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I

(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

458TH PLENARY SESSION HELD ON 16 AND 17 DECEMBER 2009

Opinion of the European Economic and Social Committee on ‘Trade and Food Security’

(exploratory opinion)

(2010/C 255/01)

Rapporteur: **Mr CAMPLI**

Co-Rapporteur: **Mr PEEL**

By letter of 21 January 2009, Ms Margot Wallström, Vice-President of the European Commission, asked the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, to draw up an exploratory opinion on:

Trade and Food Security.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 19 November 2009. The rapporteur was Mr Campli and the co-rapporteur was Mr Peel.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December), the European Economic and Social Committee adopted the following opinion by 191 votes to 1 with 6 abstentions.

1. Conclusions and recommendations

1.1 Conclusions

1.1.1 In the Committee's view, the right to food is a fundamental citizenship right, as is the right of civil society to intervene in all aspects of this issue; moreover, it considers global food security to be a fundamental human right.

1.1.2 In a world in which enough food is produced to feed everyone, over one billion people do not have access to enough food. The basic cause of this food insecurity is poverty, against the backdrop of disintegrating local market infrastructure, culinary traditions and economies resulting from the international strategies which have been adopted since the 1980s.

1.1.3 The Committee is aware that in the sphere of complementary development policies, aimed at reducing poverty and increasing income, regulated trade can help lift people and groups out of food insecurity, via, inter alia, the development of regional markets.

1.1.4 Widespread recourse to protectionist measures does nothing to further global food security, by removing essential flexibility and working against any form of effective regional integration, especially in Africa.

1.1.5 With regard to regulated trade, the Committee considers that the principles of the right to food must underpin the processes of decision-making and implementation and that States must refrain from entering into international obligations which conflict with those principles.

1.1.6 The Committee is aware that policies aimed at *self-sufficiency in food* are economically costly and inconsistent with a global governance approach. At the same time, it recognises *food sovereignty* as a people's legitimate right to decide for themselves on policies to achieve their own *food security* and to feed their community *on an ongoing basis*, while respecting others' *food sovereignty*.

1.1.7 The Committee stresses the need to reform the instruments, bodies and policies pertaining to global governance of food security and trade, in line with the principles and practices of *Policy coherence for development*.

1.1.8 The Committee believes that all potential, useful strategies aimed at combating poverty and increasing food security are capable of yielding fruitful, stable results provided that they go hand in hand with progress in democratic processes and greater rule of law in the countries subject to food insecurity.

1.2 Recommendations

1.2.1 As part of a global political approach, the Committee puts forward the following general recommendations:

1.2.1.1 for the EU to implement the European Consensus on Development, with the aim of advancing a clear-cut political strategy that can be recognised by our world partners, and to play a leading role in a thorough overhaul of the FAO-WFP-IFAD system;

1.2.1.2 for the EU to incorporate the principles of the right to food in its trade policies, and to begin working with the other WTO members to ensure that these principles are mainstreamed into the multilateral negotiations;

1.2.1.3 for the EU to sound out ways in which, in the light of Corporate Social Responsibility policies, the economic and commercial activities of European companies or companies based in Europe can be monitored insofar as they impact on global food security; here, the Committee undertakes to draw up an own-initiative opinion, on the topic of *European agribusiness in the world: strategies, challenges and best practices*.

1.2.1.4 for the EU to include an institutional role for civil society in future economic partnership agreements and other free-trade agreements, as already provided for in the CARIFORUM-EC agreement;

1.2.1.5 for the international financial bodies to establish appropriate regulation of financial markets so as to prevent speculation on agricultural commodities;

1.2.1.6 for international human health and environmental organisations to discourage diets that make excessive use of animal protein;

1.2.1.7 for the international community to set up an international food reserve system, to work in close coordination with the FAO's early warning system;

1.2.1.8 for the international community to review the UN classification in order to make a clear distinction between middle-income developing countries and the poorer or least developed countries (LDCs);

1.2.1.9 for all WTO members and primarily the EU to incorporate impact and vulnerability analyses into the negotiating mandates, broken down by country and group of people;

1.2.1.10 for the WTO members to sanction temporary measures restricting exports which, by effectively allowing food prices in developing countries to be kept down, assist in managing the emergence of food crises affecting specific social groups;

1.2.1.11 for the governments of developing countries to involve farmers' organisations in agricultural development programming on a permanent basis and to strengthen all forms of organised production established by farmers or promoted by workers and consumers;

1.2.2 With specific reference to the ongoing EPA (Economic Partnership Agreement) negotiations, the Committee recommends that the EU:

1.2.2.1 work for enhanced regional integration in Africa in particular, as a powerful tool for promoting both development and food security, and as a defining element in the revision of the Cotonou Agreement due in 2010;

1.2.2.2 ensure synergy between overlapping regional integration initiatives and between interim EPA agreements and comprehensive EPA agreements;

1.2.2.3 ensure that the negotiations can adapt readily to the capabilities and capacities of the ACP countries, with 'early harvests' in areas such as simplified rules of origin;

1.2.2.4 encourage agriculture and rural development to become priority sectors chosen by as many ACP countries (African, Caribbean and Pacific Group of States) as possible;

1.2.2.5 increase further the EU targeted amount of over EUR 2 billion for Aid for Trade/trade related assistance given the added effects of the economic crisis;

1.2.2.6 encourage the development and growth of high-added-value transformation industries in Africa, particularly in the food sector, in part by enhancing infrastructure systems;

1.2.2.7 encourage significant local research and technological development, especially in agriculture-related fields.

1.2.3 With specific reference to the ongoing WTO Doha negotiations, the Committee makes the following recommendations:

1.2.3.1 for WTO members to ensure that the strategic review of trade policy serves to relaunch the debate on the form of future agriculture trade negotiations, giving food security specific status, and on future forms of technical assistance for developing countries;

1.2.3.2 for WTO members to conclude the Doha Development Round by 2010, as called for by the G20, in order to demonstrate the underlying commitment both to development and to the MDGs (Millennium Development Goals);

1.2.3.3 for the EU to lock in the concessions gained by developing countries instead of looking for further concessions for itself;

1.2.3.4 for the EU to extend its EBA initiative (*everything but arms*) to all countries identified by the FAO as being in 'food crisis' or 'at high risk', not limiting it to the LDCs or ACP countries;

1.2.3.5 for the EU to use trade mechanisms to promote greater food security, such as early implementation of the proposed 'WTO Trade Facilitation Agreement', assistance with sanitary and phyto-sanitary issues, and providing help for the small independent farmer not tied into controlled supply chains.

2. Food security in the face of the twin crises

2.1 Definitions

2.1.1 The Committee subscribes to the following universally-accepted definition of food security established by the 1996 World Food Summit: 'Food security exists when *all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life*'.

2.1.2 That being so, the Committee points out that food security is a complex issue comprising four multifaceted aspects, which it is crucial to take into consideration:

- a) quantitative availability of food;
- b) physical, economic and social access;
- c) correct use

- d) stability over time of availability, access and utilisation.

2.2 The current situation and the twin crises (food and financial)

2.2.1 Analysis of food insecurity has revealed the following key characteristics ⁽¹⁾: a) it is on the rise and now, in the wake of two crises, the number of people affected has passed the one billion mark; b) it is increasingly concentrated (89 % of cases are in Asia, Pacific and sub-Saharan Africa); and c) while it remains highly rural (70 % of people experiencing food insecurity live in rural areas), it is also making its mark in urban and peri-urban areas.

2.2.2 The combined effect of the agricultural prices crisis and the financial crisis is the main reason for the latest increase in the number of people experiencing food insecurity. Moreover, the rising incidence of disasters is affecting food insecurity; in terms of manmade disasters there is an increasing prevalence of those that are socio-economic in nature, in respect of war and conflict.

2.2.3 Agricultural commodity prices were marked by fluctuations over the last three decades, reflecting a medium-term *trend* that was nevertheless downward in real terms. The sharp increase in 2007-2008 had a particular impact on account of both its scale and its speed (the FAO food price index rose by nearly 60 % in little more than 12 months). It should however be remembered that even at their peak (March 2008), prices were below the historic highs of the early 1970s.

2.2.4 With regard to the more recent fluctuations, we would point out that since the financial speculation bubble burst, agricultural prices have steadily decreased, but remain, however, higher than before the 2007/2008 crisis.

2.2.5 The Committee points out that underlying these wide price fluctuations and the consistent and growing price volatility are structural, economic and even speculative causes.

2.2.6 The Committee highlights, in particular, a strong correlation between recent trends in agricultural prices and the price of oil, which has a bearing both on agricultural production costs and on the expediency of producing biofuels, particularly when backed by public aid.

2.2.7 Other contributory causes of the food crisis include: the gradual decline of agricultural investment and chronically low agricultural yields in poor countries; rapid urbanisation; rising income levels in certain emerging countries (China and India) leading to a dietary shift towards greater meat consumption; and the breakdown of food stocks systems.

⁽¹⁾ See FAO, *The State of Food Insecurity in the World*, 2008 and 2009 reports.

2.2.8 The Committee points out that in this changed landscape we have seen an increased tendency as regards speculative capital and investment funds, including European ones, for investors to add securities linked to agricultural commodities to their portfolios, making the prices of these commodities more volatile and distorting the futures market.

2.2.9 The Committee therefore points out that if there is a failure to rapidly and vigorously reform the financial markets, speculation in agricultural commodity prices will again intensify in the coming months and into the future, with potentially serious consequences in terms of increasing food insecurity.

2.2.10 The financial crisis, coupled with the commodity price crisis, has spawned a series of interconnected developments in developing countries, including: a reduction in the flow of foreign investment capital, a reduction in remittances, governments unable to introduce public expenditure programmes, a tendency to turn to *tied aid*, a decrease in domestic investment, increased poverty, a fall off in sowing, with reduced harvests predicted and a renewed hike in food prices.

2.2.11 The hardest-hit social categories are those that exhibit the greatest factors for vulnerability: landless rural inhabitants, households headed by women, and the urban poor. The worst hit countries are those characterised by strategic dependence on imports, highlighting the essential need for local agricultural development.

2.2.12 Faced with these situations the Committee stresses the urgent need for an increase in international funds for development; the EESC therefore supports the idea of a tax on international financial transactions ⁽²⁾, the proceeds from which could be allocated to food security initiatives.

2.2.13 It is equally vital for ACP countries to change the way they use the ESF in order to increase food security; in fact, at present, despite the fact that 70 % of the people experiencing food insecurity live in rural areas, ACP governments have allocated only 7,5 % of the 9th European Development Fund (2000-2007) to rural development, and just 1,5 % to activities explicitly related to agriculture.

2.3 Emerging problems

2.3.1 Any long-term analysis of food insecurity requires a contextual awareness of other emerging and now structurally-linked phenomena:

- **water:** the link between food security and water was affirmed by the UN Resolution of 20 April 2001; the concept of the *right to access water* must be recognised politically and legally since access to drinking water is a prerequisite for public health and is one element in nutrition of acceptable quality;

⁽²⁾ See EESC opinion on the *Report of the de Larosière Group*, OJ C 318, 23.12.2009, p. 57.

- **land going cheap:** recently, in addition to the scarcity of useable farming land, a new phenomenon has arisen of economic and political importance: the acquisition of large swathes of land by States, private companies, and investment funds, which take control of production and even threaten the independence of other States ⁽³⁾. Consequently, there is an urgent need to devise a bilateral and multilateral legal framework that can determine fair distribution of the benefits, covering employment, environmental standards, technological development and food security in the countries concerned;
- **climate:** the people who suffer most from the consequences of climate change are smallholder subsistence farmers with less capacity to adapt and people working in the fisheries sector in developing countries;
- **biofuels:** the Committee has already highlighted in other opinions the impact of biofuel production on food price rises and their volatility;
- **demographics:** the global population growth of recent years has not been matched by a corresponding increase in agricultural productivity thanks to the low levels of investment in the sector; specific demographic policies thus remain crucial, especially in the most at-risk countries.

3. The right to food

3.1 The Committee stresses the need, alongside the instruments regulating market trends and the relevant institutions, for new international regulations to be drawn up. Combining a statement of people's full rights with a gradual increase in the effectiveness of market-economy instruments could provide the new strategic framework for regulating food security with its complex and globalised nature.

3.2 This strategy will be capable of yielding fruitful, stable results provided that it goes hand in hand with progress in democratic processes and greater rule of law in the countries subject to food insecurity.

3.3 The EESC subscribes to the definition of the right to food as 'the right to have regular, permanent and free access, either directly or by means of financial purchases, to quantitatively and qualitatively adequate and sufficient food corresponding to the cultural traditions of the people to which the consumer belongs, and which ensures a physical and mental, individual and collective, fulfilling and dignified life free of fear' ⁽⁴⁾. The definition is closely related to the concept of food security described in the first paragraph of the World Food Summit Plan of Action and discussed in point 3.2 above.

⁽³⁾ See FAO, IIED and IFAD, *Land grab or development opportunity?*, 2009.

⁽⁴⁾ UN, *The Right to Food*: Commission on Human Rights Resolution 2001/25 and Report by the Special Rapporteur on the Right to Food, Mr Jean Ziegler, paragraph 14, 7 February 2001.

3.4 In November 2004 the FAO member states adopted a set of Voluntary Guidelines ⁽⁵⁾ on how to interpret this social, economic and cultural right and to recommend practical steps that could be undertaken to make the right to food a reality.

3.5 There are now a number of countries in the world which have a Constitution that makes explicit reference to the right to food, but only a few of them have adopted domestic laws to actually protect this right; these include South Africa and Brazil, which have also adopted ordinary legislation recognising that the right to food and water can constitute grounds for legal action (going to court, etc.).

3.6 Pursuing this line, the United Nations Special Rapporteur on the Right to Food, in his mission to the WTO identified four guidelines ⁽⁶⁾: the role of trade should be determined in conjunction with human rights and development objectives; the importance must be stressed of a multilateral framework for trade; there must be a shift in perspective in measuring the impact of liberalisation, away from abstract aggregates (such as GDP measurements) towards focusing on the needs of the food insecure; effects on health, nutrition and the environment should be fully integrated into trade discussions. Countries must therefore refrain from entering into international obligations that are contrary to these primary goals.

3.7 To this end, a number of Member States have started to launch specific strategies and recognise food security as having the status of a public good. Many developing countries have, in turn, called for tangible measures to protect their food security, including the category development/food security in the Agriculture Agreement. In the course of negotiations, other countries have proposed drafting a food security clause recognising specific food security needs. Under this clause the agenda for negotiations can include potential exemptions which would give particular countries greater autonomy to protect their primary food production given that food security is an essential pillar of national security.

3.8 The Committee calls for a substantial political initiative from the EU aimed at explicit adherence to the principles of the right to food and inclusion in future negotiating mandates of the right-to-food 'constraint', as defined by the UN.

4. Trade and food security

4.1 *Inter-relationships and impacts*

4.1.1 The Committee recognises the importance of open, regulated international markets for increasing global agricultural production efficiency.

⁽⁵⁾ FAO Council, *Voluntary Guidelines to support the progressive realization of the right to adequate food in the context of national food security*, November 2004.

⁽⁶⁾ Report by the UN Special Rapporteur on the Right to Food, Mr Oliver De Schutter, Mission to the World Trade Organization, 9 March 2009.

4.1.2 However, the Committee is concerned at the growing vulnerability of countries which, by specialising, are becoming increasingly dependent on international markets. Food security can be jeopardised by over-reliance on the price performance of exports and the foodstuffs a country imports, which have been particularly volatile in recent years.

4.1.3 Moreover, it is apparent that opening up markets has non-neutral effects in terms of distribution and involves adjustment costs that are often unsustainable for certain sections of the population.

4.1.4 The Committee stresses that opening up markets can increase exports, providing major rural development opportunities, if action is taken to tackle imbalanced market forces across the production chain and infrastructural, technological or institutional deficiencies which can transform from positive to negative the effects of open markets on access to food.

4.1.5 The majority of people experiencing food insecurity are small landowners and rural labourers. These people in particular, having no access to credit, infrastructure or technological or market knowledge, are unable to alter their production practices to seize the opportunities offered by the opening-up of markets.

4.1.6 The Committee draws attention to the increasing concentration of world food trade in the hands of a few operators, especially in the cereals sector. The Committee notes with concern that this phenomenon is spreading across the whole agri-food industry, starting with the strategic seed sector.

4.1.7 The Committee notes that these oligopolistic trends may be accentuated by the progressive opening up of markets, if this process is not properly managed and regulated. The competitive nature of the market must therefore be safeguarded within existing competition rules.

4.1.8 Trade and food security are thus interlinked in many ways and the effects vary greatly. In general, econometric analysis reveals that economic growth derived from trade liberalisation would not be sufficient in itself to substantially reduce the number of people suffering from poverty and food insecurity if not accompanied by other policies and actions.

4.1.9 A global food security strategy combines the following actions and policies: reducing poverty and raising income; welfare and social protection policies; agricultural policies and rural development; research and development; trade and regional integrated development; food aid; demographic policies; and combatting corruption.

4.2 Trade negotiations: current problems and challenges

4.2.1 Immediate steps must be taken with the WTO (Doha Development Round) negotiations, where the need to 'restart' the DDA is essential in order to demonstrate an underlying commitment and conclude these by 2010 as currently proposed by the G20.

4.2.2 The Commission states that whilst trade policy has an important role to play in tackling the food crisis, it is not the main factor. Climate Change, political instability and lack of security, failure of government and of the rule of law, corruption, population growth and the economic and energy crises all play a key role here, not least the increasing threats to water supply in many parts of the world and increases in the price of fuel. However, trade policy if properly used might alleviate the problem, but it might also worsen the situation if misused. It is also important to draw a clear distinction between urgent food aid and longer-term food security.

4.2.3 The EESC notes that faced with the rapid succession of food and financial crises, some countries have adopted protectionist-type measures (more than 60 were reported to the WTO in 2008), which in the long term do nothing to achieve food security, do not ensure the necessary flexibility, work against any form of effective regional integration, especially in Africa, and run counter to a global food security approach.

4.2.4 Nevertheless, as was stressed in the EESC Report (7) prepared for the 10th Regional ACP-EU Seminar, held in Gaborone in June 2009, international trade in agricultural and food products involves just 10-11 % (in tonnage terms) of available world food stocks.

4.2.5 Despite that, EU trade policy needs to be examined both in the short term and in the longer term. In the short term there are first the stalled multilateral WTO Doha Development Round negotiations, as well as the series of EU bilateral trade negotiations as foreseen in the Commission's 'Global Europe' Communication of October 2006, and the ongoing EPA (Economic Partnership Agreements) negotiations with ACP countries. With regard to the latter, the only EPA concluded so far is that with CARIFORUM – but in this case with significant implications for the future of civil society involvement. However, interim EPA agreements which have been reached in other parts of the ACP also have an important role to play.

