New approach for a sustainable blue economy in the EU* — NAT/817 (OJ C 517, 22.12.2021, p. 108).

⁽¹⁸⁾ EESC opinion on *The Sustainable economy we need* (OJ C 106, 31.3.2020, p. 1).

3.27. A strategy needs to be designed which, through improved rural services and new employment opportunities, enables the population to settle and, above all, the necessary **generational renewal to be guaranteed**.

Brussels, 21 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on ‘Strategic autonomy and food security and sustainability’

(own-initiative opinion)

(2022/C 105/09)

Rapporteur: **Klaas Johan OSINGA**

Plenary Assembly decision	25.3.2021
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Agriculture, Rural Development and the Environment
Adopted in section	4.10.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	128/0/1

1. Conclusions and recommendations

1.1. The EESC proposes a definition of open strategic autonomy applied to food systems based on food production, workforce and fair trade, with the overarching aim of ensuring food security and sustainability for all EU citizens through a fair, healthy, sustainable and resilient food supply.

1.2. In particular, EU food systems should be more diversified; the agricultural workforce should be strengthened especially by attracting young people and ensuring decent working conditions and remuneration; trade policies should be aligned with EU food sustainability standards and competitiveness⁽¹⁾.

1.3. Open strategic autonomy and the sustainability of food systems are best guaranteed by developing a tool box that includes risk management measures to help food supply chains to deal with extreme situations and national and EU authorities to take immediate actions.

1.4. Recent events caused by COVID-19, extreme weather due to climate disruption and cyber attacks demonstrate the need to improve the resilience and sustainability of food systems. Within the Farm to Fork (F2F) strategy, the European Commission (EC) is developing an EU contingency plan for food supply and food security and an associated EU food crisis response mechanism⁽²⁾. This should help increase the awareness of risks and include the identification, assessment, mapping and monitoring of key risks through the stress-testing of critical systems at EU and Member State level and help to implement measures which will solve the faced problems.

1.5. The EU needs a system to prevent events like power and network failures or cyber attacks cascading out of control due to dependencies. For example: a city that needs to be under lockdown for several weeks, a power failure that lasts for several days, a food company or retailer being cyber-attacked.

⁽¹⁾ In order for a comprehensive European food policy to be truly relevant for European consumers, it is essential that the food produced sustainably in the EU is competitive. This means that the European agri-food sector is able to deliver food for the consumers at prices that include extra costs for criteria such as sustainability, animal welfare, food safety and nutrition but also a fair return to the farmers, and at the same time maintains its position as the preferred choice for the vast majority of consumers (OJ C 129, 11.4.2018, p. 18; OJ C 429, 11.12.2020, p. 268).

⁽²⁾ Contingency plan, EC.

1.6. In order to improve the coping mechanisms, there is a need to develop existing food systems and at the same time diversify food systems, including business models for farm shops, urban farming, vertical farming and the 'local-for-local' approach in general. This requires a wider application of research and innovation by farmers and growers and should help minimise the risks of 'food deserts' and production specialisation⁽³⁾. At the same time, the advantages of the efficient distribution system from farms to processing and markets should be strengthened.

1.7. To ensure the long-term production of sufficient and healthy food and viable livelihoods it is important that natural resources are used in a sustainable way, preserving soil and water resources, combating climate change and biodiversity losses and protecting animal welfare. The EU should also strengthen local and regional production to combine well-balanced food production and food processing with low carbon foot print.

1.8. The CAP plays a vital economic, social and environmental role. It should stabilise markets during crises while providing a safety net for farmers and processors protecting the environment, the climate, workforce and animal welfare. The CAP plays a role in maintaining the strategic production capacity, food safety and security.

1.9. Farms, fertile agricultural land and water are strategic assets and must be protected up to a certain level across the EU: they constitute the backbone of our open strategic food autonomy.

1.10. The EESC reiterates its recommendation to explore the option of a multi-stakeholder and multi-level European Food Policy Council⁽⁴⁾. In the context of open strategic autonomy, such a Council could play, inter alia, a monitoring role and help evaluate and anticipate the risks in the food supply chain.

1.11. The EU needs to ensure that borders are kept safely open and that workforce together with logistics are kept going for food production and distribution ('green lanes') both within the EU and towards third countries. This requires a strong mechanism of coordination between the Member States, the EC and third countries.

2. Introduction

2.1. This own-initiative opinion aims to explore the concept of 'open strategic autonomy' for Europe in relation to future food security and sustainability, and provide forward-looking views and policy recommendations from civil society. In particular, the opinion offers 'food for thought' on issues arising from recent events like COVID-19, extreme weather, cyber attacks and political/social tensions.

2.2. 'Open strategic autonomy' should be seen as an opportunity for the EU to ensure the security of its food supply and set high sustainability standards, particularly in the context of the European Green Deal and the UN SDGs. The European challenge of food sustainability needs to be addressed both internally and externally, and this opinion will also look at possible ways to protect and improve availability of sustainable food for all EU citizens, especially in times of crises.

2.3. The opinion builds on a number of proposals and concrete ideas already put forward by the EESC in its previous work⁽⁵⁾. These proposals can be summarised as follows:

- foster a comprehensive food policy in the EU, with the aim of nurturing healthy diets from sustainable food systems, linking agriculture to nutrition and ecosystem services, and ensuring supply chains that safeguard public health for all sections of European society. Such a policy, now reflected in the Commission's F2F strategy, should improve consistency across food-related policy areas, restore the value of food and promote a long-term shift from food productivism and consumerism to food citizenship,

⁽³⁾ COVID-19 and the food phenomena, FAO.

⁽⁴⁾ OJ C 129, 11.4.2018, p. 18 and OJ C 429, 11.12.2020, p. 268.

⁽⁵⁾ Among others: OJ C 129, 11.4.2018, p. 18, OJ C 190, 5.6.2019, p. 9, OJ C 429, 11.12.2020, p. 268, OJ C 429, 11.12.2020, p. 66, OJ C 440, 6.12.2018, p. 165, EESC opinion on *Towards a Fair Food Supply Chain*, NAT/823 (OJ C 517, 22.12.2021, p. 38).

- enhance the potential of short food supply chains, agroecology and product quality schemes,
- ensure fair prices and ban unfair trading practices,
- incorporate the Green Deal's F2F and Biodiversity strategies as global sustainability standards in all future EU trade deals,
- ensure the structured involvement and participation of civil society and of all stakeholders across the food supply chain, including through a European Food Policy Council.

2.4. Finally, the own-initiative opinion aims to provide valuable insights for the ongoing work on the Green Deal's F2F strategy, CAP, Trade Policy Review and Strategic Foresight Agenda, bringing EU food security and sustainability to the heart of the analysis.

2.5. In September 2021, the UN held a Food Systems Summit (FSS), aimed at helping countries to achieve the 17 SDGs, in particular SDG2 — Zero Hunger. The EESC provided a contribution to the debate ⁽⁶⁾.

3. Open strategic autonomy, the key elements for the food system

3.1. According to the EC, 'open strategic autonomy' is the EU's ability to make its own choices and shape the world around it through leadership and engagement, reflecting its strategic interests and values. It enables the EU to be stronger, both economically and geopolitically, by being ⁽⁷⁾:

- open to trade and investment that helps the EU economy to recover from crises and remain competitive and connected to the world;
- sustainable and responsible, taking the lead internationally to shape a greener and fairer world, reinforcing existing alliances and engaging with many partners;
- assertive against unfair and coercive practices and ready to enforce its rights, while always favouring international cooperation to solve global problems.

3.2. 'Open strategic autonomy' needs to be better defined when it comes to food systems. The EESC wants to contribute to the thinking on how the EU can be better prepared for future crises. This should be part of the EU Recovery Plan, for example through the use of the Next Generation EU funds.

3.3. The EESC suggests a definition of open strategic autonomy based on of food production, workforce and fair trade, with the overarching aim of ensuring food security and sustainability for EU citizens through a fair, sustainable and resilient food supply.

3.4. Food production

3.4.1. Food security should be approached from international, national and local perspectives. 55 % of the world's population lives in towns, where little fresh food is produced — so-called food deserts. The UN expects an increase to 68 % by 2050. Projections show that urbanisation combined with the overall growth of the world's population could add another 2,5 billion people to urban areas by 2050 ⁽⁸⁾. Europe's level of urbanisation is expected to increase to approximately 83,7 % in 2050 ⁽⁹⁾.

3.4.2. Within the internal market of the European Union, food is transported daily mostly from rural areas and processing industries to supermarkets in urban areas. However, local, farm and e-shops enjoyed increased popularity among consumers during the lockdowns of 2020/2021.

⁽⁶⁾ Contribution to the UN Food Systems Summit 2021, EESC.

⁽⁷⁾ Trade Policy Review, EC.

⁽⁸⁾ 68% of the world population projected to live in urban areas by 2050, UN.

⁽⁹⁾ Urbanisation in Europe, EC; UN World Urbanisation Prospects 2018.

3.4.3. The development of short supply chains contributes to Europe's resilience. Local channels should be consistent with the needs of the populations and the specificities of the territories and climates. Processing capacities should be more developed at the local level.

3.4.4. The diversification of production will also help to increase the EU's resilience. An increase in the agricultural land dedicated to organic farming is foreseen in the F2F strategy, and allotments, urban and vertical farming⁽¹⁰⁾ are valid options saving food miles and becoming more and more popular. These initiatives should be linked to other local and regional food production and processing to build a safety net.

3.4.5. Mapping of vulnerabilities should be at the top of the EU agenda. The Member States and the EC should cooperate in exposing gaps, reducing food waste, developing scenarios and coordinating targeted training and communication.

3.4.6. Intelligent food stock management should be part of the EU's open strategic autonomy in food. This should include regular rotation of strategic stocks while avoiding trader speculation, including buying commodities and food under the cost price⁽¹¹⁾, and strong market reactions by ensuring market transparency.

3.5. *The workforce*

3.5.1. There are not enough young people that are trained and willing to farm. In 2016, for every EU farmer younger than 35 years, there were more than six farmers older than 65 years⁽¹²⁾.

3.5.2. In addition, farmers continue to absorb a disproportionate share of the damage and loss wrought by disasters. Their growing frequency and intensity, along with the systemic nature of risk, are endangering people's lives, devastating livelihoods and jeopardising our entire food system.

3.5.3. It is essential to increase the agricultural workforce in Europe, protect farming and fertile agricultural land, and provide adequate agricultural knowledge and innovation systems (AKIS). Young people and women must be encouraged to enter farming and attract to stay working in the farms for years.

3.5.4. Ensuring decent working conditions for EU and non-EU workers in agriculture and in the food sector at all levels of the supply chain is a prerequisite for implementing a sustainable and resilient food system. Adequate financing, fair and higher wages, fair prices, climate adaptation subsidies and seasonal worker rights should be granted.

3.5.5. A comprehensive EU food policy should, according to the EESC, deliver: economic, environmental and socio-cultural sustainability. It is therefore imperative to ensure that the F2F strategy fundamentally reshapes supply chain dynamics and delivers durable improvements in farmers' incomes and livelihoods⁽¹³⁾. We question whether this necessary fundamental shift will come about if the right political and economic incentives are not put in place?

3.6. *Trade*

3.6.1. EU-27 agri-food exports in 2020 were valued at EUR 184,3 billion, a rise of 1,4 % compared to 2019, while imports, at EUR 122,2 billion, were 0,5 % higher than in the previous year. The agri-food trade surplus in 2020 was EUR 62 billion, up 3 % from 2019⁽¹⁴⁾. According to the JRC, EUR 1 billion of agri-food exports creates on average 20 000 jobs, of which 13 700 are in the primary sector. At the same time agriculture accounted for about 4,2 % of total employment in the EU in 2016⁽¹⁵⁾.

⁽¹⁰⁾ Vertical farming, WUR.

⁽¹¹⁾ EESC opinion on *Towards a Fair Food Supply Chain*, NAT/823 (OJ C 517, 22.12.2021, p. 38).

⁽¹²⁾ CAP — Structural change and generational renewal, EC.

⁽¹³⁾ OJ C 429, 11.12.2020, p. 268.

⁽¹⁴⁾ 2020 a year of stability for EU agri-food trade, EC.

⁽¹⁵⁾ Farmers and the agricultural labour force — statistics, Eurostat.

3.6.2. The UK, US, China, Switzerland and Japan were the EU's biggest agri-food markets, taking more than 52 % of all exports. The biggest sources of EU agri-food imports in 2020 included the UK, Brazil, US, Ukraine and China.

3.6.3. The EU plays a major role in the global trade of agri-food products and it is essential that its trade policies are aligned with its sustainable objectives. In a previous opinion⁽¹⁶⁾, the EESC proposed that all future EU trade deals incorporate the Green Deal's F2F and Biodiversity strategies as global sustainability standards. It recognised the importance and value of rules-based trade operating on a level playing field and the major contribution this will make to economic recovery post COVID-19.

3.6.4. To reduce the dependency on agricultural inputs the EU should support low-input practices, especially in terms of fossil fuels and pesticides and foster the production capacity of agricultural inputs in Europe.

3.6.5. Innovative systems are needed to protect and enhance the natural resource base, while promoting efficient production⁽¹⁷⁾. New technologies, robots and vaccines are important assets to be developed.

4. Risk management and stress-testing scenario

4.1. According to the FAO, humanity and our food security face a range of new and unprecedented threats, such as extreme weather due to climate disruption, diseases and pandemics. Agriculture faces an array of risks, interacting in a hyperconnected world⁽¹⁸⁾.

4.2. The FAO reports that, during 2020/21, food prices rose to the highest level since 2011⁽¹⁹⁾. It is often reported that price volatility is driven in part by speculation. The UN and OECD report that, in 2020, between 720 and 811 million people faced hunger. Nearly one out of three people in the world (2,37 billion) did not have access to adequate food in 2020, an increase of 320 million in 1 year⁽²⁰⁾.

4.3. The COVID-19 pandemic demonstrates that food security is — even in Europe — not to be taken for granted. All players and activities throughout the food chain are hyper-connected. During the pandemic, countries introduced trade restrictions. Even within the EU, Member States took unilateral measures closing borders, threatening the transport of food and seasonal workers. Thanks to rapid adaptations by farmers and food chain partners, production, processing and distribution kept going. The Commission also took action to keep the internal market functioning. However, many entrepreneurs have been economically hit by the crisis as travel, tourism and food services closed down.

4.4. Cyber attacks such as ransomware attacks lead to real life crises because today so much is online ('Internet of things'). The press agency AP reported that the average payment to cybercriminals increased by 311 % in 2020 to USD 310 000. On average, the victims only regained access to their data after 21 days⁽²¹⁾.

⁽¹⁶⁾ OJ C 429, 11.12.2020, p. 66.

⁽¹⁷⁾ The future of food and agriculture, FAO.

⁽¹⁸⁾ The impact of disasters and crises on agriculture and food security: 2021, FAO.

⁽¹⁹⁾ FAO Food Price Index, FAO.

⁽²⁰⁾ 2021 State of Food Security and Nutrition in the World, WFP.

⁽²¹⁾ Cyberattack on US pipeline is linked to criminal gang, AP News.

4.5. In April 2021, the biggest Dutch supermarket (Albert Heijn) ran out of certain cheese products for several days because of a cyber attack at a major distributor ⁽²²⁾. Recently, the world's biggest meatpacker JBS was attacked. This has intensified security concerns in the US over its national food supply ⁽²³⁾. It appears that many cyber attacks go unreported by companies to avoid market reactions such as hoarding and prices sky-rocketing. Companies have also suffered significant impacts from cyber attacks even though they were not the direct target of the attack, such as the closure in July 2021 of several hundred stores in the Cooperative group in Sweden following the ransomware attack on the US Kaseya software supplier ⁽²⁴⁾.

4.6. Equally worrying was the blockage of the Suez canal by a 200 000 tonne container vessel in early April 2021. Such incidents show the vulnerability of global supply chains. If these chains are disrupted for a few days, it takes a long time to catch up again and this may cause price rises for consumers and companies.

4.7. In September, the EC published its **2021 Strategic Foresight Report**, focused on open strategic autonomy ⁽²⁵⁾. The Commission considers 'ensuring sustainable and resilient food systems' as one of the key strategic areas to strengthen the EU's global leadership. In this regard, the need to invest in innovation to safeguard resilient and sustainable food systems is mentioned ⁽²⁶⁾.

4.8. Additionally, a recent technical paper by the Joint Research Centre provides background for the resilience dashboards presented in the 2020 Strategic Foresight Report of the EC ⁽²⁷⁾. This includes vulnerability indicators related to access to local services and food import dependence, and proves the geo-political importance of food. A dashboard helps to map vulnerability and to develop targeted stress-testing. However, this is a general approach as there is no one single indicator, and the resilience dashboards are currently under revision.

4.9. There is a need for supply chains to move from 'just in time' to 'just in case'. Dependence on monopoly suppliers for certain goods can be subject to interference by hostile governments. This is also an issue of supply of inputs to farmers and food processors. The EESC therefore calls for a security review of EU food availability. This should be done through **scenario studies**.

4.10. Stress-testing should be used to expose vulnerabilities. For example: what are possible consequences of local/regional/national energy and telecom network failures lasting several days? This is widely understood to be one of the highest-demand risks to any nation's critical infrastructure including food supply. Direct impacts to food supply include: loss of electricity, water and gas supply; loss of refrigeration and freezing capability; loss of cooking, baking and processing/manufacturing facilities; loss of heating and lighting; the inability to ensure basic food hygiene; and the inability to obtain fuel for distribution vehicles or other uses in the supply chain. However, indirect impacts due to impacts on other critical infrastructure could also have significant consequences. A prolonged absence of telecoms and data comms would present serious and immediate challenges to how companies communicate internally, and with government agencies, suppliers, customers and consumers to facilitate the dissemination of vital information and to operate reordering and payments including through banking link systems.

4.11. The EESC recommends a further investigation of this scenario.

⁽²²⁾ Kaasschaarste bij Albert Heijn na hack leverancier, de Volkskrant.

⁽²³⁾ Hacking American beef: the relentless rise of ransomware, Financial Times.

⁽²⁴⁾ NCSC statement on Kaseya incident, NCSC.

⁽²⁵⁾ 2021 Strategic Foresight Report, EC.

⁽²⁶⁾ Shaping and securing the EU's Open Strategic Autonomy by 2040 and beyond, JRC.

⁽²⁷⁾ Resilience Dashboards, EC.

5. Recommendations on the way forward

5.1. Open strategic autonomy as a concept offers opportunities, but also poses risks. The prosperity of the EU depends also on world trade, and therefore on clear rules for trade and set measures.

5.2. When food gets scarce, or appears to, panic-buying may occur, while the appetite of consumers for thinking about the climate, biodiversity or animal welfare may fall away. So Europe can only become greener if it also gets more resilient.

5.3. COVID-19 has shown that when supply chains get disrupted for a longer period there are ripple effects throughout the whole economy. It may take several years to get back to normal.

5.4. Open strategic autonomy in food cannot exist without an open and fair trade policy. The European Union cannot go back to protectionist policies because this would create new vulnerabilities and potentially cause great harm⁽²⁸⁾. For example: the EU supplies grain to North Africa and the Middle East. Often, international supply chains are more efficient and diversified and therefore more capable of rapid adaptation to new shocks than local ones.

5.5. The EU should evaluate in which cases and for which products self-reliance is a valuable approach. Awareness about how supply chains operate should be increased among consumers and the general public.

5.6. The EU, with the UN and its trade partners, needs to address the root causes of food insecurity and contribute to a much needed food system transformation making agriculture more resilient to shocks. Governments have a role to play in supporting supply chains becoming more sustainable, robust and secure.

5.7. In a recent joint non-paper, France and the Netherlands have called for tougher EU trade conditions, including an EU **Responsible Business Conduct (RBC)** plan. This should ensure a coherent and harmonised policy while maintaining a level playing field for the EU internal market. An EU RBC action plan should be the overarching strategy for the EU's approach to fostering fair trade and responsible production and the management of supply chains.

5.8. Spain and the Netherlands recently produced a joint non-paper on pursuing strategic autonomy while preserving an open economy. One of the points made in that paper was that 'open strategic autonomy' should be one of the issues debated at the **Conference on the Future of Europe**.

5.9. The EU discussion on due diligence⁽²⁹⁾ and the F2F code of conduct⁽³⁰⁾ are also relevant in this context. In this regard, companies and organisations in the agri-food sector have now the opportunity to sign the code of conduct on responsible business and marketing practices launched by the EC as part of the F2F strategy⁽³¹⁾.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

⁽²⁸⁾ All future EU trade deals should also incorporate the Green Deal's F2F and Biodiversity strategies as global sustainability standards. (OJ C 429, 11.12.2020, p. 66).

⁽²⁹⁾ Towards a mandatory EU system of due diligence for supply chains, Euractiv.

⁽³⁰⁾ Code of Conduct for Responsible Business and Marketing Practices, EC.

⁽³¹⁾ EESC opinion on *Aligning food business strategies and operations with the SDGs for a sustainable post-COVID-19 recovery* (not yet published in the OJ).

III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

564TH PLENARY SESSION OF THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE –
INTERACTIO, 20.10.2021-21.10.2021**Opinion of the European Economic and Social Committee on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery****(COM(2021) 350 final)**

(2022/C 105/10)

Rapporteur: **Sandra PARTHIE**Co-rapporteur: **Dirk BERGRATH**

Referral	European Commission, 1.7.2021
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	30.9.2021
Adopted at plenary	21.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	194/0/0

1. Conclusions and recommendations

1.1. A coherent industrial strategy should be focused on two dimensions: recovery from the pandemic and reconstruction and resilience. The European Economic and Social Committee (EESC) welcomes the call for the co-creation of transition pathways for the green and digital future and underlines that this has to be done in partnership with industry, public authorities, social partners and other stakeholders. For the EESC, the first step for a successful and coherent implementation of the industrial strategy is to shape the right framework with a focus on competitiveness and innovation, which should be addressed in each ecosystem, with clear goals and targets.

1.2. In this context the EESC calls for dedicated Key Performance Indicators that measure not only the ecosystem's competitiveness, but also horizontal issues, and underlines the need for regular assessments of the chosen indicators and for adapting or changing them over time.

1.3. The EESC welcomes the commitment by the European Commission to retain and grow Europe's the industrial and manufacturing base and underlines that social partners and civil society organisations have a key role and need to be included in designing the future of European industry. The EESC also calls for an alignment of the measures envisaged to achieve climate neutrality and the digital transition with the objective of social wellbeing and sustainable growth.

1.4. The Committee agrees that value chain resilience has gained in importance and supports the Commission's efforts to secure supply chains and to strengthen the resilience of businesses, as this is important for the EU economy, with the COVID-19 pandemic highlighting unexpected shortcomings, including in the Single Market.

1.5. The pandemic has in some areas unfortunately contributed to widening the gap between prosperous and less prosperous EU Member States. This further endangers social and economic cohesion. Next Generation EU is an unprecedented instrument for the EU to mitigate this impact, and must be used to achieve better convergence between European Member States and regions, also with regard to the twin transition towards a sustainable and digital Europe.

1.6. Industrial alliances are proving a successful method for developing large-scale and cross-border industrial projects in strategic fields. These industrial alliances, together with Important Projects of Common European Interest (IPCEIs), are crucial for the recovery and promoting European standards and key technologies, in particular in areas where the market alone cannot deliver or is being distorted.

1.7. In our view, the successful implementation of such projects requires close dialogue with worker representatives and trade unions, as well as with company representatives and employers' federations in order to include their know-how and to reduce uncertainties in the conversion as well as possible. They must be flanked with an impact assessment regarding the effects of the decarbonisation processes on value creation, employment and the skills required for decarbonised industrial production and the circular economy.

1.8. Identifying clear and appropriate measures to support Europe's MSMEs ⁽¹⁾ is of paramount importance and the EESC endorses the intention to provide companies of all sizes with accessible support to innovate and fully embrace digitalisation. A revision of policies to address hiring challenges faced by companies and attract a qualified workforce is also necessary, as is a business-friendly environment and investments in social infrastructure, workers' skills and training, as well as decent working conditions.

1.9. Shortages in strategic value chains, as well as shortages of skilled workers, are undermining European industries' abilities to recover rapidly from the pandemic. It is crucial that Member States and the EU act decisively to tackle strategic dependencies ⁽²⁾, including through reindustrialisation, the circular economy, trade policy and through skills-related measures. In general, businesses are best placed to review and revise their supply chains and should be supported in this endeavour.

1.10. The EU needs to remain open, fair and values-based in order to attract investors and support economic activity. Nevertheless, the EESC supports an open and fair single market where European companies can compete on foreign markets, and therefore calls on the Commission and Member States to ensure that the investments are made in digital solutions that add value to European economies. Digitalisation of the economy should be promoted in an inclusive manner, preventing any type of digital discrimination.

1.11. The EESC believes that the set of measures announced by the Commission to tackle unfair competition due to foreign subsidies should also be used as a tool to reindustrialise Europe and support its industrial value chains. The EESC also supports the mapping of European production chains, with industry at the forefront of this reconstruction, and calls for a better promotion of European standards at the global level.

2. The Commission Communication

2.1. The Communication is the update of A New Industrial Strategy for Europe, published on 10 March 2020. The update aims to capture the impact of the pandemic crisis on Europe's economy and industry, sets out the lessons learned from the crisis and lays out the policy priorities under three main strands:

- strengthening single market resilience,

- dealing with Europe's strategic dependencies,

⁽¹⁾ Micro, small and medium-sized companies (MSMEs).

⁽²⁾ The EESC wants to point out that, logically, it should be strategic 'independencies', not 'dependencies' but will, for the sake of coherence, continue to follow the terminology introduced by the Commission.

— accelerating the green and digital transitions of EU industry.

2.2. The update also assesses the resilience and functioning of the single market, evaluates the needs of each industrial ecosystem, identifies strategic dependencies in key vulnerable ecosystems and proposes Key Performance Indicators (KPIs) to monitor the implementation of the strategy. It includes an SME dimension with tailored financial support and measures to enable SMEs and start-ups to embrace the twin transitions.

3. General comments

3.1. The EESC welcomes the update of the industrial strategy. It is needed to be revised as the COVID-19 crisis has put Europe's economy and industrial value chains, micro, small and medium sized-enterprises as well as citizens — in particular young people, people who have lost their jobs low-income earners, vulnerable groups such as persons with disabilities and women — under stress. Additional weaknesses, dependencies and gaps in supply chains have been revealed and need evidence-based assessment to be addressed successfully. The EESC welcomes the commitment by the Commission to retain and grow its industrial and manufacturing base and underlines that social partners and civil society organisations have a key role and need to be included in designing the future of European industry. In particular, the EESC underlines the crucial role of social dialogue, the social partners, collective bargaining and workers' involvement, as well as civil society engagement, to achieve competitive industrial policy.

3.2. Nevertheless, as the pre-COVID-19 challenges have not disappeared, consistency with the measures proposed in the 2020 Industrial strategy for Europe is appropriate. The recovery will take time, and continued support to European industry, companies and workers is necessary in the process. The twin transition challenge, dealing with climate change and advancing digitisation, requires efforts by companies and public authorities and must play a central role in a modern industrial strategy for Europe. The EESC underlines that the measures envisaged for climate neutrality and the digital transition must align with the objective of social wellbeing and sustainable growth, to achieve a just transition where no one is left behind. In addition to focusing on the recovery from the COVID-19 crisis, a longer-term perspective on a green and digital transition but also on productivity and competitiveness in general is essential.

3.3. The Committee agrees that value chain resilience has gained in importance and supports the Commission's efforts to secure supply chains and strengthen the resilience of businesses, as this is important for the EU economy and the COVID-19 pandemic has highlighted unexpected shortcomings, including in the Single Market. A strong horizontal industrial policy should support the European industrial base without discretionary interventions in market results. The EESC points to the importance of innovation. Exploring ways to find an appropriate level of security of supply and strengthening the capacities to cope with disruption should be on the political, but above all on the corporate, agenda.

3.4. Skills are crucial in supporting the twin transition and to contribute to the recovery. The EU can only be a geopolitical power if it has a very competitive industrial base, with strong companies and highly skilled workers, production facilities on EU soil and clear and fair rules for the internal market. The EESC supports the Pact for Skills initiative that is designed to foster actions for the up- and re-skilling of adult workers. Actions under the pact, such as the development of skills partnerships per ecosystem, including public-private partnerships, are best developed at the sectoral level with the involvement of sectoral social partners and relevant civil society organisations. It is also important that national skills initiatives incentivise employers to offer training opportunities. In this respect, the territorial dimension is of the utmost importance; labour markets should be properly assessed with a view to creating new jobs in all regions. The EESC will monitor these aspects and calls on the Commission and the Member States to involve the social partners and civil society in the monitoring and implementation of the Recovery and Resilience Facility (RRF) plans, which need to be coherent with the European Green Deal and the Industrial Strategy. Europe needs a highly qualified labour force, adapted to the changes that the economy is facing. Succeeding in upskilling and re-skilling is a huge challenge ⁽³⁾.

⁽³⁾ OJ C 374, 16.9.2021, p. 16.

3.5. The EESC salutes the thorough analysis of the impact of the COVID-19 pandemic conducted in the context of the strategy. The proposed constant monitoring and observation activities and instruments, such as the Annual Single Market Report or the monitoring of critical raw materials, can create very useful data sets for assessing the state of Europe's industrial strength and inform a horizontal industrial policy that puts Europe again in a global leadership position.

3.6. However, a set of strategies or plans, e.g. on the Green Deal or NextGenerationEU, is not sufficient, as long as they lack implementation. The EESC calls on the Commission and the Member States to ensure that the various plans for Europe's recovery are aligned, with the necessary regulatory framework and incentives so that the industrial sector, its companies and workers are enabled to transition into a sustainable and digital future.

3.7. In coherence with the European Pillar of Social Rights, this considerable use of public funds should be oriented towards the principle of social sustainability and solidarity. This should be a guiding principle in the implementation of the updated strategy. Given the scale of the challenges, the resources currently made available through the Just Transition Fund are not enough to create sufficient prospects for affected regions and employees in the process of structural change. A just transition in the industrial sector can only succeed if carried out in a coordinated manner. The EESC believes that public investment should be done through broad and open research programmes such as Horizon Europe to avoid subsidising activities which are closer to markets.

3.8. Industrial and trade policies are interlinked, must be mutually reinforcing and address market distortions. Ensuring that the EU remains open to trade and investment is a prerequisite for achieving resilience. Trade can help diversify supply chains and allow the EU to have unobstructed access to inputs critical for our capacity to innovate and scale up production⁽⁴⁾. The EU's trade policy can help increase our global competitiveness i.e. by raising the climate ambition of trading partners, e.g. through liberalising trade in environmental goods and services. The EESC underlines that all EU policies should promote sustainable development at both European and international level, and ensure that economic development goes hand in hand with social justice, respect for human rights, high labour standards and high environmental standards. The EU needs to remain open, fair and values-based in order to attract investors and support its economic activities.

3.9. The single market is Europe's biggest asset and its success will be key to enabling the transition. The Commission should continue the focus on implementation and enforcement of rules, and on removing the barriers in the single market that were present even before the crisis.

3.10. The pandemic has, in some areas, widened the gap between prospering and less prosperous EU Member States. This further endangers social and economic cohesion. Next Generation EU is an unprecedented instrument to mitigate this impact, but the EESC regrets that the regional aspect as well as peripherality or geographical location are missing from the Update of the Industrial Strategy. An ecosystem approach alone will not rectify the situation or reduce divergences. One of the main objectives of the strategy should be to reduce divergences between Member States and regions, while striving for upward convergence.

4. Monitoring industrial trends, value chains and competitiveness

4.1. Manufacturing is a driver for innovation, a focal point for value chains including services, and a home of high productivity and high-income jobs. Securing the future of manufacturing, strengthening industrial production and providing an enabling business and regulatory environment should be the cornerstones of a resilient and modern European economic and industrial policy that preserves and creates jobs.

4.2. Shortages in strategic value chains, as well as shortages of skilled workers, are undermining European industries' abilities to recover rapidly from the pandemic. Member States and the EU must tackle strategic dependencies, including through attracting strategic production on EU territory, the circular economy and trade policy measures. In general, it is businesses that are best placed to review and revise their supply chains. The EESC believes that the set of measures announced by the Commission to tackle unfair competition due to foreign subsidies should also be used as a tool to reindustrialise Europe and support its industrial value chains. Increasing Europe's strategic capacities through new industrial alliances that would not develop otherwise can create jobs and growth by redeveloping certain strategic production facilities.

⁽⁴⁾ See OJ C 429, 11.12.2020, p. 197 and OJ C 364, 28.10.2020, p. 53.

4.3. Europe's manufacturing sector is facing growing competition from the United States and China. Europe is competing for investments that can be made in many parts of the world. Favourable investment conditions are crucial prerequisites for Europe's future prosperity. Domestic, European and international investors need to find attractive conditions in order to maintain and increase the capital stock that facilitates future growth. Existing companies must meet the conditions for development, while founders must be convinced that their business projects can grow successfully in Europe. The EESC recommends strengthening the horizontal approach in the industrial strategy, supplemented by vertical approaches.

4.4. Taxation can play a key role in providing the necessary incentives, but not while Member States are still competing with one another in an unfair and damaging manner, thereby enabling some large corporations to avoid paying their fair share of taxes. The EESC supports the preparations for the legislative proposal on BEFIT (Business in Europe: Framework for Income Taxation) and appreciates the recent agreements within the OECD on the taxation of companies.

4.5. The Annual Single Market report defines a set of KPIs with which to analyse economic developments and monitor the progress achieved in the different areas identified as priorities for European industry. The EESC supports KPIs as a monitoring tool and welcomes the aim of providing an overview of the performance of the EU economy, comparing it to international partners and analysing the specificity of industrial ecosystems. We call on the Commission to produce an annual assessment detailing how KPIs have achieved the proposed targets and to put in place corrective measures, if needed. The EESC also considers that if KPIs are a key instrument for the implementation of the Industry Strategy, quantifiable objectives, a clear timeline and governance are needed.

4.6. However, in our view, we need indicators that do not just provide another set of data but depict what is important for the EU's competitiveness. The proposed KPIs overlook important indicators such as the age, the gender or the skills profile of the workforce among the various ecosystems. Those aspects are crucial to anticipate the change ahead and avoid bottlenecks and hurdles while transforming European industry. But they are also key to building an inclusive recovery, given that young people, women and precarious workers have been the hardest hit by the crisis. The EESC recommends complementing the proposed KPIs with indicators measuring the social performance of the Industrial Strategy and its 14 ecosystems, with the aim of ensuring good working and production conditions and quality jobs. It calls for dedicated indicators that measure not only ecosystems, but horizontal issues as well, and for an option to adapt, change or evolve these over time, if necessary. The KPIs should, for example, take into consideration consumer preferences, and especially the shift to sustainable products.

5. Strengthening single market resilience

5.1. The EESC welcomes that the single market is at the very centre of the update. A strong home market is a precondition for European companies to set up, develop and continue to thrive. The EESC reminds that the objective is to ensure high labour, social and environmental standards and the smooth operation of supply chains and value creating networks within Europe. Social cohesion, affordable health care systems, efficient public services, good infrastructures, successful education systems and well-functioning industrial relations are key conditions for attracting investment and creating prosperity.

5.2. The EESC supports the Commission's proposal for a Single Market Emergency Instrument for greater transparency and coordination. It also welcomes the detailed analysis of industrial ecosystems, which will need to be accompanied by sectoral analyses and roadmaps, highlighting not just interdependencies and connections but also gaps in many sectors in the EU, including the assessment of labour market developments and the corresponding skills needs. There should also be room for revising how ecosystems ⁽⁹⁾ are defined and used, but also which sectors are examined, so that the tool does not become overly selective.

5.3. The EESC welcomes the recognition of the role of Europe's MSMEs and endorses the intention to help them scale up and attract a qualified workforce. This requires a business-friendly environment and investments in workers' skills and training, as well as decent working conditions and good social infrastructure. The EESC appreciates the extra attention paid

⁽⁹⁾ The use of the term 'ecosystems' wrongly implies a sustainable equilibrium. There is no coherent usage of the term 'ecosystems' in EC communications. In the EGD Communication of December 2019, 'ecosystem' is used for natural systems and not those created by humans. In the updated Industrial Strategy Communication, the term is used only for industrial systems.

by the Commission to late payments. Tackling the issue of late payment is of particular importance for SMEs. Alternative dispute resolution systems in which disputes can be confidential can be an important step in this direction.