4.2.6 As regards the longer term, a strategic review is essential. Food security needs to be given special status. The debate should again be launched to decide what balance (especially between developed and developing countries, and in light of climate change, expected water scarcity and other such problems) should ideally be determined for future WTO agriculture negotiations. Consideration needs, here too, to be given to the type of future

technical assistance for developing countries and whether the 'single undertaking' agreement, often detrimental to developing countries, should continue. Technical assistance should be targeted at building the capacities of countries – or regions – to formulate and negotiate trade policy rather than simply enabling them to cope with implementation.

4.2.7 As regards the short term, it is important to examine which trade instruments in an open rules-based trading system are most valid in helping to meet the objectives of combating increased food 'insecurity' among poorer countries, helping to meet MDG 1 and thus decreasing the number of malnourished people, increasing global food production to meet anticipated demand.

4.2.8 The FAO (Food and Agriculture Organisation) separately lists 17 'food insecure' countries which it describes as being 'in food crisis' with 17 more 'at high risk'. Of these 34 countries (8), 23 are WTO members, 25 are LDCs whilst a differing 25 are from the ACP. Some of the WTO members are longstanding, but play little part in the DDA negotiations, others – such as Kenya and Zimbabwe – have fallen on hard times. Kenya is the most active in the negotiations. Only Nicaragua is currently involved with bilateral negotiations under 'Global Europe', but most are involved with EPA negotiations.

4.2.9 With the inclusion of some developing countries in the G20, the UN classification must be revised to make a clear distinction between middle-income and the poorer developing countries, as well as LDCs.

4.2.10 Turning to the DDA agriculture negotiations:

- for all the parties to the negotiations, to reopen the domestic support and export support pillars in the interests of greater food security would be inappropriate;
- the third pillar, market access: there is no need for radical change in the EU approach here either. This pillar includes the levels of foreseen tariff cuts and the other main agriculture issues which have resulted in the current 'impasse' in the DDA, although significant progress was made in many areas in late 2008, including new flexibilities for 'net food importing developing countries' (NFIDCs), which the Committee particularly welcomes;

(7) DI CESE 34/2009, 'Ensuring sustainable food security in ACP countries'.

(8) Cameroon, Central African Republic, the Comoros, Democratic Republic of the Congo, Côte d'Ivoire, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Haiti, Kenya, Lesotho, Liberia, Madagascar, Mongolia, Mozambique, Nicaragua, Niger, Palestine, Rwanda, Senegal, Sierra Leone, Solomon Islands, Somalia, Swaziland, Tanzania, Tajikistan, East Timor, Yemen, Zambia and Zimbabwe.

- the Committee would strongly urge that the EU should lock in the concessions already made in key areas such as the Special Safeguards Mechanism (where developing countries can raise tariffs temporarily in the event of import surges and price depressions), Special Products (where developing countries can apply gentler tariff cuts, not least on grounds of food security) and Tariff Rate Quotas, rather than hold out for a stronger deal at the expense of developing countries. These measures must not, however, jeopardise the development of South-South trade;
- the Committee would also urge the EU to extend its Everything But Arms Initiative (already a signal achievement) and the Duty Free, Quota Free (DFQF) DDA concessions to the 49 LDCs to the other nine ⁽⁹⁾ countries on the FAO lists, unless politically unacceptable, along the lines covered by interim EPA Agreements, with the flexibility to include others should they come to be added by the FAO. It is in this spirit that the EU can contribute best in trade instrument terms in the DDA towards greater global food security.

4.2.11 However the Committee believes that it is through the ongoing EPA (Economic Partnership Agreement) negotiations that the Commission can best contribute to global food security, especially with the Cotonou Agreement due to be revised in 2010.

4.2.12 The EU has rightly identified trade as one of the six priority areas for its development policy. Under these negotiations the EU and the ACP countries aim to reach seven new regionally-based and WTO-compatible trading agreements, designed to progressively remove barriers to trade and to enhance cooperation in all trade related areas. It is primarily conceived as an instrument for development. It is worth recalling that the original objectives include the promotion of sustainable development, poverty eradication, regional integration and the gradual inclusion of the ACP countries into the world economy. These objectives must remain at the forefront of all continuing negotiations.

4.2.13 Through these negotiations the EU should strive to obtain:

- enhanced regional integration: an essential goal in Africa, in particular, as a powerful tool for promoting both development and food security, and as a defining element in the revision of the Cotonou Agreement;
- synergy both between overlapping regional integration initiatives and between interim EPA agreements and comprehensive agreements;
- negotiations that adapt readily to the capabilities and capacities of the ACP countries, but with 'early harvests' in areas such as simplified rules of origin (which should

promote agriculture based industries) and legal certainty to secure DFQF access to EU markets – these negotiations should equally not be used to introduce or bring pressures to bear on other not EPA-related issues, notably procurement;

- agriculture and rural development becoming priority sectors chosen by as many ACP countries as possible (only four out of 78 countries chose for agriculture and only a further 15 chose rural development for the 9th EDF – European Development Fund - under which the EU offered some EUR 522 million for regional integration and trade-related assistance), with extra resources in particular being committed for significantly greater local research and development in food and agriculture;
- whilst the Committee welcomes the increased EU targeted amount of over EUR 2 billion for Aid for Trade/trade-related assistance by 2010, we look to the EU to increase this amount further given the added effects of the world economic crisis.

4.2.14 The Committee ⁽¹⁰⁾ has referred to the need for Africa's economic development 'to depend first and foremost on deepening its internal market so that it is able to develop the type of endogenous growth that would stabilise and establish the continent in the world economy. Regional integration and internal market development are the pillars and springboards that will enable Africa to participate positively in world trade'. We reiterate this call, particularly to enhance food security.

4.2.15 It is processing industries that create added-value products, and these need to be encouraged to develop and grow. In agriculture, in particular, a local food processing industry will only develop provided that there is a sufficiently large local market, yet intra-Africa trade remains appallingly low, at less than 15 % of all trade originating within Africa.

4.2.16 EPAs are, however, essentially regional or bilateral agreements. It is important that these do not thwart multilateralism. They should therefore be seen to provide support for the multilateral approach and must be seen as compatible with, and indeed eventually strengthening multilateralism ⁽¹¹⁾. Indeed, the Committee considers that eventual gains made regionally and bilaterally can stimulate the multilateral process as a result of the more in-depth discussions and the closer alignment of positions brought about by such approaches. It is important that the negotiating power of the poorer developing countries and LDCs is not weakened at any level of negotiation.

⁽⁹⁾ Cameroon, Côte d'Ivoire, Kenya, Mongolia, Nicaragua, Palestine, Swaziland, Tajikistan and Zimbabwe.

⁽¹⁰⁾ OJ C 77, 31.3.2009, pp. 148-156.

⁽¹¹⁾ OJ C 211, 19.8.2008, pp. 82-89.

4.2.17 The EU also needs to seek to make a greater contribution to global food security through other trade-related mechanisms. These could include:

- greater targeted capacity-building efforts in food-insecure countries, including an effective Aid for Trade system forming an integral part of multilateral negotiations, notably through increased local R&D, increased technology transfer, building better standards of production, and greater use of TRTA (Trade Related Technical Assistance), as already provided for in EPA negotiations as well;
- trade facilitation – completion and implementation of any agreement in advance of any DDA Single Undertaking;
- increased level of support over SPS related issues: public, animal and plant health issues, such as overuse of antibiotics, tackling Swine Flu or Foot & Mouth Disease;
- initiatives such as the Generalised System of Preferences Plus, to benefit from which it is necessary to comply with international standards of human rights, good governance and labour rights, environmental standards and fair trade (promoting the 'fair and inclusive trade' principles, which take into account the issue of traceability, extending this concept to cover auctions);
- supporting development of increased processing capacity in developing countries, notably through secondment of key players from EU industry, similar to work already undertaken by the Commission together with UNCTAD;
- investigating possible measures safeguarding against commodity speculation, elsewhere having detrimental effects amongst growers and production (cocoa, coffee etc.).

4.2.18 Although EPAs were partly launched with a view to tackling Preference Erosion, there still remain major issues that more directly affect south-south trade. Some Latin American countries seek faster and deeper liberalisation in tropical products, including bananas and sugar – the cause of long-running trade disputes – against the interests of other, mainly ACP countries. At stake here is the ability of some net food exporting countries to compete with other countries' commodity prices, including sugar prices, making the production of these crops uneconomical where they may be most needed: this is another key problem that lies at the heart of food insecurity.

4.2.19 The impact of loss of revenue must also be considered for those developing countries which would have to reduce customs duties, with implications for their social policies.

4.2.20 Nevertheless the EU needs to encourage South-South trade in general, not least as major growth here is both achievable and would help tackle in depth the threat of increased food insecurity.

4.3 Reform of global governance

4.3.1 The Committee stresses first and foremost that a situation of *food insecurity* calls for a global socio-economic development strategy involving two kinds of convergence: between the various policies (social, economic and regional) and between the various national and international institutions. This specific governance measure calls for the involvement and cooperation of organised civil society.

4.3.2 As regards, in particular, the work of the institutions and entities currently responsible for global governance of food security, the Committee sees no need for *new* bodies; quite the opposite: there is a need for thorough reorganisation and reform of existing bodies according to the two-fold criterion of *specialised roles* for each body (i.e. avoiding overlaps or dispersion of human and financial resources) and *unified global governance*, with particular reference to the United Nations' system (FAO, IFAD, WFP), which should act as leader in the area of food security. A duly reformed and overhauled Food Security Committee could serve as a tool for coordinating food security policies and the various levels at which they are implemented.

4.3.3 In addition, the Committee stresses the vital need to ensure that the WB and other relevant institutions resume a coordinated approach in their initiatives. It is essential for the EU to speak to these institutions with one voice.

4.3.4 Moreover, the Committee stresses that, as regards flows of direct food aid from the northern to the southern hemispheres, it must borne in mind that large-scale food aid can distort local markets, jeopardising food security for those farmers. The Committee therefore supports the WFP in its decision to change the approach of its initiatives.

5. The perceptions and role of civil society

Perceptions of European civil society

5.1 With particular reference to the crucial issue of food, the Committee notes the following fundamental situations:

- a) a large proportion of people's practical daily concerns relate to food (*food as nourishment*);
- b) a substantial proportion of people's hopes for a good, pleasant life relate to food (*food as culture and lifestyle*);

- c) a very high proportion of people, even now at the start of the third millennium, do not have the certainty of obtaining food each day (*food as life*).

5.2 Therefore, as an expression of European organised civil society, the Committee firstly points out that the current food issue (food availability, quality and health) has become a permanent part of relations between individuals and social groups and in media information circuits; secondly, it sees civil society's power to act in all areas of food as a citizenship right, and also considers global food security to be a right: access to food must therefore be seen as a fundamental human right.

5.3 In addition, the Committee notes that in the context primarily of the food crisis but also of the financial crisis, there have been different, even opposing reactions at world and European level from the various components of civil society, which confirm its substantial involvement in food trends but also the fact that it is in a state of confusion: for example, hunger riots (at least 22 during 2008, with fatalities), the attention also of some European consumers' to specific speculative financial products related to farm product prices, widespread concerns among farms in Europe and throughout the world, and, in general, growing concern on the part of all people regarding food security, public health and water management issues.

The role of civil society

5.4 In the context of striking the right balance between food security and regulated trade, the EESC stresses the need to give civil society a greater role and for more structured dialogue

between civil society and the various decision-making levels; in particular, it stresses the consultative role of farmers' organisations and the key role of the various forms of organised farm production.

5.5 The EESC therefore feels it is of strategic importance to involve farmers' organisations in drafting national development policies and in decision-making processes and impact assessments relating to trade negotiations and implementation.

5.6 To this end, specific financial assistance needs to be earmarked for occupational training for farmers, particularly women, who play a key role in rural areas, so that both men and women farmers can take actively play a leading part in political processes and technological development.

5.7 The EESC also emphasises the importance of the social economy and its enterprises and organisations in ACP countries, not least in reacting to the varied effects of the food and financial crises, with particular regard to those who work in the informal economy and in rural areas ⁽¹²⁾.

5.8 Lastly, the Committee reaffirms its own active role. Its experience enables it to identify potential partners in third countries, in all sectors of civil society (producers, workers and consumers) with a view to strengthening the role of these partners at home, of vital importance in tackling problems at local level. At the same time, the EU will have in the Committee a barometer to monitor how effective its initiatives are in individual countries and improve the way they are run. The *CARIFORUM-EC Civil Society Consultative Committee* is a good example of this.

Brussels, 16 December 2009.

The President
of the European Economic and Social Committee
Mario SEPI

⁽¹²⁾ ILO Declaration and Plan of Action for the promotion of social economy enterprises and organisations in Africa, Johannesburg, 19-21 October 2009.

Opinion of the European Economic and Social Committee on 'The financial crisis and its impact on the real economy'

(own-initiative opinion)

(2010/C 255/02)

Rapporteur: **Mr CEDRONE**

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

The financial crisis and its impact on the real economy.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 13 November 2009. The rapporteur was **Mr Cedrone**.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December), the European Economic and Social Committee adopted the following opinion by 122 votes to 75 with 33 abstentions.

1. Conclusions and recommendations

1.1 The EESC considers that, faced with a crisis like the current one, a significant willingness to coordinate action is needed, through common efforts that are appropriate to the seriousness of the situation, in order to identify the measures and proposals for the short and long term that will stimulate recovery and avoid a repetition of the events that caused the current difficulties.

1.2 **International finance:** on the basis of the ideas that the EESC has already published, it is worth restating that there is still a need to adopt, in short order, a system of rules that, whilst allowing the free movement of capital, also introduces a system of supervision and penalties to prevent any recurrence of the negative impact of an uncontrolled system. Rules are needed to restore a more honest, transparent market. Eliminating tax havens, banking secrecy and some of the perverse mechanisms of the past connected with speculative instruments would help achieve this. We need to return to a distinction between retail banks and investment banks.

1.3 **European finance:** a single European market for finance needs to be created, so as to ensure not only greater transparency, facilitation of transactions and adequate information for all operators, but also a supervisory system overseen by the ECB and the European system of central banks (ESCB-ECB) for tasks of guidance and international coordination of supervisory activities. Meanwhile, the day-to-day management, supervision and monitoring of individual countries' financial markets can be left to national supervisory authorities ⁽¹⁾.

1.4 **Monetary system:** The EESC considers that an in-depth look at the issue of the international monetary system would be helpful to stabilise exchange markets and avoid unfair competition within the WTO in international trade.

1.5 **Supporting the real economy and businesses:** economic governance:

- a second, more ambitious European support plan is needed as regards the resources for and implementation of the measures that are required in various economic sectors in different countries, including structural reforms, or, failing that, a well-coordinated plan to give a positive signal to European businesses and citizens on the added value and quality of European integration;
- radically reform the various policies for which the EU is responsible (Structural Funds, cohesion, CAP, environment, training, research, the Lisbon Strategy, etc.), starting with the simplification of procedures and regulations;
- finance a system of European networks (energy, transport, communication) by launching a Community loan and by supporting the development of Public-Private Partnerships PPPs;
- agree a common approach to intervention for European banks to stimulate them to restore lines of credit to businesses, with special conditions for SMEs, for example by deferring debt, establishing a guarantee fund, or direct funding from the state and the EIB;
- where this does not happen, enable employees of SMEs to access 'social shock absorbers', i.e. employment support measures;

⁽¹⁾ See EESC opinion on the Report of the de Larosière Group, OJ C 318, 23.12.2009, p. 57.

- agree fiscal policy measures to stimulate demand, recovery and employment, in conjunction with macroeconomic and monetary measures;
- make the labour market, which is currently too fragmented, 'more European', i.e. more integrated with communicating vessels, removing obstacles both within and between countries; we need an inclusive labour market, i.e. one that can take on not only the short or long-term unemployed, but also people who have never had a job (around 100 million Europeans). Obviously, this must be done in a way that complies with the social and economic standards enjoyed by workers in the destination country;
- take steps to attract investment in industry, including inward investment, by ensuring that Europe offers comparative advantages versus other regions in respect of competition law, the rules and agreements aimed at promoting employment, labour productivity and tax regimes. The scale of unemployment is a measure of the extent to which EU human capacity is ignored by entrepreneurs and international business.

1.6 *Helping the European public*: Social cohesion and governance:

- bring about an agreement amongst all the interested parties: a European pact for growth, competitiveness and employment. The pact should aim to put people, cohesion and solidarity at the centre of the economic system and alleviate the impact of the crisis for citizens and workers;
- provide for means of worker participation in the life of businesses to create and/or extend 'economic democracy'; social dialogue should also be improved and expanded;
- promote a change in consumer policy, from private to public consumption, e.g. big networks, through investments to improve the quality and availability of services;
- increase the globalisation fund; implement a programme for young people (with universities), and for workers who have lost their jobs, who want to set up their own businesses, including through social economy enterprises as an alternative;
- agree measures to reduce taxation on work;
- extend the Erasmus programme, progressively expanding it to all those university students who want to take part in it;
- SIMPLIFY all Community procedures as far as possible;

- extend the pact to domestic and international business and to entrepreneurs, so that they locate investment in Member States rather than elsewhere, and so begin to create jobs for the surplus human resources of the EU.

1.7 *Building a political Europe from the bottom up*: political governance (in the future)

1.7.1 It is important to ensure, in the future, that the public does not continue to pay the price of non-Europe, which the limited Community measures in response to the crisis are amply demonstrating. These limits are not the result of too much Europe, but too little. The Lisbon Treaty is a significant step forward in this direction. The EESC will take part in the new institutional arrangements and give its opinion to the new Commission and the new Parliament in respect of the new competencies conferred by the Treaty.

1.7.2 The EU needs to put the democratic deficit and democracy of its institutions at the heart of the debate, including through new forms of direct participation by the public and civil society, which cannot watch passively as new injustices and new powers emerge.

1.7.3 All this makes it necessary that the EU be effectively represented externally; a 'European political area' should be created, with the means to act as a counterweight to the new economic and political balances that are emerging internationally as a direct result of the crisis, as these risk weakening citizens' rights as well as making them poorer. As already stated, the EESC will support the work of the new EU High Representative for Foreign Affairs and Security Policy and continue to give its opinion regarding civil society in the international arena.

2. Introduction

2.1 The EESC felt it would be useful to draw up this own-initiative opinion in order to provide an overview of the financial crisis and put proposals to the Commission and the Council, in its capacity as a body representing the real economy and organised civil society, in particular as regards restoring financial flows to businesses, growth and employment.

2.2 For years we have been facing the consequences of widespread euphoria (Samuelson) brought about by vague information emphasising the voice of 'experts' who guaranteed the 'validity' of what was happening, and the superiority of the 'current' model, claiming that the market would sooner or later eliminate 'excesses'.

2.3 The EESC is nevertheless convinced that the commitment of businesses and workers, mindful of their economic and social responsibility, will give a positive turn to the crisis, if they receive the proper support from national governments and the European Union.

3. Our current situation: the international financial crisis

3.1 **Origins:** The origins of the crisis are so well documented by now that there is no need to revisit them. The EESC nevertheless considers it useful to highlight at least two factors that created the conditions for the crisis, namely the direction taken by international finance, supported by an ultra-liberal economic culture, which ended up feeding itself more than the real economy, thus producing a huge financial bubble. This was largely unregulated, and such rules as existed were inadequate and widely flouted, which was the second cause of the crisis. The rules that existed did not work or were not applied by supervisory bodies and ratings agencies, whose behaviour made markets less transparent ⁽²⁾.

3.1.1 It is now apparent that within the bubble, bankers were wittingly or unwittingly engaged in high-risk activities for which the provisions and precautions were wholly inadequate. In retail banking, in the pursuit of volume, imprudent loans were made via mortgages and credit cards. In investment banking, these loans and others such as LBO financing were packaged and repackaged into complex derivatives and traded without due diligence or adequate reserves. It is clear that inappropriate incentives were in place for those executives and staff whose activities affected the risk profile of the bank and that, as a result of these incentives, personal rewards took precedence over the interests of most of the stakeholders in the banking system and the ordinary people who, knowing no better, had purchased these securities. However, this does not justify the improper practices and unscrupulous abuses that we have witnessed. This behaviour damaged the entire financial system and put it in a bad light.

3.2 **Causes:** the crash was possible because no policy existed, because of errors and omissions on the part of governments and others, not just with regard to finance, but also in terms of macroeconomic and monetary policies. At global level, for example, there was the USA's extremely loose budget policy. The EU lacked adequate instruments with which to take action, and saw its socio-economic model assailed from several sides as the cause of all the problems. International bodies were too weak to intervene. The situation has lasted too long. Political forces have often used globalisation as an excuse, blaming it for everything and thus bearing substantial responsibility for the causes of the crisis ⁽³⁾.

3.3 **Consequences:** the effects have been disastrous, but we must not succumb to pessimism. Sadly, part of the financial system was ruled by euphoria, greed, speculation and widespread irresponsibility. The high concentration in the banking sector (to the point of being convinced that the banks were 'too big' to be allowed to fail) and the failure of risk management inevitably helped to provoke the current consequences by setting off an unobstructed domino effect. The financial crisis, which was the root cause, thus turned into a macroeconomic crisis and infected the real economy. This means that we now face a **financial crisis** which has spilled over into production sectors, thus causing an **economic, monetary, trade and social crisis** that has turned into a crisis of confidence.

3.3.1 It should nonetheless be acknowledged that the last thirty years have made possible unprecedented worldwide development and economic growth, particularly in developing countries. This growth was made possible not least by the development of financial markets. Many benefited from these but deluded themselves that this process could go on for ever without any problems.

3.3.2 The situation will certainly have an impact on power shifts at global and national level, as the Pittsburgh G20 has already demonstrated. There will be a new economic and political 'geography' once the crisis has ended. The financial crisis, which was the root cause, thus turned into a macroeconomic crisis and infected the real economy, **with lower GDP and sharply higher unemployment**. In this context, the EESC wonders about the position of the EU and the role it should play in the future.

4. What can be done? Means of combating the crisis

4.1 Restructuring the financial system

4.1.1 The EESC welcomes the outcome of the G20 meeting in London and the G8 meeting in L'Aquila, which defied pessimistic expectations to demonstrate that the global economy and financial system must be governed jointly or not at all. Participants approved the principle of 'global governance', which gives a proper role back to policy-making. It is to be hoped that European governments also draw the necessary conclusions (see point 4.4). However, the outcome of these meetings must be translated into concrete and effective action, beyond the changes brought in by Basel II, by means of a Basel III, restructuring and reforming international organisations.

4.1.1.1 Of course, it would have been desirable if the good intentions expressed at the subsequent G20 meeting in Pittsburgh had been followed up by deeds. What actually happened was that people avoided addressing the real problems on the table: the rules governing the financial system and reform thereof ⁽³⁾; the trade imbalance between the USA and China, the structure of

⁽²⁾ See EESC opinion on the *Report of the de Larosière Group*, OJ C 318, 23.12.2009, p. 57 and the EESC opinion on *A European Economic Recovery Plan*, OJ C 182, 4.8.2009, p. 71.

⁽³⁾ See EESC opinion on the *Report of the de Larosière Group*, OJ C 318, 23.12.2009, p. 57.

public limited companies, rising unemployment, etc. This means that the risk remains, if nothing is done, that 'some financial stakeholders [will] pretend that the crisis was only a minor setback, and that they can return to business as usual'. ⁽⁴⁾

4.1.2 The EESC believes that the role of supervisory bodies should be strengthened ⁽⁵⁾, but above all designed to make them effective; they should also be independent of political authorities and have the power to impose penalties for non-compliance. Tax havens should be abolished and/or their activities made transparent so that they do not become means of laundering dirty money and of tax evasion. Indeed, it is the lack of transparency that is the main problem. Everyone needs to know the real nature of banks' loans, assets, reserves and risk profiles.

4.1.3 The EESC hopes that the guidelines adopted and the (few!) decisions taken in London, L'Aquila and Pittsburgh signal a change of direction and will, within a credible timescale, usher in a new economic and market culture which is less ideological and more transparent. We should be wary of talking about morals and ethical conduct in the financial market as some would like to, since those who are suffering so much as a result of the crisis might feel this to be provocative. It is much better to talk of rights or penalties, and of rules and instruments for implementing them.

4.1.4 This is the most convincing and effective way of regaining consumers' trust and so reactivating demand. A new economic discourse is needed, one that refers to the real economy, investment, work, risks, rights, duties and safeguarding competition.

4.1.5 The EESC believes that stakeholders in the real economy, businesses and workers must express their opinions and arguments with greater force. They must reclaim their role, which is vital in promoting economic and social development, competitiveness, innovation, growth and employment. And policy-makers should do the same.

⁽⁴⁾ Situation of the financial and banking system – Joint article by Christine Lagarde, Minister for the Economy, Industry and Employment, Anders Borg, Swedish Minister of Finance, Wouter Bos, Dutch Minister of Finance, Jean-Claude Juncker, Luxembourg Minister of Finance, Elena Salgado Mendez, Spanish Minister of Finance, Peer Steinbrück, German Minister of Finance, and Giulio Tremonti, Italian Minister of Finance, published in various European newspapers on 4 September 2009.

⁽⁵⁾ Regulation of the European Parliament and of the Council on *Community macro prudential oversight of the financial system and establishing a European Systemic Risk Board*, COM (2009) 499 final, 23.9.2009; Regulation of the European Parliament and of the Council establishing a European Banking Authority, COM (2009) 501 final, 23.9.2009; Regulation of the European Parliament and of the Council establishing a European Insurance and Occupational Pensions Authority, COM (2009) 502 final, 23.9.2009; Regulation of the European Parliament and of the Council establishing a European Securities and Markets Authority, COM (2009) 503 final, 23.9.2009.

4.1.6 The international **monetary system** should also be overhauled. During the G20 meeting in London, the G8 meeting in L'Aquila and the G20 in Pittsburgh, the issue of how the international monetary system operates and might be reformed did not, aside from the allocation of IMF quotas, emerge as one of the priorities for putting the global economy back on a path of sustainable growth. Some of the commitments made by the G20 and the G8, if they were implemented, might nevertheless have a substantial impact on foreign exchange markets and thus on the way the system functions.

4.1.6.1 The decision taken to provide aid to developing countries and to Africa in particular, to triple IMF funding (to 750 billion dollars) and to allocate a further 250 billion dollars worth of Special Drawing Rights (SDRs), in order to provide financial support to the economies most adversely affected by the crisis, should give pause for thought about the huge mass of dollars that is to be put into circulation in order to support countries with high current-account deficits.

4.1.6.2 The increase in US public borrowing envisaged (which will bring total debt to around 100 % of GDP over the next three years), underpinned by President Obama's new policy of deficit spending to get the country out of recession, will further encourage the issuing of massive amounts of dollars, which will have a substantial impact on the international economic system. The same situation arose in the second half of the 1960s, culminating in the devaluation of the dollar and the collapse in 1971 of the Bretton Woods system of fixed exchange rates.

4.1.6.3 Those most concerned about this situation are the Chinese, whose foreign exchange reserves have increased by 5 000 billion dollars over the past 10 years and are likely to continue increasing over the coming years, albeit at a slower rate. China fears that the weakening of the dollar will undermine the value of its huge foreign currency reserves.

4.1.6.4 The euro, which in the space of a few years has become the second international reserve currency, is not a valid alternative to the dollar, as convenient and desirable as this may be, nor is it possible to imagine a 'supranational reserve currency', favoured by the Chinese monetary authorities, in the form of SDRs used not just as now between individual governments and international institutions but as a payment instrument for international financial and commercial transactions. Issuing new SDRs is certainly a useful way of creating additional reserves for economies with current account deficits, but it cannot provide a long-term solution to the crisis.

4.1.6.5 It is very likely, and also to be welcomed, that the euro will increasingly take on the characteristics of an international reserve currency and a reference for setting the prices of goods on world markets. But the EESC would also like the Chinese authorities to stop protecting their currency, which represents an economy that is becoming ever more crucial in the global economy. For ten years, the renminbi has been strictly pegged to the dollar, and only since 2005 has it been tied to a basket containing other currencies. The renminbi must be made freely convertible on international markets.

4.1.6.6 The EESC believes that more efforts are needed at international level; China cannot continue relying on a sustained increase in exports, building up current account surpluses and expecting others to deal with the problems of managing exchange rates at international level, problems which it also helps to create through monetary and fiscal policies that encourage the accumulation of savings and restrain domestic spending.

4.1.6.7 The global monetary system, based on floating exchange rates, is characterised by constant and drastic currency fluctuations, driven by speculation. This situation is extremely damaging to the world economy but could be corrected by means of an agreement on policy between the central banks of the main industrialised countries. Under this agreement, the banks would agree to take joint action should one currency be forced too far up or down in order to keep exchange rate volatility within reasonable limits.

4.1.7 **Setting European rules on finance** – creating a single European market for finance ⁽⁶⁾. Despite the rules in force at European level and despite the euro, we are still a long way from this goal, even in the euro area. The crisis has demonstrated the need to move in this direction without delay, going well beyond what has already been done, through appropriate reforms, as called for by the Larosière report and the Commission's proposals. This would also enable the ECB to act more quickly and more flexibly. It must not be forgotten that the main purpose of finance is to support businesses and stimulate entrepreneurship, growth and employment: a task that could be made easier by a reformed, more competitive, more transparent financial market whose various aspects were better integrated.

4.2 Supporting the real economy

4.2.1 In its Communication for the 2009 spring European Council, ambitiously entitled *Driving European recovery* ⁽⁷⁾, the European Commission gives top priority to restoring the confidence of the public and of economic operators as a means of overcoming the current crisis, increasing demand and creating new jobs. The proposed measures must produce tangible results and not simply remain announcements of good intentions.

4.2.2 In particular, the EESC considers that the key problem to be tackled is that of employment and the lack of liquidity for businesses ⁽⁸⁾. Recent ILO estimates indicate that around 40 million jobs have been lost since the beginning of the crisis in December 2007 (7 million of which in the OECD alone), and the forecasts for the future are rather pessimistic. This social disaster can only be overcome when trust is restored in the functioning of the

markets and through public measures to promote growth, competitiveness, innovation and employment. Europe needs an economic policy and a programme that will attract businesses, help them to grow, and create jobs.

4.2.3 The EESC fully endorses the Commission's objective. The approaches set out in the Communication should be supported because they concern urgent measures to be taken in the banking and finance sectors, to support the real economy and to promote Europe's internal market. However, they demonstrate a traditional and by no means innovative course of action that focuses on better application of sectoral economic policies directly managed and/or coordinated by the Commission.

4.2.4 Restoring confidence among Europe's citizens and businesses in the capacity of the European institutions and national authorities to weather the crisis must mean recognising that the crisis was not due solely to cyclical phenomena, albeit dramatic ones, or to market imperfections or failures.

4.2.5 The particular nature of the crisis affecting the global (and European) economy has deeper and more systemic roots relating to ethical and moral values (accountability, legality, social justice), which are the basis of modern-day society and prompt its actions in all areas of economic, social and civic life. Restoring confidence in the functioning of economic and financial systems cannot be achieved by acting solely on market 'mechanisms' that have worked badly, but through European macroeconomic and microeconomic policies.

4.2.6 While agreeing with this general approach to the current problems, the solutions proposed in the Commission's communication seem to the Committee to be weak or at least not very effective with respect to the changes that need to be brought about in the various national production systems, and at the level of European and international policy, in order to support growth of the Member States' economies. And this in the context of a crisis that is having a bigger impact in Europe (GDP down) than in the USA, whereas that country has responded with a strong unified programme and with bigger and more effective public measures. The EU should promote the implementation of measures that have been harmonised among the Member States. The EU should therefore produce a second action plan, more effective and coherent than the first.

4.2.7 Looking only at steps to be taken in the short to medium term for the recovery of Europe's economy, the EESC believes that the attention and financial resources of the EU and the Member States should focus on a limited number of measures, but ones that will have a substantial impact on the various markets and on economic operators in general. These measures should aim to: restore confidence in the functioning of the financial system; fine-tune the Union's main public intervention policies; and support the Member States worst hit by the crisis, starting with the countries of eastern Europe.

⁽⁶⁾ See note 3.

⁽⁷⁾ COM(2009) 114 final, *Driving European recovery*, 4.3.2009.

⁽⁸⁾ See EESC opinion on the Results of the Employment Summit, OJ C 306, 16.12.2009, p. 70.

4.2.8 Restoring confidence in the functioning of the financial system. It is possible for Europe's economy to recover by restoring stability and operational viability to the financial markets, with compliance for new rules and new systems of macro and micro supervision guaranteeing that they work properly and responsibly at international level. Finance must resume its traditional, unique role in promoting economic growth: financing the concrete activities of economic operators (companies, households, networks and services, infrastructure, the environment and energy).

4.2.8.1 The issue of the significant – and sadly inevitable – state intervention to support the banking system remains unresolved. The EESC considers that this situation cannot continue into the long term and that an 'exit strategy' from such interventions needs to be drawn up, with conditions being systematically placed on the banking system such as internal restructuring, whilst improving the quantity and quality of reserves recorded on the balance sheet. This strategy should give new impetus to an international credit and finance market that is independent and transparent, and should avoid a repeat of recent events.

4.2.8.2 As regards the increased supervision and transparency of financial operations advocated by the Commission and emphasised by the G20 in London, the G8 in Aquila and the G20 in Pittsburgh, and also with reference to the proposal for reforming the European financial system announced by the Commission and the Council, the EESC will assess that proposal. It certainly considers that if financial supervision is to be entrusted to a new, independent European body, that body must have real power to act ⁽⁹⁾.

4.2.8.3 This could be expected to assist the process of harmonising Member States' existing legislation on the financial supervision sector and its capacity to impose penalties.

4.2.9 Improvements to the European Economic Recovery Plan

4.2.9.1 In a previous opinion ⁽¹⁰⁾, the EESC suggested a thorough review of the Recovery Plan proposed by the Commission, not only and not so much in terms of financial resources, which it considered inadequate given the seriousness of the crisis, as in terms of the coordination of and approach to the measures to be taken in each Member State to promote the recovery.

4.2.9.2 The conditions of access to such measures, notwithstanding the sectors currently considered as priorities in terms of financial needs (car industry, construction, SMEs, etc.), must ensure that the measures are coherent and implemented uniformly, and comply with the rules of the single European market.

4.2.9.3 It is not desirable that individual initiatives financed under the European plan from the Community budget or from Member States' funds for emergency help to businesses, sectors or countries in crisis should in any way bring back situations where certain businesses are favoured or protected to the detriment of others.

4.2.9.4 The single market is one of the key drivers of the European economy. Strengthening and developing it is the best way of ensuring the growth of productive initiatives and new jobs. Coordinating and monitoring measures proposed under the Plan at European and national level must demonstrate to the European public that the Community is able to manage financial aid in a way that is compatible with Community legislation and in the interests of the territories and people who are most vulnerable to the effects of the crisis.

4.2.9.5 The EESC considers that, in the context of these support measures for the productive economy, particular attention should be paid to SMEs (through a specific soft loan scheme with simplified procedures; see, for example, the Small Business Act). The types of measures that it is planned to introduce in order to boost the recovery of small and medium-sized enterprises are not sufficiently explained in the European Plan. Concerning smaller businesses, whose overall contribution to EU employment is very significant, the EESC takes the view that the initiatives must be designed within a macroeconomic frame of reference that takes account of national and local circumstances, the various levels of sectoral specialisation, and the different needs in terms of new skills, innovative technologies and business service infrastructure.

4.2.9.6 Without an appropriate European and national frame of reference on the prospects for future SME growth, the risk, as has happened in the past, is that measures will be fragmented and piecemeal, with the result that aid will be provided to everyone without actually helping anyone to grow in size or improve the quality of the products and services they provide.

4.2.9.7 The EESC also considers that social dialogue and negotiations, i.e. greater involvement of businesses, trade unions and social economy organisations, could be helpful in overcoming the crisis.

4.2.10 Changes to be made to the EU's key policies

4.2.10.1 The EESC considers that, to restore confidence among European businesses, there also needs to be a fundamental change in the way the Commission manages common policies in important economic and social fields, in particular cohesion policy. The

⁽⁹⁾ See EESC opinion on the *Report of the de Larosière Group*, OJ C 318, 23.12.2009, p. 57. During his speech at the EESC Plenary Session on 30 September 2009 Mr Barroso also expressed a point of view along these lines.

⁽¹⁰⁾ See EESC opinion on *A European Economic Recovery Plan*, OJ C 182, 4.8.2009, p. 71.

EESC has already issued an opinion ⁽¹¹⁾ on that policy in which it proposed a number of changes.

4.2.10.2 The serious economic crisis that is currently affecting every country in Europe, and which may continue into 2010, calls for a radical reform of the management of the Structural Funds (ERDF and ESF) and a review of the measures planned for the programming period 2007-2013. The Commission is drawing up some proposed changes to simplify procedures, speed up payments and redefine the areas for action under certain sectoral policies. However, these measures are not sufficient. Such measures are needed to safeguard the cohesion of the EU, which is currently under threat from the crisis.

4.2.10.3 The effort that the EESC is asking the Commission to make to adapt the proposed measures to the new circumstances that are arising from the international crisis needs to be greater. It requires a root and branch rethink of these policies. Apart from anything else, the conflict that is becoming apparent between central and regional governments concerning the management of Structural Funds resources to address the crisis is something to consider when rethinking aid for the most disadvantaged territories of the Union.