5.4. Industrial alliances are proving a successful method for developing large-scale and cross-border industrial projects in strategic fields. These industrial alliances, together with Important Projects of Common European Interest (IPCEIs), are crucial for the recovery and for promoting European standards and key technologies, in particular in areas where the market alone cannot deliver or is being distorted.

5.5. The EESC calls for a reform of the state aid rules. The current set-up is no longer fit for purpose. We need a system that reduces administrative burdens, speeds up decision-making and makes it easier to meet the requirements of the matching clause. State aid rules can also make or break IPCEIs, which are key to encouraging public and private investment.

5.6. The EESC regrets the lack of recognition, in the Communication, of the critical role played by social economy enterprises during the pandemic and their relevance in the construction of a resilient Europe moving forward. On this front, the EESC points to the forthcoming Action Plan to Promote Social Economy.

5.7. Research, Development and Innovation are very important for the future of European industry. The EESC regrets that the target of 3 % GDP investments in R & D&I is still far from being met. While some Member States achieve that level, others are below 1 %. These differences are hampering the EU's global capacity as a block, keeping it behind the US, Japan and China.

5.8. Strengthening single market resilience requires fostering the market's integration. To this end, fiscal dimension and integration and measures to avoid unfair tax competition should be taken into consideration at both European and international level. Competition rules also need to be adapted to the new realities we are facing today, separately from the industrial policy.

6. Dealing with dependencies: open strategic autonomy in practice

6.1. The EU needs to remain open, fair and value based in order to attract investors and support its economic activities. Its geopolitical power is linked to having a competitive industrial base, with strong companies and highly skilled workers, production facilities within the EU, and clear and fair rules for the internal market, which can serve as an example internationally⁽⁶⁾. It is important, however, that it makes considered use of trade defence instruments to maintain fair competition in EU.

6.2. The EESC is convinced that an autonomy-focused policy is not fit for purpose. Instead, the EU's trade policy needs to recognise the fact that openness is a key ingredient in achieving resilience. It is important to find the right balance between openness and the planned legal instrument to address the potentially distorting effects, on both companies and workers, of foreign subsidies in the single market. The EESC supports an open and fair Single Market and level playing field where European companies can compete on foreign markets.

6.3. On the other hand, introducing new terminologies such as 'competitive sustainability', without further explanation, should be avoided. Companies will face an uphill battle during the recovery phase and need an easy-to-negotiate legislative framework to do so.

6.4. The approach of forming and supporting industrial alliances has proven successful in the current examples of batteries and hydrogen. The EESC believes that this is a very good instrument and supports the launch of further alliances in the chosen sectors, e.g. processors and semiconductor technologies, Industrial Data, Edge and Cloud, Space Launchers and Zero Emission Aviation. We urge, however, that the alliances should be set up in a transparent and inclusive way, paying particular attention to MSMEs.

⁽⁶⁾ See OJ C 364, 28.10.2020, p. 108.

7. Accelerating the twin transitions

7.1. As recognised in the Green Deal, digitalisation plays a key role in all ecosystems. Investments should thus be increased across the EU to boost the growth power of new ICT sectors, such as the data economy, the internet of Things, cloud computing, robotics, artificial intelligence and advanced manufacturing, as well as the use of European-developed industrial standards. The EESC calls on the Commission and Member States to ensure that the investments are made in digital solutions that add value to European economies.

7.2. Making Europe competitive in the digital field has the highest priority. The strategy rightly notes the need for the co-legislators to rapidly adopt the Digital Services Act and Digital Markets Act and the paramount role of harmonised standards in strengthening the single market for goods and enabling European global leadership in technologies, including by using digitalisation to achieve higher energy efficiency. A well-functioning European standardisation system is key for reaching the goals of the twin transition and strengthening the competitiveness and resilience of EU industries. The EESC calls on the Commission to increase its efforts to achieve leadership through and in standard-setting, by promoting and developing existing European industry standards jointly with companies. The EESC therefore welcomes the Commission's holistic approach, considering also the importance of the services sector for a well-functioning single market and tackling the twin transitions.

7.3. Equipping the European labour force with digital skills for this new phase of industrialisation is key. Embracing the digital era can only be achieved with a skilled and well-prepared workforce. Skills are an important catalyst for the innovation and creation of added value. Increasing employability requires comprehensive labour market strategies involving all relevant stakeholders (social partners, labour market institutions, civil society organisations, training providers). Digital skills and competences must be integrated into all levels of education, training and sectoral social partners. Local companies should be involved in the governance of education and vocational training systems, as they have extensive knowledge of companies' systems and local market needs. The digitalisation of the economy should be promoted in an inclusive manner, preventing any type of digital discrimination, especially against older people, people with disabilities and those living in rural and remote regions.

7.4. The EESC stresses that a strong European manufacturing sector based on low- or no-emissions technologies and energy efficiency is best for economic prosperity and the climate. Reducing production capacities and risking both carbon and investment leakage to countries with less ambitious emission standards would be a fundamental failure. Developing affordable low- or no-carbon — as well as energy efficient — technologies and bringing them to global markets is the most important lever for global emission reduction. Europe's responsibility is to demonstrate that ambitious emission reduction is possible without endangering economic prosperity.

7.5. The circular economy⁽⁷⁾ and creating secondary raw materials markets is vital. Waste management policies, mandatory recycled contents in packaging and other products are vital to set in motion investments along the recycling chains.

7.6. To achieve the 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 and the proposed carbon contracts for difference, should provide additional resources to support climate and energy-related projects, and deal with the social impact of a transition that aims to leave no one behind. Also, a link of the industrial strategy to the European Green Deal and the EU Action Plan: 'Towards Zero Pollution for Air, Water and Soil' should be introduced.

7.7. The EESC supports the line taken in the Update of the Industrial Strategy on Carbon Border Adjustment Mechanism (CBAM). We want to underline that a CBAM, introduced for selected sectors, has to be in full compliance with WTO rules in order to avoid retaliatory measures from trading partners. In the pursuit of carbon neutrality, setting similar carbon price levels internationally should be the priority target in future multilateral negotiations.

⁽⁷⁾ See OJ C 364, 28.10.2020, p. 94 and OJ C 14, 15.1.2020, p. 29.

7.8. Data analytics will play a crucial role in the short and medium term. The EU needs advanced data analysis programmes that can assess Europe's competitiveness level compared with our global competitors. The EESC thus welcomes efforts to create industrial alliances on Industrial Data, Edge and Cloud.

Brussels, 21 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

N.B: The Annex to this document (the supplementary opinion of the Consultative Commission on Industrial Change — CCMI/185 — 'Updating the new industrial strategy — Impacts on the health industrial ecosystem' — EESC-2021-02562-00-00-AS-TRA) can be found on the following pages.

ANNEX

Opinion of the Consultative Commission on Industrial Change (CCMI)
Updating the new industrial strategy — Impacts on the health industrial ecosystem
(supplementary opinion to INT/935)

Rapporteur: **Anastasis YIAPANIS**

Co-rapporteur: **Antonello PEZZINI**

Plenary Assembly decision	26.4.2021
Legal basis	Rule 37(2) of the Rules of Procedure Supplementary opinion
Body responsible	Consultative Commission on Industrial Change (CCMI)
Adopted in CCMI	29.9.2021

1. Conclusions and recommendations

1.1. The EESC firmly believes that health is at the centre of the new international geopolitical context and that it is crucial to support a strong and coordinated European healthcare ecosystem so as to contribute to the EU's industrial strategic autonomy, technological sovereignty and a better quality of life for EU citizens based on a holistic approach, with clearly established roadmaps and measurable, transparent performance indicators.

1.2. Bottom-up mapping and analysis should be carried out, together with Member States and stakeholders in the sector, in order to assess the exact nature of the dependencies identified, including the risks they pose to the resilience and functioning of the industrial ecosystem and tackle vulnerabilities and shortages of strategic materials.

1.3. The EESC considers that action is needed to create a stronger, fairer and more efficient and accessible healthcare ecosystem, with effective governance, appropriate diversification of sources of supply and an interoperable and interconnected digital healthcare architecture. The EU needs to find the appropriate incentives for reshoring strategic production capacities.

1.4. Europe is dependent on other countries for the supply of certain raw materials. The health sector needs stronger and more diverse international supply chains in order to be ready to face future crises. The EESC welcomes the announced proposal to create a European Health Emergency Preparedness and Response Authority.

1.5. The EESC underscores the need to go up a gear, including by means of synergies between the public and private sectors. Strategic foresight at Union level is desperately needed, promoting fair availability of equipment and access to the healthcare ecosystem, greater solidarity, fairness and multilateral cooperation. The EESC calls for social wellbeing to be ensured by means of easy access to high-quality and effective medicines for all EU inhabitants.

1.6. The potential synergies between large companies and SMEs are not being fully exploited, seriously hampering the empowerment of SMEs and preventing the health sector from becoming an incubator of breakthrough discoveries. Investment support instruments must be effectively coordinated, with specifically dedicated calls for industrial SMEs.

1.7. The EESC calls for more clarity concerning health data sharing and the use of AI, the elimination of regulatory barriers, and support for a common EU approach to the use of telemedicine services. It fully supports the deployment of the European Health Data Space, with full respect for individual rights and the protection of personal data.

1.8. The health sector can contribute significantly to the EU's climate neutrality through properly designed waste management policies, new circular economy business models and increased transport infrastructure capacity.

1.9. Investing in R & D is essential for the competitiveness and sustainability of the health industry. European policies must stimulate public and private investments so that they integrate social and health aspects.

1.10. The EESC calls for greater engagement in the regulatory procedures regarding the development of harmonised quality and safety standards for protective equipment and medical devices. The EESC calls for clear mandates for the standardisation bodies in the technical-regulatory process.

1.11. Dedicated training, re-skilling, up-skilling and lifelong learning programmes for the European health labour force are needed in order to cope with the new challenges of the Green Deal. The focus must not only be on health professionals, but also on researchers, teachers, media people and patients themselves. The EESC therefore calls for more communication at EU level about consumers'/patients' rights, with the full inclusion of the social partners and relevant civil society organisations.

1.12. The EESC calls on the Commission to continue the collaboration and dialogue between stakeholders on the resilience of the pharmaceutical sector, building on existing structures under the Pharmaceutical Strategy for Europe, and to continue to develop a strong, sustainable and digital transformation of the health industrial ecosystem as outlined in the Industrial Strategy for Europe.

2. Background and introduction

2.1. The COVID-19 pandemic has created an unprecedented crisis within all the EU Member States that, unlike other crises, has impacted both supply and demand, as well as society as a whole. The EU has been hit hard compared to other parts of the world and has recorded more deaths per million people than the global trend ⁽¹⁾. The Union has reacted adequately, in a quasi-coordinated manner. More could have been done, had the EU been more prepared as a Union for this kind of shock.

2.2. The single market represents one of the most important achievements of the European Union project. Barriers still exist, arising from the unharmonised application of EU legislation within the Member States. The COVID-19 pandemic has amplified these barriers, especially showing the fragility of value chains and the increase in distribution problems. It has become clear that the EU is dependent on third countries with regard to medical products.

2.3. The healthcare sector provided more than 7 million jobs in 2018 ⁽²⁾. The sector is an important asset for the single market, with more than 800 000 direct jobs and EUR 109,4 billion in trade surplus ⁽³⁾. Medicine producers made the largest contribution in terms of R & D investments in 2019, while the European electromedical market is now worth EUR 120 billion. However, the EU invests less in comparison to our trading partners: 19,2 % of industrial R & D investment in the EU goes to health innovation compared to 26,4 % in the US, for example. Europe is a major hub for the global medical device industry. The medical device market in the EU accounts for one third of the global market, with around 32 000 businesses and 730 000 employees.

3. General comments

3.1. Health is one of the megatrends of the future, particularly in Europe, and in the new geopolitical context, it is crucial to support the healthcare industrial ecosystem that contributes to the EU's strategic autonomy and technological sovereignty.

3.2. The EESC considers that the European Commission's communication places industry, and especially healthcare, at the centre of European policies, recognising its ability to drive major changes, interpret the new needs and challenges of society and offer innovative and competitive solutions. However, the EESC calls for a more holistic approach than that taken by the Commission, which focuses mainly on industry. Policy makers have a high level of responsibility, since health is one of the basics of individual existence and undoubtedly individuals' most precious asset. The EESC therefore calls for

⁽¹⁾ EP study — Impacts of the COVID-19 pandemic on EU industries.

⁽²⁾ Eurostat — Healthcare personnel statistics.

⁽³⁾ International trade in goods by type of good.

more communication at EU level about consumers'/patients' rights, including the fundamental rights enshrined in the EU Charter of Fundamental Rights. The EU needs a strong coordinated health system.

3.3. The industrial structure of the health ecosystem is an extensive construction, with some big players and a significant number of SMEs. However, the potential synergies between these two groups are not being fully exploited, seriously hampering the empowerment of SMEs. As a result, the health ecosystem is not functioning fully and is obstructed in its role of becoming an incubator of new innovative discoveries.

3.4. The health industrial ecosystem needs a strong internal market, with strong production and distribution facilities. The EESC has previously stressed the importance of a 'functioning, fair and efficient internal market, which, on the one hand, promotes and rewards genuine medical innovation with real added value for healthcare and, on the other, strengthens competition for fair and affordable access to medicines' ⁽⁴⁾.

3.5. There would seem to be a significant need to upgrade the integration of the single market by ensuring more effective governance, especially in the healthcare industrial sector ⁽⁵⁾: a well-functioning single market and competition policy enables strong business dynamics, which can play an essential role in diversifying sources of supply within the EU and avoid a fragmented healthcare architecture.

3.6. As the COVID-19 pandemic has shown, cross-country collaboration and solidarity improve the EU's response capacity and increase the resilience of the Union as a whole. Strategic foresight at Union level is desperately needed, especially since the pandemic has more deeply affected the sectors and value chains that have cross-border interconnections.

3.7. Strategic dependencies influence the fundamental interests of the EU. They particularly concern the areas of safety and security, the health of Europeans, and the ability to access goods, services and technologies that are key to the green and digital transitions at the heart of the EU's priorities.

3.8. The EESC has recommended 'presenting a clear concrete and comprehensive strategy for European industry in the short, medium and long term' and urged the Commission to 'draw up a concrete action plan with clear annual objectives and monitoring procedures, which provides for close collaboration with all stakeholders' ⁽⁶⁾ while underlining how 'the role of employers, entrepreneurs and private sector engagement in driving structural change are key to industrial transition' ⁽⁷⁾.

3.9. The innovative medical-pharmaceutical industry is driven by medical progress. One important issue that needs to be immediately resolved is the unaffordability or unavailability of the medicines. Social well-being must be ensured through easy access to high-quality and effective medicines for all citizens living in the EU. The UK's withdrawal from the European Union has major ramifications for medical device manufacturers.

3.10. Europe's dependence on certain raw materials from only a handful of producers and countries was evident during the COVID-19 pandemic. Moreover, even green and digital technologies, often connected with the health industrial system, also depend on a range of scarce raw materials imported into Europe, with a very large proportion of the rare earth elements needed coming from a single supplier — China ⁽⁸⁾. Strengthening and diversifying international supply chains is also vital for the development of the health industry and ensuring that the EU will be ready to face future crises like the COVID-19 pandemic. Eliminating vulnerabilities and creating a stable, predictable and resource-efficient trading environment should be the ultimate goal. The announced proposal to create a European Health Emergency Preparedness and Response Authority is welcome.

3.11. Europe has been successful in its strategy of developing Public-Private Partnerships to stimulate R & D in the pharmaceutical industry, but the amounts involved are one-tenth of what is spent by the US Biomedical Advanced Research and Development Authority (BARDA).

⁽⁴⁾ EESC opinion on Pharmaceutical strategy (OJ C 286, 16.7.2021, p. 53).

⁽⁵⁾ Questions and Answers: EU4Health Programme 2021-27.

⁽⁶⁾ EESC opinion on *A New Industrial Strategy for Europe* (OJ C 364, 28.10.2020, p. 108).

⁽⁷⁾ EESC opinion on *Industrial transition towards a green and digital European economy* (OJ C 56, 16.2.2021, p. 10).

⁽⁸⁾ E.g. platinum to produce clean hydrogen, metallic silicon for solar panels, and lithium for electric cars.

3.12. The biggest opportunities in the coming years will stem from digital health technologies. Whether we are talking about medicinal products, medical devices and procedures, or measures to prevent, diagnose or treat diseases, they are all vital for all EU citizens. The upcoming Regulation on Artificial Intelligence⁽⁹⁾, the legislative proposal on the European Health Data Space⁽¹⁰⁾ and standardisation will bring more clarity to health data sharing and the use of AI, eliminate regulatory barriers and support a common EU approach to the use of telemedicine services, while the Data Governance Act⁽¹¹⁾ should be able to guarantee the sharing of health data while safeguarding the protection of personal data and preserving other human rights.

4. Specific comments

4.1. The digital transformation of the health sector is a huge opportunity. Embracing the twin transition can provide further competitive advantages for the Union, in a complex and tense international environment. Particularly by investing in high-performance computing and artificial intelligence technologies, the EU can develop cutting-edge technologies, in particular predictive ones. The pandemic has demonstrated the immediate need for smart health services, such as telehealth.

4.2. Moreover, the health sector can contribute significantly to the EU's climate neutrality by reducing its greenhouse gas emissions along the value chains. Waste management policies need to be strengthened, as the sector produces significant amounts of waste from leftover medicines and used technological and personal equipment. New circular economy business models and increased transport infrastructure capacities must be developed, while engaging all Member States and stakeholders in decarbonising value chains.

4.3. Human health ultimately depends upon ecosystem products and services (such as availability of fresh water, food and fuel sources) which are requisite for good human health and productive livelihoods. Biodiversity loss can have significant direct human health impacts if ecosystem services are no longer adequate to meet social needs.

4.4. Traditional medicine continue to play an essential role in health care, especially in primary health care. Medicinal plant use is the most common medication tool in traditional medicine and complementary medicine worldwide. Many communities rely on natural products collected from ecosystems for medicinal and cultural purposes, in addition to food.

4.5. Strategic stockpiling and reshoring EU companies are other important directions to be considered and are part of the EU's shared competences. As technology improves, and manufacturing capacity with it, the EU needs to find the appropriate incentives for reshoring strategic production capacities on its soil. Tax incentives can play a key role in this regard.

4.6. Bottom-up mapping and analysis with Member States and industry is needed to make it possible to assess the exact nature of the identified dependencies in more detail, including the risks they pose to the resilience and functioning of industrial ecosystems in the EU, as well as the possible prospects for reducing these dependencies, as well as trade disputes and cyberattacks, in future.

4.7. Investing in R & D is essential for the competitiveness and sustainability of the health industry. In addition to the contribution of EU funds, European policies must stimulate public and private investment as much as possible. The development of Public-Private Partnerships, like IMI2, will encourage producers to invest in and pursue R & D&I activities that are vital for future medicinal discoveries. These kinds of initiatives have the power to maintain Europe at the forefront of medical innovation.

4.8. Equally, it is of the utmost importance to support Member States' efforts to pool public resources through major projects of common European interest (IPCEI) in sectors where the market alone cannot deliver breakthrough innovations, as is the case in the pharmaceutical sector.

4.9. The competitiveness of the industry must be supported by a strong intellectual property rights framework that empowers and protects innovation. Access to data is also vital for the producers, especially for SMEs that have been hit hard by the pandemic and must be encouraged to scale up and grow. The EU needs specially designed policies for big data analysis and interoperable data access infrastructure.

⁽⁹⁾ Proposal for a Regulation of the European Parliament and of the Council laying down harmonised rules on artificial intelligence and amending certain Union legislative acts (COM(2021) 206 final).

⁽¹⁰⁾ Communication on A European strategy for data (COM(2020) 66 final).

⁽¹¹⁾ Proposal for a Regulation on European data governance (Data Governance Act) (COM(2020) 767 final).

4.10. SMEs need also easy access to financing in order to prosper and grow. This also means alternative sources to the usual bank loans, such as private equity or venture capital financing opportunities. Investment support instruments must be effectively coordinated, with lines specifically dedicated to industrial SMEs. In this area, it is important for the initiatives arising from the EU's sustainable finance framework, including the implementation of the taxonomy, to be designed to provide an opportunity for the European economy, taking into account both the needs of the financial markets and the challenges of industry.

4.11. The development of a European electronic health record exchange format to unblock the flow of health data across borders provides a framework for the further development of common technical specifications for the secure sharing of health data between EU Member States, on which the European Committee for Standardization is currently developing technical specifications. The EESC calls for greater engagement and inclusion of relevant stakeholders in the regulatory procedures regarding the development of harmonised quality and safety standards for personal protective equipment and medical devices.

4.12. The Recovery and Resilience Facility can be used to address many of the health ecosystem's needs via investment in and reforms to national health systems, strengthening resilience and crisis preparedness, primary care, increasing fair and transparent access to services, addressing supply chain vulnerabilities and the digital skills of healthcare workers, telemedicine solutions, and research, development and innovation.

4.13. The EESC calls for the development of specially designed programmes for training, re-skilling, up-skilling and lifelong learning for the European health labour force, in line with their key professional and social role, technological progress and the new requirements for enhanced sustainability. Clear training policies led by the sector stakeholders are needed in order to have qualified workers who are able to cope with the new challenges of the Green Deal.

4.14. The EESC has previously noted that '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' ⁽¹²⁾. In the health sector, the focus must not only be on health professionals, but also on researchers, teachers, decision makers of all kinds, media people, patients themselves and their representative organisations.

4.15. Strategic Public Procurement plays a key role in bringing EU industry, research centres, and EU and national regulatory authorities together, particularly in the health sector, and facilitates public-private cooperation with a view to addressing the needs of public and private health systems and enabling the purchase of innovative and affordable health technologies, including green and digital solutions and social clauses ⁽¹³⁾.

4.16. The EESC has already called on the EU institutions and the Member States to demonstrate the political will to implement a 'Health Pact for the Future of Europe' ⁽¹⁴⁾ that reflects the fundamental values of the EU.

4.17. The Structured Dialogue Initiative ⁽¹⁵⁾ announced in the pharmaceutical strategy is vital for Europe, in order to identify the causes and drivers of potential vulnerabilities and dependencies of medicines supply chains.

4.18. The EESC fully supports the deployment of the European Health Data Space ⁽¹⁶⁾ in order to provide the necessary data sharing infrastructure for diagnostic tools and treatment when it comes to cooperating and engaging in efforts to co-invest in next generation healthcare ecosystems across the entirety of value chains.

⁽¹²⁾ EESC opinion on *A New Industrial Strategy for Europe* (OJ C 364, 28.10.2020, p. 108).

⁽¹³⁾ *Buying Social — A guide to taking account of social considerations in public procurement — Second edition* (OJ C 237, 18.6.2021, p. 1).

⁽¹⁴⁾ EESC opinion on *the establishment of a Programme for the Union's action in the field of health for the period 2021-2027* (OJ C 429, 11.12.2020, p. 251).

⁽¹⁵⁾ Structured dialogue on security of medicines supply.

⁽¹⁶⁾ Commission publishes open public consultation on the European Health Data Space.

4.19. The EESC believes that harmonised standards should be used as an instrument to cover essential product safety requirements supported by instruments that help place the products on the market. The European Union must avoid over-regulation of products, the priority being to lighten the administrative burden caused by excessive legislation, while ensuring easy access to documentation, sound information, smooth exchange of best practices, and effective cooperation.

4.20. Finally, the EESC calls on the Commission to continue the collaboration and dialogue between all stakeholders to strengthen the resilience of the EU pharmaceutical system to future crises, building on existing mechanisms set out in the Pharmaceutical Strategy for Europe ⁽¹⁷⁾ and the Industrial Strategy for Europe ⁽¹⁸⁾. The EESC also calls on the Commission to create further synergies between Member States, to put forward new initiatives to strengthen the coordination of the different national systems (in line with the TFEU ⁽¹⁹⁾) and to continue to develop a strong, sustainable and digital transformation of the health industrial ecosystem.

Brussels, 29 September 2021.

President
of the Consultative Commission on Industrial Change
Pietro Francesco DE LOTTO

⁽¹⁷⁾ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0761>

⁽¹⁸⁾ <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1593086905382&uri=CELEX:52020DC0102>

⁽¹⁹⁾ Treaty on the Functioning of the European Union.

Opinion of the European Economic and Social Committee on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Global Approach to Research and Innovation

Europe's strategy for international cooperation in a changing world

[COM(2021) 252 final]

(2022/C 105/11)

Rapporteur: **Neža REPANŠEK**

Referral	European Commission, 1.7.2021
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	30.9.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	231/0/4

1. Conclusions and recommendations

1.1. The EESC welcomes the EU's commitment to lead and to preserve openness in international research and innovation cooperation, while promoting a level playing field and reciprocity underpinned by fundamental values.

1.2. The EESC welcomes the conclusions of the 'Bonn Declaration on Freedom of Scientific Research', adopted at the Ministerial Conference on the European Research Area (ERA) in that city on 20 October 2020, as it represents a precondition for a dynamic research and innovation landscape which strives for the advancement of knowledge and the benefit of society. The EESC supports the adoption of these principles at international level in future.

1.3. The EESC deems it necessary to better involve civil society organisations in supporting EU institutions and Member States in developing extraordinary policies and special programmes (careers mobility, attracting/retaining researchers, and applied research and innovation results for the entrepreneurship culture of EU SMEs) capable of collecting EU value added that can in turn feed an ambitious European Research Area ⁽¹⁾ for the next decade. This should in particular involve taking into account lessons learnt during the pandemic and the impact of climate change on societies and economies, as well as the need to ensure the full transfer of knowledge and technology through the digital transformation of research. The pandemic has brought to the fore cooperation in the field of health, where the focus must be on making health care available, working to improve and strengthen health in a timely manner, as well as cooperation between health professionals, where working together can find solutions to even the most complex health problems.

1.4. The EESC would like to point out the importance of strengthening the EU's leading role in supporting multilateral research and innovation partnerships to deliver new solutions to green, digital, health, social and innovation challenges, taking into consideration the current impact of COVID-19 on European health systems, societies, business communities and the wider global economy.

1.5. To contribute concretely with the objective of a stronger EU in the world, the EESC asks for civil society organisations to be included appropriately at EU and national level in the European Commission's work in the monitoring of actions, as set out in its Communication. With a view to the planned ERA forum for transition, the EESC suggests facilitating joint action with EU and national institutions through a preliminary Civil Society Knowledge Network Report, which would be delivered and discussed at an international conference held in 2022.

⁽¹⁾ Presidency note to the Council — Renewing the European Research Area — how to prepare the roll out of an ambitious ERA fit for the next decade? and New European Research Area: Council adopts conclusions — press release, 1 December 2020.

2. General comments

2.1. The Global Approach to Research and Innovation (R&I) presents the Commission's perspective for Europe's strategy on international cooperation in research and innovation. The strategy also aims to strengthen partnerships to deliver new solutions to green, digital, health, social and innovation challenges.

2.2. The new strategy builds on two principal objectives. First, it aims for a research and innovation environment that is based on rules and values, and that is also open, in order to help researchers and innovators around the world work together in multilateral partnerships and find solutions to global challenges. Second, it aims to ensure reciprocity and a level playing field in international cooperation in research and innovation.

2.3. The new global approach should be implemented through:

- modulating EU bilateral cooperation in research and innovation to make it compatible with European interests and values and to strengthen the EU's open strategic autonomy;
- mobilising science, technology and innovation to accelerate sustainable and inclusive development, and the transition to resilient, knowledge-based societies and economies in low and middle-income countries;
- launching initiatives modelled on a Team Europe approach, which combines actions by the EU, financial institutions and Member States to maximise the effectiveness and impact of actions.

2.4. The Communication also serves as a guide to implementing the international dimension of the new EU programme for civil research and innovation, Horizon Europe, and its synergies with other EU programmes, in particular the Neighbourhood, Development and International Cooperation Instrument — Global Europe.

3. Commitment to international openness and fundamental values in research and innovation

3.1. To maintain leadership, the EU research and innovation programme has to remain open to the world. This means that participants from all over the world, regardless of their place of establishment or residence, should be able to participate in EU programmes such as Erasmus+ and Horizon Europe. Furthermore, respect and common understanding of values in research should be further promoted and implemented in all international partnerships.

3.2. Following up on *The European Code of Conduct for Research Integrity* ⁽²⁾, the EESC opinion on *A new European Research Area (ERA) for research and innovation* ⁽³⁾ underlines the need to incorporate the principle of scientific and ethical integrity into research ethics and integrity, so as to prevent losses in terms of human health, money, and scientific failure. The Communication emphasises the role of the EU protecting common fundamental values when addressing ethical challenges and ensuring human-centred technological innovation.

3.3. Academic freedom, institutional autonomy, ethical and integrity aspects of research, empirical foundations, gender equality, diversity and inclusiveness should be mainstreamed and integrated in international research cooperation. The EESC strongly agrees with the importance of gender balance and equality, youth empowerment and participation, inclusion and diversity in global research in innovation. An inclusive and supportive environment for research, without political interference, along with opportunities for research, should be advocated at all levels. The EESC welcomes the EC initiative to develop and promote guidelines on dealing with foreign interference that targets EU research organisations and higher education institutions.

3.4. The global aim of the EU is to make datasets FAIR: findable, accessible, interoperable and reusable within the concept of open data and open science.

3.5. It is important to provide core funding at the national level, ensuring an adequate level of investment in research and development that is able to achieve the goals set in the sector.

⁽²⁾ *The European Code of Conduct for Research Integrity*, www.allea.org [accessed 6 June 2021].

⁽³⁾ EESC opinion on *A new European Research Area (ERA) for Research and Innovation* (OJ C 220, 9.6.2021, p. 79).

3.6. Science Diplomacy could help the EU to project soft power and pursue its economic interests and values more effectively, meeting demand and interest from partner countries and playing to the EU's strengths as a research and innovation powerhouse. The EESC is convinced that a constructive social and civic dialogue at all levels would contribute to successful science diplomacy in our communities.

4. New balance — Towards a level playing field and reciprocity in R&I

4.1. Through its policies and programmes, the EU is a major catalyst for internationalisation in research and innovation. It is able to involve production systems too, and mobilises science, young researchers, interdisciplinary networks, technology and innovation to accelerate sustainable and inclusive development, on the one hand, and the transition to resilient, knowledge-based societies and economies in low and middle-income countries, on the other. The EESC stresses the importance of private and particularly public investments in science in order to keep up with other global powers in research and innovation and to protect human rights and fundamental values at the same time.

4.2. Other major science powers are now spending more on science than the EU as a percentage of gross domestic product. Geopolitical tensions are rising and human rights and fundamental values such as academic freedom are being challenged. Academic freedom is a backbone of higher education in the EU, and it should be protected vis-à-vis third countries. In the light of recent events, the EESC welcomes and supports the appeal by European scholars⁽⁴⁾ to seek immediate action to create expedited complementary legal pathways for researchers and scholars at risk, including scholars, students, and civil society actors from Afghanistan, especially women and ethnic and religious minorities.

5. Tackling global challenges together

5.1. The EESC fully supports putting a clear focus on the Just Twin Transition, i.e. the Digital Transition and the Green Deal, health and post-COVID-19 long-term recovery policies. Europe needs to cooperate across borders on a scale never seen before, to learn how to develop, jointly with other partners, innovative solutions to deliver just green and digital transitions in line with the sustainable development goals and to promote Europe's resilience, prosperity and competitiveness — particularly in favour of micro SMEs — and support economic and social well-being. While fostering the transition towards a more resilient European economy, an inclusive recovery leaving no European behind is essential in the process of moving towards a sustainable European economy whilst creating new opportunities for workers. Social innovation can also play an important role in those processes.

5.2. Reciprocal openness, the free exchange of ideas and the co-creation of solutions are essential to the pursuit and advancement of fundamental knowledge. These are key components of a vibrant innovation ecosystem, because openness in cooperation, which characterises EU action, is taking place in a transformed global environment.

5.3. The mobilisation of the world's researchers and innovators will be crucial to the well-being of citizens and of future generations. As seen in recent global pandemic, strengthening international cooperation on issues such as global health, helps us achieve breakthrough innovations. The EU should support its objectives of open strategic autonomy by, in parallel, modulating its bilateral cooperation with non-EU countries in certain areas⁽⁵⁾.

5.4. In response to current global trends, the EU should lead by example, promoting rules-based multilateralism. The multilateral order needs to be reinvigorated to make it fit for purpose so that it can cope with global challenges, and respond to growing citizen demands for transparency, quality and inclusiveness. The EU should also promote the ambitious modernisation of key multilateral international institutions, pursuing a shared roadmap for reciprocal openness in research and innovation cooperation in order to facilitate a global response to global challenges and exchange best practices.

(4) <https://www.scholarsatrisk.org/2021/08/urgent-appeal-to-european-governments-and-eu-institutions-take-action-for-afghanistans-scholars-researchers-and-civil-society-actors/>

(5) Integrating cooperation with EFTA countries, the Western Balkans, Turkey, countries covered by the European Neighbourhood Policy and the United Kingdom, deepening EU partnerships with Africa, Latin America and other regions etc.

5.5. The EU should play a leading role as a setter of global sustainable standards and this should also be advanced through an increased role in international cooperation in 'SME-friendly' pre-normative and standardisation research. The EESC also stresses the importance of SME support measures in all areas of intellectual property rights protection.

5.6. The EESC fully supports the action plan on intellectual property⁽⁶⁾ as a very good and holistic approach to modernising the EU IP system. Launching the Unitary Patent System needs to be a main priority and will considerably enhance the competitiveness of EU companies.

5.7. Some countries are increasingly seeking technological leadership through discriminatory measures, and often use research and innovation as a tool for global influence and social control. The EU's prosperity and economic competitiveness, but also its ability to autonomously source and provide its citizens with crucial technologies and services that are safe and secure, needs to be reinforced. The EU should spearhead the development of new global norms, international standards and cooperation frameworks in areas such as digital, including artificial intelligence and other new technologies. The EU's democratic and regulatory strengths are assets to help build a better world, while its credibility as a peace actor and its security and defence structures can help support multilateral efforts to keep, sustain and build peace.

5.8. The EESC has been at the forefront of the debate on artificial intelligence (AI) since its first opinion on the subject in 2017⁽⁷⁾ and has published a number of opinions on the subject over the past couple of years⁽⁸⁾. It has been advocating a 'human-in-command' approach to AI, where humans both remain in command of AI in a technical sense, and retain the ability to decide if, when and how to use it in our society at large. Attention has also to be drawn to the impact of AI on jobs, the importance of finding the right balance between regulation, self-regulation and ethical guidance, and the impact of AI on consumers, among others. The EESC is currently in the process of drafting its formal opinion on the European Commission's proposal for an Artificial Intelligence Act⁽⁹⁾.

5.9. The EU's capacity to be a global actor is also ensured through consistency between the EU's external actions and internal policies in each Member State. A united and coherent EU voice is essential to stabilise our partnerships and alliances with third countries, support multilateral and regional organisations and negotiate a more interest-based approach to global public goods.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

⁽⁶⁾ EESC opinion Action plan/intellectual property (OJ C 286, 16.7.2021, p. 59).

⁽⁷⁾ OJ C 288, 31.8.2017, p. 1.

⁽⁸⁾ OJ C 440, 6.12.2018, p. 1; OJ C 440, 6.12.2018, p. 51; OJ C 240, 16.7.2019, p. 51; OJ C 47, 11.2.2020, p. 64; OJ C 364, 28.10.2020, p. 87.

⁽⁹⁾ INT/940 — Regulation on artificial intelligence (OJ C 517, 22.12.2021, p. 61).

Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 910/2014 as regards establishing a framework for a European Digital Identity

(COM(2021) 281 final – 2021/0136 (COD))

(2022/C 105/12)

Rapporteur: **Tymoteusz Adam ZYCH**

Referral	European Parliament, 8.7.2021 Council, 15.7.2021
Legal basis	Article 114 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	30.9.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	229/2/5

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) welcomes the European Commission's proposal for an instrument amending the eIDAS Regulation as regards establishing a framework for a European Digital Identity (EDI), which would adjust this legal act to current market needs. Evaluation of the existing regulation has shown that there is a need to provide improved solutions for digital services that would extend access to both the private and public sectors, and be available for the vast majority of European citizens and residents.