4.2.10.4 In the case of cohesion policies, too, the EESC believes that, for every country in receipt of those resources, specific sectoral and local priorities should be drawn up with the aim of focusing Community and national resources on programmes and projects that are thought to have the greatest economic and social impact. Those reviewing the guidelines for cohesion policy should be guided by the following principles: coherence in the choice of measures, coordination at European and national level of policies on aid to businesses, common programmes for specialised training and the development of new skills.

4.2.10.5 In short, the crisis should be an opportunity for the EU not only to make better use of the policies at its disposal, but to put new ones in place: improving infrastructure and launching, for example, a plan for the environment, for the creation of new **European networks** for energy and communication (e.g. broadband) via **European public financing** (eurobonds?); this would give an extraordinary boost to economic recovery.

4.2.10.6 The EESC believes that this is an extraordinary opportunity for an in-depth debate on the **Community budget** as it is currently configured, both in qualitative and quantitative terms, and to put on the table, perhaps through a group of experts, the issue of **fiscal policy**, one that is key to growth and development and can no longer be avoided or used as a means of economic and social dumping at European level.

⁽¹¹⁾ See EESC opinion on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the results of the negotiations concerning cohesion policy strategies and programmes for the programming period 2007-2013, OJ C 228, 22.9.2009, p. 141.

4.2.11 Support for Member States worst affected by the crisis, starting with the eastern countries of the EU

4.2.11.1 The EESC considers that the Commission should establish, if not an ad hoc fund for the countries worst affected by the crisis (a proposal rejected by the most influential countries of the EU), at least a package of financial measures, including through the EBRD, targeted at initiatives to stabilise the weakest economies in the EU, as is starting to happen. In this context, particular attention needs to be given to countries in the east. Specific funds should therefore be set aside for that purpose. There are several reasons behind the request for specific funding for these countries. Otherwise, there is a risk of enlargement, the second pillar of integration (the single market being the other one), collapsing.

4.2.11.2 In the coming months (and years), the EU will have to face situations that will be very difficult to resolve: a crisis in the economy and in employment, social conflicts, institutional reforms, the differences between Member States, and all of the above in a context of growing euroscepticism in political parties, national governments of many EU states, and public opinion, which is unhappy with decisions taken at European level.

4.2.11.3 Trust in the European economic and social model and in its ability to provide appropriate solutions that are in the interests of all the Member States will be restored if the EU addresses the problems of the weakest countries, helping them to overcome the difficulties they face.

4.2.11.4 The crisis that many countries in the east are experiencing, in the credit, financial services and manufacturing sectors, is not so great as to pose an insurmountable challenge for the EU. Many of these activities started with help and direct investment from the EU15, and it is hard to imagine, following the process of harmonisation they had to undergo in order to become full members, that the 'case by case' policy will lead to minimal and insignificant economic measures. This would be a strategic error that would be irreparable in the short to medium term, and a serious case of political short-sightedness that could jeopardise the future of European integration.

4.3 Helping the European public

4.3.1 After the crisis, 'a new equilibrium will be reached, but not at earlier levels: we need to be prepared to accept a lower standard of living'. If this prediction ⁽¹²⁾ comes true, the only thing that is clear is the certainty of who will have to accept an even 'lower' standard of living – only, it is hoped, for a short period.

⁽¹²⁾ John Nash, winner of the Nobel Prize for Economics, October 2008.

4.3.2 The risk we must avoid is that businesses and workers will continue to pay the cost of saving the market, whilst capital will continue to be able to move to safer markets, continuing to hide from tax authorities. Otherwise, we may see a further erosion of wages that will cause the market economy to lose its social legitimacy. If this is to be avoided, the European model of the social market economy needs to be strengthened and extended, putting people back at the heart of the economic system.

4.3.3 For these reasons, the EESC considers that fiscal policy, too, should receive more attention from governments and from the EU with a view to coordination so as to avoid disparities that are incompatible with the single market. In addition, priority should be given to those reforms that broaden the tax base rather than increasing tax rates, taking more account of wealth rather than business activities and labour.

4.3.4 It is also important to avoid a situation where the consequences of the financial crisis have a dramatic impact on Member States' pension systems, as has happened in the United States, where some pension funds have made significant losses as a result of the crisis in hedge funds. This has led to the workers who subscribed to those funds seeing the value of their savings halved. The EESC takes the view that work should be done towards establishing a regulatory framework and pensions model to protect the interests of Europe's citizens and workers.

4.3.5 The increase in injustice and inequalities has reduced, and risks reducing further, the areas of freedom; it may jeopardise democracy in European countries and the EU in particular, which still has a very significant 'democratic deficit' to overcome; at the very least, it will undermine the consensus among the new poor about the policies that need to be implemented to overcome the crisis and foster sustainable development.

4.3.6 The EESC considers that this is a key moment for the EU to demonstrate its relevance with practical, tangible initiatives to help the people, businesses and workers who have been most heavily affected by the crisis.

4.3.7 This should be done with provisions to protect rights: the EU should therefore be able to intervene in social policy with its own initiatives. The social question should be a fully-fledged part of the strategic agreement mentioned in point 4.4.3. Measures must also be taken in the area of economic policy (including special funding for the Lisbon Strategy) and support for the most vulnerable businesses that the EU and its Member States should provide (see point 4.2).

4.3.7.1 Structural measures are needed to make the labour market more penetrable and inclusive, with rules agreed at European level using the ESF, simplifying procedures and bringing forward payments.

4.3.7.2 Steps should be taken to assist businesses that commit to implement and comply with the principle of social responsibility in Europe and the principle of the social clause outside Europe.

4.3.8 The EESC calls on the Commission, not least through economic incentives, e.g. the Structural Funds, to do everything it can, in cooperation with the European social partners, to promote agreements and/or find solutions that reduce the impact of the crisis on businesses and workers, inter alia by sharing the good practices that are emerging in some countries.

4.3.9 The EESC calls on the Council to put in place the necessary provisions, a *European code*, to establish rules of engagement, to reduce income disparities and to foster a new kind of distributive justice - not just in the financial sector. Income disparities grew out of all proportion without any justification. It would be helpful to proceed by means of a European agreement involving all the parties.

4.4 *Towards a political EU: from the grass-roots up*

4.4.1 The EESC considers that the EU, if it is to address and overcome the crisis, needs decision-making instruments that it does not currently have. This is the main cause of its lack of action, which risks marginalising it vis-à-vis the major powers of China and the USA. For this reason, the EESC considers that the EU should give itself the means to act, even if this means using temporary instruments, so that the work done and commitments made in this period of fundamental change are not in vain.

4.4.2 **Political governance:** The EESC believes that one of the main causes of the current crisis lies in divisions and in errors by politicians; with no united vision, politicians were unable to act and ended up abdicating their leadership role at both global and European level. The results are now clear for all to see.

4.4.2.1 **International governance:** The EU does not yet have a common foreign policy, nor any powers of its own to manage the crisis, but what is needed is a single voice, at least for the euro area, in international forums and, in particular, in organisations that we are preparing to reform, to counterbalance the decision-making power of other economic and political blocs. The EU is the world's largest market in goods and services, and the biggest contributor of publicly-funded development aid to the poorest countries. Its currency, the euro, is the second international reserve currency. It is thus, in many respects, an economic giant, but, if we look at its decision-making capacity at international level, the EU is a political dwarf. This is a paradox that the European public really cannot understand. What needs to happen instead is for global politics to be more heavily influenced by European proposals and values.

4.4.2.2 The heads of state and government must therefore have the courage to recognise this shortcoming and seek to address it; they are currently behaving like a team without a captain; a state of affairs that has significant economic and political costs. There is no need to draw in historians and/or founding fathers to be convinced of this ('If Europe were once united, there would be no limit to the happiness, to the prosperity and the glory which its 400 million people would enjoy' – Winston Churchill, 1946). Early action should be taken to draw up a binding agreement for managing crises, which can then be transformed into the Community method, and not the opposite, which is what is currently happening.

4.4.3 **Economic governance:** the main aim must be to equip the EU with the tools to establish and develop common macroeconomic and sectoral policy guidelines (at least in the euro area, which would have a positive impact on all 27 countries); in other words, complement the common European monetary policy, starting with the euro area, with a common economic policy, which cannot remain limited to the mere desire for coordination, and which provides for measures in strategic areas of European interest (the environment, energy, innovation, immigration, employment, cohesion, etc.). A new **European pact for growth, sustainable development, competitiveness and employment** should be drawn up; this pact should place special emphasis on the social and environmental market economy and should aim to complete the single market, as called for in the Lisbon Strategy.

4.4.4 **Social governance:** the European pact must have social and cohesion policy among its key objectives. The EU should have more scope to act in the area of social policy ⁽¹³⁾ to define a 'minimum threshold' or minimum standard for fundamental social rights. All of these reasons call for a Europe that is more able to act. It should start doing so by recalling that the EU started as an economic project (ECSC, EEC and the euro) with political ends.

4.4.5 The EESC therefore considers it necessary, at this time, to increase public involvement, especially of young people, in the process of European integration, by trying out new kinds of grassroots participation. This is an issue that must not be left to chance. For example, it would have a major impact on public opinion if the EU were to launch an effective proposal with sustained impact that would put people first, with new ways of getting the public involved in important European policy decisions. This would be an excellent way of bringing the European public together with its institutions and would help to reduce the EU's democratic deficit. This is a vital question for the future of the Union. It cannot continue to be postponed, even if a small step forward is being taken with the Lisbon Treaty.

4.4.6 A significant contribution towards this could come from European civil society, which deserves more than a passing mention, and must not remain a separate sphere or be used simply as a fig-leaf. This is a challenge for the EESC and its *Programme for Europe*.

Brussels, 16 December 2009.

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

⁽¹³⁾ During his speech at the EESC Plenary Session on 30 September 2009 Mr Barroso also expressed a point of view along these lines.

Opinion of the European Economic and Social Committee on ‘Concerted action to improve the career and mobility of researchers in the EU’

(2010/C 255/03)

Rapporteur working without a study group: **Pedro ALMEIDA FREIRE**

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

Concerted action to improve the career and mobility of researchers in the EU.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 10 November 2009. The rapporteur (working without a study group) was Mr Almeida Freire.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December 2009), the European Economic and Social Committee adopted the following opinion by 174 votes, with 8 abstentions:

1. Recommendations

- Boosting human resources in science and technology in Europe and promoting mobility are key factors in making the European Research Area (ERA) a reality and in ensuring that the EU remains competitive globally and is able to meet the main challenges it will face in future.
- Urgent measures are needed to improve coordination between policies on education, research, labour and social security, to ensure that educational, scientific and social policy instruments are developed in a coordinated manner, so that Europe can achieve its goals in this field.
- The European Economic and Social Committee proposes that existing programmes in the field of human resources be strengthened and better coordinated and also that mobility be promoted, and specifically that the opportunity provided by the debate concerning the EU's Eighth Framework Programme for Research and Technological Development be taken, in conjunction with other measures, to boost the human capital component and promote the creation of a platform for advanced training in research activities.
- The EESC also proposes that a monitoring centre for human resources in science and technology in Europe be set up, that can gather, analyse and provide consistent and comparable information on developments in this field and on national human resources policies both in Europe and worldwide.
- The EESC calls for coordinated action to improve the career and mobility of researchers in the EU, in terms of employment conditions and personal career development, especially in recruitment, career progression and social rights.

- Lastly, the EESC calls for both the new European Innovation Pact that the EU is preparing to draw up and the future revision of the Lisbon Strategy to take due account of the need to increase human resources in the field of science and technology and ensure that they are properly qualified.

2. Introduction

2.1 Policies on research, technological development and innovation are playing an increasingly important role in the context of the Lisbon Strategy, at both the Community and national levels.

2.2 The new boost for the European Research Area and, in this regard, for the development of human capital under the European strategy for competitiveness, growth and employment, are evidence that increasing human resources in science and technology in Europe and mobility are central to the success of this strategy.

2.3 The European Union is preparing to draw up a new strategy for innovation; one that is more integrated and socially-minded, in which the triangle of knowledge should be a central concern. People are thus crucial to ensuring that the EU remains competitive globally and is able to meet the main challenges it will face in the coming decades.

2.4 The free movement of knowledge and mobility are gradually being recognised by the heads of state and government as key factors in EU education and research policies and in European cooperation. A number of different European programmes endeavour, within their sphere of activity, to respond to these challenges, specifically: – the *Erasmus* programme concerning the mobility of young people in higher education; – the *Erasmus Mundus* programme for improving cooperation with third countries through joint masters degrees and doctorates and partnerships between higher education institutions; – the Framework Programme for Research and Technological Development, within which a key role is played by the specific programme named

People, aimed at promoting researcher mobility, and best known for its Marie Curie activities. The Bologna process in the field of higher education is intended to promote the European dimension of higher education, mobility and cooperation. Nevertheless, despite the existing programmes and the efforts that have been made, it is universally acknowledged that much remains to be done.

2.5 Following up the opinion on the Commission Communication entitled 'Better careers and more mobility: a European partnership for researchers' ⁽¹⁾, the European Economic and Social Committee decided to draw up this own-initiative opinion, to contribute once again to a strategy aimed at boosting human capital in the European Union and committing to a new research policy and innovation strategy that take account of human resources in the context of integration policies – something that the Committee has always advocated – and in the context of a social policy agenda.

2.6 In 2010, the Lisbon Strategy will be renewed and the new European plan for innovation will be launched, in tandem with the European Research Area renewing its Vision for 2020.

2.7 Against the backdrop of the economic crisis, the commitment to ensuring higher investment – both public and private – in research and development, and increased human resources in science and technology should remain priorities on national and EU policy agendas.

2.8 There is, therefore, a pressing need to set common objectives at the EU level and encourage measures aimed at securing the level of human resources in science and technology that are required to achieve the ambitious goals that the EU has set for itself.

2.9 These objectives include ensuring a steady growth in the flow of young people studying sciences and technologies (from mathematics to natural sciences and from engineering to social sciences and humanities) and an increase in doctorates in these areas, stimulating growth in the proportion of women scientists and guaranteeing that Europe remains an attractive prospect and that it has the necessary human resources qualified in science and technology, in order to remedy the current imbalance in transatlantic relations and ensure positive flows between Europe and the rest of the world. These are new objectives, which should update the Lisbon agenda in this field.

2.10 Achieving these objectives will require Europe to develop exceptional centres and networks of knowledge that can attract the best international talent and extend the social base of education and the culture of science and technology, which is greatly needed.

3. Need for strong European and national policies for human resources in science and technology

3.1 The EESC recognises the opportunity provided by the Green Paper on the European Research Area (ERA) ⁽²⁾, which states that one of the ERA's main priorities is a European partnership for researchers, with better careers and more mobility, and by the Commission communication referred to above, which warranted an opinion from this Committee. With this opinion, the EESC seeks to go further and support the proposals contained in the document entitled '*A European partnership to improve the attractiveness of RTD careers and the conditions for mobility of researchers in Europe, Proposed Priority Actions*', drawn up by José Mariano Gago and François Biltgen, respectively the Portuguese and Luxembourgish Ministers, on 30 April 2009 ⁽³⁾, in conjunction with their fellow ministers, thus helping, by means of practical measures, to make progress on an EU policy in the field of human resources in science and technology.

3.2 The EESC acknowledges the considerable work that has been done in this area at the EU level. The EESC itself has drawn up a number of own-initiative opinions in areas linked to this theme.

3.3 Human resources in science and technology have formed an integral part of the EU's strategy in this area since March 2000. In 2002, the Barcelona Summit set the European target of increasing the percentage of GDP dedicated to research and development (R&D) to 3 % by 2010. This target was estimated to involve an increase of around half a million additional researchers ⁽⁴⁾.

3.4 These figures support the need for a common European policy in this area, going far beyond what is known as the open method of coordination for national policies, and which even involves making changes to the employment conditions and career development of the researchers themselves, including young researchers, in the areas of recruitment, career progression and social rights.

3.5 Despite the target for investment in R&D meaning that 2 of the 3 % of GDP will come from the private sector, industry cannot be expected to shoulder this burden alone, and governments have considerable responsibility in this area. Since most job opportunities for researchers are created by industry, better conditions for carrying out research in and by the private sector, including small and medium-sized enterprises, must be generated in Europe in order to meet the targets that have been set by means of, for example, incentives to set up business networks and clusters in key sectors of the European economy.

⁽²⁾ Green Paper on 'The European Research Area: New Perspectives' [COM(2007) 161 final] of 4 April 2007.

⁽³⁾ Council Doc. 10003/09, 18 May 2009.

⁽⁴⁾ See the 'Report by the High Level Group on Increasing Human Resources for Science and Technology in Europe 2004', European Communities, 2004.

⁽¹⁾ OJ C 175, 28.7.2009, p. 81.

3.6 The level of public funding per researcher in Europe is still significantly lower than in the US and Japan. Employment conditions and prospects in the public sector should, therefore, form an integral part of European governments' scientific policy objectives. There is also an enormous disparity as regards the number of researchers per total population in comparison with the US and Japan: around 6 researchers per 1 000 inhabitants in the EU, whilst in Japan and the US, the rate is between 9 and 10 researchers per 1 000 inhabitants.

3.7 As the bodies primarily responsible for training researchers, institutions of higher education must come up with new ways of better incorporating education and training into their curricula and of more successfully cooperating with industry, with a view to improving lifelong learning. In fact, these institutions have to change their outlook on this issue as part of their mission to train human resources for a knowledge-based society, by restructuring curricula, committing to training in conjunction with R&D in industry, offering new opportunities, including to people starting late in the research careers, improving access for women, ethnic minorities and disadvantaged groups, including people with special needs, who might view research and knowledge as an area offering social advancement and personal development in today's society.

3.8 The involvement of students, including undergraduates and not only postgraduates, in research activities as a regular part of the curriculum, in the private sector too, is still inadequate, and should become more widespread.

3.9 There is also a need for measures making careers in science, engineering and technology more attractive to young people, without neglecting the social sciences and humanities. The difference between careers in industry and in universities or the public sector is enormous, but national governments and the European Commission should play a major and coordinated role in this area. This is a key factor in developing the ERA and in the EU's future prosperity and competitiveness.

3.10 Science education is another important factor, as it can stimulate children's and young people's curiosity and interest in scientific careers. The need to demonstrate commitment to qualifications and the quality of education, starting at primary and secondary school, is essential to the ERA's success, carrying out experimental work and establishing contacts with the scientific world and industry, in addition to ensuring that teachers themselves are properly qualified ⁽⁵⁾.

⁽⁵⁾ See the publications 'Encouraging Student Interest in Science and Technology Studies', *Global Science Forum*, OECD 2008, 'Mathematics, Science and Technology Education Report, The Case for a European Coordinating Body', *European Roundtable of Industrialists (ERT)*, August 2009.

3.11 Strategies to popularise and promote science are already acknowledged to be essential to the public's understanding of science and to bring science closer to society at large and especially to young people. Greater incentives should be provided, however, at the European level too, through support for joint initiatives, because of their importance, especially in a globalised world in which the need both to understand controversial issues and also to communicate science's successes are crucial.