1.2. However, the EESC notes that the proposed digitalisation of services may result in the exclusion of parts of European society, in particular older people, those with low digital literacy and persons with disabilities. Therefore, the EESC kindly invites the European Commission (EC) and the Member States to establish the necessary framework for digital education and information campaign, which at the same time should serve to increase awareness in the field of personal data protection.

1.3. The EESC welcomes the fact that use of EDI Wallet will be discretionary and free of charge. Nevertheless, the introduction of new digital solutions necessarily involves significant time and expense. Therefore, the EESC invites the EC to further assess the time needed for the actual implementation of the new Regulation in order to avoid negatively affecting the market, and to provide further analysis and greater clarity in the Regulation on the expected costs of its implementation.

1.4. The EESC notes that the proposed Section 9 of the Regulation provides for the mandatory cross-border recognition of qualified electronic attestation of attributes issued in a Member State. However, taking into account the fact that the provisions of Member States' domestic laws often differ significantly, the EESC recognises the need to clarify that the recognition of a qualified electronic attestation of attributes in one Member State is limited to confirmation of the facts, analogously to Article 2(4) of the Regulation (EU) 2016/1191 of the European Parliament and of the Council on promoting the free movement of citizens by simplifying the requirements for presenting certain public documents in the European Union (EU) ⁽¹⁾: 'This Regulation does not apply to the recognition in a Member State of legal effects relating to the content of public documents issued by the authorities of another Member State'.

⁽¹⁾ Regulation (EU) 2016/1191 of the European Parliament and of the Council of 6 July 2016 on promoting the free movement of citizens by simplifying the requirements for presenting certain public documents in the European Union and amending Regulation (EU) No 1024/2012 (OJ L 200, 26.7.2016, p. 1).

1.5. From the EESC's point of view, effective data protection especially needs to be looked at in the context of the protection of fundamental rights, in particular the right to privacy and the right to the protection of personal data. Therefore, the EESC fully endorses the requirement that the European Digital Identity framework should give users the means to control who has access to their digital twin and exactly what data they can access. The EESC invites the EC and Member States to include, after consultations on technical aspects of the European Digital Identity framework, the issue of creating a register enabling users to track any access to their data.

1.6. The EESC would like to highlight security concerns relating to the digitalisation process, especially the development of the huge systems that store and process data vulnerable to fraud and loss. The EESC is also aware that there is currently no security system able to provide full data protection. Thus, in the EESC's opinion users of European Digital Identity Wallets should be guaranteed compensation for any undesirable situation relating to their data (e.g. data theft or disclosure). Such liability should be independent of whether the provider is at fault.

2. Introduction

2.1. The subject of this opinion is the EC's proposal for a regulation amending Regulation (EU) No 910/2014 of the European Parliament and of the Council⁽²⁾ (the 'eIDAS Regulation') as regards establishing a framework for a EDI.

2.2. As set out in the Explanatory Memorandum, the eIDAS Regulation would provide the following protections and benefits: (1) access to highly secure and trustworthy electronic identity solutions, (2) assurance that public and private services can rely on trusted and secure digital identity solutions, (3) assurance that natural and legal persons are empowered to use digital identity solutions, (4) a guarantee that these solutions are linked to a variety of attributes and allow for the targeted sharing of identity data limited to the needs of the specific service requested, and (5) acceptance of qualified trust services in the EU and equal conditions for their provision. The proposed amendments are a response to the increase in demand for trusted digital cross-border solutions relying on the need to identify and authenticate users with a high level of assurance.

3. General comments

3.1. The EESC is aware of the new internal market demands concerning the development of electronic identification and trust services for electronic cross-border transactions. The existing solutions provided in the eIDAS Regulation, which started producing legal effects in several stages, starting in July 2016, do not meet these demands, which is confirmed by the fact that, as it stands, only 59 % of EU residents have access to trusted and secure eID solutions. What is more, cross-border access to such services is limited due to the lack of interoperability between systems offered by individual Member States.

3.2. Therefore, the EESC welcomes the EC's new proposal for an instrument amending the eIDAS Regulation as regards establishing a framework for an EDI, which would adjust this legal act to current market needs. It is estimated that the solutions proposed in the Commission's document could help to increase the number of digital ID users to as many as 80 % or even 100 % of all EU citizens and residents.

3.3. The EESC especially welcomes the solutions that aim to increase the security of users' personal data by guaranteeing the discretion to share the data and the possibility of controlling the nature and amount of data provided to relying parties. Since — according to the proposal — Member States will maintain control over digital service providers, they would guarantee that sensitive data sets (e.g. related to health, religion and beliefs, political opinions, racial or ethnic origin) are only provided upon request by service providers, following an informed decision taken by the identity owner in accordance with applicable national law.

3.4. The EESC points out that the timeline for the application of certain provisions of the new Regulation are rather optimistic, and invites the European Commission, when establishing the final application deadlines, also to take into consideration the time required for service providers to upgrade their IT systems to comply with the new obligations. The EESC therefore invites the EC to further analyse the time needed for the actual implementation of the new Regulation and

⁽²⁾ Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC (OJ L 257, 28.8.2014, p. 73).

thus to extend the timeline for its application so as not to affect the relevant market. As an example, the entry into force of the Regulation will require existing QTSPs offering remote signing based on QSCDs to become qualified providers for that specific service; it will take time for them to implement both the technical aspects and the authorisation procedure.

3.5. The EESC notes that the proposed digitalisation of services, regardless of its benefits, may also result in the exclusion of parts of European society, including in particular older people, those with low digital literacy and persons with disabilities. The EESC recognises the key role of European citizens' education in counteracting such exclusion; at the same time it should serve to increase awareness in the field of personal data protection.

4. Availability and discretionary use of a European Digital Identity framework (EDIf)

4.1. The EESC welcomes the idea of providing improved solutions for digital services that would extend access not only to public services, but also to the private sector. Moreover, the EESC agrees with the European Commission's attempts to make an EDIf available for the vast majority of European citizens. Due to the existing obstacles to access to eID services across borders (e.g. the lack of interoperability between eID schemes developed by Member States), many EU residents do not use them at all. The new solutions based on the EDI Wallets (EDIWs) may contribute making trusted online services available to at least 80 % of Europeans.

4.2. Therefore, the EESC supports the proposal to require Member States to issue an EDIW – a tool that would enable the user to: (1) securely request and obtain, store, select, combine and share, in a manner that is transparent to and traceable by the user, the necessary legal person identification data and electronic attestation of attributes to authenticate online and offline in order to use online public and private services, and (2) sign documents by means of a qualified electronic signature accepted throughout the EU.

4.3. Moreover, the EESC welcomes the proposal to ensure that the EDIW is equally accessible for persons with disabilities in line with the provisions of Annex I of Directive (EU) 2019/882 of the European Parliament and of the Council⁽³⁾, which is consistent with the EU principle of non-discrimination as set out in Article 21 of the Charter of Fundamental Rights of the EU. In order to avoid digital exclusion regarding that issue the EESC suggests that any solutions be developed in cooperation with the competent institutions and NGOs for persons with disabilities, on the basis of a 'multi-stakeholder approach'.

4.4. From the EESC's point of view, the fact that it will be left to the discretion of citizens and residents whether to use an EDIW is also a positive aspect. In the EESC's opinion, users should be under no obligation to use the wallet to access private or public services, but simply have the option to do so.

4.5. From the affordability perspective, the EESC welcomes the fact that use of the EDIW will be free of charge for users. However, the EESC invites the European Commission to further analyse and offer clarity in the Regulation on (i) the issuing cost for natural persons, (ii) the costs (issuing and usage) for legal entities, and (iii) the costs of adding any digital identity attributes to such a wallet, as in the EESC's opinion each such addition would represent a trust service, thus entailing costs for the owner of the wallet.

5. Usability aspects of a EDIf

5.1. The EESC welcomes the European Commission's initiative to improve the usability of electronic identification means by creating a common EDIf based on cross-border reliance on an EDIW.

5.2. According to the proposal, usability may be improved by the means provided for in the new Article 12b of the eIDAS Regulation, containing a set of requirements concerning the recognition of EDIWs, addressed not only to Member States, but also to private relying parties providing services and 'very large online platforms', defined in Article 25(1) of the proposed Digital Services Act⁽⁴⁾. On the basis of these new provisions some private sectors (i.e. transport, energy, banking

⁽³⁾ Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on the accessibility requirements for products and services (OJ L 151, 7.6.2019, p. 70).

⁽⁴⁾ COM(2020) 825 final.

and financial services, social security, health, drinking water, postal services, digital infrastructure, education and telecommunications) should accept the use of EDIWs for the provision of services in cases where a strong user authentication for online identification is required by national or EU law or by contractual obligations. In light of the Commission's proposal, the same requirement would apply to the very large online platforms (e.g. social networks), which should accept the use of EDIWs in respect of the minimum attributes necessary for a specific online service for which authentication is requested, such as proof of age.

5.3. The EESC notes that, in order to guarantee the wide availability and usability of electronic identification means including EDIWs, private online service providers (which do not qualify as 'very large platforms') should be involved in developing the self-regulatory 'codes of conduct' facilitating wide acceptance of electronic identification means. The European Commission should be in charge of assessing the effectiveness and usability of such provisions for the users of EDIWs.

6. Issues concerning the legal effects of EDIWs

6.1. The EESC supports the proposal as regards the improvement in access to digital public services, including in cross-border situations.

6.2. The proposed new Section 9 of the eIDAS Regulation provides that a qualified electronic attestation of attributes issued in one Member State should be recognised as a qualified electronic attestation of attributes in any other Member State.

6.3. However, in respect of the domestic law of Member States, which may differ significantly in some cases, the EESC points out that the attributes attested against authentic sources in one Member State should be limited solely to confirmation of factual circumstances and should produce no legal effects in other Member States, unless the attested attributes comply with its national law. In essence, the proposed legal solutions should not affect the recognition in one Member State of legal effects relating to the content of the attributes attested against authentic sources in another Member State, by analogy with the provisions of Regulation (EU) 2016/1191. Some personal data (regarding a person's religion or beliefs) may serve as an example. In some EU countries, this kind of information causes legal effects (e.g., in Germany vital records include information on religion, which determines the obligation to pay a church tax in order to marry in a religious ceremony), while in other countries it does not (e.g. in Poland).

6.4. Therefore, the EESC invites the European Commission to consider clarifying the text of Section 9, so as to be clear that the recognition of a qualified electronic attestation of attributes in any other Member State is limited to confirmation of the factual circumstances related to the attribute in question, and does not produce legal effects in other Member States unless the attested attributes comply with their national law.

7. Security aspects

A. Data protection in the context of fundamental rights

7.1. The EESC notes that, due to the lack of a common EDIf, in most cases citizens and other residents face obstacles in digital cross-border exchange of information related to their identity and, moreover, in exchanging such information securely and with a high level of data protection.

7.2. Therefore the EESC welcomes the attempts to create an interoperable and secure system based on EDIWs, which may enhance the exchange of information between Member States in relation, among other things, to employment situations or social rights. In this context, the EESC expects that the new EDIf will, for example, create possibilities for rapidly increasing cross-border employment opportunities, and for extending the automatic granting of social rights without additional application procedures or other administrative effort.

7.3. However, from the EESC's point of view, effective data protection is the main concern to be addressed in the context of the protection of fundamental rights, especially the right to privacy and the right to the protection of personal data.

7.4. Therefore, the EESC fully supports the requirement that the EDIf should offer everyone the means to control who has access to their digital twin and to which data exactly (including access by the public sector). As pointed out in the proposal, this will also require a high level of security with respect to all aspects of digital identity provisioning, including the issuing of EDIWs, and the infrastructure for the collection, storage and disclosure of digital identity data.

7.5. In that context, the EESC welcomes the proposal that users will be entitled to selectively disclose their attributes, limited to those that are necessary in a particular situation. According to the proposal, while using an EDIW, the user will have control over the amount of data provided to third parties and should be informed about the attributes required for the provision of a specific service.

7.6. The EESC supports the proposal for the physical and logical separation of personal data relating to the provision of EDIWs from any other data stored by the issuers of EDIWs, and approves of the requirement that providers of qualified electronic attestation of attributes services should sit under a separate legal entity.

7.7. In addition to effective data protection, which needs to be guaranteed, users' control over their data is essential. In that regard, the EESC would also approve the creation of an EDIf building on legal identities issued by Member States and on the provision of qualified and non-qualified digital identity attributes.

7.8. The EESC points out that in order to guarantee a high level of legal protection of users' data, users should be given more control over EDIWs, including the traceability of access to each user's data. For this purpose the technical aspects, to be determined during discussions following approval of the proposal, should include creating a register enabling the user to verify on request any instance of access to their data.

B. Other security and liability aspects

7.9. According to the proposal, the new EDIf will provide mechanisms for the prevention of fraud and for ensuring the authentication of personal identification data. Since the proposal includes a provision introducing means allowing for verification of attributes against authentic sources, this might improve, for example, child safety online by preventing them from accessing content inappropriate for their age. The EESC notes that at national level such effective protection is currently either not available or highly ineffective.

7.10. The EESC welcomes the idea that web browsers should ensure support and interoperability with qualified certificates for website authentication pursuant to the eIDAS Regulation. They should recognise and display qualified certificates for website authentication to provide a high level of assurance, allowing website owners to assert their identity as owners of a website and users to identify the website owners with a high degree of certainty. At the same time, the EESC sees a need to provide simple, fast and effective appeal mechanisms to ensure that a website is unblocked when it has been incorrectly marked as dangerous. Liability rules should also be established in relation to all the cases where a website has been incorrectly qualified as dangerous.

7.11. The EESC would like to point out that each digitalisation of data raises security concerns, especially the huge systems that store and process data, which constitute a source of information vulnerable to fraud and data loss. The EESC is also aware that there is currently no fully effective security system (i.e. free from gaps and errors) that would entirely eliminate such a threat.

7.12. Therefore, the EESC points out that, in order to minimise all such undesirable situations relating to users' data, the technical architecture of the EDIf developed by Member States in coordination with the Commission should focus on measures increasing data security and providing data control mechanisms. Such mechanisms are important in the context of e.g. using data collected from users for purposes other than originally intended. At the same time, the EESC believes that the technical architecture should be developed with respect for fundamental rights and the principle of Members States' sovereignty.

7.13. The EESC notes that Article 13(1) of the eIDAS Regulation establishes liability for trust service providers for damage caused intentionally or negligently to any natural or legal person due to failure to comply with the obligations under that Regulation (and with the cybersecurity risk management obligations under Article 18 of the proposed 'NIS 2 Directive', according to the Commission's proposal). This provision should be applied in accordance with national rules on liability (Article 13(3)).

7.14. In the context of liability concerns, the EESC would like to point out that the issues related to the definition of damage, its size and due compensation are regulated by the Members States' domestic law. According to these rules, the liability of trust service providers may be limited under the relevant provisions of domestic law and the 'service provision policies', which are defined by the providers.

7.15. The EESC believes that users of EDIWs should be guaranteed compensation for any undesirable situation relating to their data, such as data theft, loss, disclosure, use for purposes other than originally intended, etc. Such liability should include all the situations mentioned above, irrespective of the provider's intention or negligence (irrespective of the provider's fault).

7.16. Any theft, unauthorised disclosure or loss of data (especially personal data) may cause long-term harm to its owner. Once digital information is released, it may be acquired in the long term by many entities, against the will of its owner. The EESC encourages the Commission and Member States to search for and develop effective mechanisms that would constitute a remedy for data owners in such cases.

7.17. The proposed solutions of the new system will force service providers to significantly upgrade their electronic security systems to a much higher level, paying particular attention to cybersecurity. The EESC expects that this will involve significant costs and modernisation of the existing IT infrastructure and might constitute an excessive burden for some service providers that might even lead to the disappearance, from some markets, of service providers that cannot afford such investments in a short period of time. Therefore, in the EESC's opinion, the Commission and Member States should search for solutions that would protect providers from discrimination in that field and allow for a 'soft' landing in this regard, including by offering the possibility of ensuring compliance with the new requirements in several stages, within a reasonable period of time.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council on foreign subsidies distorting the internal market

(COM(2021) 223 final – 2021/0114 (COD))

(2022/C 105/13)

Rapporteur: **Maurizio MENSI**

Referral	European Parliament, 7.6.2021 Council, 3.6.2021
Legal basis	Articles 114 and 207 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	30.9.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote for/against/abstentions)	220/3/9

1. Conclusions and recommendations

1.1. The EESC endorses the Commission's work on this matter and agrees that action must be taken to bolster the instruments safeguarding the EU market and its businesses. This will entail plugging a gap in the legislative framework as regards competition, trade and public procurement with a view to guaranteeing fair competition which is not distorted by foreign subsidies.

1.2. The EESC accordingly considers that the Commission proposal tackling foreign state funding for companies operating in the EU market, a market that such subsidies are likely to distort, is a useful and appropriate instrument. That said, some aspects of the intrinsically complex and far-reaching legislative mechanism need to be further refined.

1.3. Under the proposal, the broad definition of foreign subsidy can cover many types of subsidies by a foreign state, including in the field of taxes. The Commission therefore needs to clarify which investigations will be given priority, if necessary establishing criteria for processing the various dossiers with a view to transparency and simplification.

1.4. The proposal gives the Commission responsibility for screening investments in the EU by foreign-subsidised entities. On this point, the EESC considers that the Commission should clearly specify the scope of this regulation, possibly through appropriate guidelines. This would ensure that it is applied uniformly across the EU and reduce as far as possible the danger of diverging interpretations by the Member States, which are responsible for screening foreign investments. The Committee therefore proposes that a helpdesk be set up to provide businesses with information on the rules governing foreign subsidies and the resulting compliance and reporting requirements.

1.5. In order to begin proceedings, the Commission assesses the foreign subsidy, weighing its negative and positive effects on the development of the relevant economic activity. The EESC believes that the Commission should provide further details on how this assessment is to be carried out in practice, what the potential positive effects might be and when balancing is justifiable.

1.6. With regard to the current regime for screening concentrations, the EESC considers that the Commission should clarify how this interacts with the new regime planned, with a view to avoiding inconsistent timing and results resulting in a considerable burden on businesses.

1.7. In order for the Commission to begin proceedings, the total amount of foreign subsidies must exceed EUR 5 million for three consecutive fiscal years. The EESC considers that this threshold is fairly low in absolute terms and the Commission should be encouraged to raise it in order to avoid minor, less significant cases, a shift which would be to the benefit of small and medium-sized companies.

1.8. In the area of public procurement, the likelihood of *ex officio* investigations and a broad review of public procurement could potentially lead to risks and burdens for companies operating and investing in the EU. This is why the Commission needs to simplify and clarify the regime as far as possible in order to make the new rules easy to apply, particularly when these rules run alongside others which are already in force, lessening the administrative burden on EU businesses.

2. General comments

2.1. The EESC considers that it is crucial that the EU and its markets remain open and competitive, deeming this to be key to the proper and balanced functioning of its society and economy, to ensuring a stable footing for businesses and to the well-being of Europeans, which underpin its model of strategic autonomy⁽¹⁾. In light of this, the Committee considers that the objective of safeguarding the single market from subsidies which bring about unfair competition must go hand in hand with the goal of having an effective instrument applied consistently to the entire EU, with the smallest possible burden on businesses.

2.2. On 17 June 2020, the Commission adopted a white paper on foreign subsidies to tackle the issue, launch a public debate and propose possible solutions. The white paper identifies a legislative gap in EU state aid rules as regards competition, trade and public procurement, which effectively prevents the EU from taking action when foreign subsidies cause distortions in the internal market, favouring specific concentrations or bidders in public procurement. The white paper also identifies problems linked to access to EU funding for operators receiving foreign subsidies, which could distort the competition for EU funds. To date, no Member State has implemented rules tackling the potential distortion caused by foreign subsidies.

2.3. The issue of foreign subsidies is not new and has been repeatedly raised at EU level. The Council referred to the Commission's white paper in its conclusions of 11 September 2020; in its conclusions of 1-2 October 2020, the European Council called for 'further instruments to address the distortive effects of foreign subsidies in the single market'. In its February 2020 report on competition policy, the European Parliament called on the Commission to '[investigate the option of having] appropriate investigative tools in cases where a company is deemed to have engaged in distortionary behaviour due to government subsidies or to have made excessive profits based on a dominant market position in its home country'. In a joint letter to Commission Executive Vice-Presidents Vestager and Dombrovskis and Commissioner Breton, a group of 41 MEPs expressed strong support for an instrument to tackle 'companies from third countries that have received substantial state support'.

2.4. As announced in the Commission's work programme for 2020-2021, this proposal for a regulation sets out detailed rules for a new instrument (an *ex ante* notification system for large amounts which could give rise to greater distortion, together with an *ex officio* procedure) to address the regulatory gap in EU legislation and ensure a level playing field in the internal market by avoiding unfair competition. The proposal is also mentioned in point 3.2.6 of the Communication on the Trade Policy Review, on ensuring a level playing field.

2.5. In a nutshell, the aim of the proposed legislation is to investigate and, where appropriate, deter or prevent concentrations, public procurement and market behaviour by foreign-subsidised companies that may distort the EU internal market. It provides for mandatory notification of concentrations where the turnover of the company concerned exceeds EUR 500 million and the parties have benefited from more than EUR 50 million in foreign financial contributions in the previous three years, as well as mandatory notification where foreign-subsidised companies take part in public procurement where the contract value is over EUR 250 million. The proposal also aims to enable the Commission to investigate market behaviour, including mergers and acquisitions below these thresholds, by any entity benefiting from foreign subsidies exceeding EUR 5 million for three consecutive years.

2.6. The proposal shows that the problem is not foreign investment, but the subsidies that facilitate the acquisition of EU companies, affect investment decisions, distort trade in goods and services, affect the behaviour of the beneficiaries and harm competition. Unlike subsidies, for which the Commission has exclusive power to intervene, in the case of foreign investment this is the remit of the Member States which in any case are always empowered to screen foreign investments on the grounds of security or public order.

⁽¹⁾ Commission communication on *Europe's moment: Repair and Prepare for the Next Generation* (COM(2020) 456 final). See also Commission communication on *The European economic and financial system: fostering openness, strength and resilience* (COM(2021) 32 final).

2.7. The latter is governed by Regulation (EU) 2019/452 of the European Parliament and of the Council⁽²⁾, applicable from 11 October 2020, which establishes a system for the exchange of information between the Commission and the Member States and improves screening mechanisms, where these are in place, allowing the Commission to comment on or adopt opinions on transactions approved by the Member States. That regulation mainly covers investments in critical infrastructure and technologies, sensitive data and media, without setting minimum thresholds, thus enabling the Member States to scrutinise almost all investments from outside the EU.

3. Specific comments

3.1. The proposal for a regulation defines 'foreign subsidies' very broadly (Article 2): it includes any case where a third country provides a financial contribution which confers a benefit to an undertaking engaging in an economic activity in the EU's internal market, whether this contribution is limited to an individual undertaking or affects several undertakings or groups of undertakings. The financial contributions can take any of a wide range of forms, including the transfer of funds or liabilities, capital injections, grants, loans, loan guarantees, fiscal incentives, setting off of operating losses, compensation for financial burdens imposed by public authorities, debt forgiveness, debt to equity swaps or rescheduling; the foregoing of revenue that is otherwise due; or the provision or purchase of goods or services.

3.2. Under the proposal, the broad definition of foreign subsidy, which in substance is aligned with the EU definition of state aid, is therefore likely to cover many forms of subsidies and incentives from a foreign state, raising questions about how equipped the Commission is in reality to cope with the huge amount of work involved, which will in fact cover subsidies of any kind granted by any country worldwide. This could create legal uncertainty and the potential for litigation from competitors in contested mergers and acquisitions. In this case, it must be made clear which investigations will be a priority for the Commission and whether it intends to set criteria for these to be communicated beforehand.

3.3. The proposal essentially gives the Commission responsibility for screening investments in the EU by foreign-subsidised entities. In fact, some Member States may consider that such decisions fall within their remit as part of their national systems for foreign direct investment screening. On this point, the EESC considers that the Commission should clearly specify the scope of this regulation, possibly through appropriate guidelines. This would ensure that it is applied uniformly across the EU and reduce the danger of diverging interpretations by the Member States as far as possible. The Committee therefore proposes that a helpdesk be set up to provide businesses with information on the rules governing foreign subsidies and the resulting compliance and reporting requirements.

3.4. The proposal for a regulation therefore brings in a new form of control which is simultaneously *ex ante* (for large concentrations and public procurement procedures) and *ex post*, beyond what is currently stipulated for EU concentrations; it is modelled on, but distinct from, those arrangements (Chapter 3). Here too, the transactions requiring notification include mergers, acquisitions of a controlling interest and full-function joint ventures. However, the financial thresholds are different from those in the Merger Regulation.

3.5. The Commission will assess whether there is a 'distortion in the internal market' (Article 5). This assessment will be 'limited to the concentration at stake', although this does not appear to require the Commission to establish a direct causal link between the transaction and the distortion of the market. A distortion in the internal market would occur where a foreign subsidy could improve the competitive position of the company concerned in the internal market and where, as a result, it actually or potentially negatively affects competition in the internal market.

3.6. The proposal for a regulation therefore gives the Commission considerable room for discretion by listing as potentially relevant indicators the amount and nature of the subsidy, the situation of the company and markets concerned, the level of economic activity of the company on the internal market and the purpose and conditions attached to the foreign subsidy, as well as its use in the internal market.

3.7. Here, the Commission would be entitled to assess the negative effects of a foreign subsidy in terms of distortion of the internal market against its positive effects 'on the development of the relevant economic activity' (Article 5). Where the positive effects outweighed the negative, no procedure would be adopted. In this case, we believe that the Commission should provide further details on how this assessment is to be carried out in practice, especially as regards the potential positive effects and when balancing is justifiable. It should be noted here that the Commission has developed comprehensive and detailed guidelines on intra-EU subsidies compatible with the internal market.

⁽²⁾ Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union (OJ L 79 I, 21.3.2019, p. 1).

3.8. If the Commission considers that a foreign subsidy distorts the internal market, it may impose measures to remedy this (Article 6). Companies may also offer commitments to remedy the alleged distortions and the Commission may make such commitments binding. The commitments or redressive measures may include offering access on fair and non-discriminatory terms to infrastructure, licensing of assets acquired or developed with the aid of foreign subsidies, reducing capacity or market presence, refraining from certain investments, publication of results of R & D, divestment of assets, repayment of the foreign subsidy to the third country with interest or dissolution of the concentration.

3.9. In this regard, we consider that the relationship between the proposed new regime and the current EU merger control regime should be clarified. While the notification thresholds and the substantive assessment are different, many transactions could be notified to the Commission under both regimes in parallel, with the risk of inconsistent timing and results, resulting in a considerable burden on businesses.

3.10. The proposal for a regulation proposes a separate mandatory notification regime for EU public contracts exceeding EUR 250 million (Chapter 4). Companies participating in such procurement procedures are required to report all foreign financial contributions received during the three years preceding the notification or have to declare that they did not receive any foreign financial contribution during that period (Article 28).

3.11. Contracting authorities are required to send such notifications immediately to the Commission, which has 60 days from the notification to complete a preliminary check and a further 140 days for an in-depth investigation, which may be extended in exceptional cases. Notifications do not suspend the public procurement procedure, but the contracting authority will not be able to define the procedure and award the contract to a company which is being investigated by the Commission. If companies fail to notify a transaction, the Commission may impose fines of up to 10 % of their total turnover. This is a rather cumbersome procedure that risks slowing down the completion of complex procedures such as procurement procedures, which are essential for Member States to implement NextGenerationEU plans.

3.12. The proposal for a regulation allows the Commission to act on its own initiative to investigate any potential distortion of the EU internal market by a foreign subsidy (Chapter 2). The only requirement for the Commission to investigate is that the total amount of foreign subsidies exceeds the threshold of EUR 5 million for three consecutive fiscal years. This threshold is fairly low in absolute terms, and the Committee considers that the Commission should be encouraged to raise it to avoid minor, less significant cases, a shift which would be to the benefit of small and medium-sized companies. The Commission also has the power to investigate foreign financial contributions granted up to 10 years before the start of its investigation, with the possibility of investigating foreign subsidies granted in the 10 years prior to the date of entry into force of the new regulation where the distorting effects come into play after the start of the application of this regulation.

3.13. The proposed regulation will have a significant economic effect as it potentially affects all companies receiving support from third countries and engaging in economic activities in the EU (in particular when it comes to mergers and acquisitions or tenders for public contracts above the threshold set), as well as having a positive impact on all those which do not receive foreign subsidies.

3.14. The proposal will in practice allow the Commission to scrutinise subsidies granted by non-EU governments in a similar way as allowed by the EU state aid rules. This risks adding an additional layer of complexity to an already highly complex regulatory framework, with heavy burdens for businesses in the EU. For instance, one transaction could in the future be subject to three different procedures — merger control, screening of foreign direct investments and scrutiny of foreign subsidies under this proposal — each with its own rules on procedures and deadlines.

3.15. In the area of mergers and acquisitions, the review of foreign subsidies would be added to mandatory merger control notifications (at EU or Member State level) and to national notifications for foreign investments, with the risk of disputes with the businesses involved.

3.16. In the area of public procurement, the likelihood of *ex officio* investigations and a broad review of public procurement could potentially lead to risks and burdens for companies operating and investing in the EU. This would affect foreign stakeholders investing in the EU and EU-based companies that receive foreign financial contributions (through foreign investors or foreign aid for specific projects). In this case, companies would have to closely scrutinise all foreign subsidies received to assess whether the new rules apply.

3.17. This is why the Commission needs to simplify and clarify the regime as far as possible in order to make the new rules easy to apply (particularly when these rules run alongside others which are already in force) and lessen the administrative burden on EU businesses.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the proposal for a Directive of the European Parliament and of the Council on consumer credits

((COM(2021) 347 final – 2021/0171 (COD))

(2022/C 105/14)

Rapporteur: **Bogdan PREDA**

Referral	European Parliament, 8.7.2021 Council, 14.7.2021
Legal basis	Article 114(1) of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	30.9.2021
Adopted at plenary	21.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	159/5/16

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) welcomes this update to the legislation on consumer lending, but points out that there are still areas where the Directive should be more ambitious or does not ensure the proper balance between its objectives and the proposed solutions. Furthermore, the EESC considers that the solutions provided by the Directive should focus more on the impact of digitalisation, the increase in the use of digital devices and the provision of green consumer loans to help consumers make more sustainable purchases.

1.2. The EESC appreciates the efforts of the European Commission to encourage financial education/digital literacy campaigns, as such endeavours can only bring benefits for consumers and lenders.

1.3. The EESC notes that from the evidence relating to origins of over-indebtedness, setting caps on the costs of a loan to avoid extreme pricing practices delivers tangible benefits to vulnerable consumers, provided that such cap is correctly calibrated after careful analysis of the market and the potential further impact. Thus, the EESC notes that the Consumer Credit Directive (CCD) should provide a clear and harmonised methodology that Member States should consider in order to apply such caps to prevent and discourage extreme practices that could lead to over-indebtedness. This would also ensure a level playing field for lenders from different countries.

1.4. The EESC considers it beneficial to further detail the obligation of all lenders to carry out a thorough assessment of the creditworthiness of consumers. In this respect, the EESC endorses the Commission's approach regarding the type of data to be used in the creditworthiness assessment, including the exception concerning sensitive personal data such as health data, as it is very important to ensure a balanced approach within the process. However, it is of the utmost importance to stress in the Directive that not even a thorough creditworthiness assessment can guarantee the repayment of the loan.

1.5. The EESC considers that the CCD text should be revised so as to ensure equal treatment for all lenders, from the authorisation/licensing process to the operating regulations/obligations, so as to ensure a level playing field for all competitors.

1.6. The EESC considers that the Commission should further analyse the obligations relating to pre-contractual information so as to find the proper balance between the need for and relevance of the information for consumers and the most efficient and flexible way of presenting it, while also considering the digitalisation of the whole process.

1.7. The EESC recommends that the Commission clarify the text of the CCD concerning early reimbursement.

2. Introduction

2.1. This opinion relates to the European Commission's proposal for a Directive on consumer credits, repealing Directive 2008/48/EC of the European Parliament and of the Council⁽¹⁾ on credit agreements for consumers.

2.2. As set out in the Explanatory Memorandum, the need for the new Directive is justified by the fact that, since 2008, digitalisation has increased and profoundly changed both the lending habits (e.g. new ways of disclosing information digitally, assessing creditworthiness using automated decision-making systems and non-traditional data) and the profile of lenders. In the context of the COVID-19 crisis, it has also become necessary to offer legislative tools to alleviate the financial burden on more financially vulnerable citizens and households.

3. General comments

3.1. The EESC welcomes the Commission's initiative to update the legal framework regarding consumer credits, as the market has indeed evolved since 2008 and the current provisions do not properly cover all types of players/products, meaning that there are areas where there is no proper protection for the consumers or where the existing rules can be improved.

3.2. The EESC considers that the two main objectives in drafting the CCD, namely (i) reducing the detriment to consumers taking out loans in a changing market and (ii) facilitating cross-border provision of consumer credit and the competitiveness of the internal market, are closely interconnected and are essential for ensuring a proper level of coverage and uniform application of the new Directive. For instance, a proposal to impose mandatory caps on consumer credit costs needs to be further detailed and harmonised in the Consumer Credit Directive (CCD) with a clear methodology. This is necessary to guarantee a uniform level of protection for consumers, effectively preventing irresponsible lending practices across the EU and the development of consumer credit products with usurious rates or excessive costs, which often target the most vulnerable consumers and can often lead to situations of over-indebtedness. Such harmonized methodology is also necessary in order to ensure a level playing field for lenders from different countries.

3.3. Extending the application of the Directive and clarifying the definitions of several terms can only bring benefits to consumers and lenders alike, as well as offering more clarity on the related rights and obligations. Moreover, the EESC considers that the proposal to establish an obligation on Member States to provide independent debt advice services for over-indebted or other vulnerable consumers should also help consumers in difficult situations. The EESC furthermore kindly suggests that the Directive encourage lenders to adopt policies facilitating the early detection of financial difficulties, that will also include provisions on forbearance measures. Both actions would prevent situations of over-indebtedness and encourage creditors to find solutions for distressed borrowers.

3.4. The EESC appreciates the Commission's efforts to encourage financial education/digital literacy initiatives to ensure that consumers properly understand lending products and the risks they are assuming when taking a loan, as this is the most efficient method for maintaining their financial health. In this respect, the EESC considers that the text of the Directive concerning communication between lenders and consumers, at all stages of the relationship, should be adjusted to accommodate the digital transition and the increase in the use of digital devices.

3.5. The EESC also appreciates the Commission's efforts to provide clear regulations on financial advisory services regarding loan agreements, but would welcome a clear legal perspective on how such services can be offered.

3.6. The EESC welcomes the initiative to further detail the obligation of all lenders to carry out a thorough assessment of the creditworthiness of consumers, in order to verify whether they can afford the loans in question and whether their financial needs are being protected, while preventing irresponsible lending practices and over-indebtedness. However, the Commission should keep in mind that the new rules cannot and should not shift responsibility for consumers' actual payment performance onto lenders, as consumers must make their best efforts to meet their debt repayment obligations

⁽¹⁾ Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (OJ L 133, 22.5.2008, p. 66).

and to manage their personal expenditure cautiously. The EESC invites the Commission to further analyse the text of the CCD so as to make it clear that a thorough creditworthiness assessment is not a guarantee for repayment of the loan. Moreover, in order to ensure that consumers are properly protected, the EESC invites the Commission to further detail the situations where, in specific and well-justified circumstances, lenders have the right, without any obligation in this respect, to grant loans to consumers even though they do not pass the creditworthiness assessment.

4. Specific observations

4.1. The EESC invites the Commission to further analyse some of the new definitions so as to ensure the clarity of the text. For example, the definition of a creditor should be revised in order to ensure that all lending businesses are covered by the scope of the Directive and equally supervised/licensed when they conduct the same type of activity. Moreover, for the purpose of ensuring a level playing field and effectively providing consumers with the same level of protection, all lenders, regardless of their legal company status, should apply the same rules and be subject to the same obligations, including with regard to reporting, except in the case of loans free of any charge provided that all provisions aimed at consumer protection have been complied with.

4.2. Regarding the obligations arising from the activity of consumer lending, the Directive should be more ambitious, establishing that such lending activity requires an authorisation/licence from the competent authority so as to ensure proper consumer protection, effective monitoring, and a level playing field for consumer lending. The system currently proposed seems to be a hybrid between authorisation and registration, although it is not at all clear.

4.3. Regarding the specific provision on the conversion of loans expressed in euro into the national currency, the EESC invites the Commission to further revise Article 4 of the CCD so as to clarify its applicability. The solution proposed, in addition to not being aligned with Article 23 of Directive 2014/17/EU of the European Parliament and of the Council ⁽²⁾ on credit agreements for consumers relating to residential immovable property, lacks clarity on its intent/applicability and on the actual methodology proposed for conversion.

4.4. As regards the non-discrimination principle (Article 6 of the CCD), the EESC is concerned that it might be very difficult to implement it for a number of reasons pertaining mostly to different requirements at national level and the difficulty of obtaining all the verifications needed as part of the creditworthiness assessment process. Regarding access to databases, the EESC fears that, in certain circumstances, it might be impractical or uneconomic for creditors to have direct access to databases from other Member States, for a number of reasons (e.g. lack of demand for cross-border credit, different requirements at national level and the difficulty of obtaining all the verifications within the creditworthiness assessment process). Therefore, the EESC invites the Commission to further analyse the principle, including by considering indirect access to such databases, e.g. lenders requesting the documentation required for creditworthiness assessments via their local database or local fiscal authorities.

4.5. Concerning the national reporting databases, the EESC notes that the treatment of credit data during the COVID-19 pandemic or any similar exceptional situation could potentially impact the integrity of the credit reporting system and ultimately the provision of consumer credit. Therefore, the EESC calls on the Commission to stress in the CCD the importance of the continued full sharing of credit information, including reporting of missed payment data/moratoria during a crisis, as in normal times. Moreover, in line with the EBA guidelines on loan origination, the EESC also recommends that the Commission specify that the reporting databases should hold at least information on consumers' repayment behaviour on their existing loan agreements, including any arrears.

4.6. The EESC appreciates the Commission's efforts to make precontractual information more accessible to the consumers. However, in the EESC's opinion, the appropriate solution should not be to create an additional document — the Standard Credit Overview — as it may result in an additional burden for both consumers and creditors, and might be misleading for consumers, in the sense that they might limit their analysis only to the information provided in the overview, without properly considering all the other information set out in the Standard European Consumer Credit Information form (SECCIF). A better solution would be to consider, in light of the need to respond to new digital methods, simplifying

⁽²⁾ Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 (OJ L 60, 28.2.2014, p. 34).

the process of establishing (and carrying out) the relationship with consumers, including by specifically providing for digital ways of fulfilling the obligation to deliver the SECCIF.

4.7. With regard to the exemption from the tying and bundling rules relating to current or saving accounts, it is highly questionable whether it is in fact in the interest of the consumer to limit this exemption only to accounts whose only purpose is limited to the requirements of the loans. According to the text, lenders should forbid consumers from using the accounts in question for personal purposes, outside the requirements of the loan. The EESC agrees that the consumer should not be forced to open an account that is not needed for the deployment/reimbursement of the loan, but such an account, once opened, should be used by the consumer as they deem appropriate.

4.8. On the rights of consumers where the creditworthiness assessment involves the use of profiling or other automated processing of personal data, in the EESC's opinion the solution proposed presents the risks of compromising the ability of financial institutions to establish assessment conditions in line with their own risk appetite, thus diminishing the flexibility of the process. In our opinion, the whole of Article 18(6) should be rephrased in line with GDPR requirements, meaning that the consumer has the rights granted by the GDPR when the creditworthiness assessment is performed exclusively automatically and produces effects concerning a private individual.

4.9. The EESC believes that the early repayment of loans is a central provision within the Directive as it is aimed at promoting market competitiveness and affecting over-indebtedness situations and it appreciates the general intentions of the proposal. However, the EESC stresses that it is necessary that the text of the CCD be revised in order to (i) truly facilitate the exercise of this right and (ii) avoid the litigations that have occurred over the definition of "all costs".

4.10. The EESC notes that from the evidence relating to origins of over-indebtedness, setting caps on the costs of a loan in order to avoid extreme pricing practices delivers tangible benefits to vulnerable consumers, provided that such caps are correctly calibrated after careful analysis of the market and the potential impact. Such an approach should ensure that the measures are indeed beneficial to consumers while avoiding opposite effects.

4.11. In line with the latest directive on the consumer protection front, Article 44 of the CCD specifies that Member States must introduce effective, proportionate and dissuasive sanctions into national law in case of violation of the transposition rules of the directive. The EESC welcomes such provisions, but asks the Commission to also state in the Directive that administrative sanctions do not affect consumers' rights to obtain compensation or reimbursement, as the case may be.

Brussels, 21 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

ANNEX

The following section opinion texts were rejected in favour of amendments adopted by the Assembly but obtained at least a quarter of the votes cast:

AMENDMENT 2**Tabled by:**

TEDER Reet

INT/956 — Consumer credit agreements**Point 4.1.**

Amend as follows:

Section opinion	Amendment
<p>The EESC invites the Commission to further analyse some of the new definitions so as to ensure the clarity of the text. For example, the definition of a creditor should be revised in order to ensure that all lending businesses are covered by the scope of the Directive and equally supervised/licensed when they conduct the same type of activity. Moreover, for the purpose of ensuring a level playing field and effectively providing consumers with the same level of protection, all lenders, regardless of their legal company status, should apply the same rules and be subject to the same obligations, including with regard to reporting.</p>	<p>The EESC invites the Commission to further analyse some of the new definitions so as to ensure the clarity of the text. For example, the definition of a creditor should be revised in order to ensure that all lending businesses are covered by the scope of the Directive and equally supervised/licensed when they conduct the same type of activity. Moreover, for the purpose of ensuring a level playing field and effectively providing consumers with the same level of protection, all lenders, regardless of their legal company status, should apply the same rules and be subject to the same obligations, including with regard to reporting, <i>except in the case of loans free of any charge provided that all provisions aimed at consumer protection have been complied with.</i></p>

Outcome of the vote:

For: 88

Against: 79

Abstentions: 21

COMPROMISE ON AMENDMENT 3**Tabled by:**

PREDA Bogdan

INT/956 — Consumer credit agreements

Point 4.10.

Section opinion	Compromise
<p>The EESC notes that from the evidence relating to origins of over-indebtedness, it is clear that caps on the costs of a loan deliver tangible benefits to consumers, especially vulnerable ones.</p>	<p>The EESC notes that from the evidence relating to origins of over-indebtedness, setting caps on the costs of a loan in order to avoid extreme pricing practices delivers tangible benefits to vulnerable consumers, provided that such caps are correctly calibrated after careful analysis of the market and the potential impact. Such an approach should ensure that the measures are indeed beneficial to consumers while avoiding opposite effects.</p>

Outcome of the vote:

For: 82

Against: 79

Abstentions: 17

COMPROMISE ON AMENDMENT 4

Tabled by:

PREDA Bogdan

INT/956 — Consumer credit agreements

Point 1.3.

Section opinion	Compromise
<p>The EESC notes that from the evidence relating to origins of over-indebtedness, it is clear that caps on the costs of a loan deliver tangible benefits to consumers, especially vulnerable ones. However, a proposal to impose caps on consumer credit costs needs to be further detailed and harmonised in the Consumer Credit Directive (CCD) within a clear methodology, in order to ensure a level playing field for lenders from different countries.</p>	<p>The EESC notes that from the evidence relating to origins of over-indebtedness, setting caps on the costs of a loan to avoid extreme pricing practices delivers tangible benefits to vulnerable consumers, provided that such cap is correctly calibrated after careful analysis of the market and the potential further impact. Thus, the EESC notes that the Consumer Credit Directive (CCD) should provide a clear and harmonised methodology that Member States should consider in order to apply such caps to prevent and discourage extreme practices that could lead to over-indebtedness. This would also ensure a level playing field for lenders from different countries.</p>

Outcome of the vote:

For: 88

Against: 77

Abstentions: 15

Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council on general product safety, amending Regulation (EU) No 1025/2012 of the European Parliament and of the Council, and repealing Council Directive 87/357/EEC and Directive 2001/95/EC of the European Parliament and of the Council

(COM(2021) 346 final – 2021/0170 (COD))

(2022/C 105/15)

Rapporteur: **Mordechaj Martin SALAMON**

Referral	European Parliament, 13.9.2021 Council, 23.8.2021
Legal basis	Article 114(1) of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	30.9.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	231/0/6

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) welcomes the proposal for a Regulation on general product safety (GPSR) as it updates and has the potential to improve the current Directive 2001/95/EC of the European Parliament and of the Council⁽¹⁾ on general product safety (GPSD), especially with regard to the challenges and new developments in markets and technology.

1.2. The EESC notes that many of the lessons learned from 20 years of implementing the GPSD are integrated into the proposed framework, giving hope that consumers will enjoy better protection, particularly when products turn out to be unsafe. At the same time, economic operators and online marketplaces will most likely benefit from clearer and harmonised rules.

1.3. The EESC supports the GPSR proposal, as it acknowledges the need to realign the level playing field between different economic operators, in particular between European manufacturers and SMEs vis-à-vis foreign companies concerning online sales.

1.4. The EESC notes that the definitions of the concepts of 'safety' and 'product' have been updated to reflect the evolving nature of markets and technology, so that threats to safety from hackable connected goods, a lack of updates to software and harmful chemicals may now be mitigated. To increase legal certainty, the EESC proposes strengthening the definition of safe products and some of the criteria used to assess safety.

1.5. The EESC supports the new obligations imposed on online marketplaces but strongly doubts that protection will be sufficient for consumers if enforcement efforts continue to rest primarily on national enforcers rather than platforms.

1.6. The EESC highlights the need to ensure smooth interplay with the other main pieces of legislation covering the same or adjacent topics, such as the Digital Services Act (DSA) and the Digital Markets Act (DMA), as well as the upcoming revision of the Product Liability Directive, especially regarding the question of holding different kinds of online marketplace to account.

⁽¹⁾ Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety (OJ L 11, 15.1.2002, p. 4).

1.7. The EESC regrets that the GPSR does not specify that online marketplaces are importers or distributors of products depending on their activity and role in the (digital) supply chain and does not set similar duties and responsibilities for them as for brick-and-mortar shops. The EESC would welcome more clarity regarding liability fault lines.

1.8. The EESC thinks that market surveillance efforts must be extended to cover all consumer goods and should be a shared, coordinated, well-funded and streamlined effort across Europe.

1.9. The EESC regrets that there are no obligations on Member States to collect and provide better accident and injury data. Without an EU-level injury database, it will be difficult to ensure cost-effective implementation and subsequently carry out correct evaluations of the GPSR. The GPSR should therefore require Member States to collect and share data on injuries involving consumer products, based on a common methodology.

1.10. The EESC would welcome the adoption of measures to support SMEs, and in particular micro-enterprises, in their obligations, including a period of financial support, with the provision of clear and helpful guidelines, advice and relevant training to ensure that SMEs are not disadvantaged in their compliance efforts compared to bigger operators with better resources.

2. The Commission proposal

2.1. The GPSR ⁽²⁾ is in line with the New Consumer Agenda from 2020 ⁽³⁾ and aims to:

- update and modernise the general framework for the safety of non-food consumer products;
- preserve its role as a safety net for consumers;
- adapt the provisions to the challenges posed by new technologies and online selling; and
- ensure a level playing field for businesses.

2.2. While the proposal replaces ⁽⁴⁾ the GPSD, it will continue to apply to manufactured non-food consumer products. The proposed Regulation will also provide continuity with the GPSD by:

- requiring that consumer products be 'safe';
- setting certain obligations for economic operators; and
- containing provisions for the development of standards in support of the general safety requirement.

2.3. The proposed Regulation aims to update the rules currently set out in Directive 2001/95/EC to ensure a safety net for all products and, at the same time, to ensure that the regime provides greater consistency by aligning market surveillance rules for products falling outside the scope of the EU harmonisation legislation ('non-harmonised products') with those applying to products falling under the scope of the EU harmonisation legislation ('harmonised products') as set out in Regulation (EU) 2019/1020 of the European Parliament and of the Council ⁽⁵⁾.

⁽²⁾ Proposal for a Regulation of the European Parliament and of the Council on general product safety, amending Regulation (EU) No 1025/2012 of the European Parliament and of the Council, and repealing Council Directive 87/357/EEC and Directive 2001/95/EC of the European Parliament and of the Council (2021/0170 (COD)).

⁽³⁾ Communication from the Commission to the European Parliament and the Council, New Consumer Agenda — Strengthening consumer resilience for sustainable recovery (COM(2020) 696 final).

⁽⁴⁾ Recital 2, GPSR.

⁽⁵⁾ Regulation (EU) 2019/1020 of the European Parliament and of the Council of 20 June 2019 on market surveillance and compliance of products and amending Directive 2004/42/EC and Regulations (EC) No 765/2008 and (EU) No 305/2011 (OJ L 169, 25.6.2019, p. 1).

3. General comments

3.1. The EESC welcomes the Commission's initiative to revise and modernise the GPSD, as part of the New Consumer Agenda for the period 2020-2025. The GPSD was a landmark piece of consumer protection legislation in the single market, requiring that only safe products be placed on the market and acting as a safety net for consumers that did not benefit from more sector-specific legislation. The GPSR preserves this crucial role.

3.2. Looking at the experiences drawn from the implementation of the Directive and the fundamental changes which have taken place in products and markets since its adoption in 2001, a revision was well overdue. The EESC supports the revision because, while the Directive served as an important tool towards a level playing field between European manufacturers and SMEs vis-à-vis foreign companies, it is necessary to pursue efforts to align the level playing field, notably concerning online sales (a need acknowledged by the GPSR).

3.3. The nature of products sold to consumers has evolved to an extent, meaning that the old definitions of 'safety' and of a 'product' no longer hold. The definition of safety that only covers 'health' and 'physical integrity' no longer corresponds to the actual risks to which consumers may be exposed. The EESC welcomes the inclusion in Article 7 of a number of aspects to assess the safety of products. However, the EESC regrets that Article 3(2) does not clearly point out its link to Article 7, which would improve legal certainty.

3.4. The EESC welcomes the focus on the concept of 'security' and the inclusion of 'cybersecurity' as a requirement for a product to be considered 'safe'. However, to increase legal certainty, the EESC proposes stipulating that cybersecurity be assessed in all circumstances and during the lifespan of the product. Moreover, when harmful chemicals are present in everyday products, the current GPSD struggles to protect consumers. The EESC thinks it is obvious and unavoidable that any future regulatory framework must also safeguard consumers against threats to their safety from hackable connected goods, a lack of updates to software and harmful chemicals, and welcomes changes in this regard.

3.5. Despite the existence of self-regulatory initiatives to improve protection against unsafe products sold online, a recent (2020) study⁽⁶⁾ showed that two thirds of 250 tested products bought failed EU safety laws and technical standards, endangering consumers. This points to the need for effective regulation here rather than self-regulation. The EESC supports the adoption of regulation in this area and welcomes the new obligations imposed on online marketplaces, although it warns that they may not be fully adequate to protect consumers as much of the detection and enforcement continues to be the responsibility of enforcers rather than platforms. The EESC also regrets that the GPSR does not specify that online marketplaces are importers (or distributors where appropriate) of products depending on their activity and role in the (digital) supply chain and does not set similar duties and responsibilities for them as for brick-and-mortar shops. The EESC calls for platforms' liability to be clarified in cases where no other actor in the supply chain takes any action against an unsafe product.

3.6. Consumers are trading more online, more across borders and through longer and more complicated supply chains. The current market control regime only has weak international and cross-border powers, and is a poorly funded patchwork which covers only certain types of goods, pointing to a clear need to act. The EESC believes that market surveillance efforts must be extended to cover all consumer goods and should be a shared, coordinated, well-funded and streamlined effort across Europe. The EESC welcomes the creation of an arbitration mechanism — and the Commission's role in it — to resolve any persistent differences in interpretation and/or application between countries. The EESC also supports the development of strong cooperation links worldwide and encourages participation in international initiatives.

3.7. The GPSR will only fulfil its purpose of protecting consumers when it interplays smoothly with the other main pieces of legislation covering the same or adjacent topics. Especially with regard to the question of holding different kinds of online marketplace to account, any successful version of the GPSR will have to be coordinated with and require corresponding adjustments in the DSA and the Product Liability Directive. Consistency should also be ensured regarding the legislative proposal on artificial intelligence, the chemical strategy and the circular economy action plan. While the links are clearly acknowledged in the GPSR, the EESC would welcome more specific details on the interoperability of the various

⁽⁶⁾ https://www.beuc.eu/publications/beuc-x-2021-004_is_it_safe_to_shop_on_online_marketplaces.pdf, p. 15.

pieces of legislation to ensure effective protection on the ground. Leaving gaps would be unacceptable. The EESC also calls for attention to be given to international initiatives such as those of the OECD, Unctad and the WTO with regard to international cooperation, and encourages EU leadership in this area.

3.8. The GPSD was built on the precautionary principle and the EESC welcomes the fact that this remains a pillar of the GPSR's architecture. This principle enables adoption of the highest levels of consumer protection. The EESC thinks that anchoring the precautionary principle is key to securing consumer protection while at the same time providing a flexible concept allowing the GPSR to adapt to new challenges. Thus, precautionary measures should always be taken when scientific evidence about an environmental or human health hazard is uncertain but the stakes are high. This also makes the GPSD's safety net function — providing solutions when consumers are at risk and sector-specific legislation has loopholes — more effective. Applying the precautionary principle also makes market surveillance more complete.

4. Specific comments

The EESC:

4.1. supports the transformation of the GPSD into a regulation, as it is a choice that allows for faster and more consistent implementation across the EU. While using a directive would have enabled rules to be adjusted to local legislation, it would raise compliance costs and increase insecurity for companies trading across borders or producing for multiple markets. The experience to date has been that two out of five businesses report additional costs related to the uneven implementation of the GPSD (7);

4.2. welcomes the clearer and broader scope of the legislation, notably the clarification and introduction of secondary markets (recital 16), the clarification that environmental risk is to be part of the evaluation of a safe product (recital 11), and the inclusion of fulfilment service providers within the scope of the Regulation, enabling more effective market surveillance;

4.3. welcomes the specific obligations for online marketplaces in the GPSR. However, warns that loopholes must be closed. The obligations need to be further defined and, in particular, consideration should be given to subjecting marketplaces to Article 5 and upgrading their liability to that of an importer (or distributor where appropriate) to prevent platforms circumventing the GPSR and current DSA proposal. Recommends that online marketplaces should also have an obligation to monitor (notice and stay down) products sold via their intermediaries, as introduced in the DSA, in order to remove the burden of notice-and-take-down action from national enforcers. Clarification on how the DSA obligations will apply in addition to or as a complement to the GPSR would also be welcomed;

4.4. supports the stronger requirements for traceability and stresses that Member States must have the right tools at their disposal to pursue effective traceability. Here the Commission's new powers to adopt implementing measures and set up specific traceability requirements also potentially strengthen consumer protection;

4.5. supports the strengthening of recall processes but thinks that it should be mandatory for recall notices to always be published. In cases where consumers have purchased an item and given it as a gift or bought it on a second-hand marketplace, an otherwise well-functioning system of direct recall notices to buyers could fail because the actual user of the product does not receive the direct recall notice;

4.6. regrets that there are no obligations on Member States to collect and provide better accident and injury data, when an EU-level injury database would facilitate cost-effective implementation and subsequently correct evaluations of the GPSR. Using data from RAPEX to measure the amount of injuries experienced by consumers is problematic, as product groups related to the highest number of injuries do not show much correlation with the notifications in RAPEX. This issue is further underlined in the background study for the impact assessment, which finds that 'RAPEX data cannot be simply

(7) GPSR, p. 13.

used as proxy for consumer product safety trends...)'⁽⁸⁾. The GPSR should therefore require Member States to collect and share data on injuries involving consumer products, based on a common methodology, in order to create a representative database covering the single market. The Single Market Programme could provide a sound financial base for the pan-European surveillance of product-related injuries. Shifting this burden to economic operators as is the case in the proposal, without a clear pan-European enforcement strategy, is likely to be unsatisfactory;

4.7. believes that the GPSR should allow chemical safety criteria to be set for the products that fall under the law. The current GPSD does not establish what a 'safe' product is when it comes to chemicals. It is unclear if the Regulation will bring more clarity in this regard. For example, the EU bans cancer-causing chemicals in toys, but not in childcare products, even though the exposure risk is often similar. The Commission's objective of moving towards a toxic-free environment as expressed in the Chemicals Strategy for Sustainability and supported by the EESC⁽⁹⁾ should be fulfilled as part of the implementation of the GPSR⁽¹⁰⁾;

4.8. supports the fact that cybersecurity risks that affect consumer safety will now be covered under the concept of safety. This includes the timely introduction of the concept of 'in-use conformity' — as software updates change the product, it must be surveyed over time. This is becoming more pertinent, as more consumer products are connected, raising the risks of hacking and misuse, leading to potential risks to safety. However, the definitions of a safe product should make a clear reference to such requirements and criteria;

4.9. considers that market surveillance should as far as possible be at the same level across sectors. Changes here need to be carefully scrutinised to ensure that enforcement authorities (in all sectors covered) have an adequate toolbox at their disposal and that there is also a strong link with the customs union. While an emphasis on risk-based market surveillance is welcomed, it will be crucial that authorities also perform adequate random checks to optimise protection and prevent damage to consumers. Otherwise, dangerous products not known to be unsafe will only be detected after they have caused damage to consumers;

4.10. believes that definitions, terms and systems must be made coherent across the various product safety instruments while enabling necessary variations depending on the individual product category (toys, cosmetics, electronics etc.);

4.11. welcomes the fact that definitions of safe standards throughout the standardisation process are strengthened, so that standards are made in a timely fashion and with the possibility for Member States to oppose standards that do not ensure safety for consumers and thus do not live up to the mandate given. To ensure that standardisation meets the needs of consumers and is not used to squeeze out small actors from the market, continued support for effective consumer and SME sector representation in European standardisation is of great importance⁽¹¹⁾;

4.12. welcomes the fact that the obligations set out in the GPSR will apply to all businesses regardless of their size, anchoring the principle that safety cannot be subject to 'lighter' regimes and that every consumer product must be safe. However, regrets that SMEs' views were underrepresented at the consultation stage, exacerbating the distortions that already exist on the market. Further notes that the figures in Chapter 3 'Financial Impact' of the impact assessment were approximate. To avoid any future distortions, the EESC recommends that the key performance indicators for the yearly reporting by Member States (under Article 22(1)) should quantify the impacts on SMEs and micro-enterprises;

⁽⁸⁾ https://ec.europa.eu/info/files/study-support-preparation-evaluation-gpsd-well-impact-assessment-its-revision-part-1-evaluation_en, p. 40.

⁽⁹⁾ OJ C 286, 16.7.2021, p. 181.

⁽¹⁰⁾ <https://webapi2016.eesc.europa.eu/v1/documents/eesc-2020-05343-00-00-ac-tra-en.docx/content>

⁽¹¹⁾ OJ L 316, 14.11.2012, p. 12, Annex III.

4.13. recognises that SMEs, and in particular micro-enterprises, may be disproportionately affected by those measures due to a smaller turnover and less human capital to implement the obligations⁽¹²⁾. Welcomes the fact that the current legislative framework addresses some of their specific needs, notably through: a sanctions regime that takes into account the size of the undertaking in the imposition of penalties (Article 40(2)(h)) and advocates proportional penalties; and a risk-based market surveillance system that does not disadvantage smaller companies⁽¹³⁾. However, the EESC would welcome the adoption of measures to support SMEs, and in particular micro-enterprises, in their obligations, including a period of financial support, with the provision of clear and helpful guidelines, advice and relevant training to ensure that SMEs are not disadvantaged in their compliance efforts compared to bigger operators with better resources;

4.14. welcomes the fact that all consumers will be able to have access to information on product identification, the nature of the risk and the measures taken⁽¹⁴⁾, notably by consulting the Safety Gate portal⁽¹⁵⁾, but warns that this should not pave the way for requiring consumers to mitigate their risks by acquiring this knowledge prior to a purchase (within the context of what may be interpreted as 'reasonable consumer expectations concerning safety' (Article 7(3)(i)). In addition, databases and notifications should be easily accessible to vulnerable consumers as well as consumers with disabilities;

4.15. notes that Article 8(11) requires manufacturers to use the Safety Business Gateway to immediately alert consumers of risks to their health and safety and inform market surveillance authorities. Reiterates that the Regulation ought to ensure specifically that the fact that this information is made available does not directly or indirectly place an obligation on consumers to consult the database that may affect whether or not a product is found to be unsafe. In addition, notifications should be easily accessible to vulnerable consumers and to consumers with disabilities;

4.16. would welcome clearer delimitation and details concerning the difference between the Safety Gate (Article 24, where Member States issue notifications) and the Safety Business Gateway (Article 25, where economic operators provide enforcement authorities and consumers with information about the safety of their products) and how those portals may interact;

4.17. welcomes the ability given to consumers to submit complaints to national authorities⁽¹⁶⁾ as well as the ability to inform the Safety Gate portal of risks⁽¹⁷⁾, which must be followed up. Calls for adequate funding to be provided so that all of those complaints can be properly investigated in order to help protect consumers efficiently. Welcomes the coupling of this complaint mechanism with the need for manufacturers to investigate complaints received (Article 8(2)) and to take corrective action when they consider or have reason to believe that a product they have placed on the market may be unsafe (Article 8(10)).

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

⁽¹²⁾ Study to support the preparation of an evaluation of the General Product Safety Directive as well as of an impact assessment on its potential revision, p. 11 and p. 320. See also, proposal for a Regulation (COM(2021) 346 final), p. 13.

⁽¹³⁾ OJ L 316, 14.11.2012, p. 12, Annex III.

⁽¹⁴⁾ Article 31.

⁽¹⁵⁾ Article 32(1).

⁽¹⁶⁾ Article 31(4).

⁽¹⁷⁾ Article 32(2).

Opinion of the European Economic and Social Committee on the proposal for a Council Regulation temporarily suspending autonomous Common Customs Tariff duties on imports of certain industrial products into the Canary Islands

(COM(2021) 392 final – 2021/0209 (CNS))

(2022/C 105/16)

Rapporteur: **Tymoteusz Adam ZYCH**

Referral	Council, 15.9.2021
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Section for Single Market, Production and Consumption
Adopted in section	21.9.2021
Date adopted in plenary	20.10.2021
Plenary session No	564
Outcome of vote	
(for/against/abstentions)	101/0/2

1. Conclusions and recommendations

1.1. The EESC supports the European Commission's proposal, given its major socioeconomic importance for the region and the Union's authority to adopt it, in light of its competence to regulate customs duties.

1.2. In addition to the product categories covered by Council Regulation (EU) No 1386/2011⁽¹⁾, the proposal was extended to seven new categories falling under CN codes 3903 19, 5603 94, 5604 10, 7326 90, 7607 20, 8441 40 and 8479 90 (machinery for industrial purposes and raw materials).

1.3. The maintaining of the suspension of customs duties on imports of industrial products, as well as the extension of the product categories it covers, is considered to be beneficial for the Canary Islands' economy, which has suffered particular economic damage in comparison with other EU regions due to the COVID-19 pandemic, especially in relation to domestic GDP volume.

1.4. The imposition of end-use controls in accordance with the rules of the Union Customs Code and its implementing provisions is an established procedure in this context and does not create significant, supplementary administrative burdens for regional and local authorities or economic operators.

1.5. The EESC stresses that both the introduction of new legal solutions and the continuation of existing ones to support the outermost regions are essential for their economic growth, for balancing the internal market and for creating jobs in the local sector.

1.6. In the EESC's view, in order to allow businesses to make long-term investment decisions, the proposed suspension should be established for a multi-annual period.

2. Background

2.1. The Canary Islands, an autonomous community of Spain with a total area of approximately 7 446,95 km², form an archipelago in the Atlantic Ocean consisting of thirteen islands around 1 000 km from the coast of the Iberian Peninsula. They are one of the peripheral regions of the European Union belonging to the group of outermost regions, and together with the archipelagos of the Selvagens Islands, Cape Verde, Madeira and the Azores, form a geographical area called Macaronesia.

⁽¹⁾ Council Regulation (EU) No 1386/2011 of 19 December 2011 temporarily suspending autonomous Common Customs Tariff duties on imports of certain industrial products into the Canary Islands (OJ L 345, 29.12.2011, p. 1).

2.2. The population is currently around 2 175 952 inhabitants. The two most populous islands are Tenerife (904 713) and Gran Canaria (846 717), which are home to more than 80 % of the total population. Such a high population concentration on only two of the thirteen islands is partly responsible for the region's socioeconomic problems, including its high rate of emigration.

3. Aim of the Commission's proposal

3.1. The EESC points out that, on the basis of Article 349 TFEU, Regulation (EU) No 1386/2011 provides for specific customs measures for the Canary Islands as one of the outermost regions of the European Union — the temporary suspension of autonomous Common Customs Tariff duties on imports of certain industrial products.

3.2. The measures provided for in Regulation (EU) No 1386/2011, which were aimed at strengthening the competitiveness of local economic operators and thus securing more stable employment on the islands, are due to expire on 31 December 2021. In April 2021, the Spanish government requested the prolongation of the suspension of the autonomous Common Customs Tariff duties for a number of products. According to the request, the constraints faced by the region, being structural and permanent, continue to be related to its isolation, the small size of the market and its fragmentation. The islands are also unable to benefit from European integration to the same extent as regions on the continent. The suspension scheme to which the proposal relates is intended to reduce these constraints on the Canary Islands' market. In addition, due to the economic crisis caused by the COVID-19 pandemic, the Spanish government has also requested the suspension of Common Customs Tariff duties for seven new product categories.

3.3. The aim of the Commission's proposal is to support Spain's outermost region in building on its assets in order to enable growth and job creation in the local sector. The proposal supplements the Programme of options specifically relating to remoteness and insularity (POSEI), which provides support for the primary sector and the production of raw materials, and also the European Maritime and Fisheries Fund (EMFF) and the European Regional Development Fund (ERDF) specific additional allocation.

3.4. The Commission's proposal is in line with Union policies, particularly as regards overall policy for the outermost regions and policies in the field of international trade, competition, environment, enterprise, development and external relations.

3.5. It will allow economic operators, from 1 January 2022 to 31 December 2031, to import certain raw materials, components, parts and capital goods free of duty by means of the temporary suspension of customs duties.

4. General remarks

4.1. The EESC welcomes the proposed amendment to the existing Council Regulation and notes that the specific measures it lays down can be adopted without jeopardising the integrity and coherence of the Union's legal order, including the internal market and common policies. In the EESC's view, this change will help to improve the balance in the internal market.

4.2. The EESC has repeatedly pointed out that the situation of island regions is much more difficult than in the rest of the Community, especially compared to the mainland. They suffer from severe and permanent geographical, demographic and environmental obstacles, such as separation from the continent; limited land area; dependence on maritime and air transport, with their higher costs; population decline and difficulties in the labour market; production concentrated in small and micro enterprises that are less resilient to the dynamics of economic change than larger businesses; and limited opportunities to reap the benefits of the European single market and competitive economic relations.

4.3. The limited means of transport and increased distribution costs lead to a higher cost to the business of manufacturing the product than would be incurred if it were established on the mainland, which directly results in a reduction in competitiveness. This leads to difficulties for local businesses in finding customers outside the national borders and forces the industrial sector to concentrate production in the local market. The EESC believes that the Union's customs policy should take account of this difficult economic situation experienced by island regions and take appropriate measures to improve their chances and competitiveness vis-à-vis the European mainland.

4.4. The EESC points out that tourism is a key factor for economic stability in many island areas, and this sector is also the main economic resource of the Canary Islands. The share of inbound tourism in the Canary Islands' GDP in 2018 was as high as 28 %, representing an upward trend. In 2017, the number of tourists arriving in the Canary Islands archipelago was very close to exceeding the 16 million mark and was around one million more than in 2016, while 15,11 million people travelled to the Canary Islands in 2019.

4.5. While the emergence of tourism has led to economic growth, it is also important to bear in mind the downsides of tourism being such a cornerstone of the economy, which have become apparent with the outbreak of the COVID-19 pandemic. According to data published by the Spanish National Statistics Institute, the number of foreign tourists in the Canary Islands fell by more than 70 % in 2020, when only 3,78 million people arrived in the archipelago. The region's tourism revenue fell by the same percentage, with around EUR 4 billion earned from tourism last year. The largest decrease was recorded for the island of Lanzarote (73,7 %), while the smallest decrease was for Tenerife (66,4 %). Limited tourism activity in the Canary Islands in 2020 led to an estimated drop of around 20 % in GDP. There has also been a recession in terms of construction and industrial activities, with an estimated decrease of 13 % compared to 2019. It should be stressed that the effects of the global health crisis will have long-term consequences, and the European tourism industry is expected to remain below 2019 levels until 2023 ⁽²⁾.

4.6. Unemployment has also increased significantly in the Canary Islands as a result of the COVID-19 crisis. In the first quarter of 2020 it stood at 18,89 %, and during the year it increased to 25,42 %, well above the national and Union averages of 15,5 % and 7,1 %, respectively (Eurostat, 2021).

4.7. The EESC notes that the proposal is in line with the policy pursued by the Union, one of the main objectives of which is territorial, economic and social cohesion, and which, through well-managed economic policies, seeks to strengthen the Community in such a way that the outermost regions have equal opportunities for development and access to better living conditions. In accordance with Article 174 TFEU, island territories have been recognised as disadvantaged regions requiring special attention.

4.8. The EESC also points out that the increase in energy prices over the last two years and its impact on global transport costs have undoubtedly contributed to a greater decline in the competitiveness of islands' industries. Moreover, the benefits of the autonomous tariff suspension introduced in 1991 have become less effective. As a consequence, local industry has become less competitive vis-à-vis its competitors in Spain and the rest of the Community on the mainland. Aware of the geographical and economic characteristics of the Canary Islands region, the EESC believes that support should be given to measures aimed at mitigating the negative effects of these conditions.

4.9. The EESC notes that the proposed solution could make a significant contribution to preserving the economic stability of this part of the European Union, and that the lifting of the suspension would have an inflationary effect on the market, which would in the long term jeopardise the already moderate industrial base on the islands and thus increase disparities with the rest of the EU.

4.10. In the EESC's view, backing should also be given to the solution — applied repeatedly — of making the use of tariff measures conditional on the end-use of the products, so that only economic operators located in the Canary Islands would benefit.

4.11. However, the EESC draws attention to the possible emergence of difficulties in trade in the Canary Islands region — or even more widely, across the EU — owing to the lack of a definition of the term 'deflection of trade' used in Article 4(1) of the proposed act. The emergence of such 'deflections of trade' empowers the Commission to temporarily withdraw the suspension of autonomous duties, which would have a number of economic consequences for the region and local businesses. The EESC would like to draw attention to the need for a precise definition of this term, in both a qualitative and quantitative sense.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

⁽²⁾ <https://www.europarl.europa.eu/factsheets/en/sheet/126/tourism>

Opinion of the European Economic and Social Committee on the communication from the Commission to the European Parliament and the Council ‘A strategy towards a fully functioning and resilient Schengen area’

(COM(2021) 277 final)

and the proposal for a Council Regulation on the establishment and operation of an evaluation and monitoring mechanism to verify the application of the Schengen *acquis* and repealing Regulation (EU) No 1053/2013

(COM(2021) 278 final – 2021/0140 (CNS))

(2022/C 105/17)

Rapporteur: **Ionuț SIBIAN**

Referral	European Commission, 10.8.2021
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Section for Employment, Social Affairs and Citizenship
Adopted in section	6.10.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	232/1/5

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) welcomes the Commission’s Strategy towards a fully functioning and resilient Schengen area.