3.12 The issue of women in science is another extremely important factor. Whilst current figures are very different to those of 20 years ago, women are still under-represented in many areas of scientific research in many countries and above all, tend not to hold senior management positions. The European Commission and some Member States have made considerable efforts in this field, but much remains to be done. Women still represent the most obvious source to draw on for increasing human resources in science and technology in Europe, despite the fact that current incentive measures fail to successfully link scientific policies and policies offering women social and economic support.

3.13 Any discussion of human resources in the fields of science and technology should not overlook the international dimension of the ERA ⁽⁶⁾. The EU should compete internationally to attract the best-qualified human resources and ensure that they are able to stay in Europe, through better coordination between national and Community policies. Nevertheless, any initiative should be based on cooperation, in order to boost the movement and transfer of knowledge, as well as mobility, to ensure reciprocity and, especially for researchers from developing countries, should also help to improve qualifications in their country of origin.

4. The need for practical policy measures aimed at achieving immediate progress on the European agenda for human resources in science and technology

4.1 The Committee wishes to emphasise the importance of a common European approach, with practical policy measures aimed at achieving immediate progress in the field of human resources in science and technology.

4.2 Reaffirming the content of the Commission Communication on the European Research Partnership, especially as regards the recruitment of researchers and the relevant employment conditions, the EESC considers that sustainable and steady development in the EU would be desirable and realistic and represents

⁽⁶⁾ EESC opinion on the 'Communication from the Commission to the Council and the European Parliament: A strategic European framework for international science and technology cooperation', rapporteur: Gerd Wolf (OJ C 306, 16.12.2009, p. 13).

growth of around 5 % per year for the next ten years. This would help to increase current levels of human resources in science and technology by over 50 % in a decade. The Committee proposes that these measures be applied specifically in the following areas:

4.2.1 Increasing the number and proportion of young people choosing to study science- and technology-related subjects;

4.2.2 Increasing the number and proportion of graduates enrolling on doctorate courses, diversifying the profiles of doctorates and strengthening quality-control mechanisms;

4.2.3 European institutions attracting and retaining a higher percentage of science and technology students from Europe and the rest of the world and doubling the number of doctorates outside students' country of origin;

4.2.4 Reiterating the importance of providing a legal, administrative and financial framework to encourage implementation of the measures described above in the field of coordinating research policies and employment and social policies.

4.3 The number of young people choosing to study science- and technology-related subjects has actually increased in most European countries, although the proportion in relation to the total number of students has not. There are a number of measures that can be taken to attract young people to science and technology, which include: – improving the teaching of science and technology and helping to develop science networks involving schools, science teachers and researchers, both nationally and internationally; – supporting measures to promote science and extending the social base of scientific and technological development, specifically in the form of science centres and science museums; – providing information services and academic and career guidance services that can meet social needs relating to science and technology courses.

4.4 Without discounting the quality guarantee, another immediate aim should be to put in place incentives to increase the number of doctorates and to expand the range of doctorates on offer, involving industry where appropriate. With this aim in mind, measures could be promoted to: – increase the proportion of grants for doctorates on the basis of national or international competitions; – attract third-country graduates to study for doctorates in Europe; – build on the importance that doctorates have gained recently to achieve high levels of professional competence in different areas, and not only in research careers.

4.5 Attracting international students should be a target to achieve, and would involve: – improving and encouraging the mobility of students, researchers and teachers between institutions and sectors and across borders, specifically between academia and industry; – promoting researcher recruitment that is

open, competitive and transparent; – improving living conditions for researchers' families and improving access to the labour market for researchers' partners; – significantly reducing the red tape involved in public research funding.

4.6 Improving researchers' working and employment conditions is a critical factor in increasing mobility and interest in scientific careers and in raising the proportion of women in research, ensuring adequate social protection. Making employment contracts easier to obtain, with a view to making careers competitive and attractive, as well as offering appropriate employment conditions for men and women, including maternity and parental leave and other social security measures to encourage researcher mobility are key factors in the success of any research and innovation policy.

4.7 The EESC supports the Member States' efforts to consider the possibility of adopting measures making it easier for researchers to transfer supplementary pension rights, making use of the existing legal framework and through bilateral and multilateral agreements. The Committee looks forward to seeing the results of the feasibility study on a possible pan-European pension fund for EU researchers, which is being carried out with Community funding, supporting any measures that it deems urgent, to make it easier for researchers to transfer supplementary pension rights.

4.8 The EESC also supports and advocates urgent measures to facilitate coordination between policies on education, research, labour and social security to ensure the coordinated development of instruments for educational, scientific and social policy, in order to achieve Europe's goals for human resources in the field of science and technology.

4.9 As practical EU-level measures to meet the aims and goals detailed above, the EESC wishes:

4.9.1 in the context of the discussions that will soon start on the future 8th Framework Programme (FP) for Research and Technological Development (RTD), to ensure that research activities supported by the FP automatically form a platform for advanced education, specifically for doctorates, on the basis of competitions open to students from any country;

4.9.2 propose that a monitoring centre for human resources in science and technology in Europe be set up, to provide consistent and comparable information on developments in this field and on national human resources policies both in Europe and worldwide (7);

(7) This is a proposal already put forward in 2004 by the High Level Group on Human Resources for Science and Technology in Europe (See footnote 4).

4.9.3 also in the context of the 8th RTD Framework Programme, to extend the *Marie Curie* measures, to support researcher mobility and related activities and boost international cooperation on human resources; further develop the *Erasmus Mundus* programme, as a means of encouraging cooperation with third countries in the field of advanced studies.

4.10 Lastly, the EESC calls for the future revision of the Lisbon Strategy to take due account of the importance of human resources in the field of science and technology and of ensuring that researchers are properly qualified and guarantee the long-term development of a common policy in this field at the European level.

Brussels, 16 December 2009.

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

Opinion of the European Economic and Social Committee on 'How to support SMEs in adapting to global market changes'

(own-initiative opinion)

(2010/C 255/04)

Rapporteur: **Mr CAPPELLINI**
Co-rapporteur: **Mr PAETZOLD**

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

How to support SMEs ⁽¹⁾ in adapting to global market changes.

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 26 November 2009. The rapporteur was Mr Cappellini and the co-rapporteur was Mr Paetzold.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December), the European Economic and Social Committee adopted the following opinion by 180 votes in favour and three abstentions.

Part 1

1. Conclusions and recommendations

1.1 The Committee acknowledges that SMEs take many paths to internationalisation, employing different strategies and drawing on different levels of support. This Opinion therefore seeks to lay out eight recommendations to guide and inspire actions to support SMEs in adapting to global market changes. Our Opinion is addressed to the EU institutions, the Member states, SMEs and their associations, as well as to the EU's wider organised civil society.

1.2 *Recommendation 1: Respect Entrepreneurs*, their right to take decisions and their need to bear the consequences of these decisions. Business support should assist entrepreneurs in tackling global market changes but must not substitute either the entrepreneurial decision itself nor shield the entrepreneur from the risk derived from the decision. Policy support for SMEs should effectively reward innovation (in participating actively in cross sector Framework Programme 7 (FP7) Technological Platforms) and not be risk bearing, unless it is in response to specific market failures. In these circumstances global market changes may have a disproportionately large impact on smaller firms (such as those operating in global value chains or economies dominated by smaller firms).

1.3 *Recommendation 2: Reduce barriers to trade*. Pursuing open markets, through successful trade negotiations and ensuring the legally correct use of Trade Defence Instruments by third countries, enforcing global trading standards and maintaining the

Internal Market, without neglecting symmetric market access, remain the most effective ways of supporting exporting SMEs. The best policy response is to ensure that those companies that are capable of exporting are not impeded from doing so by tariff or non-tariff barriers.

1.4 *Recommendation 3: Encourage trade competitiveness through raising quality*. The benefits and quality of respecting European standards and requirements, as well as of full participation in quality enhancing programmes, such as FP7 and CIP, need to be made known in marketing campaigns in third countries, organised by Member States, the European Commission and business associations. At the same time, it should be stressed that respecting EU standards is a condition for importing goods and services into the EU.

1.5 *Recommendation 4: trade policy must 'Think Small First'*. If partnerships are to be developed to deliver market access, SMEs need to be coordinated more closely to match the complex process of trade negotiations. The transparency of negotiations could be improved by highlighting the SME dimension in all Sustainability Impact Assessments (SIAs). Greater awareness of the representativeness of business representatives should also be taken. The Market Access Database and IPR (Intellectual Property Rights) helpdesks in new markets will also help. More work can also be done in public procurement and prompt payment within the EU to improve SME trade.

1.6 *Recommendation 5: Tailor Policies to SME needs*. There is a divergence between the experiences of SMEs of obstacles to internationalisation and the perception of these obstacles by policy makers. Support needs to be delivered through local and national intermediaries that are familiar with SMEs and in practical and accessible forms. Promoting personal links between companies by subsidising first time visits is a good example of this. Much needs to be done to match SME needs to policy, as the example of access

⁽¹⁾ For SME definition, please refer to Recommendation 2003/361/EC of 6.5.2003, OJ L 124, 20.5.2003, p. 36 ff.

to finance demonstrates. Practical methods for assisting SMEs such as mediation, tax breaks, prompt payments and measures that facilitate the quick dispersal of funds through state aid exemptions are to be encouraged in particular for those sectors that are most exposed to globalisation and the economic and financial crisis (e.g. automotive amongst others).

1.7 Recommendation 6: Support SMEs through their workers. The aim is to ensure that SMEs are able to draw upon a skilled and committed workforce in the labour market. In order to maintain the competitiveness of the EU's SMEs the supply of the highest levels of skills, for example in sectors like engineering, technical maintenance or construction, must be maintained. The Commission's 'Shared Commitment for Employment' adds value to this process. The Social Dialogue, in particular the Sectoral Social Dialogue, must engage more to help SMEs work with their employees to maintain and develop new skills so they are first to benefit from new and existing opportunities in the internal market. To tackle global changes EU partnerships and lasting projects should be facilitated among SME organisations, business universities and research bodies in collaboration with emerging economies institutions.

1.8 Recommendation 7: Networks matter to SMEs especially as they become global. Networks provide opportunities for SMEs but also present specific problems related to intellectual property and dominating customers which can be better addressed through a sectoral approach. As a global player, the EU has not realised its potential to improve the role of SMEs as exporters to and importers from third markets. Of particular interest is the role that the EU and the Member States can play in supporting those SMEs which are sufficiently competitive to take a role as Initial and Intermediary Companies (IICs) in value chains. Greater focus must be placed on this issue in accordance with CCMI previous indications and taking into consideration the exigencies of repositioning EU industrial policies in the global markets.

1.9 Recommendation 8: Innovate and Evaluate. Policy makers need to innovate in the real economy especially during demanding economic, social and environmental conditions. Policy has to respond quickly to new challenges, be evaluated on sound quality evidence and engage with representative stakeholders to learn from success stories and changes in performance. SMEs could play an important contribution to more energy efficient product/services and to the so called 'green economy'.

2. SMEs play a vital role in the EU's response to global market changes

2.1 The EU's 23 million SMEs play a vital role in adapting the EU's economy to changes in global markets. They employ two thirds of private sector employees, keep the labour market dynamic and contribute to the development of a competitive,

innovative and inclusive EU economy. The processes of economic fragmentation and specialisation that characterise globalisation provides niches for SMEs to exploit. Greater recognition needs to be made for the contribution of SMEs to the prosperity of the EU and its various social, business and cultural models. SMEs are the backbone of the EU's productive system and could increase their contribution to employment and the value added of the EU ⁽²⁾.

2.2 As the world's largest exporter and donor of development aid the EU is already globally orientated. SMEs are a heterogeneous group and many will not have the strength, resources or desire to tackle global markets. The Committee would like to stress that 'globalisation' and 'internationalisation' are important issues even for SMEs that supply or are rooted only on local and regional markets ⁽³⁾. Globalisation has redefined the social compromises that embedded SMEs into national economic systems and the Committee recognises that the current crisis will alter again the way that SMEs are linked to their national and international markets ⁽⁴⁾. The strengthened role of the European Commission and the member states in this needs to be discussed and put on the EU political agenda. A single voice of the EU by the International Financial Institutions (as already requested by the Eurogroup representative to the Council) and common Eurogroup vision supporting the EURO area, could also strengthen SMEs role in their global positioning.

2.3 Many factors influence the response of SMEs to global market changes. Despite the commitment to make the Single Market a reality, few EU27 SMEs export or purchase from abroad ⁽⁵⁾. Smaller countries and larger companies tend to be more internationalised ⁽⁶⁾. The service sector, which is dominated by SMEs, contributes around 70 % of the gross value added to the EU27, but its total contribution to cross border trade was only 20 % during the relatively prosperous period of 2006 ⁽⁷⁾. Internationalisation destinations and sectors vary as do the paths chosen (e.g. export or joint venture) and the direction of trade. The obstacles to internationalisation also vary with the main export obstacle for SMEs being the lack of knowledge of foreign markets (13 % of exporting SMEs mentioned this as their prime obstacle), followed by import tariffs in destination countries and the lack of capital (both 9 %) ⁽⁸⁾.

⁽²⁾ EUROSTAT SBS database, 2004-2005.

⁽³⁾ Commission of the EU 2003 'Internationalisation of SMEs' *Observatory of European SMEs* No 4.

⁽⁴⁾ EESC 'A Programme for Europe: proposals of civil society' presented 24 March 2009.

⁽⁵⁾ Commission Final Report of the Expert Group On Supporting the internationalisation of SMEs: Final Report of the Expert Group December 2007.

⁽⁶⁾ Observatory of European SMEs *Internationalisation of SMEs* No 4, 2003.

⁽⁷⁾ Europe in figures - Eurostat statistical yearbook 2008.

⁽⁸⁾ Flash Eurobarometer. #196.

2.4 SMEs have less cross-border activities than larger firms within and beyond the Internal Market. This may give the erroneous impression that the EU is for large companies and member states are for SMEs. The Committee stresses that SMEs are the backbone of the EU economy and play an important role in the EU social economy, especially when larger companies outsource to third countries.

The Committee therefore acknowledges the development of EU SME policies over the years from the 1986 SME Action Plan, the 1994 Integrated Programme, the various Multi Annual Programmes, the 2000 Lisbon Agenda, the 2000 European Charter for Small Business, the CIP (Competitiveness and Innovation Programme) and the Small Business Act for Europe (SBA).

2.5 Many firms operate without looking to public policy for support other than the removal of administrative and regulatory obstacles. For them the main justification for EU SME policy interventions remains to correct market failures. But in its previous Opinions ⁽⁹⁾ the Committee has made its view clear that support for SMEs needs to be taken to another level if the ambitions of the SBA and the needs of the EU's 23 million SMEs are to be met. SME week has extended the scope of SME policy further as it seeks to 'Inform', 'Support', 'Inspire', 'Share' and 'Encourage' SMEs ⁽¹⁰⁾ as already indicated in the implementation of the 'Small Business Act for Europe' by the Opinion INT/445 of the EESC and recently by the Committee of the Regions.

2.6 This Opinion focuses specifically on recommendations to assist SMEs in exporting and policy designed to help SMEs manage global market changes. It is addressed to the European Commission, the European Parliament and the Member States, as well as to the SMEs and their associations, both cross-sectoral and sectoral. The Opinion begins by explaining why the traditional justification for intervening to address failures in the market may well be a vital component of this policy. But it also suggests that the mechanisms through which market failures are identified, policy solutions defined and executive responsibilities allocated are not always clear or well matched. For these reasons other principles designed to bring the policy closer to the SME and away from the abstract notion of 'the market' need to be developed. To this extent the EESC could promote with other interested EU and National institutions, the elaboration of a Biannual Report at Global level to measure 'SMEs in their global market positioning through appropriate market indicators'.

⁽⁹⁾ The different policy measures, other than suitable financing, that would help SMEs to grow and develop, OJ C 27, 3.2.2009, p. 7., International public procurement, OJ C 224, 30.8.2008, p. 32. and Small Business Act, OJ C 182, 4.8.2009, p. 30.

⁽¹⁰⁾ 'What is SME Week?' http://ec.europa.eu/enterprise/policies/entrepreneurship/sme-week/about/index_en.htm.

3. Recommendation 1: Entrepreneurs take the decisions

3.1 Measures have to respect entrepreneurs, their right to take decisions and their need to bear the consequences of these decisions. Incentives to export can be extremely damaging by distorting markets and encouraging companies to take on risks that they are not prepared to manage. Policy should as a rule reward innovation and support commercial risk taking but not bear commercial risks, unless in response to specific market failures.

3.2 Globalisation presents complex challenges, both risks and opportunities, for SMEs and policy makers. Accessing global markets requires costly information, suppliers must be credible, and value chains present Intellectual Property Rights (IPR) challenges for SMEs. SMEs take many paths to internationalisation with some 'born' global and others learning slowly how to adapt. The challenge for policy makers is to seek to ensure that their understanding of the needs of SMEs matches those of the SME they seek to support. This is why the focus must remain on providing support while embracing entrepreneurial discretion.

4. Recommendation 2: Markets must be free

4.1 The focus on entrepreneurial discretion is the key justification for pursuing free markets and is a common assumption of EU SME policy. The SBA refers to getting more out of the 'Internal Market', the Committee has argued that improving the Internal Market is the most efficient way to improve the exporting capacities of SMEs ⁽¹¹⁾ and better SME access to export markets is a central theme for the external dimension of the Lisbon Strategy ⁽¹²⁾. Reducing barriers to trade and pursuing open and competitive markets, through the conclusion of trade negotiations, enforcement of global trading standards and maintenance of the Internal Market therefore remain the most effective way of supporting exporting SMEs, provided that opening markets respects 'symmetric access' and does not endanger the 'acquis communautaire'. The best policy response is to ensure that those small businesses that are capable of exporting are not impeded from doing so by tariff or non-tariff barriers. Examples of appropriate actions include:

- a. the completion of the Doha Round, WTO/GPA and bi-lateral agreements, and other international trade negotiations to address trade barriers both at the border (for example, tariff barriers, customs procedures) and 'behind the border' (non-tariff barriers, standards, technical norms and regulations) ⁽¹³⁾;

⁽¹¹⁾ A single market for 21st century Europe, OJ C 77, 31.3.2009, p. 15.

⁽¹²⁾ Commission Communication COM(2008) 874 final.

⁽¹³⁾ See 'Global Europe' http://ec.europa.eu/trade/issues/sectoral/competitiveness/global_europe_en.htm and 'Market Access Strategy' http://ec.europa.eu/trade/issues/sectoral/mk_access/index_en.htm), Trade Barriers Regulation http://ec.europa.eu/trade/issues/respectrules/tbr/index_en.htm etc.).