1.2. The Committee reaffirms its full support, as expressed in its resolution of 17 February 2016, for the principles underlying Schengen cooperation: the unimpeded exercise of the fundamental treaty freedoms in a common area of freedom, security and justice and the need to reinforce joint responsibility and solidarity in the management of the external borders.

1.3. The Committee reiterates that, when framing and implementing EU policy for border management, interoperability, migration and asylum management, and police and criminal justice cooperation, the EU and its Member States are at all times bound by the Charter of Fundamental Rights, whose provisions they are obliged not only to respect but also to promote.

1.4. The Committee is deeply concerned by reports of fundamental rights violations at the EU’s external borders and calls upon the Commission and the European Border and Coast Guard Agency (EBCGA — Frontex) to remedy, monitor and follow up on reports of fundamental rights violations without delay and to ensure that the accountability mechanisms set out in the EBCG Regulation are implemented effectively. The Committee calls for the Consultative Forum on Fundamental Rights to be strengthened and for organised civil society, via the EESC, to be involved in it.

1.5. The Committee expresses its concern at the semi-permanent reintroduction of border controls at parts of Member States internal borders and the negative economic and social impact this has had on EU citizens, businesses, and in particular frontier workers, border communities and Euroregions. It calls upon the Commission to carefully monitor and assess the necessity and proportionality of these reinstatements on a periodic basis and to take action where necessary. It applauds the Commission’s stated intention to more readily use its enforcement powers where Schengen Evaluations may give rise to such action.

1.6. The Committee expresses its concern about the continued exclusion from full application of the Schengen *acquis* of the Member States Cyprus, Romania, Bulgaria and Croatia. Along with the Commission, it calls for swift and decisive action from the Council in this regard.

1.7. The Committee notes that many of the elements that are constituent parts of the Strategy are still legislative proposals. It wishes to point out that the Committee has issued specific opinions on some of these proposals, most notably the New Pact for Migration and Asylum and Interoperability. The Committee asks the Commission to take due note of these opinions.

1.8. The Committee notes that many of the elements of the Pact rely on the timely implementation of recently adopted legislation, most notably the interoperability regulation and the European Border and Coast Guard 2.0 Regulation. The Committee expresses its concern about the progress made in this regard and calls upon the Commission to monitor any delays and budget overruns closely and remedy them effectively.

1.9. The Committee evaluates the proposals to improve the functioning of the Schengen Evaluation Mechanism as positive, in particular the quicker follow-up, increased synergies with the Vulnerability Assessment Mechanism and increased and more horizontal attention to human rights, including the envisaged role for the Fundamental Rights Agency. However, care should be taken to ensure that the Schengen Evaluation Mechanism does not politicise issues of a more technical nature.

1.10. The Committee is of the opinion that the Schengen Forum can provide political impetus to the safeguarding and development of the Schengen area, but warns that it should not entail a return to Schengen's intergovernmental past, the functioning of which was prejudiced by intergovernmentalism and lack of transparency. Other EU institutions, as well as the Committee, should be kept informed at all times and be able to attend as participants.

1.11. The Committee understands that the related fields of police and criminal justice cooperation, including improved cooperation on the prevention of terrorism, are of the utmost importance to the trust of EU citizens and the Member States in the Schengen area. Such cooperation should at all times require full respect for fundamental rights in all Member States, including the safeguarding of an independent judiciary, in order to allow for instruments of mutual trust, such as the European Arrest Warrant, to function properly.

1.12. The Committee firmly believes that cooperation with third countries should not exclusively focus on migration and asylum controls, but should constitute a genuine partnership aimed at improving the position of migrants and refugees in third countries as well, in particular victims of human trafficking, and should seek to address the root causes of migration, promoting safe and orderly migration.

1.13. As emphasised by Commission President Ursula von der Leyen in her 2021 State of the Union address, it is critically important to agree on a common European system for the management of our external borders, migration and asylum in order not to allow third countries to take advantage of a lack of unity.

2. Background to the opinion

2.1. In 1985, a number of Member States adopted the international Schengen Agreement, taking the decision to abolish all border controls at their internal borders. The Schengen Implementing Convention of 1990 provided the necessary 'flanking measures', aiming to offset externalities resulting from the lifting of controls.

2.2. The Treaty of Amsterdam integrated the Schengen *acquis* into the EU legal order and regulated the special position of the United Kingdom, Ireland and Denmark.

2.3. The conclusion of bilateral agreements with Norway, Iceland, Switzerland and Liechtenstein has allowed for these countries' participation in Schengen cooperation.

2.4. Bulgaria, Romania and Croatia participate in parts of the Schengen *acquis*, but lifting of checks at their internal borders requires a unanimous Council Decision to that effect. The Council has refused to take that decision even though the Commission has found these countries to be technically ready.

2.5. Since the Schengen *acquis* was incorporated into the EU legal order, it has progressively developed, notably with the adoption of the Schengen Borders Code, the Visa Code and the European Border and Coast Guard Regulation. Cooperation in the field of borders, visas, migration and asylum is supported by a number of large-scale IT databases for information exchange (SIS, VIS, Eurodac, EES, ETIAS, TCN-ECRIS), which are currently interoperable.

2.6. Although responsibility is shared, individual Member States remain responsible for their respective parts of the external borders, meaning that deficiencies in the management of the external borders in one Member State are likely to have serious repercussions in the entire area of freedom, security and justice.

2.7. Over the past five years, the Schengen area has been under considerable pressure as a result of the repeated and continued reinstatement of checks at the internal borders by some Member States. This occurred in response to the refugee and migration situation of 2015 and the threat of terrorist violence in Europe.

2.8. The COVID-19 pandemic led to further border closures and restrictions to the free movement of persons.

2.9. In response to the 2015 refugee and migration situation, Frontex, the European Agency for the Management of Operational Cooperation between the Member States at the External Borders, was reformed as the European Border and Coast Guard Agency in 2016 and further reinforced in 2019.

2.10. In its New Pact on Migration and Asylum, the European Commission affirmed that 'integrated border management is an indispensable policy instrument' for the integrity of the Schengen area and 'an essential component of a comprehensive migration policy'. It announced a separate strategy on the future of Schengen, which was published on 2 June 2021.

2.11. The aim of the strategy is to make the Schengen area stronger and more resilient. It takes stock of the challenges faced by the Schengen area in recent years, including during the pandemic crisis, and sets out a path forward that maintains the benefits of Schengen.

2.12. The strategy aims to:

- (1) **ensure effective management of the EU's external borders;**
- (2) **reinforce the Schengen area internally;**
- (3) **improve preparedness and governance;**
- (4) **complete the Schengen area.**

2.13. The new strategy is accompanied by the proposal for a Council Regulation establishing an evaluation and monitoring mechanism to verify the application of the Schengen *acquis* and repealing Regulation (EU) No 1053/2013 ⁽¹⁾.

2.14. The Commission proposes an overhaul of the Schengen evaluation and monitoring mechanism. Changes include accelerating the evaluation process as well as a fast-track procedure in case of significant deficiencies that could put Schengen as a whole at risk.

3. General comments

3.1. *Modern and effective management of the external borders*

3.1.1. The Committee supports the swift adoption of a Multiannual Strategic Policy for European Integrated Border Management as part of the integrated management system provided for by Article 77(2)(d) TFEU. It asks to be consulted on this strategy prior to its adoption ⁽²⁾.

3.1.2. The Committee continues to support an effective European Border and Coast Guard Agency, and the establishment of its operational arm. It is, however, concerned with the progress that is being made in this regard. In particular, it points to the recent findings of the EU's Court of Auditors stating that the Agency has not fully implemented its 2016 mandate and that there were several risks and shortcomings in relation to the implementation of its 2019 mandate ⁽³⁾.

⁽¹⁾ COM(2021) 278 final.

⁽²⁾ See point 4.8 in OJ C 110, 22.3.2019, p. 62.

⁽³⁾ European Court of Auditors Special Report, Frontex's support to external border management: not sufficiently effective to date, 2021.

3.1.3. The Committee is particularly concerned by the reports on fundamental rights abuses during Frontex coordinated operational activities and knowledge thereof by the Agency, as reported by different media sources and NGOs, and discussed in the report of the LIBE Committee's Frontex Scrutiny Working Group. It is pleased with the recent appointment of a new Fundamental Rights Officer, and the ongoing recruitment of fundamental rights monitors, but emphasises that the Fundamental Rights Office needs to receive adequate resources to fulfil its tasks in full independence. It calls upon the Agency to fully implement the accountability mechanisms and structures provided for in its founding regulation.

3.1.4. The Committee is concerned with the emphasis in the strategy on the pre-entry screening system, which in its opinion on the Pact it considered a novel contribution worth considering. However, the Committee questioned its practical feasibility and considered it inadequate from the perspective of fundamental rights⁽⁴⁾. It emphasises the need for a mechanism for independent monitoring by the Member States as provided for in the Screening Regulation.

3.1.5. The Committee has always considered reaching full interoperability of IT systems as a necessary step toward building a coherent and effective EU-wide policy. In line with that view, it also supports further digitalisation of visa procedures and travel documents.

3.1.6. The Committee expresses its concern as regards the Commission's statement that delays in individual Member States may hold up the Europe-wide implementation of interoperability. Given past experience with the implementation of SIS II and in light of the recent state of play with implementation of the Entry/Exit System and the European Travel Information and Authorisation System⁽⁵⁾, the Committee would like to hear what concrete steps the Commission is taking to ensure a timely implementation of interoperability, in line with the envisaged budget.

3.1.7. The Committee emphasises that further technological development and full interoperability should be achieved with due regard for the protection of personal data and fundamental rights. As regards the proposal of a revised Eurodac, and in relation to the use of large-scale databases in general, the Committee reiterates that full interoperability should be achieved with due regard for the protection of fundamental rights. Measures must be strictly necessary and proportionate, given the sensitivity of the data, especially where applicants for international protection and the confidentiality of the procedure are concerned. It should be pointed out that personal data processed in relation to border management and return fall under the General Data Protection Regulation and do not qualify as operational personal data under Regulation (EU) 2018/1725 of the European Parliament and of the Council⁽⁶⁾.

3.1.8. The EESC points out that when cooperating with third countries, especially also when Frontex acts on third-country territory, fundamental rights, including the right to the protection of personal data, must be fully respected and appropriate accountability mechanisms must be put in place.

3.2. *Measures for reinforcing Schengen internally*

3.2.1. The Committee is pleased with the attention paid to measures that, although not strictly speaking Schengen-developing measures, are linked to the functioning of the Schengen area.

3.2.2. Member States' security concerns are better addressed with more and strengthened cooperation between law enforcement authorities than with the reintroduction of controls at the internal border.

3.2.3. The Committee emphasises that in all forms of police cooperation and criminal justice cooperation, fundamental rights, including the right of defence⁽⁷⁾ and the rights of victims⁽⁸⁾, must be fully respected. This also means that if fundamental rights are breached, the division of responsibilities between different actors (EU and national) must not result in an accountability deficit.

⁽⁴⁾ EESC opinions on migration, OJ C 123, 9.4.2021, p. 15, OJ C 155, 30.4.2021, p. 58, OJ C 155, 30.4.2021, p. 64.

⁽⁵⁾ European Commission Note on Implementation of interoperability: state of play on the implementation of the Entry/Exit System and the European Travel Information and Authorisation System, June 2021.

⁽⁶⁾ Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39).

⁽⁷⁾ In line with Title VI of the Charter of Fundamental Rights and relevant secondary legislation.

⁽⁸⁾ Directive 2012/29/EU of the European Parliament and of the Council of 25 October 2012 establishing minimum standards on the rights, support and protection of victims of crime, and replacing Council Framework Decision 2001/220/JHA (OJ L 315, 14.11.2012, p. 57), as well as the legislation for specific categories of victims of human trafficking, sexual exploitation and child pornography, and terrorism.

3.2.4. The protection of personal data, under the appropriate legal frameworks, needs to be respected at all times, especially when highly sensitive personal data, as under the Prüm Decisions, is concerned.

3.2.5. As regards the use of artificial intelligence (AI) for cross-border policing, the Committee refers to its opinion on the Regulation on artificial intelligence ⁽⁹⁾.

3.2.6. The Committee would like to point out that, in the annex to the proposal for an Artificial Intelligence Act ⁽¹⁰⁾, allows for the possibility of using AI for migration, asylum and border control management. In particular the reference to the use of 'polygraphs and similar tools or [tools] to detect the emotional state of a natural person' is worrisome, since scientific evidence for the reliability of such methods is lacking.

3.2.7. As regards the specific measures proposed in the New Pact on Migration and Asylum, the Committee refers to its opinion of 17 December 2020 ⁽¹¹⁾.

3.2.8. The Committee questions the added value of an increase in the use of Advance Passenger Information in combination with Passenger Name Records, and finds that the Commission has not made a convincing case to allow for systematic and mass the intra-Schengen exchange of personal data, which by default would also affect EU citizens exercising their right to free movement.

3.2.9. As regards the use of the European Arrest Warrant, and other instruments that facilitate law enforcement cooperation, such as the European Investigation Order, the Committee points out that for the smooth functioning of these instruments of mutual recognition, mutual trust is indispensable. This requires even more effective rule of law monitoring by the EU institutions and entails a responsibility on the part of the Member States to uphold the rule of law, in particular the right to effective judicial protection under Article 47 of the Charter of Fundamental Rights of the EU (hereinafter 'the Charter') and Article 19(1) TEU.

3.3. *Enhanced governance*

3.3.1. The Committee appreciates that the Schengen Forum may provide Member States with a venue to discuss politically salient issues related to Schengen cooperation. However, other EU institutions, as well as the Committee, should remain informed and have the right to attend as participants. The Forum and its actions should be as transparent as possible and it should provide access to its documents. The relaunch of the State of Schengen Report is to be applauded, but it is not sufficient in this regard.

3.3.2. The Committee supports the idea that the Schengen Borders Code requires amendment to incorporate some of the lessons learnt from the COVID-19 pandemic. It stresses that these lessons go beyond the issue of internal borders and touch upon the functioning of the internal market itself. Any such amendment should therefore be part of a broader fitness test for Europe's regulatory framework for free movement in a world where COVID-19 is likely to continue to be a fact of life. The Committee supports the idea that such an approach should include rules on travel into the EU, which are currently absent from the Schengen Borders Code. The Committee would also like to know from the Commission whether it envisages any amendment to the Local Border Traffic Regulation.

3.3.3. The Committee believes that the Commission should take a stronger stance in support of borderless travel in Europe. The EU Treaty is clear that the EU shall offer its citizens an area without borders. The right for Member States to reintroduce border controls is an exception to that right, which must be interpreted narrowly. It cannot be regarded as a sovereign prerogative, and is instead bound by the rules of the Schengen Borders Code. Any revision of the Code needs to fully take into account the exceptional nature of the reinstatement of border controls.

3.3.4. The Committee takes a positive view of the proposals to improve the functioning of the Schengen Evaluation Mechanism, in particular those to ensure quicker follow-up, increased synergies with the Vulnerability Assessment Mechanism and those paying increased attention and taking a cross-cutting approach to human rights. However, care should be taken that the Schengen Evaluation Mechanism does not politicise questions of a more technical nature.

⁽⁹⁾ INT/940 (OJ C 517, 22.12.2021, p. 61).

⁽¹⁰⁾ COM(2021) 206 final, pp. 4 and 5.

⁽¹¹⁾ OJ C 123, 9.4.2021, p. 15.

3.3.5. The Committee encourages the Commission to actively make use of its enforcement powers under the Treaties in situations where there is a lack of follow-up to deficiencies found during Schengen Evaluations. Priority should be given to systemic practices that violate fundamental rights norms. Importantly, the Commission should not solely rely on the findings of the Schengen Evaluation Mechanism, but also monitor the fundamental rights situation itself actively.

3.4. *Completion of the Schengen area*

3.4.1. The Committee applauds the Commission's stance as regards the completion of the Schengen area. It emphasises the link between free movement, EU citizenship and the absence of border controls. Currently the citizens of Bulgaria, Croatia and Romania do not fully enjoy their rights as EU citizens under the Treaties.

3.4.2. The Committee emphasises that these Member States already control their external borders in line with the Schengen Borders Code. Their full accession would increase the functioning and security of the European Union, through their full participation in all large-scale Justice and Home Affairs (JHA) databases.

3.4.3. The Committee invites the Commission to present a more detailed roadmap towards full accession and invites the Council to swiftly act accordingly.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – EU strategic framework on health and safety at work 2021 2027 – Occupational safety and health in a changing world of work

(COM(2021) 323 final)

(2022/C 105/18)

Rapporteur: **Carlos Manuel TRINDADE**

Referral	Commission, 10.8.2021
Legal basis	Article 153(1) of the Treaty on the Functioning of the European Union
Section responsible	Employment, Social Affairs and Citizenship
Adopted in section	6.10.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	153/25/41

1. Conclusions and recommendations

1.1 The European Economic and Social Committee (EESC) believes that protecting workers against health and safety hazards on the job (OSH) is fundamental to ensuring sustained decent working conditions, is enshrined in the Treaties and in the Charter of Fundamental Rights, is a right reflected in principle 10 of the European Pillar of Social Rights and is fundamental for reaching the United Nations Sustainable Development Goals ⁽¹⁾.

1.2 The EESC fully endorses the Commission's statement that 'healthy and safe working conditions are a prerequisite for a healthy and productive workforce. No one should suffer from work-related illness or accidents. It is also an important aspect of both the sustainability and competitiveness of the EU economy' ⁽²⁾. The EESC also agrees that 'good OSH also reduces healthcare costs and other societal burdens, in contrast, the costs of poor OSH are high for individuals, businesses and society' ⁽³⁾.

1.3 The EESC broadly agrees with the strategic vision and measures set out in the strategic framework (notwithstanding the comments, proposals and recommendations made below in this opinion), specifically:

1.3.1 The Committee notes, in particular, the Commission's statement that it 'will put forward an initiative to improve the working conditions of people working through digital platforms at the end of 2021 ... to ensure adequate working conditions, including in terms of health and safety ...', where the social partners are not willing to negotiate with each other ⁽⁴⁾.

1.3.2 The EESC supports the (i) the 'Vision Zero' approach to work-related deaths; (ii) the cancer measures provided for; (iii) ratification of the ILO Violence and Harassment Convention 2019 (No 190); (iv) proposing a legislative initiative on preventing and combating gender-based violence against women and domestic violence before the end of 2021; and (v) the Commission's objective to integrate psychosocial and ergonomic risks into the Healthy Workplaces Campaign.

⁽¹⁾ Communication from the Commission (COM(2021) 323 final).

⁽²⁾ Ibid.

⁽³⁾ Ibid.

⁽⁴⁾ Ibid.

1.3.3 The EESC broadly agrees, in particular: (i) that 'it is ... essential to draw the lessons of the COVID-19 pandemic and increase preparedness for potential future health crises' by developing 'synergies between OSH and public health'; and (ii) with the inclusion of COVID-19 in the Recommendation concerning the European schedule of occupational diseases ⁽⁵⁾.

1.3.4 The EESC broadly endorses, in particular: (i) the need for Member States to take initiatives to 'address the downward trend in the number of labour inspections'; (ii) the holding of a 2023 stocktaking OSH summit, focusing especially on the progress achieved on the 'Vision Zero' approach to work-related deaths; (iii) a new indicator on fatal accidents at work, already proposed in the European Pillar of Social Rights action plan; (iv) improving the work of labour inspectors with EU-level and national guidance and training; (v) promoting cooperation at EU and Member State level to ensure consistent enforcement of legislation; (vi) supporting tools and guidance for businesses, in particular micro and small enterprises, to comply with OSH legislation ⁽⁶⁾.

1.3.5 The EESC broadly supports, in particular: (i) cooperation between the EU, the ILO and the WHO on data and knowledge; (ii) the fact that the EU, together with Member States, will support the creation of a new indicator on mortality from diseases attributed to occupational risk factors (as part of the United Nations' Sustainable Development Goals); (iii) the fact that the EU will support the integration of the right to safe and healthy working conditions into the ILO framework of fundamental principles and rights at work; (iv) the EU's intention to foster OSH in global supply chains; (v) the EU's intention to ensure that OSH standards are properly taken into account as part of binding commitments on labour and social standards and to promote the broader issue of decent work in future EU trade agreements; (vi) support for candidate countries to align their legal frameworks with the EU *acquis* on OSH ⁽⁷⁾.

1.4 In particular, the EESC proposes to the Commission that the following actions, measures or initiatives be integrated into the EU strategic framework 2021–2027:

1.4.1 Section 2.1: (i) with regard to people qualified as self-employed, to whom under the strategic framework the OSH rules do not apply, the EESC recommends that a study be carried out in useful time involving the Commission, experts and the social partners, to find the best solution with due regard for the principle that all self-employed must also have a safe and healthy working environment, and that the conclusions of the study be presented at the OSH summit in 2023; (ii) with regard to the non-legislative initiative on mental health at work which the Commission plans to launch at EU level, the EESC proposes, precisely because of the relevance of the grounds set out in the strategic framework, opting for a legislative initiative;

1.4.2 Section 2.2: (i) calls on the Commission to include work-related cancer in the future European Beating Cancer Plan and extend the scope of the Carcinogens and Mutagens Directive to reprotoxins and hazardous medicinal products, ensuring long-term monitoring of the health of workers exposed to carcinogens, even where they are no longer working under those conditions; (ii) recommends that the Commission's intention to assess 'how to strengthen the effectiveness of the Employers Sanctions Directive' (2009/52/EC) result in the directive being revised to make the penalties laid down for employers who contravene it more severe; (iii) proposes that, as the lessons learned from the recent COVID-19 crisis have shown, a legislative initiative is urgently needed on preventing psychosocial risks; (iv) the experience gained and research on musculoskeletal disorders are evidence of the need for a legislative initiative on this subject;

1.4.3 Section 2.3: the EESC recommends (i) that the Recommendation concerning the European schedule of occupational diseases be turned into a directive; (ii) that the Biological Agents Directive be improved to incorporate recent experiences; (iii) with regard to national labour inspections, that a target be set of Member States complying with the ratio laid down in the ILO standards of one labour inspector for 10 000 workers by the end of the strategic framework. If this target is not met during the period covered by this strategic framework, the Commission will issue a legislative initiative with this objective;

1.4.4 Chapter 3: the EESC recommends that the European Labour Authority (ELA)'s inspection activity be properly integrated and promoted within the strategic framework, given the important role it plays in coordinating cross-border inspections.

⁽⁵⁾ Ibid.

⁽⁶⁾ Ibid.

⁽⁷⁾ Ibid.

1.5 The EESC notes that, despite some improvements in recent years, there is still a substantial lack of information and knowledge of OSH situations in the EU and the Member States. The EESC firmly believes that this knowledge is indispensable in order to better identify challenges and prevent risks, define appropriate policies and monitor implementation and progress made at EU level and in individual Member States, in particular with regard to the objectives and measures stemming from the OSH strategic framework for 2021–2027.

1.6 The EESC stresses that in the process of revising existing OSH legislation at EU and Member State level, it is necessary to take into account the ecological, digital, demographic and social transformations of the European economy, and particular in the world of work, in order to protect workers or self-employed persons, in this case in compliance with point 1.4.1(i).

1.7 Member States have a particular responsibility to enforce OSH legislation and ensure healthy and safe working conditions for all European workers, in particular seasonal workers and the most vulnerable groups such as young people, elderly people, women, people with disabilities, migrants and precarious workers. Building up the technical and human resources of labour inspectorates, which have been declining in recent years in many Member States, and greater coordination, cooperation and training at European level, are essential if significant improvements are to be achieved in enforcing OSH legislation. Guidance and support for SMEs, particularly microenterprises, to comply with OSH legislation should also be a priority for the various Member States. The Commission, as guardian of the Treaties, is responsible for ensuring that Member States comply properly with OSH legislation.

1.8 The EESC recommends that, when updating national OSH strategies, the Commission and the Member States take initiatives to promote ongoing social dialogue between the social partners on OSH conditions in sectors, businesses and workplaces. Involving trade unions and workers' representatives and consulting them continuously on risk assessment and prevention are key to promoting safe and healthy working environments, and will have a direct impact on workers' health, business productivity and public health services.

1.9 In view of the challenges of globalisation and the European aim to 'raise OSH standards globally', the EESC recommends that the Commission and the Member States work together closely with the ILO and the WHO to promote the right to safe and healthy working conditions within the framework of ILO core labour principles and rights and in safeguarding respect for these principles by global supply chains.

2. General background

2.1 The EESC notes that 'for close to 20 years now, EU OSH strategic frameworks have played a pivotal role in the way national authorities and social partners decide on OSH objectives'⁽⁸⁾. However, the EESC stresses that while the importance of these strategic frameworks in the national plans is undeniable, they lack visibility, and trade unions and employers' organisations have not been sufficiently involved in drawing them up and following up on them in several Member States.

2.2 The EESC takes note of the stocktaking exercise concerning the EU OSH strategic framework 2014–2020, in particular as regards the identification of important aspects such as: (i) resource constraints in Member States; (ii) the need to increase focus on occupational diseases, demographic change, psychosocial risks and musculoskeletal disorders; and (iii) the need to help both labour inspectorates and companies improve their OSH standards⁽⁹⁾.

2.3 The EESC notes that European legislation has reduced these risks and has helped to improve OSH standards in all Member States and across all sectors of economic activity. However, challenges remain and the COVID-19 pandemic has exacerbated risks that need to be addressed.

2.4 The EESC acknowledges the significant progress made in OSH in the EU in recent years: fatal accidents at work in the EU decreased by about 70 % between 1994 and 2018. While de-industrialisation and better medical care have contributed to this decrease, it is also true that the EU OSH system has played a substantial role⁽¹⁰⁾.

⁽⁸⁾ Ibid.

⁽⁹⁾ Ibid.

⁽¹⁰⁾ Communication from the Commission (COM(2021) 323 final).

2.5 The EESC notes that, despite this progress, there were still over 3 300 fatal accidents and 3,1 million non-fatal accidents in the EU-27 in 2018 and over 200 000 workers die each year from work-related illnesses. This brings immense human suffering. Maintaining and improving protection standards for workers is therefore an ongoing challenge and necessity⁽¹¹⁾.

2.6 The EESC underscores that work-related accidents and illnesses cost the EU economy over 3,3 % of GDP annually (around EUR 460 billion in 2019) and that estimates show that for every euro invested in OSH, the return for the employer is around twice as much⁽¹²⁾.

2.7 The COVID-19 pandemic has shown how crucial OSH is for protecting workers' health, for the functioning of our society, and for the continuity of critical economic and social activities. The EESC agrees that the pandemic has also highlighted the need for a strategy coordinating OSH and public health policies, creating synergies between the two dimensions that have a direct impact on 'the functioning of our society' and on 'the continuity of critical economic and social activities'⁽¹³⁾.

3. The EU strategic framework on health and safety at work 2021–2027

3.1 It is against this general backdrop that the Commission presents the new 2021–2027 EU OSH strategic framework⁽¹⁴⁾ (hereafter referred to as the 'strategic framework'), announced in the European Pillar of Social Rights, which focuses on the following three key objectives:

- anticipating and managing **change** in the new world of work brought about by the green, digital and demographic transitions,
- improving **prevention** of workplace accidents and illnesses,
- increasing **preparedness** for any potential future health crises.

3.2 The EESC agrees with the European Commission that delivering on these goals requires:

- (i) robust social dialogue;
- (ii) greater research and data collection capacity at Member State and EU level;
- (iii) strengthening of enforcement;
- (iv) awareness raising;
- (v) more funding.

3.3 The EESC notes that the strategic framework provides for the implementation of 36 measures during the period in question, with 17 being the direct responsibility of the Commission, 16 of the Member States and 3 of the social partners.

4. Comments on the strategic framework

4.1 Section 2.1: Anticipating and managing change

4.1.1 In the context of the green and digital transitions, the nature of roles, work patterns and workplaces is changing, giving rise to substantial challenges for Member States and businesses when it comes to ensuring workers' health and wellbeing.

4.1.2 As workers are getting older it is necessary to adapt the working environment and tasks to their specific needs and minimise risks, with OSH playing an essential role in responding adequately to demographic change.

⁽¹¹⁾ Ibid.

⁽¹²⁾ Ibid.

⁽¹³⁾ Communication from the Commission (COM(2021) 323 final).

⁽¹⁴⁾ Ibid.

4.1.3 Digital technologies can provide workers, including workers with disabilities or older workers, with increased opportunities to improve work-life balance, for both women and men. They also support OSH implementation through accessible tools, awareness raising and more efficient inspection.

4.1.4 The EESC believes that robotisation and the use of artificial intelligence reduce the risks of dangerous tasks, such as those in highly contaminated areas like wastewater systems, landfills, or agricultural-fumigation areas; they can also provide new opportunities for workers and businesses. However, new technologies also pose a number of challenges due to both the increased irregularity in when and where work is performed, the possibility of overseeing workers, and the risks related to new tools and machinery. These challenges increase mental stress, leading to an increasing number of psychosomatic diseases, for which appropriate measures need to be found.

4.1.5 While EU OSH legislation already covers many of the risks that arise from changing industries, equipment, and workplaces, the EESC agrees with the Commission that technological developments, an ageing workforce and changing forms of work require further legislative proposals.

4.1.6 In this context, the EESC recommends that the Commission revise the OSH Framework Directive itself in order to adapt it to work situations and to the new risks and challenges of climate change (such as working at high temperatures outdoors), demographic change and digitalisation.

4.1.7 The EESC believes that psychosocial risks, which were already very high before the pandemic, have increased significantly as a result of COVID-19 and the unplanned, wholesale introduction of non-voluntary remote working and the particular conditions accompanying it, such as the disappearance of the boundary between work and private life, permanent connectivity, lack of social interaction and greater use of ICT.

4.2 Point 2.2: *Improving prevention of work-related diseases and accidents*

4.2.1 The EESC endorses the Commission's vision — 'a "Vision Zero" approach to work-related deaths and strengthening prevention culture in the EU. This will only be possible by: (i) thorough investigation of accidents and deaths at the workplace; (ii) identifying and addressing the causes of these accidents and deaths; (iii) increasing awareness of the risks related to work-related accidents, injuries and occupational diseases; and (iv) strengthening enforcement of existing rules and guidelines'.

4.2.2 The EESC considers to be unacceptable the estimated 100 000 occupational cancer deaths in the workplace and calls on the Member States to swiftly implement the strategy in the roadmap on carcinogens and to apply the limit values and other provisions adopted at EU level, limiting exposure to 26 hazardous substances and therefore improving working conditions for around 40 million workers. The EESC believes that the list of hazardous substances should be reviewed and supplemented, in particular to include nanomaterials and their carcinogenic effects, and recommends that the list of carcinogens subject to exposure limits be increased to 50.

4.2.3 The EESC calls on the Commission and the Member States to promote health at work and to prioritise strengthening research and data collection, at both EU and national level. These actions should cover in particular occupational circulatory diseases, musculoskeletal disorders and psychosocial risks.

4.2.4 The EESC supports the proposal to continuously update the methodology for addressing hazardous substances and to identify further efficiencies in establishing OSH limit values. The EESC underscores and supports the process of addressing hazardous substances on the basis of scientific assessment, in line with the 'one substance, one assessment' principle. It considers that consultation with the tripartite ACSH, and the close involvement of all stakeholders have proven to be successful.

4.2.5 With regard to the European Parliament and stakeholders' stances on the need to protect healthcare staff exposed to hazardous medicinal products as well as other risks, the EESC takes the view that not just further training, instruction and guidance but also binding legislation are needed to further address this issue.

4.2.6 The EESC believes that recognising diversity, including gender differences and inequalities, and fighting discrimination in the workforce, are vital in ensuring the safety and health of workers, including when assessing risk at work, and that actions to avoid gender bias should be encouraged. In any case, it should be borne in mind that the ability to work can be affected by a biological condition (such as breastfeeding or pregnancy).

4.2.7 The labour market outcomes of persons with disabilities should be improved, including with regard to the practical implementation of OSH and vocational rehabilitation schemes for people suffering from chronic diseases or people who have been the victims of accidents.

4.2.8 Protection of particularly vulnerable groups of workers needs to be improved. In this context, all Member States should focus especially on labour inspections and ratifying the 2019 Violence and Harassment Convention. The EESC calls on all Member States to ratify this Convention during the period covered by the strategy.

4.3 Point 2.3: Increasing preparedness — responding rapidly to threats

4.3.1 The COVID-19 crisis has revealed the crucial role of OSH in helping workers, businesses and governments to protect lives and manage wellbeing risks, business continuity and sustainability.

4.3.2 One of the lessons to be learned for the future, which ensured effective responses during the crisis, is the importance of synergies between OSH and public health. This interaction needs to be stepped up in all Member States so that the EU can be prepared to face future health crises.

4.3.3 The EESC acknowledges the importance of the work carried out by the European Agency for Safety and Health at Work (EU-OSHA) in developing a series of guidance tools in collaboration with Member States and social partners, which allowed businesses, particularly SMEs, to respond adequately through the different stages of the pandemic.

4.3.4 The classification of the SARS-CoV-2 virus under the Biological Agents Directive helped to ensure the protection of workers in facilities in which the virus is being handled directly in order to produce, distribute or administer vaccines.

4.3.5 The pandemic also highlighted that mobile and cross-border workers, including seasonal, migrant and precarious workers, can be more exposed to unhealthy or unsafe living and working conditions, such as poor or overcrowded accommodation or lack of information on their rights. The EESC calls on the Member States to fulfil their OSH obligations and to raise awareness of the need to promote fair and safe working and living conditions for seasonal, mobile and cross-border workers.

4.3.6 The EESC notes the importance, stressed by the Commission, to support workers infected by COVID-19 and families who have lost family members because of work exposure to SARS-CoV-2 and the fact that 25 Member States have already taken step in that direction, including by recognition of COVID-19 as an occupational disease⁽¹⁵⁾.

4.4 Chapter 3: Implementing the updated strategic framework

4.4.1 The EESC endorses the Commission's statement that 'social partners are particularly well placed to find solutions adapted to the circumstances of a specific activity or sector'⁽¹⁶⁾.

4.4.2 The EESC points out that the pandemic has shown that businesses and workplaces are also major centres for spreading contagion, making OSH measures tailored to each specific economic unit more important.

4.4.3 The EESC recommends that, on this matter, the Commission take initiatives to promote ongoing social dialogue between the social partners on OSH conditions in sectors of activity and, in particular, in businesses. Involving trade unions and workers' representatives and consulting them continuously on the situation, closely coordinated with collective bargaining, assessing, preventing and managing risks, leveraging opportunities and creating safe and healthy working environments, have a direct impact on workers' health, on the productivity and competitiveness of businesses and on society itself, especially in public health services.

4.4.4 The EESC agrees with the Commission that only accurate and timely knowledge of the OSH situation, at both EU and Member State level, allows challenges to be identified and risks prevented, appropriate policies to be defined, their enforcement to be monitored and their results analysed. Knowledge of scientific and technological innovations and continuously incorporating them into policy decisions also allows them to evolve constantly.

⁽¹⁵⁾ Ibid.

⁽¹⁶⁾ Ibid.

4.4.5 The EESC endorses the need for up-to-date, appropriate OSH databases at EU and Member State level, with new social indicators, allowing research and reporting, reviews and studies on all dimensions of OSH ⁽¹⁷⁾.

4.4.6 The EESC notes that ‘the success of this strategic framework depends largely on its implementation at national and local level’ ⁽¹⁸⁾. This awareness gives Member States greater responsibility to comply with and enforce legislation and to promote and remove obstacles to social dialogue between the social partners, as one of the basic conditions for the success of the strategic framework is the intervention of labour inspectorates at Member State level, the action of occupational medical technicians and doctors, and the involvement of trade unions and OSH workers’ representatives.

4.4.7 In order for the objectives of the strategic framework to be successful, the EESC stresses that companies have overall responsibility for OSH conditions, whether the worker is in the workplace or working remotely. However, this poses a challenge when the worker is working from home or another place where the employer may not have control or access.