- b. actions to address poor or burdensome protection of intellectual property rights and related issues such as technology transfer such as Enterprise Europe Network, the IPR helpdesk of the IPEuropAware Project, the 'China IPR SME Helpdesk' and the 'European Business and Technology Centre' in India, 2008, in which the European Patent Office is involved;
- c. continued actions to address discriminative government practice in the awarding of public procurement;
- d. the European Commission's actions in response to MEP Guardans Cambó proposals which the Committee encourages the European Commission to report ⁽¹⁴⁾.

5. Recommendation 3: Encourage Trade Competitiveness through Quality

5.1 The complexity of issues surrounding the decision of an entrepreneur to become internationalised means that support for SMEs must be capable of being sensitive to the path taken, the alliances formed and the sectors involved. The Committee therefore supports the new General Block Exemption Regulation (GBER) for making the state aids framework more sensitive to SME needs. It will allow significant assistance to be channelled to SMEs where there is evidence that the market has not contributed to an efficient outcome for SMEs ⁽¹⁵⁾. The Committee has opined on the need for SMEs to participate fully in quality enhancing programmes such as those under FP7 ⁽¹⁶⁾ and to make use of the Commission's new Handbook on State Aids for SMEs. SME organisations should have a look at the Commission's training actions ⁽¹⁷⁾. Wider changes in business culture, value chains, market positioning, in particular for SMEs should be the subject of sector by sector policy monitoring at the EU level. Significant progress is needed in this area.

5.2 All companies that begin trading from within the EU are required to perform to the highest of standards of consumer safety, corporate social responsibility and environmental sustainability. These are significant investments that the EU obliges companies to make and more could be done to raise the return from these investments. The Committee therefore encourages the

member states, the European Commission and representative SME associations to consider ways of representing the quality of EU products/services to external markets. Horizontal marketing to raise awareness of the quality of EU products need not refer exclusively to 'CE marking' or 'made in Europe' campaigns. But disseminating awareness to Third Markets of the quality of goods on a sector by sector approach would be an important marketing tool that would assist many SMEs, especially those operating in new sectors (such as green energy). 'Fair trade' initiatives at regional/global level to involve successfully EU SMEs organisations should be object of more systematic research and evaluation.

5.3 SMEs purchase from outside of the Single Market as much as they export ⁽¹⁸⁾. SMEs from smaller Member States, and especially those operating in wholesale, retail and manufacturing, tend to source from beyond their national boundaries ⁽¹⁹⁾ but not from third countries. Continued promotion of European standards and CE-Marking, as well as better conformity assessment and market surveillance capabilities in third countries would increase the range of suppliers for importing into the EU. Building the capacity through which companies in third countries can comply will also provide business support in line with the Aid for Trade agenda of the EU and, as pointed out by the Chairperson of the WTO-TBT Committee, increase confidence and boost free trade and fair trade ⁽²⁰⁾.

6. Recommendation 4: Trade policy must 'Think Small First'

6.1 The Committee notes that particular SBA topics are relevant to the making of trade policy. SMEs are less able to address regulatory burdens and less able to make their views heard in policy circles ⁽²¹⁾. This applies equally to tariff and non tariff barriers. In accordance with the Commission's proposal for a 'stronger partnership to deliver market access' ⁽²²⁾, business organisations should be active in the Market Access Partnership and its Advisory Committee 'MAAC'. In addition, it has to be ensured that the interests of SMEs are fully taken into consideration in all trade negotiations. Existing trade defence instruments, such as anti-subsidy and anti-dumping measures are not well suited for SMEs who lack the resources and competences to make effective complaints. The EU China and EU India Round Table of the EESC could also facilitate the dialogue and preparatory works among respective EU civil societies (in particular SMEs and social economy categories).

⁽¹⁴⁾ Rapporteur Ignasi Guardans Cambó, Report, A6-0002/2008, adopted 19 February 2008.

⁽¹⁵⁾ For examples of good practice by the member states see DG ENTR 2008 *Supporting the Internationalisation of SMEs – a good practice guide*.

⁽¹⁶⁾ Research and Development Programmes for SMEs, OJ C 224, 30.8.2008, p. 18.

⁽¹⁷⁾ See especially page 24 of Commission 2009 HANDBOOK ON COMMUNITY STATE AID RULES FOR SMES Brussels 25/02/09 http://ec.europa.eu/competition/state_aid/studies_reports/sme_handbook.pdf.

⁽¹⁸⁾ Commission Final Report of the Expert Group On Supporting the internationalisation of SMEs: Final Report of the Expert Group December 2007.

⁽¹⁹⁾ Flash Eurobarometer. #196.

⁽²⁰⁾ Fact Sheet: Aid for Trade Brussels, 3 April 2009; Annex A para (2) of *Programming Guide for Strategy Papers Aid for trade (AfT)* Brussels, November 2008; Report by Chairperson to the TBT Committee TBT Committee Workshop on the Role of International Standards in Economic Development Final 19 March 2009.

⁽²¹⁾ Better implementation of EU legislation, OJ C 24, 31.1.2006, p. 52.

⁽²²⁾ Commission Global Europe: A Stronger Partnership To Deliver Market Access For European Exporters COM(2007) 183 final.

6.2 The Committee recognises that the main channel for representing SME views is through the Member State and the Article 133 Committee and through trade associations and industry federations lobbying the Commission at the WTO. However, trade negotiations are complex and stronger partnerships for developing greater market access for SMEs, need to be developed and better coordinated across the trade policy network. The EC and Member states should also increase coordination of SME interests to better represent their interests in other standard setting bodies such as ISO. Examples of appropriate actions include:

- a. Member States and the European Commission should make *post hoc* statements in Sustainability Impact Assessments (SIA)s on the processes through which they consulted SMEs and the representativeness of the associations that they consulted ⁽²³⁾.
- b. The Committee welcomes the Market Access Database (MADB) and resources for intellectual property protection including the IPR Helpdesks. Regular placements of European Commission officials in SMEs and in their respective National IPR contact offices, would greatly aid comprehension of the issues involved in these trade areas.
- c. Discriminatory public procurement policies and late payment are areas of state action that are disproportionately damaging to SMEs ⁽²⁴⁾. The Committee welcomes the 2006 implementation review of the Directive but feels that the effect of the financial crisis must be assessed. This would exercise moral pressure and capture good practice like the Irish Government's June 2009 formal arrangements to reduce the payments period by central Government Departments to their business suppliers from 30 to 15 days.

7. Recommendation 5: Tailor Policies to SME needs

7.1 Policies must be tailored to meet the needs of enterprises, in particular SMEs, first and not those of the policy provider, delivery mechanism or principle of subsidiarity. Both the 2006 OECD APEC summit on SME internationalisation and the Commission Expert Group outlined obstacles to SME exports ⁽²⁵⁾. However recent studies indicate that the views of policy makers and SMEs diverge on what these obstacles are and so what the solutions might be ⁽²⁶⁾. SMEs have different legal and commercial

backgrounds and approach internationalisation in many ways: in steps, through strategic entrepreneurship, through learning, through proximity and niche marketing and some are even 'born global', focusing on a global market focus from the outset ⁽²⁷⁾.

7.2 The Committee has suggested a range of non financial measures through which to promote SMEs ⁽²⁸⁾ including cooperation events (such as the discontinued INTERPRISE programme, sub-contractor counter fairs) that facilitate face to face meetings between entrepreneurs ⁽²⁹⁾ and training the trainers programme to help organisations defending the interests of SMEs, in order to improve the supply of bespoke consulting advice to SMEs.

7.3 A current example of the failure to tailor policies to SMEs is in the access to finance and credit insurance. These are main concerns for SMEs, especially for those exporting. Despite the massive public financial support of the banking system, enterprises perceive considerable shortage of credits and credit insurance available to them. This indicates institutional failures in the financial markets and calls for specific action to improve the supply of credit and credit insurance to business ⁽³⁰⁾. The Committee therefore supports the conclusions of the OECD's Turin Roundtable that has reassessed the importance of addressing the context in which financial institutions operate by calling for 'reliable governance, tax, regulatory and legal frameworks that provide a level playing field for all economic entities irrespective of size' ⁽³¹⁾.

7.4 The Committee also supports the Turin Roundtable's other practical recommendations to assist SMEs in their financial management including:

- a. making guarantees effective through better mediation between credit suppliers and SMEs;
- b. dealing with cash flow problems through favourable tax and social security contribution exemptions or holidays and tax relief schemes for private investors in SMEs;

⁽²³⁾ See EIM 2009 *Study on the Representativeness of business organisations for SMEs in the EU* Zoetermeer, May.

⁽²⁴⁾ The Commission has published a 'Review of the effectiveness of European Community legislation on combating late payments' http://ec.europa.eu/enterprise/policies/single-market-goods/files/late_payments/doc/finalreport_en.pdf.

⁽²⁵⁾ OECD APEC 'The Athens Action Plan For Removing Barriers To SME Access To International Markets' Adopted at the OECD-APEC Global Conference in Athens, on 8 November 2006.

⁽²⁶⁾ OECD 2008 *Removing Barriers to SME Access to International Markets*; C. Dannreuther 2008 'A Zeal for a Zeal? SME Policy and the Political Economy of the EU' *Comparative European Politics* 23, pp. 377-399; C. Dannreuther 2007 'EU SME policy: On the edge of governance' *CESifo Forum* 2/2007.

⁽²⁷⁾ There are four characteristics of the 'born global' company: a global vision at inception, products with a global market potential, independence and a capability for accelerated internationalisation. Page 389 of Mika Gabriellson, V.H. Manek Kirpalani, Pavlos Dimitratos, Carl Arthur Solberg, Antonella Zucchella (2008) 'Born globals: Propositions to help advance the theory' *International Business Review* 17, pp. 385-401.

⁽²⁸⁾ *ib.n.9*.

⁽²⁹⁾ See <http://ec.europa.eu/enterprise/entrepreneurship/partnership/interprise.htm>.

⁽³⁰⁾ IMF 2009 'Trade Finance Stumbles' *Finance and Development*.

⁽³¹⁾ OECD 'Turin Round Table on the Impact of the Global Crisis on SME & Entrepreneurship Financing and Policy Responses' held at Intesa Sanpaolo, Palazzo Turinetti Turin, Italy 26-27 March 2009.

- c. although this is not an SME specific item, it is imperative that all companies receive payments promptly both from value chains and from government departments ⁽³²⁾.

7.5 The Committee also applauds the Temporary Framework for State Aid measures agreed in December and announced in the European Economy Recovery Plan. Notable are:

- a. the new compatible limited amount of aid up to EUR 500 000 over two years;
- b. allowing Member States to grant without notification of individual cases state guarantees for loans at a reduced premium, aid in the form of subsidised interest rate applicable to all types of loans; and subsidised loans for the production of green products involving the early adaptation to or going beyond future Community product standards;
- c. the modifications concerning the Risk Capital Guidelines to increase the allowed risk capital injection in SMEs per year from EUR 1.5 million to EUR 2.5 million, and a reduction of the level of private participation from 50 % to 30 %.

7.6 SMEs must be given priority access to the EUR 5 trillion of funds promised over two years in the G20 communiqué ⁽³³⁾. Allocations need to be closely scrutinised to ensure that they do reach their intended targets. SMEs in the new Member States are able to receive extraordinary support under the current Treaties.

7.7 A 'single voice' of the EU towards the International Financial Institutions (IFI), within the EURO currency and an EU with more coherent and coordinated economic, industrial and trade policies at global level, would be beneficial to both SMEs (as already stated in some spring hearings by the EESC on the current global economic and financial crisis) and Member States.

8. Recommendation 6: Support SMEs through their workers

8.1 Workers and the skills they bring are central to SME competitiveness. In the EU SMEs employ more of the total workforce than SMEs in the USA or Japan so it is vital that greater efforts are made to involve SMEs representative organisations in a social dialogue and other areas of policy. For example a greater supply of the skills of both qualified engineers and technically skilled workers would be possible if more effective involvement of SMEs in (collective) research and development and the commercial exploitation of such research (e.g. through licensing agreements) could be delivered.

⁽³²⁾ Small Business Act *ib.n.*9 and EESC Opinion on 'Proposal for a European Parliament and Council Directive combating late payment in commercial transactions' OJ C 407, 28.12.1998, p. 50.

⁽³³⁾ G20 Leaders Statement 'The Global Plan for Recovery and Reform' 2 April 2009.

8.2 SMEs should make the best possible use of the action plan for jobs of the Commission of June 2009 and of its policy of better anticipating the structural and industrial changes. The Communication 'Shared commitment for employment' ⁽³⁴⁾ puts forward three key priorities: maintaining employment, creating jobs and promoting mobility; upgrading skills and matching labour market needs and increasing access to employment. Specific issues of note include:

- a. a EUR 100 million microfinance facility in the form of loans of up to EUR 25 000 tailored to businesses employing fewer than 10 people;
- b. five million apprenticeships and other help for young people facing unemployment;
- c. a sector-by-sector analysis of EU labour market to upgrade and match skills with labour market needs for both today and tomorrow ⁽³⁵⁾;
- d. a practical toolkit for companies and their workers to better manage business restructuring;
- e. a guide for training in small businesses to help SMEs maintain and obtain the skills they need.

9. Recommendation 7: The importance of networks in the internationalisation of SMEs

9.1 Many SMEs are price takers not makers and more engage with international markets through supply and value chains and through importing than through exporting. These networks provide opportunities for SMEs but also present specific problems related to intellectual property and dominating customers which can be better addressed through a sectoral approach. As a global player, the EU has not realised its potential to improve the role of SMEs in third markets both as exporters and importers. Of particular interest is the role that the EU and the Member States can play in supporting those SMEs which are sufficiently competitive for taking the role as Initial and Intermediary Companies (IICs) in value chains. Greater focus must be placed on:

- a. helping EU SMEs to move into the high value added parts of the global production process (through linkages to innovation, research and skills agendas, including those of universities);

⁽³⁴⁾ COM(2009) 257 final.

⁽³⁵⁾ Communication 'New skills for new jobs', COM(2008) 868 final.

- b. introducing International Foreign Direct Investors interested in the EU internal market opportunities to SMEs to promote lasting industrial collaborations;
- c. assisting SMEs in the problems that value chains and networks present them (intellectual property rights, prompt payment in respect of statutory and contractual obligations etc.);
- d. coordinating and supporting existing networks, including national and EU SMEs export consortia, local clusters and SME representative organisations, to provide bespoke assistance to SMEs to better exploit their competences both in the Internal Market and neighbouring markets (e.g. cross border regions). Support from the Commission's Europe Enterprise Network, the Chambers of Commerce and the bi-lateral Export Chambers of Commerce are helpful but could be further extended, and better coordinated between each other and with other existing networks and SME organisations active in this field. Different SMEs associated forms and business technical support solutions compliant with State Aid policies and WTO, could be object of further studies and measures.

9.2 The Committee has presented a number of Opinions on outsourcing and value chains ⁽³⁶⁾. These have a direct impact on the European economy and especially the SMEs that internationalise in large numbers through these unique relationships. SMEs benefit from these global networks by sharing the risks of internationalisation, gaining access to new technologies and improving their efficiency through further outsourcing and specialising

in their core competencies. But they also face specific challenges in understanding how they relate to the rest of the value chain, how to protect their own intellectual property within it and how to progress to more profitable stages of the value chain ⁽³⁷⁾. The Committee maintains that there is still a lack of policy for Initial and Intermediate Companies and has specified the issues that need addressing in its previous Opinions.

10. Recommendation 8: Policy Innovation and Evaluation

10.1 The Committee recommends that better understanding is developed of the impact of the above policies through effective monitoring and evaluation of outcomes and of the regular re-assessment of objectives with specific reference to the internationalisation of SMEs facing global market changes through innovation in the short and long terms:

- a. Trial and error should be seen as an important source of policy innovation that allows policy systems to learn and improve.
- b. Evidence based policy should be used as a matter of course to inform policy decisions and more and frequent data should be better coordinated from a range of sources (e.g. through the EU SME Performance Review) ⁽³⁸⁾.
- c. A multi-stakeholder taskforce on internationalisation should support the European Commission in implementing its policies with representatives from the member states, the SMEs representative organisations, the EESC and the Committee of the Regions.

Brussels, 16 December 2009.

The President
of the European Economic and Social Committee
Mario SEPI

⁽³⁶⁾ Value and supply chain development, OJ C 168, 20.7.2007, p. 1. & Global trade integration and outsourcing, OJ C 10, 15.1.2008, p. 59.

⁽³⁷⁾ OECD Enhancing the Role of SMEs in Global Value Chains.

⁽³⁸⁾ OECD 2008 *Making Local Strategies Work: Building the Evidence Base*.

Opinion of the European Economic and Social Committee on the 'European aviation relief programme'

(own-initiative opinion)

(2010/C 255/05)

Rapporteur: **Mr KRAWCZYK**

Co-rapporteur: **Mr PHILIPPE**

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

European aviation relief programme.

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 26 November 2009. The rapporteur was Mr Krawczyk and the co-rapporteur was Mr Philippe.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 17 December), the European Economic and Social Committee adopted the following opinion by 167 votes in favour and two abstentions.

1. Conclusions and recommendations

1.1 The crisis is unprecedented; it impacts all the elements of the air transport value chain (the Value Chain), although in differing ways. In a partially deregulated environment, whereby only the last link of the chain (the airlines) has been submitted to a proper liberalisation, the other components can partly or fully mitigate the losses in revenue generated by a decreasing traffic either by making improper use of the so-called 'cost recovery principle', or by abusing their competitive position.

1.2 The resilience of the European aviation, and therefore its international competitiveness, is at stake. Whilst other regions in the world have taken quick and effective measures to remedy the temporary dip in passengers and cargo, their European counterparts face problems of another nature, with important negative effects on their suppliers. Governmental taxes of all sorts, still increasing costs for the use of infrastructure (airports, ATC), shortage of funding available, unilateral environmental constraints, are only a few examples of the reality faced by European aviation sector.

1.3 This Opinion outlines the number of short-, and mid-term measures that the decision-makers are urged to consider and implement if European aviation is to successfully combat the crisis and come out of it as resilient as it was before.

1.4 Restructuring of the Value Chain should be understood and followed up by all participants in the traffic: airports, air navigation service providers (ANSP), ground handlers, airlines and aircraft manufacturers.

1.5 EESC reminds that European aviation sector as a whole is considered to be of strategic importance for Europe, it is a vector of growth due to highly qualified/skilled staff. For this reason, measures needed to be taken to - overcome the crisis, that affects

the sector - must allow to keep competences that will be necessary to guarantee the development of the European industrial and technological base.

1.6 In order to better anticipate future industry/sector evolutions, development of social dialogue between stakeholders and actions for training and forward-looking management of skills and jobs must be encouraged. Public and private stakeholders must engage in activities sustaining exchanges between schools and industries as well as supporting R&D necessary to develop the sector.

1.7 Proposals for European aviation relief program are covered in Item 9 of this opinion. They include initiatives related to:

- Infrastructure adjustment and cost,
- Financial challenges caused by the lack of financing available and shrinking profits,
- Environmental concerns,
- Regulatory environment,
- International competition,
- Research and development.

2. The impact of the crisis on the aviation industry

2.1 In March 2009, the International Air Transport Association (IATA) predicted that losses for the global airline industry would reach USD 4,7 bn in 2009, but in May revised its estimate of the losses for 2009 to USD 9 bn, and subsequently to USD 11 bn in September. For 2010 it is to continue at a level of USD 3,8 bn.

2.2 In terms of demand, members of the Association of European Airlines (AEA) faced a drop in passengers of 8,2 % during the first semester of 2009. Premium traffic has dropped by more than – 19,9 %. Cargo operators were hit by – 22,1 % drop in demand in the first six months of 2009. This data is confirmed by Airports Council International (ACI) with estimate of demand drop of 8,1 % in passengers and 21,1 % in cargo. According to ACI in the first nine months of 2009 top European 25 airports lost 41 million passengers European Regions Airline Association (ERAA) representing carriers operating intra-Europe flight, recorded a collective drop in passenger traffic of 7,2 % for the first half of 2009.

2.3 In 2008 the air transport sector provided roughly 1,5 million jobs in Europe, of which airlines were by far the biggest contributor, accounting for 49 %. During the first semester of 2009 alone, AEA members reduced staff by 34 000 (around 8 % of the total workforce), with a cascading effects on an estimated 90 000 'indirect' jobs throughout Europe, of which most are of a highly skilled nature. Airport in Amsterdam has been also an example of large scale staff reduction

2.4 Low-cost carriers (LCC) have been performing better than other business models in Europe. Although they were not spared by bankruptcies; five of them went bankrupt since August 2008. Their market share in Europe has tripled and reached 37 % in 2009 from 12 % back in 2003. In July 2009, at the worst of the crisis, their capacity readjustment was virtually inexistent, as demand for LCCs had not, or only marginally, subsided. This can partly be explained by their ability to avoid congested hubs and hence reorganise their operations according to the financial necessity of the moment. However, their reliance on direct or indirect public aid, at a time of stranded public finances, casts a doubt on their mid-term sustainability. We note that the development of low cost carriers has become a social reality. We should ask ourselves about the future of this form of transport and the effect which it could have on the whole value chain.

2.5 Despite severe capacity cuts on the supply side, the operating results of the network carriers have fallen from a negative EUR – 0,2 in 1st quarter of 2008 (Q1) to EUR – 1,9 bn in 1st quarter of 2009 (Q1). According to IATA European airlines will be hit by the highest loss of \$3,8 bn in 2009. ACI forecasts that European airports will loose 98 million passengers in 2009, with the smallest airports being hit the hardest.

2.6 In Europe more than 33 carriers have gone bust, or are just about, since the start of the crisis (from September 2008 to September 2009).

2.7 According to the latest Analyses of the European air transport market in 2008 prepared for the European Commission Airbus has booked in 2008 41,3 % orders less than in 2007, which was an exceptional year for orders.

2.8 From a manufacturers' point of view, 2009 so far was equally bad. As of October 2009, Boeing had secured total orders of 195, and 111 cancellations for a net inflow of 84 orders only.

In the same period, Airbus had 149 orders and 26 cancellations, for a net inflow of 123. In comparison, last year both companies logged respectively 662 and 777 orders.

2.9 Faced with falling orders and delivery extensions and/or reductions, aircraft manufacturers see little room for manoeuvre and are trying to protect their results by cutting costs. At the same time, this influences their capacity to invest in developing new technologies and new planes.

3. Longer-term implications for the sector

3.1 The strategy adopted by the prime contractors (Airbus, Boeing, Dassault, ATR, Alenia, Safran, Goodrich, Thales, Liebherr, etc.) aims to cut development timeframes and costs, while relocating production and research also outside Europe. Suppliers and sub-contractors are compelled to adopt this strategy vis-à-vis their own partners ⁽¹⁾.

3.2 Were a significant fall in orders to coincide with the contractors' strategy, this would create workload difficulties for many sub-contractors, whose survival might be jeopardised. In the same logic, company strategies including measures of relocation and technology transfers outside Europe must be questioned, in view of their social impact (on the draining of financial resources, on the loss of competitiveness and added value, on the environment and the socio-economic tissues).

3.3 This policy in the long term can lead to considerable highly qualified job losses in Europe. These job losses may seriously worsen the competitiveness of the industry in Europe.

3.4 Rising unemployment, shrinking private incomes, and the confidence crisis have led passengers to cut down on travel, shun business class, and switch from airlines to alternative forms of transport.

3.5 If in 2001, AEA members experienced a 7 % drop in revenue and took three years to get out of the red, the situation today is twice as bad. An overall loss of 15 % seems to indicate that airlines will take more than three years to get back to normal.

4. Airline cost-cutting is not backed up by simultaneous action on the part of airports and Air Navigation Service Providers (ANSPs). Reactions to the economic recession are not uniform throughout the Value Chain.

4.1 In addition complex network of often contradictory legislation limits the ability of the aviation industry to respond to the challenges of the crisis.

⁽¹⁾ See also the EESC opinion on *The European aeronautics industry: current situation and prospects* (OJ C 175, 28.7.2009, p. 50-56)

5. Airlines control directly only 37 % of what constitutes their operating costs. Another almost one third, are generated by items outside of their direct control. Among them:

5.1 'External' operating costs represented a total amount of EUR 50,5 bn in 2008 and even though largely uncontrolled oil price constituted the bulk of them (more than 45 %), a remaining 55 % (EUR 27,5 bn) of these costs are constituted, amongst others, of airport and ATC charges.

5.2 Airport charges, which represented a total cost of EUR 2,8bn last year, rose suddenly by more than 5 % at many airports. Only a few airports across Europe were able to complement their users' efforts with comparable reductions in their charges. On average airport charges per passenger increased by 15 % in Q1 2009.

5.3 Rising oil prices are a threat to airline sustainability. The price of jet fuel has risen by nearly 50 % since the beginning of the year. According to IATA average fuel price will increase from UDS 61 per barrel in 2009 to UDS 72 in 2010.

5.4 Similarly, Air Traffic Control (ATC) unit rates rose in Q1 2009 by an average of 3,4 % throughout Europe. This increase was justified by the 'cost recovery' principle that allows each ANSP to compensate for the diminishing traffic by raising charges.

5.5 The idea of a Single European Sky – so far missed opportunity, which was supposed to bring cost rebates of up to EUR 5 bn per annum and improvements through more direct routing of 16 m tonnes of CO₂ emissions – will not influence the short-term economic reality Functional Airspace Blocks (FABs) will not come into force until 2012.

5.6 Cost structure of the airlines exposes them to the slightest fluctuation in oil prices. In the interests of the economy as well as corporate social responsibility, immediate and urgent action is required to promote the use of 'revolutionary' engines and fuel. In this way, a strong support for funding R&D is essential.

5.7 The development costs of aviation programs are increasing constantly, thus the financing of new aeroplane deliveries is getting more difficult. When the airlines do not have access to financing by banks, the whole aviation sector is weakened

5.8 There is a need to study new financing arrangements for aircraft development and production by relieving industrialists and operators of cash disbursement constraints via smoothing mechanisms at the time of payment for aircraft.

5.9 Historically, public contracts associated with military aeronautics programmes have always supported the sector (predominantly dual) during lows in the cycle. We undoubtedly need to give immediate consideration to the possibility of ensuring such

support, coordinated at the EU level, which would also facilitate the reorganisation of an industry that is still too fragmented.

5.10 Use of public funded support for business (eligible already under current legislation) should be evaluated on the basis of commitments to protect jobs and skills in the companies concerned.

6. An international level playing field is more than ever necessary. The crisis has prompted many governments across the world to rescue their ailing airlines. China directly subsidised China Eastern Airlines (EUR 750 m) and China Southern Airlines (EUR 320 m) in early 2009, charges at Chinese airports were suspended and jet fuel prices lowered. In India, Air India has received EUR 600 m in the form of equity and soft loans from the government.

6.1 Some of these carriers are known as 5th and 6th freedom operators, using Europe as an important and resourceful reservoir to tap into, such as the Gulf carriers.

6.2 These state-aided carriers maintain their inter-continental operations even though seat load factors are dropping dramatically. In some cases, they may even increase them at a time when European carriers, being subject to market realities, are forced to reduce them (the Gulf carriers, increased capacity - mainly through major European hubs - by 14 % this year).

7. The European Community's reaction to this unprecedented crisis so far: the summer slot waiver was too little too late. The formal adoption and publication of this regulation at the end of June, almost three months after the beginning of the summer season did not allow this regulation to help industry to react more flexibly to the rapid changes of the market condition.

8. Although airline associations have upfront rejected the idea of individual state aids, several areas have been identified that needed swift action from the regulator in their combat against the crisis.

8.1 The objective of expected winter waiver is to support the aviation industry, and the airlines in particular, to address the economic crisis by aligning their capacity with further decreasing demand. The measure is non-discriminatory, benefits all airlines and all different business models and constitutes a short-term and isolated measure. It has to be implemented in time if its effects are to be noticed. Some low cost carriers are supporting this measure as well.

8.2 With the crisis hitting first financial sector though, the bulk of financial institutions specializing in aviation sector financing have either disappeared, or have reoriented their strategy towards other businesses.

8.3 For their fleet renewal, as of July 2009 AEA member airlines have placed orders worth up to USD 29 bn for 535 aircraft for the years to come, down from 561 at the same period last in 2008.

8.4 It is estimated that only up to 75-80 % of these orders are, or will be, guaranteed or financed by the financial market. The remaining 20-25 % will either have to be cancelled, or find alternative ways of financing that do not exist today.

8.5 In 2008 alone European Investment Bank has provided loans amounted to almost EUR 52 bn to projects within Member States of which only 2,7 bn has been allocated to European transport industry (airlines, airports, ATC, and manufacturing industry).

8.6 In its Final Report of May 2009, the ICAO GIACC recommended that ICAO should adopt three global aspirations:

- a) in the short term to 2012: improvements in the in-service fleet average fuel efficiency at the rate of 2 % per year;
- b) in the medium term to 2020: annual improvement of 2 % fuel efficiency;
- c) from 2021-2050: global fuel efficiency improvement rate of 2 % per annum.

8.7 It is vital, that international aviation is represented and treated as a sector at the COP – 15 Copenhagen Summit in December. It is also vital, that an agreement capping global aviation emissions is part of Copenhagen deal. The discussion should pertain to both airlines and aircraft manufacturers.

8.8 With a forthcoming EU ETS in 2012 it is crucial, that European carriers start gradually to replace their planes with the most efficient ones. The last generation of B737s or A320s allows reductions of their emission footprints of up to 7-8 % when compared to the previous generation. Funds should be allocated for radical innovation in engine, airframe and fuel technology.

8.9 The fleets in service still have a relatively high average age (which impacts airlines' results); a structured dismantling sector therefore needs to be set up. Current examples are too rare and insufficiently coordinated; a genuine European sector should be established, under the auspices of public authorities.

8.10 Manufacturers and their subcontractors should naturally be involved in these initiatives, which could generate additional jobs and revenue by extending industrial activity to the whole product lifecycle, right up to aircraft retirement.

8.11 ANSPs operate on a cost recovery basis – when traffic levels decrease, the unit cost are raised, therefore the crisis 'hits twice' the airlines. ANSPs need to adjust their cost base to the changed economic environment and substantially lower traffic in the air.

8.12 The Single European Sky package will indirectly address the cost recovery principle by imposing performance targets onto FABs and Member States. However, it will only be introduced by 2012. SESAR, program designed to establish a single architecture is to replace the current 22 operating systems, 30 programming languages and 31 national systems currently in use.

8.13 Given that Member States have already adopted the Directive on Airport Charges, in times of a crisis they should act as if the key provisions of the Directive are already in effect. The Commission now effectively has jurisdiction for airport charges in the EU.

8.14 Last year the European Aviation Safety Agency (EASA) has gained legal competence for the safety rules related to flight operations, flight crew licensing and third country operator's oversight.

8.15 Safety Enhancements must continue to be supported by data-driven, risk-based analysis. Industry-led safety enhancements in partnership with governments have led to a track record of increased aviation safety and this leadership should continue as safety is core to the aviation industry. It must be guaranteed that EASA deals exclusively with safety issues.

8.16 The aviation sector has been waiting for a long time for a final agreement on the mutual recognition of EU and US security measures. Political decision is now needed in order to recognise the US security measures as being equivalent. This recognition will benefit 6 m passengers coming from the US and transferring at an EU airport per year.

9. European aviation sector represents an essential part of the economy, in that it contributes greatly to one of its fundamentals, i.e. mobility (of goods and of people). It represents also an important share of the strong industrial base, of technological development and of economic growth. To keep this base on a long term perspective is of paramount importance and must be encouraged. It is also a cogwheel for the economic recovery, in these times of globalisation. Therefore the primary objectives of governments should be to ensure that the supporting pillars of their ailing economies, including aviation, are maintained afloat, but also that the conditions for a rapid return to a healthy environment are carved out. Thus EESC strongly recommends undertaking the following actions and relief measures:

9.1 The Value Chain (airports, aircraft manufacturers, kerosene providers, ground handlers, air navigation service providers, airlines) should be subject to the effects of the economic cycles and competition pressures as the whole. Restructuring is in progress to minimize negative effect of economic slowdown.

9.2 Commission should initiate all procedures in order to facilitate and implement a waiver of the 80:20 slot utilisation rule for the winter season 09/10.

9.3 Bearing in mind that air traffic is predicted to grow in the mid term future, by 4-5 % per year, with potentially 25 000 100 plus-seater planes to be constructed over twenty years, European production capacities should be managed properly. If restructuring is inevitable, account should be taken of this aspect of maintaining capacities and skills.

9.4 The Committee recommends that the procedures for informing and consulting the social partners be complied with, where restructuring is undertaken. The committee encourages all social partners to develop structured and pro-active social dialogue on company, national and European level.

9.5 Public authorities should help vulnerable companies to retain their skills and jobs, by, for example, improving access to vocational training during periods of downturn. Public bodies could take the lead in fostering the development and acquisition of the skills necessary in the medium and long term. In this framework, EESC considers that a system of forward-looking management jobs and skills that involve the social partners must be implemented.

9.6 The Committee in its opinions (the latest SOC/347) emphasized the importance of a high-level school and university education as well as good links between industry and schools/universities to ensure a supply of job seekers with the relevant knowledge and skills.

9.7 This kind of coordinated support from public authorities (the EU, States, regions, etc.) is crucial to dealing with the effects of the crisis, which is affecting the industrial sector at a time of large-scale retirement. If skills are not retained within the manufacturing industry, it will not be able to meet the long-term challenges.

9.8 The European Investment Bank ought to revert back to its pre-2007 policy when European carriers were able to benefit from credits; this reverting back must be quick and be specifically targeted at the financing of new aircraft. This would be not to finance a fleet expansion.

9.9 It would also be appropriate to provide for mechanisms to cover financial risks, such as those arising from fluctuating exchange rates (cf. paragraph 4.6 of CCMI/047). This could also take the form of loan guarantees based on refundable advances or EIB (European Investment Bank) loans.

9.10 Additional financing for research and development in aviation industry is to be provided in order to enable the sector to meet future challenges including EU ETS requirements.

However, a global sectoral approach for aviation under the framework of ICAO would be the optimal solution for international climate change mitigation as it would facilitate the solution for a global problem.

9.11 Given the innovative and strategic importance of the aeronautics industry for Europe's industrial and technological base, strong support for R&D (jeopardised by the crisis) could be obtained through sustained efforts by the EU, from the implementation phase of the 7th FPRD and throughout the future 8th FPRD. There should be no decline in public support for R&D, in order to ensure the excellence of Europe in this field. Also, and to maintain the focus on the further development of a long-term sustainable aviation industry with alternative fuels and operational measures, R&D and cooperation is inevitable to achieve such an objective.

9.12 First-tier contractors suffer less from downturns than their suppliers and subcontractors, who account for the bulk of the industry's skills and jobs. A support process could take the form of pooled loans and guarantees for subcontractors. Manufacturers should back up the efforts made by suppliers, by guaranteeing them revenue and long-term workloads.

9.13 The Single European Sky II package has to be implemented urgently. Fragmentation of the airspace in Europe causes an additional heavy burden not only to the passengers but also to the carriers. The EESC has given strong support to SES II in its latest opinion. Aviation is a global industry and interoperability will be necessary to avoid additional burdens and inefficiencies. Therefore a continued focus to ensure SESAR and NextGen interoperability is necessary. Financing mechanism for the implementation of SESAR has to be worked out by the Commission in 2010 in order to enable broad participation in this revolutionary undertaking.

9.14 All Member States must be urged to accelerate the implementation of the Airport Charges Directive. The Commission should consider making use of the jurisdiction which the Directive gives to it.

9.15 The Commission shall issue a communication to Member States and EUROCONTROL to introduce a moratorium in the ATC charges. EESC recognizes efforts already made by DG TREN with regards to this issue and strongly encourages it to put further pressure on the Member States.

9.16 Consultation between ANSPs and airlines required under the terms of charging Regulation No 1794/2006 has to be enforced by European institutions. Further update of this Regulation is required to reflect performance scheme implemented within SES II package.

9.17 It must be guaranteed that EASA deals exclusively with safety issues. It must be ensured that the safety of flights is maintained and improved.

One-Stop Security should be applied throughout the EU by April 2010 (date of entry into force of the new EU security rules of Regulation 300/2008). Furthermore, a final proposal on EU-US One-Stop Security should be presented to the Member States, based on the mutual assessment of EU and US security measures and implemented as soon as possible.

9.18 More international aviation agreements are needed between EU and third countries to provide an international level playing field. The agreement concluded by the Commission with Canada has been highly valued by the EESC in its opinion.

9.19 In general terms, the increasing incidence of regional and international cooperation between industry players (operators, manufacturers, public authorities) could help boost supply and overall activity in the sector, provided that the terms of such 'trade' are socially responsible and involve all the social partners.

Brussels, 17 December 2009.

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

III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

458TH PLENARY SESSION HELD ON 16 AND 17 DECEMBER 2009

Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and of the Council on textile names and related labelling of textile products’

COM(2009) 31 final/2 — 2009/0006 (COD)

(2010/C 255/06)

Rapporteur: **Mr CAPPELLINI**

On 27 February 2009 the Council decided to consult the European Economic and Social Committee, under Article 95 of the Treaty establishing the European Community, on the

Proposal for a regulation of the European Parliament and of the Council on textile names and related labelling of textile products

COM(2009) 31 final/2 – 2009/0006(COD).

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 17 November 2009. The rapporteur was Mr Cappellini.

At its 458th plenary session held on 16 and 17 December 2009 (meeting of 16 December), the European Economic and Social Committee adopted the following opinion by 160 votes with 1 abstention.