4.4.8 The EESC shares the view that increasing awareness of risks related to work-related accidents, injuries and occupational diseases is key to achieving the objectives of the strategic framework, with a focus on the ‘Vision Zero’ on deaths from work-related accidents. The EESC believes that awareness raising is indeed one of the key measures for implementing legislation, but that it is the existence of this legislation and, subsequently, participation and monitoring, which are the key to success overall. The EESC firmly believes that focusing on prevention and compliance with the OSH Directives is essential for achieving the objectives of the strategy.

4.4.9 The EESC believes that this awareness raising depends to a large extent on actively involving the social partners and all stakeholders. It is in this context that the EESC values the role of the Advisory Committee on Safety and Health at Work and recommends that the Commission promote it better.

4.4.10 The EESC believes that, while all stakeholders — Member States, companies, labour inspectorates and workers — agree on the need to achieve these objectives, the degree of responsibility varies, with workers being the most vulnerable and least able, which means they should therefore be given the greatest protection.

4.4.11 For this reason, the EESC believes that workers should be able, when they find that there is a danger of accident or serious illness at their workplace, particularly a fatal risk, to refuse to work and, ultimately, to have the right to terminate their contract with compensation if their lives are placed in danger because the OSH rules are not complied with by the company.

4.4.12 The EESC notes that there are a total of 11 European funds and financial mechanisms that have the capacity to finance actions in the various OSH areas ⁽¹⁹⁾. The EESC underlines that financial support for implementing OSH actions is one of the key measures for the success of the strategic framework itself. The EESC recommends that the Commission provide more detailed information to the Member States and, in particular, to the social partners, to make it easier for them to access OSH projects and facilitate the implementation of these projects.

4.5 Chapter 4: Promoting effective OSH standards worldwide

4.5.1 The EESC endorses the statement ‘in a globalised world, health and safety threats do not stop at borders’ and the aim of the strategic framework: ‘to raise OSH standards globally’ ⁽²⁰⁾.

4.5.2 The EESC also supports the Commission’s intention to engage with the ILO to implement and follow up the 2019 Centenary Declaration for the Future of Work, supporting the integration of the right to safe and healthy working conditions into the ILO framework of fundamental principles and rights at work.

Brussels, 20 October 2021

The President
of the European Economic and Social Committee
Christa SCHWENG

⁽¹⁷⁾ Ibid.

⁽¹⁸⁾ Ibid.

⁽¹⁹⁾ Ibid.

⁽²⁰⁾ Ibid.

ANNEX

The following amendments, which received at least a quarter of the votes cast, were rejected during the discussions (Rule 43 (2) of the Rules of Procedure):

AMENDMENT 1**Tabled by:**

LE BRETON Marie-Pierre

MINCHEVA Mariya

PILAWSKI Lech

VADÁSZ Borbála

VERNICOS George

SOC/698 — Health and safety at work — EU Strategic Framework (2021–2027)**Point 4.1.5**

Amend as follows:

Section opinion	Amendment
While EU OSH legislation already covers many of the risks that arise from changing industries, equipment, and workplaces, the EESC agrees with the Commission that technological developments, an ageing workforce and changing forms of work require further legislative proposals.	While EU OSH legislation already covers many of the risks that arise from changing industries, equipment, and workplaces, the EESC agrees with the Commission that technological developments, an ageing workforce and changing forms of work might require further legislative proposals.

Outcome of the vote:

In favour: 70

Against: 118

Abstention: 11

AMENDMENT 2**Tabled by:**

LE BRETON Marie-Pierre

MINCHEVA Mariya

PILAWSKI Lech

VADÁSZ Borbála

VERNICOS George

SOC/698 — Health and safety at work — EU Strategic Framework (2021–2027)

Point 4.1.6

Amend as follows:

Section opinion	Amendment
In this context, the EESC recommends that the Commission revise the OSH Framework Directive itself in order to adapt it to work situations and to the new risks and challenges of climate change (such as working at high temperatures outdoors), demographic change and digitalisation.	In this context, the EESC recommends that the Commission continues to closely monitor the implementation of the OSH Framework Directive and revise it if necessary , in order to ensure it covers also the new risks and challenges of climate change (such as working at high temperatures outdoors), demographic change and digitalisation.

Outcome of the vote:

In favour: 68

Against: 124

Abstention: 12

AMENDMENT 3

Tabled by:

LE BRETON Marie-Pierre

MINCHEVA Mariya

PILAWSKI Lech

VADÁSZ Borbála

VERNICOS George

SOC/698 — Health and safety at work — EU Strategic Framework (2021–2027)

Point 4.2.2

Amend as follows:

Section opinion	Amendment
The EESC considers to be unacceptable the estimated 100 000 occupational cancer deaths in the workplace and calls on the Member States to swiftly implement the strategy in the roadmap on carcinogens and to apply the limit values and other provisions adopted at EU level, limiting exposure to 26 hazardous substances and therefore improving working conditions for around 40 million workers. The EESC believes that the list of hazardous substances should be reviewed and supplemented, in particular to include nanomaterials and their carcinogenic effects, and recommends that the list of carcinogens subject to exposure limits be increased to 50 .	The EESC considers to be unacceptable the estimated 100 000 occupational cancer deaths in the workplace and calls on the Member States to swiftly implement the strategy in the roadmap on carcinogens and to apply the limit values and other provisions adopted at EU level, limiting exposure to 26 hazardous substances and therefore improving working conditions for around 40 million workers. The EESC believes that the list of hazardous substances should be reviewed and supplemented, in particular to include specific nanomaterials with proven carcinogenic effects, and recommends maximum efforts to extend the list of carcinogens subject to exposure limits.

Outcome of the vote:

In favour: 68

Against: 135

Abstention: 6

AMENDMENT 4**Tabled by:**

LE BRETON Marie-Pierre

MINCHEVA Mariya

PILAWSKI Lech

VADÁSZ Borbála

VERNICOS George

SOC/698 — Health and safety at work — EU Strategic Framework (2021–2027)**Point 4.2.5**

Amend as follows:

Section opinion	Amendment
With regard to the European Parliament and stakeholders' stances on the need to protect healthcare staff exposed to hazardous medicinal products as well as other risks, the EESC takes the view that not just further training, instruction and guidance but also binding legislation are needed to further address this issue.	With regard to the European Parliament and stakeholders' stances on the need to protect healthcare staff exposed to hazardous medicinal products as well as other risks, the EESC takes the view that not just further training, instruction and guidance but also efficient implementation of the existing legislation is needed to further address this issue.

Outcome of the vote:

In favour: 71

Against: 133

Abstention: 9

AMENDMENT 5**Tabled by:**

LE BRETON Marie-Pierre

MINCHEVA Mariya

PILAWSKI Lech

VADÁSZ Borbála

VERNICOS George

SOC/698 — Health and safety at work — EU Strategic Framework (2021–2027)

Point 4.3.5

Amend as follows:

Section opinion	Amendment
The pandemic also highlighted that mobile and cross-border workers, including seasonal, migrant and precarious workers, can be more exposed to unhealthy or unsafe living and working conditions, such as poor or overcrowded accommodation or lack of information on their rights. The EESC calls on the Member States to fulfil their OSH obligations and to raise awareness of the need to promote fair and safe working and living conditions for seasonal, mobile and cross-border workers.	The pandemic also highlighted that mobile and cross-border workers, including seasonal and migrant workers in insecure employment could be more exposed to unhealthy or unsafe living and working conditions, such as poor or overcrowded accommodation or lack of information on their rights. The EESC calls on the Member States to fulfil their OSH obligations and to raise awareness of the need to promote fair and safe working and living conditions for seasonal, mobile and cross-border workers.

Outcome of the vote:

In favour: 72

Against: 125

Abstention: 11

AMENDMENT 6

Tabled by:

LE BRETON Marie-Pierre

MINCHEVA Mariya

PILAWSKI Lech

VADÁSZ Borbála

VERNICOS George

SOC/698 — Health and safety at work — EU Strategic Framework (2021–2027)

Point 4.4.11

Delete point:

Section opinion	Amendment
<i>For this reason, the EESC believes that workers should be able, when they find that there is a danger of accident or serious illness at their workplace, particularly a fatal risk, to refuse to work and, ultimately, to have the right to terminate their contract with compensation if their lives are placed in danger because the OSH rules are not complied with by the company.</i>	

Outcome of the vote:

In favour: 69

Against: 135

Abstention: 8

AMENDMENT 7**Tabled by:**

LE BRETON Marie-Pierre

MINCHEVA Mariya

PILAWSKI Lech

VADÁSZ Borbála

VERNICOS George

SOC/698 — Health and safety at work — EU Strategic Framework (2021–2027)**Point 1.4.1**

Amend as follows:

Section opinion	Amendment
<p>Section 2.1: (i) with regard to people qualified as self-employed, to whom under the strategic framework the OSH rules do not apply, the EESC recommends that a study be carried out in useful time involving the Commission, experts and the social partners, to find the best solution with due regard for the principle that all self-employed must also have a safe and healthy working environment, and that the conclusions of the study be presented at the OSH summit in 2023; (ii) with regard to the non-legislative initiative on mental health at work which the Commission plans to launch at EU level, the EESC proposes, precisely because of the relevance of the grounds set out in the strategic framework, opting for a legislative initiative;</p>	<p>Section 2.1: (i) with regard to people qualified as self-employed, to whom under the strategic framework the OSH rules do not apply, the EESC recommends that a study be carried out in useful time involving the Commission, experts and the social partners, to find the best solution with due regard for the principle that all self-employed must also have a safe and healthy working environment, and that the conclusions of the study be presented at the OSH summit in 2023; (ii) with regard to the non-legislative initiative on mental health at work which the Commission plans to launch at EU level, the EESC welcomes the approach adopted by the Commission;</p>

Outcome of the vote:

In favour: 66

Against: 135

Abstention: 8

AMENDMENT 8**Tabled by:**

LE BRETON Marie-Pierre

MINCHEVA Mariya

PILAWSKI Lech

VADÁSZ Borbála

VERNICOS George

SOC/698 — Health and safety at work — EU Strategic Framework (2021–2027)

Point 1.4.2

Amend as follows:

Section opinion	Amendment
<p>Section 2.2: (i) calls on the Commission to include work-related cancer in the future European Beating Cancer Plan and extend the scope of the Carcinogens and Mutagens Directive to reprotoxins and hazardous medicinal products, ensuring long-term monitoring of the health of workers exposed to carcinogens, even where they are no longer working under those conditions; (ii) recommends that the Commission's intention to assess 'how to strengthen the effectiveness of the Employers Sanctions Directive' (2009/52/EC) result in the directive being revised to make the penalties laid down for employers who contravene it more severe; (iii) proposes that, as the lessons learned from the recent COVID-19 crisis have shown, a legislative initiative is urgently needed on preventing psychosocial risks; (iv) the experience gained and research on musculoskeletal disorders are evidence of the need for a legislative initiative on this subject;</p>	<p>Section 2.2: (i) supports the proposal in the OSH Strategic Framework to identify a priority list of reprotoxicants to be addressed, based on the opinion agreed in the Advisory Committee on Safety and Health to set a list of priority substances for an OEL and calls on the Commission to include work-related cancer in the future European Beating Cancer Plan, (ii) recommends that the Commission's intention to assess 'how to strengthen the effectiveness of the Employers Sanctions Directive' (2009/52/EC) result in efficient implementation and enforcement; (iii) agrees with the approach of the Commission to prepare, in cooperation with Member States and social partners, a non-legislative EU-level initiative related to mental health at work that assesses emerging issues related to workers' mental health; (iv) supports the aim of the Commission to make psychosocial and ergonomic risks part of the healthy workplaces campaign;</p>

Outcome of the vote:

In favour: 70

Against: 140

Abstention: 7

AMENDMENT 9

Tabled by:

LE BRETON Marie-Pierre

MINCHEVA Mariya

PILAWSKI Lech

VADÁSZ Borbála

VERNICOS George

SOC/698 — Health and safety at work — EU Strategic Framework (2021–2027)

Point 1.4.3

Amend as follows:

Section opinion	Amendment
<p>Section 2.3: the EESC <i>recommends</i> (i) that the Recommendation concerning the European schedule of occupational diseases be turned into a directive; (ii) that the Biological Agents Directive be improved to incorporate recent experiences; (iii) with regard to national labour inspections, that a target be set of Member States complying with the ratio laid down in the ILO standards of one labour inspector for 10 000 workers by the end of the strategic framework. If this target is not met during the period covered by this strategic framework, the Commission will issue a legislative initiative with this objective;</p>	<p>Section 2.3: the EESC <i>notes</i> (i) that appropriate follow-up should be given in the Members States to the Recommendation concerning the European schedule of occupational diseases; (ii) that the Biological Agents Directive was improved to incorporate recent experiences.</p>

Outcome of the vote:

In favour: 70

Against: 133

Abstention: 7

Opinion of the European Economic and Social Committee on the proposal for a Council Recommendation on blended learning for high quality and inclusive primary and secondary education

(COM(2021) 455 final)

(2022/C 105/19)

Rapporteur-general: **Tatjana BABRAUSKIENĖ**

Rapporteur-general: **Michael MCLOUGHLIN**

Referral	Council, 30.8.2021
Legal basis	Articles 165 (4) and 166 (4) of the Treaty on the Functioning of the European Union
Section responsible	Employment, Social Affairs and Citizenship
Adopted at plenary	20.10.2021
Plenary session No	654
Outcome of vote (for/against/abstentions)	152/0/0

1. Conclusions and recommendations

1.1 The European Economic and Social Committee (EESC) is pleased that the proposal points out that 'Education is a fundamental human right and a right of the child'. The EESC also welcomes the fact that the intention of the proposal is to implement the European Pillar of Social Rights (EPSR) and other important EU initiatives⁽¹⁾ that aim to enhance cooperation among Member States to make quality and inclusive education a reality in the green and digital transitions of social and economic life and the labour market.

1.2 The EESC again calls on 'the European Commission and Member States to implement the first principle of the European Pillar of Social Rights (EPSR), which is to make quality and inclusive education, training and lifelong learning (LLL) a right for all in Europe'⁽²⁾, and to apply it to improve the provision of digital skills and competences with support for equal access to blended learning (BL) for all and sustainable public funding agreed with education social partners and civil society.

1.3 The EESC would refer to its opinion⁽³⁾ in which it requests that 'implementation of the Digital Education Action Plan 2021-27 needs to ensure effective social dialogue and consultation with stakeholders, respect and enforcement of labour rights, and worker information, consultation and participation in digital skills and entrepreneurship skills development, in particular in VET, adult learning and employee training to reduce the skills gaps companies face'.

1.4 The EESC urges Member States to build on experience derived from education during the COVID-19 crisis, and to ensure that blended learning (BL) is carefully designed and practised in the balanced curricula with the support of suitable pedagogical tools, in order to ensure that an appropriate and innovative learning environment and tools are provided for all children. Member States need to ensure that BL is established to support the quality and inclusion of education, in particular for children in need. The concept of BL, although gaining ground and receiving more attention, still needs more research and study, particularly from the perspective of educational disadvantage, as well as for primary schools and early secondary schools.

⁽¹⁾ COM/2020/625 final, COM/2020/624 final, OJ C 66, 26.2.2021 p. 1, OJ C 221, 10.6.2021, p. 3.

⁽²⁾ OJ C 56, 16.2.2021, p. 1.

⁽³⁾ OJ C 286, 16.7.2021, p. 27.

1.5 The EESC notes that in order to ensure more autonomy for students in their learning processes, it is important that BL be available for all students, not just for those living in rural areas where access to school is not possible, or in tertiary education where independent learning is required by the students.

1.6 The EESC notes that in cases of non-school, project-based learning, the health and the safety of students, especially of VET students, need to be ensured. Long-term distance learning, in place during the COVID-19 crisis, has had a negative impact on the mental and physical well-being of students and teachers, as well as on pupils' learning outcomes. The EESC welcomes the proposal's emphasis on the fact that qualified mental health professionals need to provide effective support for the well-being of students and teachers.

1.7 The EESC calls on Member States to ensure that BL is included in their education strategy, following effective dialogue with the relevant education social partners and stakeholders in education, in a way that positively contributes to quality and inclusive learning for students, ensures access to good teaching and learning environments and the necessary tools and support for teachers, and does not leave students without support.

1.8 The EESC further calls on Member States to ensure that BL is not detrimental to the social value of education or the relevance of face-to-face teaching in education programmes. The experience of emergency online teaching and learning during the COVID-19 pandemic has shed light on the irreplaceable value of face-to-face teaching and of continued interaction and feedback between teachers and students to ensure quality and inclusive education. Relationships between students and teachers are a key factor in student motivation and learning, which should not be undermined by BL.

1.9 The EESC asks that Member States ensure that the development of individualised educational plans take into consideration student requirements for assistive technology. In addition, the EESC would point out that this necessitates teachers being adequately assisted by support staff, being familiar with these technologies, and being able to utilise them effectively to meet the needs of students with disabilities.

1.10 The EESC emphasises the teachers' central role in BL. Staff exchanges, collaborative projects and individualised teaching is possible if there is adequate teacher working time allocated for this and if the school leadership supports it. It is very important to nurture a BL community to promote the value of teaching and training technology.

1.11 Additionally, the EESC would point out that to ensure inclusion and quality of education, BL should contribute to implementation of the 'Council Conclusions on European teachers and trainers for the future'. In this respect the EESC calls on Member States to support teachers effectively in their preparations for providing support to students on quality BL, by improving, updating and making initial and continuous professional development more relevant to teachers' and students' needs.

1.12 The EESC welcomes the proposed measures to support teachers' IT literacy, such as digital upskilling courses, programmes and tools for teachers and the development and dissemination of on-line and on-site pedagogical modules and resources. Additionally, the proposal should support the right of teachers to receive up-to-date and accessible continuous professional development; this should be recognised in social dialogue and collective bargaining at national, regional and local level with the meaningful involvement of education social partners.

1.13 The EESC would point out that massive open online courses (MOOCs) are not necessarily interactive or based on good pedagogy. Therefore, it calls on the Commission to provide more diverse training support for teachers, trainers, school leaders and teacher educators on BL in the School Education Gateway platform, leading to certification. The technical resources and materials developed with the support of the Commission to be employed in BL need to be reliable, easy to use, translated into all official EU languages and unanimously accepted by all the stakeholders in the learning process. The EESC recommends that the European Teacher Academy projects also be asked to develop joint accredited teacher training programmes on improving pedagogy on BL. The role of micro credentials should be explored related to BL.

1.14 The EESC welcomes the fact that the proposal places emphasis on the well-being and attractiveness of the teaching profession and suggests that Member States employ more teachers to support the well-being of teaching staff. The EESC notes that the major shortage of teachers and unattractive working conditions and salaries ⁽⁴⁾ have a detrimental effect on the quality of teaching. This can create an obstacle to the development of high quality and inclusive BL systems.

1.15 The EESC would point out that combining face-to-face and distance learning requires teachers to be creative and innovative ⁽⁵⁾ and have good pedagogical skills. It is essential to design BL in such a way that it respects the workload, working time and decent working conditions of teachers and ensures that they have a supportive working environment.

1.16 The EESC recommends that democratic school leadership is ensured, wherein there is effective independence for students and teachers to steer their own learning and teaching process. The EESC points once again at the importance of securing and strengthening the democratic governance of education and training systems, which should involve meaningful consultation with organised civil society. ⁽⁶⁾

1.17 The EESC notes that BL outside a formal education setting, e.g. informal and non-formal learning, needs to be recognised with effective implementation of Council Recommendation of 20 December 2012 on the validation of non-formal and informal learning. Indeed informal and non-formal learning plays an important role in supporting the development of essential interpersonal, communicative and cognitive skills, including, among other things, creativity, active citizenship and skills for a working life. Participation in validation processes needs to be accessible for everyone and be supported with sustainable public investment.

1.18 The EESC points out that well developed BL needs to be supported by sustainable public investment, highlighted as part of the European Semester and with the support of additional EU funds, such as the Recovery and Resilience Facility, Erasmus+ and ESF+. Supporting access to quality online learning programs is essential for any learner. More investment is needed, especially to ensure high quality distance learning for VET students and to secure their access to tools and simulators which help them with independent practical learning in a safe environment and providing community lifelong learning centres ⁽⁷⁾ and libraries.

1.19 The EESC notes that the growing use of digital tools in the framework of BL is increasingly endangering the data safety of students and teachers, as well as the intellectual property rights of teachers. Therefore, the Commission and Member States should provide sustainable public funding and put in place a suitable legal framework in consultation with education social partners and stakeholders in education, ensuring data protection and intellectual property rights in education. The EESC is concerned that the recommendation is envisaging that 'no additional resources are needed' to implement the plans in the proposal. Funding can be a way to leverage co-operation in fields where there is no strong EU competence. Costs could involve hosting, maintenance and equipment costs for integrating a platform, hosting teaching resources, data security, equipping teachers and pupils, etc. The most disadvantaged students will suffer most if there are no proper resources.

1.20 The EESC calls on the Commission and Member States to address the proliferation of education providers and the expansion of the EdTech sector, which will be increasingly favoured by the implementation of BL in education programmes. The EESC calls on Member States to develop national regulations, including the possibility of setting up public platforms for online teaching and learning to protect the public value of education. In addition, public platforms should be implemented

⁽⁴⁾ EC: Teachers in Europe Careers, Development and Well-being, 2021.

⁽⁵⁾ EC: Blended learning in school education — guidelines for the start of the academic year 2020/21.

⁽⁶⁾ OJ C 286, 16.7.2021, p. 27.

⁽⁷⁾ Downes, P. (2011). *Multi/Interdisciplinary Teams for Early School Leaving Prevention: Developing a European Strategy Informed by International Evidence and Research*. European Commission, NESET (Network of Experts on Social Aspects of Education and Training), Directorate General, Education and Culture: Brussels.

in meaningful consultation with education social partners and education stakeholders, fully respecting the professional autonomy of teachers and education personnel, as well as academic freedom and the autonomy of education institutions, without putting pressure on teachers or education personnel as to the educational material and pedagogical methods they use.

1.21 Given the importance attached to the whole area of BL, the EESC suggests that discrete measurement and differentiated data collection depending on age recognising the different developmental needs of children and young people be developed for this recommendation; this should also allow information to be gathered on related metrics on disadvantage, such as bullying and early school leaving. The precise measurements can be developed in conjunction with the relevant partners. Similarly, as a consequence there must be clear reporting on, and monitoring of, the delivery of the recommendation.

2. General comments

2.1 The following opinion looks at the Proposal for a Council Recommendation on blended learning for high quality and inclusive primary and secondary education. This opinion also places an emphasis on secondary-level initial vocational education. The proposed recommendation does not advocate a mainstreaming of reduced educator presence in learning, neither does it encourage more hours being spent in front of a screen. The EESC welcomes the involvement of young people, which should be sustained and ongoing in the whole process.

2.2 According to a European Commission study ⁽⁸⁾, 'Blended learning is understood as a hybrid approach that combines learning in school with distance learning, including online learning. Blended learning is a flexible model that can support a project or course of study to progress, whilst not requiring teachers and learners to be in the same physical space at all times'.

2.3 While school-based learning enhances learners' social skills, well-being, a sense of belonging, a sense of community and better personal interaction between teachers and students, and among students, well organised BL can help learners achieve more independent, individualised and self-directed learning ⁽⁹⁾. It may have particular promise for arts related learning including video materials.

2.4 While the proposal describes BL as a hybrid approach, emphasising its flexibility and its potential to encourage independent study, further clarification is needed regarding the role that teachers and trainers play in the implementation of BL. In this respect, it is important to ensure that BL is implemented in curricula with a whole-school approach, taking into account the needs of teachers, students and their families. It is also necessary that BL be implemented during school time and not cause an unsustainable overload for teachers or an additional burden for pupils' families.

3. Specific comments

3.1 The COVID-19 crisis has obliged students of primary, secondary and VET schools to be more independent learners. Schools and teachers — mostly without any proper preparation — have been obliged to adapt to emergency online and distance learning, using digital messaging, emails, online video-chats, and other means to connect to children in order to provide adequate teaching during lockdown. It has also been a significant challenge for children with disabilities, who are at a greater disadvantage when interacting through digital media. Governments, TV broadcasts, social partners, education and training providers, NGOs and individuals have moved incredibly quickly to support teachers in setting up virtual classrooms and collaboration platforms, but much more still needs to be done.

3.2 Given the huge impact of the COVID-19 crisis on young people and the education system, we must also be cautious about the timing of change. The return to in-person schooling needs time to be processed, and many young people need to get used to the return to 'normal': too much change in too short a time may be destabilising. Children and young people have borne the brunt of the COVID crisis. Their education, socialising, economic prospects and mental health have suffered particularly badly during the pandemic. The priority in the forthcoming period should be normalisation and a particular focus on well-being, mental health and formal learning.

⁽⁸⁾ EC: Blended learning in school education — guidelines for the start of the academic year 2020/21.

⁽⁹⁾ Ibid.

3.3 The EESC is expressing its concern regarding the possibility of how primary and even early grades of secondary schools can cope with BL, with these ages often lacking the necessary competencies to be active learners in a BL environment. They usually lack self-direction, collaborative skills, ICT skills, knowledge construction, self-evaluative skills and several other so-called 21st century skills. These skills are necessary for successful learning in a blended setting, and the absences of these skills in a learners' population are genuine threats to delivering quality BL. A principle that experimental moves to BL in schooling starts with older students rather than younger ones needs to be established.

3.4 The EESC is pointing out that VET students have missed out the most on practical learning experience in apprenticeships during COVID. A lack of access to broadband and IT tools, inadequate teacher-student interaction and a lack of appropriate learning environments have all led to more drop-outs, especially among girls and socio-economically disadvantaged children. Blended learning, therefore, needs to be carefully designed and deployed in order to ensure that an inclusive learning environment and tools are provided for all children. While the recommendation largely focusses on the primary and secondary education, also on secondary level initial VET, it would be useful to explore the potential for BL in the area of apprenticeships.

3.5 The proposal includes among its measures a direct response to the crisis 'prioritising the physical and mental well-being of learners and their families', as well as 'boosting the development of digital competences of learners and families'. In this respect, the EESC points out how important it is to expand the scope of ensuring well-being and improving digital competences to cover the entire education system, including teachers, trainers and school leaders in particular.

3.6 The EESC welcomes the fact that the Commission is proposing to develop, in cooperation with Member States, specific guidance material, handbooks and other concrete deliverables, based on evidence, peer-learning activities and good practice. This will fill the gaps identified in support for the development of a BL approach at school and system level. Social partners and other relevant stakeholders should be also part of this cooperation. Every move, change or adjustment to education systems must be done with the utmost caution. We must be completely certain that such changes do not in any way exacerbate educational disadvantage and early school leaving, which are arguably the greatest challenges facing our education system.

3.7 The EESC is of the opinion that BL has the potential to completely transform both teaching and learning. However, while the proposal emphasises 'the opportunities created by blending learning, including improving the quality and inclusiveness of education and training, and the broad competence development and well-being of learners', the EESC points out that the limitations in implementing BL need to be carefully considered. Especially in the rural areas and areas of poverty where infrastructure (lack of access to broadband and IT tools) and a supportive environment (home environment, financial background, etc.) are lacking for quality BL beneficial to students. Connecting to powerful and reliable networks, especially when all the family needs to connect for its activities is crucial. Moreover, not all students have sufficient levels of digital skills, self-discipline or autonomy necessary for following lessons independently and performing tasks without face-to-face interaction with teachers. In general, successful BL depends heavily on parental monitoring and assistance — especially for younger learners. This risks creating or widening inequalities in pupils' learning outcomes and contributing to a rise in the rate of early school leavers, as not everyone has parents who will be able or available to fulfil that role effectively.

3.8 While education systems have been experiencing a growing move towards privatisation in recent years, BL should be implemented in education programmes in such a way that it protects accountability and transparency in the governance of public education systems from the influence of private and commercial interests and players. Education as a public good must not be undermined by BL.

3.9 Prior to COVID-19, educators faced the challenge of a growing learning gap among pupils due to various socio-economic pressures. Other factors include racism, segregation and a general decline in upward mobility and a downturn in the global economy. Generally, there has also been an increased reliance on homework, for example, which only serves to widen achievement gaps. Isolation and self-learning likewise have detrimental psychological effects. For many students, particularly those from socio-economically disadvantaged backgrounds, face-to-face interaction with teachers and

peers offers a source of comfort and helps reduce the learning gap. The ongoing COVID-19 pandemic has exacerbated this learning gap, including the digital skill gap, with more students at risk of suffering from learning loss.

3.10 The EESC would draw attention to the fact that the initial education and continuous professional development of teachers does not do enough to provide teachers with the appropriate skills, including digital skills, pedagogical methods or teaching materials to teach through BL. This applies especially when working with special needs students, in a multicultural setting, or with disadvantaged students, which is even more problematic than usual, as it penalises precisely those groups of learners who need extra support in the current situation. The European Disability Forum calls for equal access to education services for employees and students with disabilities, and the provision of measures like sign interpretation, live captioning and adapted work.

3.11 Self-assessment tools mentioned in the proposal, such as the upcoming SELFIE tool for teachers, have the potential to support the implementation of BL. However, the EESC would draw attention to the risk that these tools may create benchmarking among education institutions with a view to setting up school rankings, leagues and competitions. It is important that the implementation of BL respects the specific features of any education institutions and priorities as regards the use of information and communications technologies (ICTs), which should be subject to the agreement of teachers, trainers and school leaders.

3.12 Increasingly, work with children and young people needs to be based on real ongoing participation of those concerned, in line with Article 12 of the UN Convention on the Rights of the Child. Apart from one consultation, there is no great emphasis on the views of children in the recommendation. This gap should be addressed. Many Member States are developing models of best practice and the EU is developing its own rights of the child strategy. This type of change should eventually be evident in school management and evaluation.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council on ensuring a level playing field for sustainable air transport

(COM(2021) 561 final — 2021/0205 (COD))

(2022/C 105/20)

Rapporteur: **Thomas KROPP**

Referral	European Parliament, 13.9.2021 Council of the European Union, 14/09/2021
Legal basis	Article 100(2) and 304 of the Treaty on the Functioning of the European Union
Section responsible	Transport, Energy, Infrastructure and the Information Society
Adopted in section	7.10.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	231/0/9

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) reiterates that the EU aviation market is essential for trade and tourism in the European Union, as well as for the international competitiveness of the European economy ⁽¹⁾.

However, because aviation is one of the fastest growing sectors in terms of CO₂ emissions, the EESC supports the regulatory initiatives undertaken by the EU institutions to mitigate the impact of aviation on the environment ⁽²⁾.

1.2. The Commission's Fit for 55 package aims to put the bloc on course to meet its ambitious target of a 55 % reduction in greenhouse gas emissions by 2030, relative to 1990 levels, aligning EU policy with the ambitious political mandates of the Green Deal and EU Climate Law. The EESC supports this very ambitious policy, which contains several legislative proposals affecting aviation, of which an essential element is the promotion of sustainable aviation fuels (SAF). Although the Commission has evaluated the complementary nature of this proposal with other relevant proposals, the EESC believes that the Commission should also take the cumulative financial effects of all relevant regulatory measures into consideration.

1.3. In the context of the regulatory initiatives designed to accelerate the transition to net-zero emissions, the RefuelEU Aviation proposal is of key importance for aviation. Contrary to other sectors, aviation is dependent on fossil fuels as an energy source. In order to enable the aviation sector to grow whilst reducing its CO₂ emissions, the RefuelEU Aviation proposal for a regulation seeks to accelerate the production, distribution and uptake of SAF by imposing an obligation on jet fuel suppliers to aviation to supply an increasing share of aviation fuel blended with SAF at all EU airports, and requiring airlines to increase their uptake of SAF in pre-defined incremental steps.

In line with its approach to the promotion of sustainable aviation, the EESC supports the thrust of the Commission's proposal, but suggests amendments to ensure that it can be implemented effectively and without creating distortions.

⁽¹⁾ OJ C 429, 11.12.2020, p. 99; OJ C 389, 21.10.2016, p. 86.

⁽²⁾ European Green Deal Communication (COM(2019) 640 final); Sustainable and Smart Mobility Strategy, https://ec.europa.eu/transport/themes/mobilitystrategy_en; EU Emissions Trading Directive including aviation (COM(2021) 552 final); Renewable Energy Directive, (COM/2021/557 final); Alternative Fuels Infrastructure Directive (COM(2021) 560 final).

1.4. The EESC welcomes the Commission's initiative to accelerate the growth of a market for SAF. It is indeed true that SAF — if produced in sufficient quantities and available to all airlines — would significantly reduce the sector's CO₂ emissions. It is, however, not clear whether the approach pursued by the Commission would prevent distortions to competition.

1.5. Aviation is an international service sector, effectively covering two distinct markets with differing market dynamics: the EEA Single European Market on the one hand, and the internationally regulated market on the other. The EESC believes that the Draft Proposal should clearly reflect this difference, and calls upon the Commission to maintain a level playing field *within* the EEA and to proactively promote *globally* applicable standards for sustainability.

1.6. The proposed regulation will cover all operations of all EU airlines, whether these operate within the EEA or internationally; the networks of non-EU airlines, however, will only be covered to the degree that they include services from an EU airport. All other global services of non-EU airlines would not be affected by the required minimum uptake of SAF-blended aviation fuel. The expected price differential between aviation fuel and SAF could therefore provide non-EU airlines with a competitive advantage. At a time when the entire global aviation sector is struggling to recover from the worst crisis in its post-war history, EU airlines should not have to shoulder additional costs unilaterally. Furthermore, if the price differential is passed on to passengers, less environmentally friendly flights operated by non-EU airlines would become more attractive for EU passengers.

1.7. The EESC recommends that a pilot phase precede the actual implementation of this Regulation, during which the EEA-internal provisions related to mitigating aviation's impact on the environment could be aligned, and the Commission would focus its efforts on closely coordinating the EU's promotion of SAF with similar initiatives undertaken internationally. Once a sufficient quantity of SAF is produced and available to EU and non-EU carriers, this Regulation would be fully applied to also cover obligations for non-EU airlines departing from EU airports. Such a staggered approach would minimise the risks of first-mover disadvantages, reduce the risk of carbon leakage, enable a cost-effective implementation process and establish planning stability for all stakeholders, including the SAF manufacturers. It would furthermore facilitate a consistent approach to biofuels.

1.8. Given that a significantly higher proportion of CO₂ is emitted on international long-haul routes than on the medium- to short-haul EEA routes ⁽³⁾, the EESC believes that the Commission should place greater emphasis on means of achieving a coordination of international regulatory measures. These third-party measures, together with already agreed offset mechanisms such as CORSIA ⁽⁴⁾, will generate further momentum for the production, dissemination and uptake of SAF internationally, thereby accelerating increased demand for SAF and reducing the risk of carbon leakage ⁽⁵⁾.

The EESC shares the Commission's analysis that it will take time to create a market for SAF. The EESC calls upon the Commission to develop a realistic and comprehensive roadmap for the incremental increase of SAF utilisation to provide planning stability for all stakeholders, including SAF producers, and to provide orientation for the political monitoring process.

2. General comments

2.1. A comprehensive and effective regulatory approach to promote the growth of sustainable aviation is required.

2.1.1. The draft RefuelEU Aviation proposal is embedded in several other regulatory proposals in the Fit for 55 package, all aimed at mitigating the effects of aviation on the environment ⁽⁶⁾. When assessing the impact and practicability of the RefuelEU Aviation proposal, due consideration must therefore be given to the interdependency of these proposals and their cumulative effect on the aviation market.

⁽³⁾ Half of CO₂ emissions come from just 6 % of flights: the long-haul operations, Data Snapshot on CO₂ emissions and flight distance | EUROCONTROL.

⁽⁴⁾ The Carbon Offset and Reduction scheme for International Aviation, CORSIA, is a global regime of market-based measures to offset the share of CO₂ emissions from international flights exceeding their 2020 level. It is being applied as from 1 January 2021 on a voluntary basis, until 2026; 81 states (including all EU Member States) representing 77 % of international aviation have volunteered.

⁽⁵⁾ Several nations, such as the UK and the US, are also planning measures to promote SAF and reduce CO₂ emissions, see SWD(2021) 633 final.

⁽⁶⁾ SWD(2021) 633 final, section 7.2.

2.1.2. A revised Energy Taxation Directive would introduce a minimum tax rate applicable to intra-EU flights; SAF would benefit from a zero minimum tax rate, whereas the minimum tax rates are to increase in incremental steps over a ten-year period to a level of EUR 10,75/Gigajoule. The stated aim of this proposal is to 'stimulate the use of more SAF and to encourage airlines to use more efficient and less polluting aircraft and to avoid a possible lack of 32 % revenue'. If Member States exceed the minimum rate individually, these additional national CO₂ taxes would significantly increase the cost burden on airlines, unless SAF is produced in sufficient quantities. It appears essential to establish such a link to the availability of SAF, otherwise the rules could have a punitive effect, instead of providing more incentives to produce and take up SAF.

2.1.3. In fact, it is questionable whether additional taxes can provide a stimulus to transition from fossil fuels to SAF, if SAF is not available in sufficient quantities.

2.1.4. In the absence of meaningful anti-dumping provisions, market conditions currently enable airline competitors to offer ticket prices which are below their marginal operational costs, indeed even below the cumulative costs of ATM and airport charges. A further tax would not affect such marginal price levels and therefore not provide for incentives to benefit from SAF as a competitive measure; such an EU-wide minimum tax would simply deplete the airlines of financial means needed for investments in more efficient aircraft. Furthermore, the revenues achieved from these additional taxes can, by definition, not be used for pre-determined (environmentally relevant) objectives, but will flow into the coffers of the Member States. They would therefore not enable growth of supply to meet growing demand for air travel.

2.1.5. The EESC therefore believes that a more differentiated evaluation of the market dynamics is required with a particular focus on the potential need to address, as an additional regulatory measure, the need for targeted anti-dumping legislation effectively requiring a minimum price level to cover exogenous costs (?).

The Commission also proposes revising the ETS aviation rules as another measure under the Fit for 55 package. The ETS previously covered roughly 40 % of total emissions in the EU; the revised version increased this share with the inclusion of additional sectors such as maritime. The emissions reduction obligation for ETS sectors has also increased from 40 % to 61 % by 2030 based on 2005 levels, while the free allowances in aviation are to be phased out between 2023 and 2025.

2.1.6. Indeed, emissions trading is a market-based mechanism to reduce emissions, and further fine-tuning of the parameters of this instrument can strengthen the mechanism. When evaluating the effects of such measures on market dynamics, as suggested above, it must be borne in mind that the incremental reduction of free allowances adds a cost burden to the already foreseen additional cost of the EU-wide minimum tax. Furthermore, the Energy Taxation Directive, the ETS Directive and the RefuelEU Aviation Regulation each require data on aviation jet fuel uptake and consumption, as well as SAF uptake. Further consideration should be given to streamlining the data collection, reporting and verification provisions so as to avoid unnecessary complexity and ensure the practicability of the processes.

The proposed Alternative Fuels Infrastructure Regulation is intended to ensure that the appropriate infrastructure will be in place at airports to enable access to SAF at all EU airports. While ensuring efficient logistics for the dissemination of SAF is evidently essential, the Regulation is itself in need of further clarification; according to its current wording, vehicles for delivering green fuel to aviation could be considered not to be green (?). In the absence of such clarifications, it is difficult to assess the extent to which further costs at airports could materialise which would potentially be passed on to airlines.

2.2. The proposed RefuelEU Aviation Regulation is a key proposal for securing the sustainability of aviation's future, but it must avoid distortive effects on the aviation market.

(?) Any regulatory intervention into market mechanisms runs counter to the objectives of liberalising the aviation market. However, liberalisation is not a dogma, and has its limits when it prevents the achievement of climate goals as laid out in the Green Deal. Hence the requirement for a detailed and differentiated analysis of the market implications of such interventions, in a liberalised regulatory framework. This is all the more relevant if several complementary regulatory initiatives are interdependent and can have cumulative financial effects on the stakeholders.

(8) EESC opinion on *Sustainable finance taxonomy — climate change*, adopted on 22.9.2021, ECO/549 (OJ C 517, 22.12.2021, p. 72).

2.2.1. The Commission recognises that the production and dissemination of SAF at industrial level will require significant investments, and time, for a meaningful scaling up. Because the Commission's jurisdiction is legally limited to intra-EU, and effectively to intra-EEA air traffic, the Commission proposes to minimise distortions to international competition by two measures: ensuring the uptake of SAF-blended jet fuel for all flights departing from EU-airports irrespective of their destination, and imposing a minimum uptake of aviation jet fuel at EU airports. The former targets the supplier and is non-discriminatory with respect to airlines. It is questionable, however, whether the latter is practicable and effective in preventing market distortions.

2.2.2. Article 7 imposes an obligation on all airlines to provide data, inter alia, on the jet aviation fuel uptake at a given EU airport, and an obligation to report the total amount of SAF-blended aviation fuel purchased from the suppliers. Airlines currently already report jet fuel uptake and consumption per flight in the context of the reporting obligations under the EU ETS; this scheme only applies to intra-EU flights⁽⁹⁾. The proposed Regulation extends the reporting obligations to international flights from EU airports. These are also operated by non-EU carriers which are therefore included in the data reporting obligations. It is internationally accepted to include non-national airlines in data-reporting obligations so that national authorities can monitor compliance. Thus, this reporting obligation should not meet with international opposition.

2.2.3. However, Article 5 imposes an obligation on (all) airlines to ensure that their annual jet fuel uptake at a given EU airport is at least 90 % of the annual required jet aviation fuel. The purpose of this provision is to prevent so-called tankering. The Commission refers to tankering as a means for an airline to uplift more jet fuel than required to avoid refuelling at the destination airport where the jet fuel may be more expensive⁽¹⁰⁾. However, the hubs of some non-EU network airlines are in the proximity of the EEA (examples: London, Doha, Dubai, Istanbul) requiring only a short-haul flight from a given EEA airport to that hub. The long-haul destinations could then be reached with a fuel uptake at the non-EU hub airport without tankering. The amount of SAF-related additional cost passed on to the passenger in the ticket price could incentivise passengers to reach their final long-haul destination by flying via the (less expensive) non-EU connecting hub airport⁽¹¹⁾. However, Article 5 does not address the *systemic* distortions created by creating competitive disadvantages for EU hub airports and thereby for EU network airlines.

2.2.4. Given that routes to hubs in the vicinity of the EU involve short-haul flights, the uptake of fuel for these EU-outbound flights covers only a small fraction of the non-EU airlines' total international operations. Over time, as the share of SAF-blended fuel increases, so will the price difference between the SAF-blend and the traditional aviation fuel, thereby increasing the competitive attractiveness of flights via non-EU hubs. Passengers will be even more incentivised to avoid routings involving SAF-uptake; this would negatively impact the stated aim of this regulatory proposal to promote the uptake of SAF and thereby reduce CO₂ emissions, including on EU-outbound routes.

2.2.5. In light of the above, the EESC recommends 'staggering' the application of this proposed Regulation. In a pilot phase, the focus of activities should be on aligning existing provisions on data reporting and on CO₂-related levies at EU and national level. Several such provisions currently exist in parallel, and form the basis for calculating the level of both emission allowances and offsets, and national CO₂/aviation fuel taxes to be paid. Currently, however, these provisions are not seen in the same context, giving rise to parallel administrative processes for stakeholders and administrations. This proposed Regulation would, in its current form, introduce a further requirement to provide even more data on fuel uptake

⁽⁹⁾ The original intention to extend the applicability of EU ETS for flights to/from EU airports was dropped upon opposition from non-EU states insisting that their airlines cannot legally be included in an EU regulatory scheme akin to a tax.

⁽¹⁰⁾ The Explanatory Memorandum (1. Reasons and objectives of the proposal), p. 1.

⁽¹¹⁾ Example: The ticket price for Stuttgart-Vienna-Kuala Lumpur would be impacted by the more expensive SAF-blended uptake for the short-haul leg Stuttgart-Vienna, as well as the required SAF uptake for the long-haul leg Vienna-Kuala Lumpur. By contrast, flying Stuttgart-Istanbul-Kuala Lumpur would only require the uptake of SAF-blended aviation fuel for the short-haul leg Stuttgart-Istanbul.

In the example given above, it could indeed be financially advantageous for the airline operating Istanbul-Stuttgart to uptake sufficient fuel from Istanbul to reduce the need for a further fuel uptake for the return flight Stuttgart-Istanbul thereby avoiding the uptake of SAF-blended fuel altogether. Such considerations are prevented by Article 5.

at all airports, including SAF fuel uptake and EU-wide fuel uptake; EASA and Eurocontrol would also be obliged to report accumulated data received in accordance with the provisions of this Regulation, but not necessarily other data.

2.2.6. It would seem necessary to begin by establishing transparency and reducing unnecessary complexity by streamlining the reporting, verification and monitoring mechanisms for the existing regulations for EU airlines, and thereby establish a coherent, effective and efficient set of measures which could also integrate the diverse national initiatives, creating a harmonised framework. In this pilot phase, the data delivered by the EU airlines would reflect the uptake of SAF (only) by EU airlines for intra-EEA flights. This appears realistic in view of the time required to upscale production of SAF. Such flights within the European Single Aviation Market should not, initially, include international passengers.

2.2.7. This suggested pilot phase would not necessarily delay the full implementation of the Regulation, its purpose being to streamline the intra-EU data reporting and verification processes to ensure that the Fit for 55 measures for aviation do not give rise to unnecessarily complex red tape. It would furthermore create transparency about the cumulative financial effect of the measures on the European aviation sector. The pilot phase would not preclude the Commission from aligning the processes with those adopted outside the EEA.

2.2.8. The application of this Regulation to international flights from EU airports should be made dependent on the availability of SAF to cater for the increased demand. An effective EEA-wide SAF uptake scheme could then serve internationally as a possible benchmark, template and standard. Staggering the scope of the proposed scheme will furthermore avoid a repetition of the controversy experienced by the Commission over the inclusion of outbound EU flights in the EU ETS. Key is that the Commission develops practicable regulatory instruments at EEA level, and negotiates a harmonised approach at *global* level.

2.2.9. In the context of coordinating the steps towards a refined and targeted *international* framework, CORSIA can, and will, need to be addressed. By maintaining a distinction between the milestones for measures within the EEA, and milestones for the international framework, CORSIA can be consensually adapted to the latter without creating further complexity for the former.

2.3. A comprehensive, clear and compelling roadmap for the implementation of all drafted proposals, as well as monitoring milestones, is required.

2.3.1. The climate targets which have been politically agreed within the EEA for all sectors, in particular aviation, are extremely ambitious and, as the recently published IPCC report confirms, overdue. However, the specificities of aviation, as described by the Commission and briefly summarised above, require incentivising demand and supply for a currently negligible (SAF) market without undermining the international competitiveness of the European aviation sector or endangering European job security. To meet these sector-specific challenges, it will be essential to implement effective measures in clearly defined incremental steps to which the stakeholders can realistically adapt their internal products and processes.

2.3.2. The ongoing legislative process inherently comes with a degree of uncertainty with respect to the final outcome of the legislative packages. The EESC urges all EU institutions to seek to maintain and indeed further improve the cumulated effectiveness of the proposed measures — and achieve consensus on the roadmap for their implementation.

2.3.3. Such a roadmap will include aligning already existing national measures. Some Member States have already developed such roadmaps after consultation with stakeholders ⁽¹²⁾.

3. Specific comments

3.1. Essential for the successful implementation of the proposal is ensuring that critical design errors in a SAF mandate are ruled out. The Commission has developed 8 policy designs which differ with respect to the obliged party of the Regulation (Supplier and/or Airline), geographical scope (intra-EEA with or without extra EEA), sub-mandates for future sophisticated SAF products (in particular RFNBO), objective (SAF volume/GHG savings), and logistical requirements (i.e.

⁽¹²⁾ Example: Power-To-Liquid Roadmap of Germany, 2021, https://www.bmvi.de/SharedDocs/DE/Anlage/LF/ptl-roadmap.pdf?__blob=publicationFile.

does the option include a book and claim system making the physical supply of each airport unnecessary, so as to avoid having to ensure that each fuel batch at each airport would have to contain SAF).

3.2. The EESC supports the approach of the Commission to mandate advanced biofuels and e-kerosene. The EU proposal would supersede given national mandates which partially do rely on crop-based fuels. Therefore, because the production of biofuels is of overriding importance to many sectors, and not only aviation, it is crucial to ensure that their production is always sustainable.

3.3. The Commission's proposal envisages a 5 % SAF-blend by 2023, of which 4,3 % is attributed to biofuel, and 0,7 % to e-kerosene. The Commission should review the balance between the advanced biofuels and e-kerosene. Because advanced biofuels are made from waste and residues, the resources limit its ambitious exploitation. E-kerosene, however, if made from (green) renewable electricity and CO₂ captured from the atmosphere, would provide for fuel with negligible CO₂ emissions. The EESC believes that further secondary legislation could accelerate the introduction of advanced production processes, and facilitate the achievement of more ambitious mid- and long-term targets for SAF-blends.

3.4. In view of its potential, the EESC recommends pursuing more ambitious inclusions of e-kerosene. It does not seem unrealistic to raise the minimum target to 0,7 % in 2027 and 5 % in 2030. In the view of the EESC, the Commission underestimates the dynamics of the e-kerosene market. Developing countries in South America and Africa can develop power plants, store and transport e-fuels to countries in need of SAF and e-fuels. To the degree to which plants scale up, the production of e-fuels will become increasingly affordable for these countries. The current wording of the Renewable Energy Directive (RED III), however, does not provide for sufficient planning stability for investors to invest in new technologies. This energy source is so important, however, that a clear political roadmap, as outlined above, is called for.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the proposal for a Decision of the European Parliament and of the Council amending Directive 2003/87/EC as regards the notification of offsetting in respect of a global market-based measure for aircraft operators based in the Union

(COM(2021) 567 final – 2021/0204 (COD))

(2022/C 105/21)

Rapporteur: **Thomas KROPP**

Referral	Council of the European Union, 14.9.2021 European Parliament, 13.9.2021
Legal basis	Article 192 and 304 of the Treaty on the Functioning of the European Union
Section responsible	Transport, Energy, Infrastructure and the Information Society
Adopted in section	7.10.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	238/0/5

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) notes that, because of the COVID-19 pandemic, aviation CO₂ emissions declined in 2020 by 64 % compared with 2019 ⁽¹⁾. According to a forecast by Eurocontrol (the European Organisation for the Safety of Air Navigation) underpinning the Commission's proposal, the traffic volume is not expected to reach 2019 levels before 2024 ⁽²⁾.

1.2. The ICAO (International Civil Aviation Organisation of the United Nations) Council decided in July 2020 that the 2019 emissions should be used as the baseline for calculating the offsetting ⁽³⁾ by airlines for the years 2021-2022.

1.3. In accordance with the proposed amendment to Directive 2003/87/EC of the European Parliament and of the Council ⁽⁴⁾, Member States should be obliged to report offsets, as required by international law, in 2022 for 2021, even though the emissions increase in 2021 relative to 2019 is expected to be negligible, if not even zero.

1.4. The EESC therefore endorses the Commission's proposal ⁽⁵⁾ to amend Directive 2003/87/EC with respect to the notification of offsetting in 2021. The amendment should be adopted without delay to achieve legal certainty ⁽⁶⁾.

⁽¹⁾ https://ec.europa.eu/clima/news/emissions-trading-greenhouse-gas-emissions-reduced-2020_en

⁽²⁾ <https://www.eurocontrol.int/publication/eurocontrol-five-year-forecast-2020-2024>

⁽³⁾ Offsetting is an activity by a company or by an individual to compensate for their emissions by financing a reduction in emissions elsewhere. In markets where offsetting is obligatory, Certified Emission Reduction credits are issued for offsets created by emission reduction projects. These credits can be traded between companies and governments to comply with international agreements that cap the amount of CO₂ which can be emitted by one body or organisation.

⁽⁴⁾ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

⁽⁵⁾ The subject of this opinion: COM(2021) 567 final — 2021/0204 (COD).

⁽⁶⁾ The EESC follows the reasoning in the whereas clause (9) of proposal COM(2021) 567 final — 2021/0204 (COD).

1.5. The EESC recommends envisaging a prolongation of the changed baseline until the average passenger numbers are at the levels of 2019, at least for the years 2022 and 2023; these are the years during which the recovery is currently expected to take place. Otherwise aircraft operators would be obliged to offset emissions although they fly less and generate fewer emissions than during the reference year.

1.6. CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) is one element of a package of measures designed to mitigate the impact of aviation on the environment. The EESC encourages the Commission to review all regulatory proposals relevant to aviation in the Fit for 55 package of its Green Deal policy with a view to establishing the interdependency of the proposals in order to assess their cumulative financial impact, and to align the respective procedures.

1.7. In 2016, the ICAO Member States — including EU Member States — agreed to implement CORSIA as the climate protection instrument in international aviation. The EESC welcomes global measures for global industries. It therefore calls on the European Commission, the European Parliament and the Member States to continue their full support and endorsement of CORSIA.

2. General comments

2.1. In 2016, the International Civil Aviation Organisation (ICAO) adopted CORSIA to address aviation's CO₂ emissions. The standards and procedures for implementing this scheme were adopted as an annex to the Chicago Convention which all of ICAO's Member States must apply as from January 2019.

2.2. An offsetting scheme does not reduce the sector's emissions, but airlines will offset growth in aviation emissions in other sectors, so that net CO₂ emissions will be stabilised. A fundamental requirement is that the reduction of emissions elsewhere is permanent and does not give rise to unintended emission increases.

2.3. The relevance of CORSIA cannot be overestimated because it is an internationally agreed mechanism at UN level. All signatory ICAO Member States must ensure that their carriers report emissions on an annual basis; monitoring started for international flights on 1 January 2019. Airlines are therefore obliged to establish databases for the fuel used on each flight so as to calculate CO₂ emissions by applying one of several approved fuel use measuring methods. ICAO Member States have, however, agreed to implement CORSIA in distinct phases; from 2021-2026, only flights between states which have volunteered to participate in this first phase will be subject to offsetting ⁽⁷⁾. From 2027 onwards, all international flights will be covered by the scheme, with very minor exemption of certain developing countries. Domestic flights fall under the purview of another UN agency, the UNFCCC ⁽⁸⁾, and are covered by the Paris Agreement.

2.4. Due to the unique COVID-19 crisis and the sharp decline in traffic volume and therefore CO₂ emissions in 2020 and a protracted recovery period thereafter, it is highly unlikely that offset requirements will ensue in 2021-2023; this could give rise to uncertainty as to whether reporting obligations remain meaningful. The current proposal establishes a legal obligation for EU Member States to notify the offsetting figure to EU-based airlines by 30 November 2022 in respect of emissions of 2021, even if these are zero. It would therefore provide legal certainty for EU airlines and Member States alike.

⁽⁷⁾ At least 88 states representing 77 % of international aviation are covered by the scheme as of 2021, including all EU Member States.

⁽⁸⁾ United Nations Framework Convention on Climate Change. The Kyoto Protocol, which was signed in 1997 and ran from 2005 until 2020, was the first implementation of measures under the UNFCCC. The Kyoto Protocol was superseded by the Paris Agreement, which entered into force in 2016. The UNFCCC has 197 signatory states and the progress of implementation of its decisions is monitored by the Conference of Parties, COP, which meets annually.

2.5. It is forecast that CORSIA will mitigate approximately 2,5 billion tonnes of CO₂ between 2021 and 2035, which is an annual average of 165 million tonnes of CO₂ ⁽⁹⁾. However, because CORSIA does not reduce the emissions of aviation, it will not affect the actual CO₂ levels of aviation. CORSIA must therefore be viewed in conjunction with other mechanisms which do impact the sector's CO₂ emission levels ⁽¹⁰⁾. Three further measures in the context of the Fit for 55 package ⁽¹¹⁾ pursue this objective: the introduction of a kerosene tax at EU level only, the introduction of a blending mandate for Sustainable Aviation Fuels (SAF) ⁽¹²⁾ and amendments to the EU Emissions Trading System (ETS).

2.6. Although CORSIA and the ETS both address CO₂ emissions, they function differently. The EU ETS reduces total allowable emissions by obliging airlines to purchase allowances for their *individual* emissions. CORSIA on the other hand obliges airlines to purchase offsets to compensate collective *sectoral* emission growth, so that each tonne of CO₂ emitted by aviation is avoided or reduced in another sector. The ETS applies to intra-EU aviation. This includes, however, passengers who merely transfer from an EU airport to an EU hub to connect to an international destination; in such cases, the CO₂ emissions for all travel segments involving an EU airport would be priced. The same passenger could transfer to the same long-distance destination via a hub in the vicinity of the EU such as London, Istanbul, Dubai, Doha or Moscow; yet the CO₂ emissions for the long-haul flight originating from a non-EU hub would then not be covered by the EU ETS. These instances of carbon leakage should be addressed.

2.7. The ReFuelEU Aviation proposal could likewise lead to competitive distortions because the uptake of a SAF-blended aviation fuel would (only) be mandatory at all EU airports, but not at non-EU hubs. Although Sustainable Aviation Fuels emit less CO₂, their production costs are significantly higher than those of aviation fuel. Without public funding of such SAF, the additional cost for SAF would ultimately be passed on to the passengers, thereby rendering international flights from an EU-hub more expensive for them than flight to the same destination from a non-EU hub. Such significant distortions to international competition should be avoided; they ultimately endanger the politically, commercially and, above all, ecologically desired reductions of CO₂ emissions.

2.8. The taxation of kerosene would only have a market effect if it stimulated the production of SAF; this is not necessarily the case.

2.9. The EESC recommends that the Commission establishes a comprehensive overview of all market-based measures and their intended effect on the aviation market.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

⁽⁹⁾ IATA fact sheet CORSIA 12 May 2019.

⁽¹⁰⁾ Such as inclusions of aviation in the EU ETS 2003/87/EC; RefuelEU Aviation COM (2021) 561 — final 2021/0205 (COD).

⁽¹¹⁾ The Commission's Fit for 55 package consists of several interdependent regulatory proposals which would enable the European Union to achieve the continent's greenhouse gas emission reduction target of **55 % net emissions, upon which the EU Council agreed in 2020**; it is enshrined in the European Climate Law. The proposals in this package also affect European transport and tourism ecosystems. Without effective incentives, the proposals would not lead to sustainable EU tourism and transport policies. On the contrary, the proposed measures could lead to significant cost increases for EU businesses, both large and small, and harm their competitiveness vis-à-vis non-EU transportation and tourism companies located around EU borders, thereby putting EU jobs in these sectors at risk. Those EU regions which are highly dependent on tourism would consequently be particularly hard hit. A future-oriented, sustainable approach, as proposed by the Commission, consists of complementary measures; these must however in their combination act as a catalyst towards a greenhouse-gas neutral sector; their cumulative cost impact for the European transport and tourism ecosystems must therefore be borne in mind with a view to providing planning stability for investments in new jobs.

⁽¹²⁾ EESC Draft Opinion TEN/744 (see page 136 of this Official Journal).

Opinion of the European Economic and Social Committee on the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Pathway to a Healthy Planet for All — EU Action Plan: ‘Towards Zero Pollution for Air, Water and Soil’

(COM(2021) 400 final)

(2022/C 105/22)

Rapporteur: **Maria NIKOLOPOULOU**

Referral	European Commission, 31.5.2021
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Agriculture, Rural Development and the Environment
Adopted in section	4.10.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	105/0/1

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) supports the Commission’s plan to address the various types of pollution in a holistic way and to comply with the commitments of the Paris Agreement and the Sustainable Development Goals (SDGs). For it to be a truly ambitious plan, the targets must be fully in line with the recommendations of the World Health Organisation (WHO) and made more ambitious from the outset, that is to say now.

1.2. The EESC urges the Commission to start collecting data so that it can make legislative proposals soon in areas where they are lacking, such as light and vibration pollution.

1.3. It therefore welcomes the establishment of the Zero Pollution Stakeholder Platform to speed up decontamination and would like to collaborate through the European Circular Economy Stakeholder Platform⁽¹⁾ and other means.

1.4. The EESC regrets that, in the zero pollution hierarchy, remedying and offsetting pollution-related damage is given less consideration. Measures need to be defined for when polluters cannot be identified or cannot offset the damage.

1.5. The EESC suggests that when assessing sources of particulate material (PM), their oxidative potential and ultrafine particles should be included in legislation and PM pollution monitoring.

1.6. To fight marine pollution, all ports should possess an advanced system for the collection and management of waste. In addition, the EU should continuously encourage measures for removing litter from the sea, both to boost decontamination and to secure a secondary fishing activity.

1.7. Part of plastic pollution in the sea comes from internal waters. Cleaning up our European rivers requires coordination between the countries concerned.

1.8. The EESC believes that waste management should be harmonised and that waste should be managed and reused where it is produced or where there are appropriate recycling facilities, in order to avoid it adversely affecting third countries.

⁽¹⁾ European Circular Economy Stakeholder Platform.

1.9. Although targets are set at EU level, the EESC recommends setting minimum thresholds for each country, in order to ensure that all Member States make sufficient progress despite going at different rates.

1.10. The EESC urges the Member States and the Commission to speed up the process of transitioning to renewable energy sources, which are so important if companies are to succeed in decarbonising production.

1.11. The EESC congratulates the Commission on the citizen science strategy for involving and engaging people, raising awareness of pollution, health and wellbeing issues.

2. Commission proposal

2.1. The EU Action Plan on Zero Pollution for Air, Water and Soil is one of the final cornerstones of the Green Deal. It makes reducing pollution to levels which are not harmful to human health or the environment a key target for 2050. The Commission will integrate and tie together all ongoing actions on numerous pollution objectives at the same time.

2.2. Under EU law and Green Deal ambitions and in synergy with other initiatives, by 2030 the EU should reduce:

- by more than 55 % the health impacts (premature deaths) of air pollution;
- by 30 % the share of people chronically disturbed by transport noise;
- by 25 % the EU ecosystems where air pollution threatens biodiversity;
- by 50 % nutrient losses, the use and risk of chemical pesticides, the use of the more hazardous ones, and the sale of antimicrobials for farmed animals and in aquaculture;
- by 50 % plastic litter at sea and by 30 % microplastics released into the environment;
- significantly total waste generation and by 50 % residual municipal waste.

2.3. The Zero Pollution Monitoring and Outlook Reports planned for 2022 and 2024 will aim to assess progress towards meeting the 2030 targets and will be the benchmark for deciding which measures need to be implemented or strengthened to ensure that these targets are met successfully. At that point, the next steps for achieving zero pollution by 2050 will be outlined.

2.4. The European Commission, together with the European Committee of the Regions, will launch the Zero Pollution Stakeholder Platform.

2.5. The Marine Strategy Framework Directive will be reviewed by 2023 with the aim of reducing plastic and other litter, underwater noise and contaminants.

2.6. The review of the Urban Waste Water Treatment Directive and the Sewage Sludge Directive will raise the level of the ambition to remove nutrients from wastewater and make treated water and sludge ready for reuse.

The Waste Shipment Regulation will be reviewed to better monitor waste exports, ensure their sustainable treatment and restrict exports that have harmful environmental and health impacts in third countries.

3. General comments

3.1. As stated in the Action Plan, the fight against pollution is also a fight for fairness, as the most harmful impacts on health are borne by the most vulnerable groups. These include children, older people or people with medical conditions, people with disabilities and those living in poorer socioeconomic conditions^(?). Worldwide, low- and middle-income countries bear the brunt of pollution-related illnesses, with nearly 92 % of pollution-related deaths^(?).

^(?) EEA Report No 22/2018: *Unequal exposure and unequal impacts*.

^(?) UNEP/EA.4/3 (2018): Implementation plan 'Towards a Pollution-Free Planet'.

3.2. The EESC supports the Commission's plan and its flagship initiatives to address the various types of pollution in a holistic way and to comply with the commitments of the Paris Agreement and the SDGs. For it to be a truly ambitious plan, the targets must be fully in line with the recommendations of the WHO.

3.3. The EESC endorses the approach of strengthening existing legislation in different areas and adjusting it where it has not been successfully implemented, for example with regard to water and air quality. We reiterate that EU environmental policy reveals that poor, fragmented and uneven implementation of the EU environmental legislation is a serious problem in many EU Member States⁽⁴⁾. Moreover, there is no lack of knowledge about what needs to be done. What is lacking is the implementation of well-known measures, often decided upon long ago, as well as political will⁽⁵⁾.

3.4. The EESC urges the Commission to start collecting data so that it can make legislative proposals soon in areas where they are lacking, such as light and vibration pollution.

3.5. The extent to which the targets have been met will be assessed on the basis of the monitoring and outlook findings for 2024. This will open the debate evaluating the level of ambition and, if necessary, revising objectives and legislation more thoroughly. The EESC fears that this process will be too long given the short amount of time left to achieve the 2030 targets, and believes that they should be made more ambitious from the outset, that is to say now.

3.6. The air pollution targets set for 2030 are based on reference years from too long ago. The reference years are different for the different targets because they are based on different data and legislation. While long periods of cumulative data clearly make it easier to make projections, the EESC believes that the start of the time period used to assess progress towards targets should be aligned for all the targets in order to obtain a realistic picture of the degree of compliance.

3.7. The right enabling framework must help businesses and SMEs to implement pollution control legislation while keeping administrative burdens to a minimum. There is also a need for a harmonised international regulatory framework, as EU pollution does not stop at borders.

3.8. The EESC believes that cooperation between sectors is essential to bring about the transition. It therefore welcomes the establishment of the Zero Pollution Stakeholder Platform and would like to collaborate through the European Circular Economy Stakeholder Platform and other means. It also recommends establishing close cooperation with third countries and spaces for cooperation between civil society in the different regions, as pollution has no borders.

4. Specific comments

4.1. EU support for innovation, investment and research on new equipment and technologies is important for all businesses and to create new quality jobs. However, investment is needed in nature and biodiversity (ecosystem restoration and regenerative agriculture); prosperity (sustainable infrastructure and renewable/energy transitions, buildings and green/public mobility); and people (education and bridging the digital divide/R & D, tax reforms to create fairer and more equitable opportunities in education, health and the environment).

4.2. The EESC regrets that, in the zero pollution hierarchy, remedying and offsetting pollution-related damage is given less consideration. The polluter pays principle has not proved to be very effective, as shown by the high number of contaminated sites that still exist in the EU. Measures need to be defined for when polluters cannot be identified or cannot offset the damage.

4.3. With regard to air pollution, the EESC draws the Commission's attention to particulate matter (PM), which is linked to millions of premature deaths worldwide. A standardised metric for assessing the toxicological effects of PM on human health should be established based not just on mass concentration but on size and chemical composition as well. When assessing sources of PM, their oxidative potential and ultrafine particles are important, as how dangerous they are depends on that, and they should be included in legislation and PM pollution monitoring.

⁽⁴⁾ OJ C 110, 22.3.2019, p. 33.

⁽⁵⁾ OJ C 123, 9.4.2021, p. 76.

4.4. Water legislation will be adapted to reduce chemical pollutants and microplastics (MPLs). Plastic waste is deeply worrying as it is difficult to eliminate and acts as a magnet adsorbing other pollutants, and the high chemical and toxicological impact of its additives and of the products of its fragmentation — nanoplastics (NPLs) — is not considered ⁽⁶⁾. OECD countries contribute greatly to plastic litter produced in other countries, so solutions to cross-border pollution need to be found and a new specific global limit for plastic litter should be established. Prevention is also essential: ecodesign production must be encouraged with incentives. Industry and environmental science must work together to search for viable solutions.

4.5. It is important, particularly in the agriculture sector, to invest in innovation in technologies and operating models that facilitate water reuse and improve water quality, and to implement solutions to reduce the environmental footprint (e.g. in the area of fertilisation, use of pesticides and nitrate emissions). Operator capacity-building and training in new technologies and digital solutions will facilitate their implementation and compliance with water regulations.

4.6. Waste from fishing activities, in particular fishing nets, must be scrupulously managed. Since plastic waste in the sea moves in random patterns, international rules must be enforced, or at least broken down according to plastic production and consumption in each country, so that those who pollute the most have to pay more. NGOs and some countries have demonstrated that there are tools and people with the ability to remove marine litter and the necessary port structures can be created to store and recycle it ⁽⁷⁾. However, the measure is not applied because fishers do not derive any economic benefit from collecting and sorting waste and small ports are not yet prepared for this activity. All ports, including smaller ones, should possess an advanced system for the collection and transparent management of waste ⁽⁸⁾. The EU should continuously encourage these measures, both to boost decontamination and to secure a secondary fishing activity ⁽⁹⁾.

4.7. Eighty percent of waste in the oceans passes through inland waters (lakes and rivers) ⁽¹⁰⁾. Managing and monitoring the issue at source is more effective. Cleaning up our European rivers requires coordination between countries. However, the countries concerned have very different legal systems and different levels of government requirements with respect to river basin management.

4.8. The EESC considers that addressing chemical mixtures is a relevant step forward in the risk assessment of chemicals. Research and development are crucial for progressing in terms of knowledge, assessment and management of mixtures ⁽¹¹⁾.

4.9. Steering the EU towards zero pollution also requires incentives to facilitate change, training in new technologies and digital solutions, technical assistance, social education and the harmonisation and implementation of production and consumption good practice guides. Sufficient renewable energy at affordable prices and zero- or low-carbon gaseous fuels need to be available to businesses for them to be able to decarbonise their manufacturing processes. The EESC urges the Member States and the Commission to speed up the process of transitioning to renewable energy sources.

4.10. The review of the Industrial Emissions Directive (IED) provides a high level of protection for the environment as a whole. Implementing Best Available Techniques Not Entailing Excessive Costs would be a more appropriate approach for SMEs. The implementation of the Industrial Emissions Directive should cover the whole value chain, including the sourcing of raw materials outside the EU. Compliance levels should be legally binding for industrial emissions, and standardised, reliable monitoring methodology is needed for comparison of accurate data and harmonised assessment ensuring a level playing field across EU industry.

⁽⁶⁾ See Sendra *et al.*, 2020.

⁽⁷⁾ Directive (EU) 2019/883 of the European Parliament and of the Council of 17 April 2019 on port reception facilities for the delivery of waste from ships, amending Directive 2010/65/EU and repealing Directive 2000/59/EC (OJ L 151, 7.6.2019, p. 116).

⁽⁸⁾ OJ C 62, 15.2.2019, p. 207.

⁽⁹⁾ Can fishers help cleaning the sea from plastic waste?, ETF.

⁽¹⁰⁾ United Nations Environment Programme, Marine plastic debris and microplastics, 2016.

⁽¹¹⁾ OJ C 286, 16.7.2021, p. 181.

4.11. The EESC considers the Skills Agenda to be a key element for the development of the labour market, guiding training of professionals to make them climate-, environment- and health-conscious. It also welcomes the training of health and social workers which will improve their capacity to cope with environmental risks. This is a strategy that will make it easier for entrepreneurs, businesses, SMEs, the self-employed and all workers to adapt, minimising job losses.

4.12. Cities and regions are at the forefront of implementing anti-pollution programmes. The efforts of local and regional authorities are key to delivering on the agenda. It is crucial to harmonise requirements and measures in all regions and to ensure that they are implemented and the targets finally achieved in a way that is constant over time, regardless of political change. Although targets are set at EU level, the EESC recommends setting minimum thresholds for each country, in order to ensure that all Member States make sufficient progress despite going at different rates.

4.13. It is important to harmonise waste management, as separation and treatment do not work in the same way across all EU regions or locally in each country, reducing the effectiveness of pollution prevention and management. The export of any waste that does not comply with EU standards should be prohibited, regardless of the regulatory measures of the country to which it is intended to be exported. In addition, EU waste should be managed and reused where it is produced or where there are appropriate recycling facilities, in order to avoid it affecting third countries, unless the waste is used as a raw material in environmentally friendly sustainable production.

4.14. The Commission is going to develop an integrated Zero Pollution Monitoring and Outlook Framework to assess the health, environmental, economic and social impacts of pollution. Monitoring river status should also be included. The data should be collected using standardised methods and should be transparent, reliable, traceable and available to all. The database should integrate the sources from the main institutions associated with the Commission and also from any recognised institution wishing to help monitor pollution and its impact.

4.15. The EESC congratulates the Commission on the citizen science strategy for involving and engaging people, raising awareness of pollution, health and wellbeing issues. This will enable people to monitor pollution and integrate data collected for decision-making. If it is to succeed, coordination must be ensured between authorities, NGOs, communities and science.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the proposal for a Directive of the European Parliament and of the Council on uniform procedures for checks on the transport of dangerous goods by road (codification)

(COM(2021) 483 final – 2021/0275 (COD))

(2022/C 105/23)

Referrals	European Parliament, 13.9.2021 Council of the European Union, 24.9.2021
Legal basis	Articles 91 and 304 of the Treaty on the Functioning of the European Union
Section responsible	Transport, Energy, Infrastructure and the Information Society
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	219/0/1

Since the Committee unreservedly endorses the content of the proposal and feels that it requires no comment on its part, it decided, at its 564th plenary session of 20 and 21 October 2021 (meeting of 20 October), by 219 votes with one abstention, to issue an opinion endorsing the proposed text.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1286/2014 as regards the extension of the transitional arrangement for management companies, investment companies and persons advising on, or selling, units of undertakings for collective investment in transferable securities (UCITS) and non-UCITS

(COM(2021) 397 final – 2021/0215 (COD))

(2022/C 105/24)

Referrals	Council of the European Union, 29.7.2021 European Parliament, 13.9.2021
Legal basis	Article 114 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	216/0/7

Since the Committee endorses the content of the proposal and feels that it requires no comment on its part, it decided, at its 564th plenary session of 20 and 21 October 2021 (meeting of 20 October 2021), by 216 votes with 7 abstentions, to issue an opinion endorsing the proposed text.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the proposal for a Directive of the European Parliament and of the Council amending Directive 2009/65/EC as regards the use of key information documents by management companies of undertakings for collective investment in transferable securities (UCITS)

(COM(2021) 399 final – 2021/0219 (COD))

(2022/C 105/25)

Referral	Council of the European Union, 1.9.2021
Legal basis	Article 53(1) of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote	
(for/against/abstentions)	218/0/11

Since the Committee endorses the content of the proposal and feels that it requires no comment on its part, it decided, at its 564th plenary session of 20 and 21 October 2021 (meeting of 20 October 2021), by 218 votes with 11 abstentions, to issue an opinion endorsing the proposed text.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council laying down conservation and management measures for the Conservation of the Southern Bluefin Tuna

(COM(2021) 424 final — 2021/0242 (COD))

(2022/C 105/26)

Referral	European Parliament, 13.9.2021 Council, 30/08/2021
Legal basis	Articles 43(2) and article 304 of the Treaty on the Functioning of the European Union
Section responsible	Agriculture, Rural Development and the Environment
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	221/0/1

Since the Committee endorses the content of the proposal and feels that it requires no comment on its part, it decided, at its 564th plenary session of 20 and 21 October 2021 (meeting of 20 October), by 221 votes in favour with 1 abstention, to issue an opinion endorsing the proposed text.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

Opinion of the European Economic and Social Committee on the communication from the Commission to the European Parliament, the European Council, 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 2021

(COM(2020) 575 final)

(additional opinion)

(2022/C 105/27)

Rapporteur: **Gonçalo LOBO XAVIER**

Committee Bureau decision	26.4.2021
Legal basis	Rule 32(1) of the Rules of Procedure and Rule 29(a) of the Implementing Provisions of the Rules of Procedure
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adoption in section	5.10.2021
Adoption at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	168/0/1

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) is still concerned about the fact that there is insufficient clarity in most Member States on the National Recovery and Resilience Plans (NRRP) governance systems and the distribution of responsibilities for their implementation between the central, regional and local levels. Nor, of course, is there sufficient clarity on the appropriate mechanisms for involving Civil Society Organisations (CSOs) and social partners in the implementation, monitoring and adjustment phases of the NRRPs. This was mentioned in the EESC February resolution⁽¹⁾ and the situation remains the same in spite of the Commission's efforts. The EESC strongly calls for more scrutiny on these crucial aspects for the Union's recovery.

1.2. The EESC draws attention to the need to measure the progress of the implementation of the RRFs. Good monitoring indicators are needed, as they will be the compass for the direction for how to continue to develop and recover. Member States need to react properly to this challenge and courage is needed to make citizens aware of the huge difficulties ahead.

1.3. The EESC believes strongly in the importance of the next Semester cycle for the Union as a key instrument for implementing the Recovery and Resilience Facility (RRF). There are two kinds of tools in the National Plans: the Member States can implement and make radical structural changes on the one hand with a dual transition and on the other hand with investment and reforms for citizens (family, workers, entrepreneurs, etc.) that are suffering more directly from this crisis. For the EESC, both these options must be taken into consideration. They require different tools and sometimes these cannot coincide. Recovery is needed to make the economic system resilient.

1.4. The COVID-19 crisis has highlighted some of Europe's most dangerous weaknesses: the lack of a coordination policy for industry and dependence on other economic areas for many products and services. The EESC understands that it is difficult to change habits and policies, and also that it takes a number of years for the real effects of new policies to be felt. However, time is precious if the Union wants to change and recover. The increase in raw material prices (and difficulties in its distribution), the lack of semiconductors and high energy prices also show the Union's dependence on critical assets. The EESC wants to see real action from all Member States on investment in education, infrastructure and industrial policy that can raise employment and encourage citizens to boost European industry.

⁽¹⁾ Involvement of Organised Civil Society in the National Recovery and Resilience Plans — What works and what does not? (OJ C 155, 30.4.2021, p. 1).

1.5. The EESC supports investments in high-quality education, lifelong learning and R&D, which are essential to drive and complement the economic and social changes that NextGenerationEU promotes. It is clear that investment that strengthens the health systems and public health policies of societies hit hard by the COVID-19 pandemic is essential. It must be combined with a really strong industrial policy that can promote the production and development of products and services in Europe in order to avoid a complete dependence on other economic areas.

1.6. The EESC believes that this is the time for a thorough and deep reform of the pact. A strong recommendation is needed in this new revised Semester and a new pact that includes some binding proceedings and rules for the consultations of CSOs and local authorities. This calls for action. It is time to formulate binding rules for involvement in all stages from preparation to implementation to avoid structural problems in the future.

1.7. In the EESC's view, a brief analysis of the main priorities of the RRFs shows a clear focus on the goals of the Green Deal. For the EESC, this is obviously important but there are concerns regarding the implementation and the impact of some measures that seem to be not very well founded. Citizens, workers and companies must be supported in making this transition and the targets must be defined clearly and reasonably to avoid a situation in which we have impressive political rhetoric but bad practical implementation, with tremendous side effects 'below the surface'.

1.8. The EESC calls attention to the fact that one of the most valuable outputs of the Semester process has been ignored through the years. In fact, Country Specific Recommendations are an opportunity for improvement, and are based on consistent data. The MS should re-evaluate their attitude towards this tool, particularly after the COVID-19 crisis and in light of the opportunity that the RRF brings to implement structural reforms (on education, on fiscal policies, on labour market, on social protection under the Social Pillar and the Porto Summit recommendations) that are essential for most of the MS. The EESC strongly recommends a change of attitude from the MS perspective, and Civil Society Organisations should be very active and act as supervisors in the process.

1.9. The EESC also calls attention to the fund absorption capacity of certain Member States, bearing in mind their 'track record'. Half of the 2014-2020 Multiannual Financial Framework (MFF) structural funds had not been used by end-2020, and should be spent in the years to come. The Commission's experience and data should provide warnings for the MS and help them better reallocate the funds in terms of distribution and timeline. It is very important to warn the MS that their political choices must not undermine the recovery process and some measures need to be taken to avoid problems in the system. This includes not only the need to avoid bureaucracy, but also the need to provide the right political support for efficiency.

1.10. The EESC believes that the unavoidable digitalisation process, especially in connection with public services in health or social systems, will eliminate a number of jobs. This digitalisation may also create problems to elderly citizens with less ability to deal with the digitalisation process. The EESC calls attention to the need to design programmes that may really support citizens and facilitate the transition. Member states must allocate investment funds to reskill people affected by this change, and political courage is needed to face the challenge, as is good communication with citizens to clarify policies and goals.

1.11. The EESC welcomes the 'Recovery and Resilience Scoreboard' initiative. The EESC believes that this will be a very important tool that is able to boost the investment process and bring about mechanisms that could be of crucial importance for the Union. The EESC also supports the timeline proposed, with expected adoption by the Commission by the end of September⁽²⁾. However, the EESC insists on CSOs' participation also in this process. It is not a question of visibility. It is a question of vigilance, and the EESC also calls attention to the need to empower and prepare CSOs for this challenge. It is useless to call for action by the CSOs if they are not prepared or do not have the resources to be active. This represents a huge responsibility and opportunity for the CSOs.

⁽²⁾ Recovery and Resilience Scoreboard & common indicators, draft delegated act: Recovery and resilience scoreboard — common indicators and detailed elements.

2. General comments

2.1. The EESC welcomes the launch of the Commission communication on Economic policy coordination in 2021: overcoming COVID-19, supporting the recovery and modernising our economy⁽³⁾. The world is facing a major crisis that seems to undermine all the recovery plans and strategies. The resilience and the strength of Europe must, however, prevail if we are to sustain our Union.

2.2. It is a fact that the European Union has taken unprecedented action to fight the COVID-19 pandemic, cushion the impact of the crisis and put our economy on a path of robust, sustainable and inclusive growth. However, there is still a lot of uncertainty about the effectiveness of the health policies as the crisis has had a tremendous impact on citizens' confidence, essential for the economic and social recovery. The goal of having more than 70 % of the European population vaccinated will have a tremendous impact on people's confidence and the EESC salutes the coordination effected between Member States to achieve this goal. The EESC also calls attention to the need to clarify to the citizens the fact that these achievements are important but caution is still needed because these measures might not be sufficient to completely stop the health crisis.

2.3. The opportunity that has been given to Member States to present the National Recovery and Resilience Plans is a huge factor that must be a priority. The EESC strongly believes that civil society organisations can play a critical role in the implementation and monitoring of these plans. This must be clear to all Member States. In the words of the EESC's Resolution: 'The EESC considers that all reforms in the restructuring process must be based on the principles underpinning the EU: the protection of human and social rights, democratic values and the rule of law. Investments under the RRF must aim to unlock the full potential of the single market, strengthen the EU's economic resilience, meet the United Nations Sustainable Development Goals (SDGs), create a circular economy, achieve climate neutrality in the EU by 2050 at the latest, encourage innovation and modernisation related to the digitalisation of the economy and society, and secure effective implementation of the European Pillar of Social Rights to ensure social cohesion, eradicate poverty and reduce inequalities'⁽⁴⁾.

2.4. NextGenerationEU, worth EUR 750 billion (500 billion applied now), is a key tool for the EU to foster investment and recovery in order to emerge stronger and more resilient from the current crisis.

2.5. The EESC believes that the European Pillar of Social Rights Action Plan sets out concrete actions to strengthen the social dimension across all policies of the Union and will help ensure an inclusive recovery.

2.6. The EESC also affirms its position that environmental sustainability, productivity, equitable and fair distribution and macroeconomic stability remain the guiding principles of the EU's economic agenda. In spite of all the challenges, the Green Deal remains a long-term priority and Europe must take the opportunity to lead on this issue.

2.7. The EESC strongly believes that ensuring an effective policy coordination under the European Semester remains crucial to set the EU economy on a stronger, sustainable and inclusive growth path after the pandemic. This has been stated by the EESC in the past months and remains a priority.

2.8. The EESC is of the view that overall, the participation of organised civil society is still low in the Member States. Organisations have been informed and in many cases heard; however, this has brought about only a few tangible results. In a majority of Member States, there have been no effective consultations leading to significant modifications to the initial government proposals, with just a few exceptions.

3. Specific comments

3.1. Thanks to the measures taken at EU and national level, the impact of the pandemic on European labour markets has been contained. However, there are still different views and situations within the Union. The EESC believes that differentiated approaches must be taken in order to ensure the recovery of the Member States that are suffering from the crisis more than others.

⁽³⁾ COM(2021) 500 final, 2.6.2021, Economic policy coordination in 2021: overcoming COVID-19, supporting the recovery and modernising our economy.

⁽⁴⁾ Involvement of Organised Civil Society in the National Recovery and Resilience Plans — What works and what does not? (OJ C 155, 30.4.2021, p. 1).

3.2. The EESC agrees with the view that economic policy needs to remain supportive throughout 2021 and 2022. Member States are facing a huge battle that is far from over. The Union must prevail and realise that the recovery plans will take time to have an effect and that resilience is needed in order to get results. The EESC calls emphatically for short-term and medium-term strategies to properly address the negative effects of the crisis and have a strong and sustainable growth through the years.

3.3. There is an interesting trend for Europe's citizens to save more. This trend should also be a positive opportunity to boost a combination of private and public investment that can make a difference to the recovery of the economy and social conditions. The EESC calls for specific action in this matter and believes that the Commission should encourage all Member States to adopt a strong fiscal policy. Creativity is needed to adopt strategies to turn these savings into smart investment and the responsibility of this must be shared with governments, stakeholders and financial institutions.

3.4. The EESC, under the active support and work of the European Semester Group (ESG) intends to work on its next resolution during the next months, with contributions from our 27 ESG 3-member delegations set up for this purpose, and follow the participation of civil society in the implementing process while analysing the policy content from a civil society perspective. For the moment, only a small improvement has been registered, mainly as regards formal information meetings, with very limited possibilities to influence the plans.

3.5. CSOs are more positive about the prospects of governments using the funds to drive investment than to boost growth-enhancing reforms, with many members feeling that their countries' national recovery and resilience plans lack ambition or commitment regarding reforms while others criticise the lack of additional investment that was not already envisaged before the COVID-19 crisis.

3.6. Europe faced a huge difficulty with the COVID-19 crisis and it showed a dangerous weakness of the Union: the lack of a coordination policy for industry and dependence on other economic areas for many products and services. This fact needs to be addressed in a coordinated way to facilitate recovery. A proper industrial policy is needed more than ever and to time to act is now. The increase in raw material prices also shows the Union's dependence on critical assets. The EESC wants to see real action from all Member States on investment in education, infrastructure and industrial policy that can raise employment and encourage citizens to boost European industry.

3.7. A large majority of the CSOs (71 %) consider that their involvement in the design of their countries' national recovery and resilience plans ranged from somewhat insufficient all the way to extremely limited.

3.8. The EESC believes that the digitalisation process is fundamental to boost economy and society but there is a real need for Member States to design programmes and allocate resources to eliminate barriers to this process, especially for some parts of the population — elderly and less skilled people. The need to develop IT programmes with impact aligned with software that can benefit all citizens is therefore a priority. Digitalisation yes. But not at any price.

3.9. The EESC is very satisfied with the Commission's initiative for a 'Recovery and Resilience Scoreboard'. It is an important step to monitor the implementation of the RRP and the EESC thinks it is an opportunity to boost the investment process and bring about mechanisms that could be of crucial importance for the Union. Once again, CSOs can play a critical role on this process and are ready to cooperate.

4. The recovery plans and the different approaches

4.1. The EESC believes that, as far as the existing framework is concerned, policy regarding Member States' sustainable and inclusive growth and fiscal balances must be a priority. The need for adaptation to a new phase — once the danger to health caused by the COVID-19 pandemic has been overcome — is obvious. There should be an alternative to excessive imbalance as the only prospect following the enormous growth in debt and deficit in the Member States. The EESC believes that this is the time for a radical and deep reform of the fiscal governance framework and strongly warns against a return to the 'old' fiscal rules. We need a strong recommendation for this new revised Semester and a new pact including some binding proceedings and rules for the consultation of CSOs and local authorities and this calls for action. It is time to formulate binding rules for involvement in all stages, from preparation to implementation and Member States need to look at new targets for deficit reduction with a focus on growth and also on governance.

4.2. There is an urgent need to modernise the fiscal and economic framework, to implement a prosperity-focused stance and to implement a golden rule. The Commission also is now looking at the spending side but also — very rightly — at the revenue side. The EESC recommends shifting labour taxation towards environmental taxes while also taking care of a regressive approach and not burdening low income households. The EESC also demands the combatting of aggressive tax planning and fraud, because that could undermine the economic and fiscal recovery of Member States and the EU as a whole. A smart approach is needed here and also greater convergence in the Union to move forward. Monetary and fiscal policy, maybe with progressive environmental taxes, with gradual tax cuts must also be an option. It is clear that tax competition with third countries instead of within the EU can make a difference.

4.3. The EESC stresses the fact that, in addition to the pandemic, there is pressure on the price of raw materials. Great care is needed in addressing this. The EESC believes in fair competition and supports the need for a level playing field, but points out that the situation is becoming serious, risking severe damage to the entire Union. Prices of raw material have increased by between 30 % and 120 % in recent months and the pressure continues.

4.4. The NRRPs reveal different views from the Member States regarding the recovery of each economy and each social situation. This also shows the inequalities in the Member States. The EESC asks for more coordinated policies capable of strengthening the Union. Cooperation between Member States is needed and 'good practices' could be shared in order to avoid missteps. Sectors such as tourism and manufacturing industry, among others, have suffered the most and getting them to another level should be a priority. This will be very important in creating jobs and adapting the workforce to the real needs of the economy and to involve the CSOs in the implementation process.

4.5. The EESC is concerned by the fact that the Country Specific Recommendations made by the Commission had been largely ignored by certain Member States until now, leading to a scepticism about a possible future change of attitude. In addition, the absorption capacity of certain Member States and the transformative effects of RRF investments is something to be questioned, and so there are doubts as to their potential efficiency and effectiveness. The EESC insists that close monitoring is therefore needed.

4.6. The EESC considers that the implementation of the NRRPs should not just be a tick-box exercise but ought to take place in the real spirit of this instrument: the role of the CSOs should be recognised and consultations should happen in public forums and not behind closed doors.

4.7. The COVID-19 crisis highlighted and exacerbated longstanding gaps in our societies and the most vulnerable often have been hit the most. The incidence of COVID-19 infections was highest for the most deprived people, and several parts of society often bear the brunt of the impact of the measures to fight the crisis. As a consequence of the crisis, low-skilled and/or young people disproportionately saw the largest fall in employment. In addition, education has been seriously disrupted for many. There are exacerbating risks of inequalities regarding the less skilled groups of citizens.

5. The single market as a strength of the European Way of Life

5.1. The COVID-19 crisis has been felt in all Member States but the impact has differed. A coordinated approach on vaccination enabled the Union to achieve very good results. The goal of having 70 % of the Union's population vaccinated meant a huge task and the EU response was very positive. In spite of some problems (to be expected for such a project), this was a success and a good example of the 'peace project' that the Union has represented since its beginning.

5.2. More than ever, the single market and its integration must be a priority and political disputes should be avoided. Political rhetoric encountered in some MS that undermines the single market has been contradicted by the facts: only with a strong Union and a coordinated approach has it been possible to negotiate and draft the RRFs at such short notice. Communication is essential to promote European values and the single market is part of the process. All Europe's citizens should benefit from the internal market, so that they can be proud of Europe's ability to respond to the crisis, in spite of all the setbacks created by the challenge of mounting a coordinated response to the crisis.

5.3. The EESC understands that Member States took different approaches regarding the health situation, but it also underlines the fact that the coordination and good practices should be promoted more after the vaccination process. The Union must take advantage of its assets — specifically the free movement of citizens, products and the movement of capital. The EESC wants to support this freedom without undermining the Member States' health systems and this is only possible with coordination of the single market. The Member States have shown several times in history that this is possible. The time for a good response is now.

5.4. The EESC stands for the Single Market and its opportunities combined with a strong social market that is essential and a 'mark' of the Union. This is an achievement that must be protected.

6. Civil society organisations on the recovery plans

6.1. The EESC insists that the involvement of CSOs is crucial for the recovery especially as we have to admit that the emergency recovery measures, both at national and EU level, could be made permanent.

6.2. CSOs support high-quality investments in education, lifelong learning and R&D that are essential to drive and complement the economic and social changes that NextGenerationEU promotes, as well as investments that strengthen the health systems and public health policies of societies that have been hit hard by the COVID-19 pandemic. More than ever, the organisations 'on the ground' have the ability and responsibility to indicate and propose ways to face the real challenges and Member States must have the courage to involve them in the decision-making process. The EESC asks for this kind of approach mainly because of the experience and knowledge gathered by decades of service to different causes with very good results.

6.3. In times of crisis the voice of CSOs is more important than ever, not only because of these organisations' experience, but mainly because they benefit from a direct contact with reality that is essential to monitor and implement policies that have a real impact.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

**Opinion of the European Economic and Social Committee on the Recommendation for a Council
Recommendation on the economic policy of the euro area**

(COM(2020) 746 final)

(additional opinion)

(2022/C 105/28)

Rapporteur: **Kristi SÖBER**

Bureau decision	26.4.2021
Legal basis	Rule 32(1) of the Rules of Procedure and Rule 29(a) of the Implementing Provisions of the Rules of Procedure
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	5.10.2021
Adopted at plenary	20.10.2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	166/2/1

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) is well aware that the pandemic is not over yet and that its economic impacts will last for several years and need a specific, new emergency economic policy mix. The EESC welcomes the most recent forecast by the European Commission indicating that, from 2021, the EU and euro area economies will accelerate fast again (and preliminary data confirm that), especially thanks to the recovery of investment, strongly supported by utilisation of NextGenerationEU (NGEU), in particular the Recovery and Resilience Facility.

1.2. At the same time, the EESC acknowledges that the EU is going through the most serious period in the economic history of European integration, which is affecting private consumption and investments, as well as foreign trade performance. At this critical time, only government expenditures can help to alleviate the situation.

1.3. In this specific and unique situation, it was necessary to create a new emergency economic policy mix to address the crisis. The EESC appreciates the fast reaction at EU as well as at Member State level and welcomes the fact that the twin transition process has become a substantial part of the recovery effort and strategy.

1.4. Especially in the first half of 2020, the Coronavirus Response Investment Initiatives helped alleviate the very difficult economic circumstances, mainly by stabilising markets, jobs and personal incomes. This first step was followed by the NGEU, the robust and most innovative fiscal contribution, directly reacting to the effects of the pandemic. The EESC warmly welcomes both initiatives as a fast and flexible response to the pandemic.

1.5. The EESC is well aware of the different positions and impacts of the pandemic that caused wider divergence among Member States. The EESC calls for consideration to be given to the phenomenon of divergences across the euro area and for a prudent response to be given to the significantly worsened fiscal performance, and within a common framework, the Committee welcomes the flexibility adopted in tailor-made national economic policies and recovery programmes that respect the specific needs of Member States. This flexibility is also recommended for the implementation of the Recovery and Resilience Programmes.

1.6. The EESC underlines the need to achieve a new balance between monetary and fiscal policies and to eliminate the identified macroeconomic imbalances in the coming period. The EESC is aware of the significant rise of debt-to-GDP ratios in the last year. After economic recovery has taken hold, the reduction of debt-to-GDP ratios must be done in a way that promotes inclusive growth, avoids social injustices, negative effects for companies and on the labour market.

1.7. The EESC respects and understands that the post-COVID-19 recovery will be extensively accompanied by structural policy measures⁽¹⁾ that will mainly be in line with the EU Green Deal. In this regard, the EESC supports the links between the recovery process, fiscal consolidation and green budgeting practices.

1.8. The EESC firmly believes that the lessons from the pandemic should be reflected in the overall effort to contribute to the economically effective, socially fair and environmentally sustainable development of the EU and the euro area in the long run.

1.9. Contrary to the previous crisis in 2009-2011, where the banking and financial sectors were one of the triggers of the consequent recession, this time the EESC welcomes the good and healthy shape of the banking and financial sectors, which has helped to overcome this difficult situation more smoothly.

1.10. The EESC respectfully calls for the integrity of the single market to be maintained and for any signs of its fragmentation to be prevented, as a fundamental condition for the future positive performance of the EU and euro area economies. This integrity should be further supported through suitable progress in the development of the Banking Union and the Capital Market Union.

1.11. The EESC acknowledges and respects that some important lessons from the previous crisis were learnt and were used to support macroeconomic stability, and calls upon the responsible EU institutions to improve the EU's economic policy governance and to ensure that the lessons learnt from the pandemic are consequently reflected in continuous reform efforts.

2. Background and context

Current macroeconomic performance and outlook

2.1. The COVID-19 pandemic has caused a sudden and deep economic depression but, in 2020, the drop in GDP was ultimately slightly less than originally expected. The decrease was bigger than in the last economic crisis (in 2020, the euro area economy dropped 6,5 % year-on-year, compared to 4,5 % in 2009; the EU economy decreased by 6,0 % year-on-year in 2020, compared to 4,3 % in 2009; both the EU and euro area economies are expected to grow by 4,8 % in 2021). Therefore, we are facing an exceptional economic situation and Europe's worst economic performance since the Second World War.

2.2. In 2020, both private consumption and investments have dropped substantially (both 7,4 % year-on-year) and foreign trade has also been severely hit. Only government expenditure in 2020 grew slightly in a year-on-year comparison (1,3 %). Until now, due to the emergency measures, neither mass job losses nor large income losses on the scale of the 2008 crisis have been experienced. However, considering the substantial decline in economic activity, this means that productivity has been reduced as well.

2.3. 2021 is generally considered to be a year of recovery (due especially to the growth in investment activities, which is forecast by the European Commission to reach 6,2 %), yet it continues to be fraught with uncertainty due to the impact of the pandemic on and the behavioural changes of economic agents.

Emergency economic policy mix

2.4. Because of the pandemic, a new emergency economic policy mix had to be created to provide an immediate but also a medium-term response to the shock. Its main priority is to deal with, eliminate and lessen the economic and social consequences of the pandemic and to keep Europe in a competitive and sustainable path.

(1) ECB definition in: ECB Occasional Paper Series *Structural Policies in the Euro-area*; June 2018: Structural economic policy = Economic policy measures adopted for labour, product and financial markets to improve institutional and regulatory frameworks to strengthen conditions for long-term growth and ensure desirable distribution effects.

2.5. Another integral part of the medium-term and longer-term response to the pandemic, and the recovery, reconstruction and resilience effort (3R strategy), is the twin transition process (green and digital), with its strong focus on social considerations and respect for the rule of law and other fundamental EU values. Moreover, the EESC calls for a greater focus on combating inequalities and tackling the consequences of the crisis, particularly for the most vulnerable.

Monetary policy

2.6. The ECB is continuing its highly expansionary policy as a targeted response to the pandemic. Recently, however, the ECB announced that favourable financing conditions could be maintained with a moderately lower pace of net asset purchases under the Pandemic Emergency Purchase Programme (PEPP) than in the previous two quarters.

Fiscal stance and fiscal consolidation

2.7. The Coronavirus Response Investment Initiatives (CRII and CRII+), which redirected and reallocated cohesion policy funds, greatly helped to compensate for and offset the negative consequences, to stabilise markets and protect jobs and personal incomes.

2.8. The most innovative instrument invented, developed and currently being implemented as a direct response to the COVID-19 pandemic is undoubtedly the NGEU programme, whose main aim is to mitigate the negative impacts of the pandemic.

2.9. The expansionary fiscal stance of NGEU has been exceptionally and temporarily supported through the activation of the Stability and Growth Pact's general escape clause.

2.10. However, along with measures taken at national level, the fiscal engagement has been costly and has led to the deterioration of fiscal indicators.

2.11. A feasible reduction of debt-to-GDP ratio must be done in a way that avoids social injustices and undue negative effects on the labour market. To improve fiscal indicators, an inclusive and sustainable growth strategy is crucial.

Structural policy and regulatory measures

2.12. The COVID-19 pandemic has revealed some serious structural failures in the functioning of European economies and societies. The lessons to be learnt after COVID-19 therefore include not only establishing a new normal, but also implementing measures making the economic and societal systems more resilient (which already presupposes less fragility and vulnerability). This includes not only the milestones for a socially fair twin transition, and more efficient and interconnected healthcare systems and distribution of medical services across Europe, but also support for a more competitive euro area inside and outside of Europe, including strategic investments supporting European industry and strengthening the EU's position in a global context.

2.13. In the first phase of the pandemic, the single market was severely affected, with traditional trade flows interrupted between and even within the EU Member States due to the severe restrictive measures. The situation has been resolved by the intervention of the European Commission, which established green corridors.

Financial intermediation

2.14. The EU and euro area banking and financial sector has proved its strength and resilience, thanks to the new regulations and rules adopted after the previous crisis. Currently, the sector is stronger in terms of its capital equipment and the health of its portfolio. However, there may be some risks relating to the solvency of its clients that might lead to more non-performing loans.

Governance

2.15. The current crisis has reminded us of the incomplete architecture of the EU's economic governance framework. With the Recovery and Resilience Facility, the nature of the European Semester has fundamentally changed: since the disbursement of funds is linked to the implementation of the country-specific recommendations, these have become more politically binding. Civil society should be more involved in the European Semester process. The partnership principle, which has a long tradition in cohesion policy, should serve as a blueprint for an effective tool of civil society involvement.

3. General comments

3.1. The EESC acknowledges that the recovery scenarios will depend heavily on the intensity of the pandemic and on the success of the vaccination campaigns, structural aspects (for example, the performance of sectors that have been mostly or completely affected, such as tourism, hospitality, transport, culture and leisure and their weight in the economy). The potential flexibility in fiscal policy to enable compensatory measures to be adopted and the efficiency of these measures will also be key.

3.2. The EESC regrets that the economic impact of the pandemic has led to wider divergences across the euro area economies in terms of economic performance, fiscal indicators, inflation and external balance. This could strongly influence the economic and social situation and the competitiveness of the affected economies and the euro area as a whole, as well as internal and external imbalances.

3.3. The EESC appreciates the very comprehensive and quite flexible response of the main EU economic policy actors to the pandemic, namely the European Central Bank (with its purchase programmes and key interest rates), the European Stability Mechanism (ESM — with its macroeconomic stability support instruments) and the Commission (with its very innovative NGEU initiative, supplemented by other emergency steps like CRII(+), SURE, flexibility in fiscal and State aid rules as well as in financial regulation, and other exceptional measures giving the Member States the necessary flexibility to adopt the required crisis management measures).

3.4. The EESC is convinced that the outcome of the emergency economic policy mix is crucial. Essentially, a common and coordinated accord must be reached between monetary policy and fiscal policy responses. Relevant reforms must be adopted to support a sustainable recovery (through measures for clean energy, digitalisation, innovation and circular economy, among others). The impact of NGEU and its interaction with other economic policies are important, especially in countries receiving large funds.

3.5. The EESC appreciates that the emergency economic policy mix also contains some limits to prevent any future negative consequences for price stability and fiscal discipline indicators in the medium and longer term as a result of the current expansionary policies. In particular, the future development of public finances is subject to high risks. In this context, the EESC highlights the need for a fair and sustainable taxation policy by, among other things, combating tax fraud and aggressive tax planning.

3.6. The EESC expects the NGEU not only to bring the euro area and EU economies back to their pre-pandemic levels, but also to support important structural policy measures, mainly towards a green and digital transition, taking due account of employment and social concerns. With respect to NGEU, the EESC appreciates that the EU has managed to adopt such a wide-ranging step in such a short time but also considers it necessary to strive to tackle possible shortcomings, such as insufficient consultation of civil society in the development of the National Recovery and Resilience Plans.

3.7. The EESC is aware that another innovative tool designed and implemented as a direct response to the pandemic is SURE, which aims to support governments in their efforts to protect jobs and personal incomes.

3.8. The EESC recommends that the next fiscal consolidation respect the green budgeting practices⁽²⁾ and green public investment support, so as to contribute to the EU Green Deal and a healthier EU fiscal situation. The EESC is well aware of the considerable negative impact of the current crisis on public finances.

(²) Discussion paper, Elva Bova (2021), Green Budgeting Practices in the EU: A First Review.

3.9. While the EESC warns against the premature deactivation of the general escape clause⁽³⁾, it will be necessary to focus on fiscal sustainability once the pandemic has clearly ended and the recovery is well underway. Then fiscal policies and instruments should be refocused so that appropriate strategies are adopted in the medium and longer term. The EESC welcomes the Commission's decision to restart the review on the EU economic governance framework in autumn 2021. Fiscal rules should only be fully applied after having been revised. So instead of a 'return', the EESC recommends a 'turn' towards a revised economic governance framework⁽⁴⁾. In the EESC's view, any future fiscal framework needs to be investment-friendly, through the implementation of a golden rule for public investments without jeopardizing medium term fiscal and financial stability, promote growth and enable Member States to implement a counter-cyclical policy in times of economic downturn.

3.10. The EESC is in favour of reforms for more efficient and fairer public revenue systems that shift taxation away from labour and productive investments, and focus more on environmental taxation and pricing externalities and on a more efficient and improved incentive structure to limit tax avoidance practices.

3.11. The EESC appreciates that the EU and euro area banking and financial sectors are in much better shape compared to the previous crisis; specifically, they are less vulnerable and more resilient. However, at the same time, the EESC recommends not underestimating some of the solvency risks that may result from losses of revenue suffered by the sectors' clients. This could result in more non-performing loans on banks' balance sheets. The EESC is pleased that the euro area banking sector has proved its stability and so far has not been significantly affected by the crisis.

3.12. The EESC firmly believes that the smooth functioning of the single market also means more resilient and efficient euro area and EU economies as a whole. The Committee also deems it particularly important to complete the single market in order to limit economic inflexibilities and imperfections.

3.13. The EESC welcomes the specific economic policy mix that was adopted last year to provide an immediate response to the pandemic and that was continuously adjusted to reflect the evolving situation. The EESC considers that the EU's response measures could effectively mitigate the potential negative long-term impacts of the crisis on the economic performance of the euro area and the EU, and on the EU's labour markets, and could lessen the widening of economic and social divergences. At the same time, it is crucial to address the substantial imbalances in order to effectively cover significant macroeconomic risks, including risks of rising inequalities.

3.14. The EESC firmly believes that well-functioning healthcare, social protection and emergency systems are crucial for positive long-term sustainable economic development. The pandemic has revealed and reinforced this link, which should consequently also be reflected in the implementation of the European Pillar of Social Rights.

3.15. The EESC strongly recommends continuing efforts to complete the architecture of the Economic and Monetary Union, including adapting the European Semester to the NGEU programme, completing the Banking Union and Capital Market Union and revising the economic governance framework. It should be considered whether the design of the NGEU could also be an example as to how common EU financial resources could be mobilised and used in the future.

3.16. The EESC points out that the main package of measures to address the negative impacts of the pandemic was prepared in the first half of 2020, thus just before the most severe effects of the pandemic were felt in most Member States. Therefore, an evaluation of the relevance and adequacy of the measures adopted could be considered. Planning plays a key role in anticipation, which will enable responses to continue to be given to the new reality caused by the pandemic, which is far from being overcome, making permanent planning necessary.

4. Specific comments

4.1. The EESC appreciates the Commission's publication of seven flagship initiatives to serve as guidelines for practical implementation of the Recovery and Resilience Facility (RRF) in individual Member States. It is very important that these initiatives be consistent with the challenges and priorities identified for the post-COVID-19 recovery in the Council Recommendation on the economic policy of the euro area.

⁽³⁾ OJ C 429, 11.12.2020, p. 227.

⁽⁴⁾ OJ C 429, 11.12.2020, p. 227, and EESC own-initiative opinion on reshaping the EU fiscal framework for a sustainable recovery and a just transition (ECO/553), see page 10 of this Official Journal.

4.2. The EESC acknowledges the very supportive role that the European Investment Bank's pan-European Guarantee Fund has played in protecting and boosting the business sector in the euro area and the EU as a whole.

4.3. With regard to the recovery, the EESC proposes focusing on economic growth and social justice, which will translate into higher income and GDP. A sustainable fiscal stance, with a view to reducing the burden for future generations and limiting the risk associated with higher interest rates or lower production, requires a bigger increase in economic activity, which could be enabled through (a) strengthening public investments and (b) reforms that support the transition towards a green and digital economy.

4.4. The EESC acknowledges and respects that some important lessons from the previous crisis have been learnt and used to support macroeconomic stability, and strongly believes that the lessons learnt from the pandemic should consequently be reflected in continuous reform efforts focused on reducing the administrative burden on businesses through the digitalisation of public administrations, of SMEs and of the business sector as a whole, electronic identification and more effective justice systems.

Brussels, 20 October 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

ISSN 1977-091X (electronic edition)
ISSN 1725-2423 (paper edition)



Publications Office
of the European Union
L-2985 Luxembourg
LUXEMBOURG

EN