1. Conclusion and recommendations

1.1 The EESC supports the initiative of the European Commission on textile products – names and labelling which might represent an important step to increased innovation processes and

societal solutions in the EU textile industry as well as increasing the awareness and information of the European consumer, in particular in a period of crisis. The European Economic and Social Committee underlines, as already stated in previous EESC Opinions and Information Reports on the future of textile

industry ⁽¹⁾, the urgent need for the sector to develop coherent and integrated policies, including labelling, for its competitive advantage.

1.2 The EESC welcomes the Regulation and supports Article 4 on national legal framework concerning product of origin and competition laws.

1.3 The EESC asks the European Commission and the interested stakeholders to monitor how the proposed Regulation will influence:

- the European Strategic Research agenda in the development and uptake of new fibres and innovative textile products and transparency;
- the simplification of the existing legal framework with its potential positive impacts for private stakeholders and public administrations at EU and national/regional level;
- the improvement of a more coherent existing regulatory framework ⁽²⁾.

1.4 The EESC confirms the importance of respecting the need for consumers to be provided with clear, comprehensive, complete product information in particular when dealing with textile products and supports the Commission initiative in its attempt of simplifying the procedures and cost reduction today required in the transposition of a Directive.

1.5 The EESC wishes to have a systematic involvement of civil society, wider textile social partners and institutional stakeholders, in the Committee for Textile Names and Labelling (Article 20 of Regulation proposal). Regular review systems of the Regulation should also be taken, into consideration in order to gain competitive advantage of other international industries' textile labelling

⁽¹⁾ The textile, clothing and footwear sector is a key part of the EU-27's manufacturing industry. With around 250 000 businesses and turnover of approximately EUR 240 billion, it accounts for about 4 % of the overall added value of the EU-27's entire manufacturing industry (about half of which derives from the textile segment alone). The sector, which is the only sector to employ more women than men in the EU (64,5 %), with its 3,2 million employees, also accounts for 9,3 % of employment in the EU-27's manufacturing industry, the largest share of which is in the clothing sector (around 1,5 million). The EU is the main target market and the main exporter in the sector, with a world share of close to 20 % (2005 data). CCMI/041.

For more information on Textile trends and criticalities please consult CCMI Information Report available at:
http://eescregistry.eesc.europa.eu/viewdoc.aspx?doc=%5C%5Ccesppub1%5Ccesp_public%5Cces%5Cccmi%5Cccmi041%5Cen%5Cces1572-2007_fin_r1_en.doc.

⁽²⁾ One of the directives (Directive 96/74/EC) that is to be replaced by the regulation was already replaced by 2008/121/EC. If the new Regulation comes in effect both Regulation and Directive should be coherent.

and standards (see EU industry textile markets ⁽³⁾). Once entered into force, a more participative review of the proposed Regulation, could also facilitate an open debate on most health problems (e.g. allergies, ionization indexes) connected with textile products which are related not to the fibres themselves but to the chemicals introduced in the production chain i.e. for dyeing and softening or to the mechanical processes like combing or carding.

1.6 In accompanying the direct enforcement of the present Regulation, the EESC proposes a targeted information campaign on textile products – names and labelling and sector specific studies in partnership with SMEs organisations, research centres, consumers, textile producers. These actors might have a major role to play in terms of reinforcing the importance of environmentally sustainable fibres and products as well as in growing awareness of market potential.

1.7 This initiative could also facilitate an open debate on 'not mandatory' labelling on textile finished products such as clothes regarding conservation and cleaning (symbols for ironing, washing, bleaching, etc.), but this information is optional because there is no EU obligation on this matter. The introduction of a system similar to the one used by Ginetex ⁽⁴⁾, in compliance with ISO 3758 or even the adoption of the U.S. ASTM D-5489 standard might have added-value especially to the end user. This will ensure, among others, that:

- the life of textile products can be prolonged;
- products will not be damaged, non damage other products during care treatments;
- dry cleaners can be clear on appropriate and suitable treatments;
- products retain their appearance;
- an informed choice would be made at the point of sale as to whether an article is suitable.

Moreover, a wide application of conservation and cleaning labels will consequently reduce the energy and water consumption related to textile caring.

1.8 The implementation of such a regulation would also approach the EU to other similar regulations used in third markets like the US ⁽⁵⁾, Japan ⁽⁶⁾, Australia ⁽⁷⁾, etc.

⁽³⁾ 17 KEY MARKETS - Source: Euratex

- ASIA: China, Japan, India, South Korea, Taiwan, Indonesia, Pakistan, Thailand, Malaysia
- NORTH AMERICA: United-States, Canada
- CENTRAL AMERICA: Mexico
- SOUTH AMERICA: Brazil, Argentina, Chile
- OCEANIA: Australia
- AFRICA: South Africa.

⁽⁴⁾ GINETEX: Groupement international d'étiquetage pour l'entretien des textiles.

⁽⁵⁾ Care labelling of textile wearing apparel and certain piece goods - 16 CFR Part 423.

⁽⁶⁾ Japanese Industrial Standard for Care Labelling.

⁽⁷⁾ Australian/New Zealand Standard AS/NZS 1957:1998 - 'Textiles - Care labelling'.

1.9 There are thousands of chemical substances used in the textile sector, with a non-specified mixture of other added substances, some of them toxic; these are used in dyeing and other fabric transformations. In the EU, toxic substances are preventively selected, eliminated or treated, in compliance with environmental and sanitarian laws. The EESC proposes a close connection between textile labelling Regulation and the REACH Regulation and platform with the purpose of procedure simplification and speeding, avoiding over-accumulation.

2. Background

2.1 The EU legislation on Textile Names and Labelling is based on Article 95 of the EC Treaty. It aims at establishing an Internal Market for textile products while ensuring that consumer receive appropriate information. Member States recognised in the 1970's the need for harmonisation of Community legislation in the area of textile names. Different (non-harmonised) textile fibre names in the EU Member States would create a technical barrier to trade in the Internal Market. In addition, consumer interests would be better protected if the information provided in this area was the same throughout the Internal Market.

2.2 The EU textile industry has undertaken a lengthy process of restructuring, modernisation and technological progress in response to the significant economic challenges faced by the sector in recent years. European businesses, notably SMEs, have improved their global position by concentrating on competitive advantages such as quality, design, innovation and products with higher added-value. The EU industry plays a leading role at world level in the development of new products, technical textiles and non-wovens for novel applications such as geo-textiles, hygiene products, the automotive industry or the medical sector.

2.3 A key area for research is the development of new speciality fibres and fibre composites for innovative textile products, identified as one of the thematic priorities in the Strategic Research Agenda of the European Technology Platform for the Future of Textile and Clothing. Fibre innovation at the upstream end of the textile value adding chain is a powerful source of new products, processing options and application areas in many downstream user sectors⁽⁸⁾. In fact, the number of requests for new fibre names to be added to EU legislation has increased in recent years and this trend is expected to consolidate as the European textile sector evolves into a more innovative industry.

2.4 Applications for new fibre names have been submitted by a number of different businesses, including both large and small firms. Industry indicates that, in general, 90-95 % of R&D activities are focussed on improvements and developments on existing fibres. Although only 5-10 % of R&D activities are likely to result

in a fibre requiring a new generic name, these new fibres generate often new uses and technological processes in a wide number of domains such as clothing, medical, environmental and industrial applications.

2.5 In the last years, eight new fibres were added to the technical annexes of the Directives by way of amendments:

- Directive 97/37/EC⁽⁹⁾ added four new fibres to the list of fibre names (cashgora, lyocell, polyamide, aramid).
- Directive 2004/34/EC⁽¹⁰⁾ added the new fibre polylactide to the list of fibre names.
- Directive 2006/3/EC⁽¹¹⁾ added the new fibre elastomulties-ter to the list of fibre names.
- Directive 2007/3/EC⁽¹²⁾ added the new fibre elastolefin to the list of fibre names.
- Directive 2009/121/EC⁽¹³⁾ added the fibre melamine to the list of fibres.

2.6 It is expected that the number of new fibres added to the technical annexes is likely to increase in the coming years. Industry (as represented by BISFA⁽¹⁴⁾) noted that the future trend is difficult to predict. However, it also suggested two applications a year as a realistic estimate⁽¹⁵⁾.

2.7 The current proposal does not modify the political balance between Member States and EU. A Committee is foreseen to assist the Commission and give an opinion on the implementing measures proposed to amend the regulation, following the rules of a regulatory committee with scrutiny. This is the case today with existing Directives.

2.8 The idea for a revision of the Textile Names legislation came to light in recent years as a result of the experience developed with regular technical amendments to introduce new fibre names into the existing Directives. The revision of the EU legislation on Textile Names and Labelling⁽¹⁶⁾ was announced in 2006 in the 'First progress report on the strategy for the simplification of the regulatory environment'⁽¹⁷⁾ and was included in the Commission Legislative and Work Programme for 2008.

⁽⁹⁾ OJ L 169, 27.6.1997, p. 74.

⁽¹⁰⁾ OJ L 89, 26.3.2004, p. 35.

⁽¹¹⁾ OJ L 5, 10.1.2006, p. 14.

⁽¹²⁾ OJ L 28, 3.2.2007, p. 12.

⁽¹³⁾ OJ L 242, 15.9.2009, p. 13.

⁽¹⁴⁾ BISFA: International Bureau for the Standardisation of Man-Made Fibres.

⁽¹⁵⁾ Source: Impact Assessment Report on Simplification of EU legislation in the field of textile names and labelling.

⁽¹⁶⁾ Directives 96/74/EC (as amended), 96/73/EC (as amended) and 73/44/EEC.

⁽¹⁷⁾ COM(2006) 690 final.

⁽⁸⁾ See the Strategic Research Agenda of the European Technology Platform for the Future of Textiles and Clothing.

2.9 The reason of this revision is summed as follows:

- to simplify the existing legal framework with potential positive impacts for private stakeholders and public administrations. Thus, the revision of this legislation aims to speed up the introduction and availability of new fibres;
- to simplify and improve the existing regulatory framework for the development and uptake of novel fibres;
- to encourage innovation in the textile and clothing sector and to allow fibre users and consumers to benefit faster from innovative products;
- to enhance the transparency of the process;
- to add new fibres to the list of harmonised fibre names;
- to introduce more flexibility to adapt legislation in order to keep up with the needs of the technological developments expected in the textiles industry.

2.10 It is not an objective of the revision to extend EU legislation to other labelling requirements beyond the fibre composition and the harmonisation of textile fibre names covered by the existing Directives.

3. Consultation process on the Directive revision

3.1 Due to the limited scope of this revision, a targeted consultation of interested parties was conducted. Stakeholders participated in the consultation process: industry and retail associations, trade unions, consumer organisations, European standardisation bodies, as well as national administrations.

3.2 Stakeholders and Member States representatives were invited to present their views, suggestions and proposals during a period going from January to August 2008, in the framework of the meetings organised by the Commission services and in writing.

3.3 The main feed back from this targeted stakeholders consultation is summed up as follows:

- introducing new fibre names in the European legislation is important to promote innovation in the European industry and from the perspective of consumer's information;
- the political content of technical amendments to the Textile Names legislation does not justify the heavy procedures and costs involved in the transposition of a Directive; therefore
- a lighter legislative solution should be used.

3.4 Results of the consultation process are available in the Impact Assessment report and its annexes.

4. Impact assessment

4.1 Based on the results of the stakeholder consultation and on the study 'Simplification of EU Legislation in the Field of Textile Names and Labelling – an Impact Assessment of Policy Options' ⁽¹⁸⁾, the Commission carried out an impact assessment of the various policy options to achieve the objectives set out above.

4.2 The Impact Assessment Board of the European Commission assessed the draft version of the impact assessment report prepared by the relevant service and approved it subject to some modifications ⁽¹⁹⁾.

4.3 Analysis and comparison of the various options and their impact lead to the following conclusions:

- The inclusion of guidance on the contents of the application file and the recognition of laboratories to assist companies in compiling the file show potential benefits if they result in the submission of application files more in line with the requirements of the Commission services. This could bring significant time savings for both industry and public authorities.
- The greatest benefits for industry arise from reducing the time taken between an application for a new fibre name being submitted and the ability to place the fibre on the market with the new name. This means savings in administrative costs and earlier realisation of revenue from sale of the fibre.
- The greatest benefits to Member State authorities result from replacing the Directives with a Regulation, because they would no longer need to transpose the amendments into national legislation. This could generate significant cost savings to Member States.
- The revision will retain the benefits for consumers of certainty that the named fibres meet specified characteristics. Consumers may also gain additional benefits from new fibres reaching the market earlier.

5. General objectives

5.1 The benefit of this Regulation should always inspire the practice of fostering R&D, innovation and technology, facilitate partnerships within the EU/national/regional public administrations and research centres, improve existing training and

⁽¹⁸⁾ Study available at: http://ec.europa.eu/enterprise/textile/documents/dir2008_0121_study.pdf.

⁽¹⁹⁾ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SEC:2009:0091:FIN:EN:PDF>.

technical skills, market products with high added value in the Internal Market and third markets ⁽²⁰⁾, ensure sustainable development and consumption models.

5.2 The present Regulation should also be a valuable contribution to:

- Added-value to the textile and related industry, to EU know-how and to economic growth.
- More transparency for consumers and new consumption models.
- Increased participation of civil society to the MONITORING of the present Regulation.

6. Specific objectives

6.1 The fibre name should inform to the fullest on what that fibre is, in opposition with i.e. US regulation that has a different approach ⁽²¹⁾. This specification comes in accordance with BISFA's methodology that states the generic name shall give the chemical information on the dominating monomer part of the fibre polymer, and/or in addition key unique fibre properties or process technologies.

6.2 Label information should be real, while omission of this item is not clear in the regulation, some articles in the regulation don't oblige full information in the label, i.e. in article 9 (multi-fibre textile products) labelling is optional between full identification and the identification of the fibre with an excess of 85 % in mass of the textile. This information although real is not complete if option (a) or (b) of the referred article is selected. Hence, also the final 15 % should be indicated in the label if we want real and complete information.

6.3 All characteristics presented by the manufacturer must be indicated, this comes in accordance to what is expected in the 1st, 2nd, 3rd and 6th indexes of annex II of the proposed Regulation.

6.4 Regarding costs and temporal constraints, estimated temporal constraints are as follows but the time taken for application preparation is not included (depends on applicant being more or less expeditious in the preparation) ⁽²²⁾:

- Assessment of Application, 1 to 3 months;
- Convening Working Group, 3 months;
- JRC & Ring Trials, 6 to 9 months;
- Report on Technical Examination, 1 to 3 months;
- Draft Proposals, 1 to 3 months;
- Regulation Amended, 6 to 12 months.

6.5 Cost savings for the industry were considered in two scenarios, a high cost scenario and a low cost scenario, both with upper and lower bounds, but ultimately savings range from €47 500 to €600 000 for each application. Potential benefits were also considered by avoiding 6 to 21 months delay in placing a fibre on the market, either by delay in revenue and/or loss of revenue. These figures range from €2 000 to €3 500 000. 25 % savings on the JRC costs were considered in the cost savings for public authorities, this would result in cost cuttings of around €75000 to €100 000 per fibre ⁽²³⁾.

6.6 When a new fibre is quickly entering the market, the time taken in the different steps for the assessment and approval of the more recent applications (the last five years) was in the best case scenario 36 months and up to 66 in the worst case. In application of the new Regulation the estimated time for the procedure is 18 to 33 months. This means that the estimated required time will decrease 50 % in both best and worst case scenarios ⁽²³⁾.

Brussels, 16 December 2009.

The President
of the European Economic and Social Committee
Mario SEPI

⁽²⁰⁾ To bear in mind that EU textiles face severe often 'NON TARIFF BARRIERS' in accessing to third markets. Requirements or practices concerning marking, labelling, the description or composition of the product which are discriminatory as compared with domestic products.

⁽²¹⁾ Source: Rules and regulations under the textile fiber products identification act - 16 CFR Part 303.

⁽²²⁾ BISFA: International Bureau for the Standardisation of Man Made Fibres.

⁽²³⁾ Source: Impact Assessment Report on Simplification of EU legislation in the field of textile names and labelling.

Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council on combating late payment in commercial transactions (recast) — Implementing the Small Business Act'

COM(2009) 126 final — 2009/0054 (COD)

(2010/C 255/07)

Rapporteur: **Ms BONTEA**

On 1 July 2009, the Council decided to consult the European Economic and Social Committee, under Article 95 of the Treaty establishing the European Community, on the

Proposal for a Directive of the European Parliament and of the Council on combating late payment in commercial transactions (Recast) —

Implementing the Small Business Act

COM(2009)126 final – 2009/0054 (COD).

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 17 November 2009. The rapporteur was **Ms Bontea**.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 17 December 2009), the European Economic and Social Committee adopted the following opinion by 145 votes to 3 with 2 abstentions.

1. Conclusions and recommendations

The Committee believes that the proposal for a directive requires certain improvements, principally:

1.1 The EESC welcomes and supports the implementation of the Small Business Act (SBA) and the proposal for a directive, and considers that the improvement of the legislative framework to combat late payment and reduce payment periods is extremely important and useful.

1.2 While legislative measures are necessary and effective, they are not sufficient to eliminate late payment; a range of complex measures needs to be developed together with increased cooperation at all levels. SMEs and their representative organisations have an important role to play in this process.

1.3 The EESC advocates the need for short, mandatory payment periods for all authorities and public institutions at European, national, regional and local levels. It commends the European Commission for the measures adopted in respect of payments administered directly by the Commission itself and supports the continuation and development of these measures at all levels. With regard to the time needed to transpose the directive, the EESC calls on authorities to implement the principles thereof without delay, in order to provide businesses with effective support during the current times of crisis.

— for public procurement contracts:

— the express establishment of a specific regulation requiring payments to be made within a maximum period of 30 calendar days, while eliminating the exception to this rule or, at least, restricting it to a maximum of 60 calendar days after delivery; the problems faced by authorities in financing their activities can by no means be greater than those of SMEs;

— similarly, the removal – or at least the restriction – of the exception regarding the maximum 30-day duration of a procedure of acceptance.

— for all commercial transactions:

— for late payments, the establishment of an obligation to pay certain interest, compensation and minimum internal costs, unless the contract includes other clauses more favourable to the creditor;

— development of the rules on grossly unfair contractual clauses and unchallenged debts; and

— in the application of freedom of contract, consideration of the principles of fair competition and business ethics, and curbing the abuse of rights.

1.4 Reiterating its earlier proposals ⁽¹⁾, the Committee emphasises that in order to fully achieve the aim of the directive, measures are needed to increase SMEs' access to public procurement, so that they can benefit to a greater extent from the rules laid down.

1.5 When transposing the directive and monitoring the measures adopted, it is important that the authorities engage in cooperation and quality social dialogue with the social partners and with organisations of SMEs.

1.6 Excessive payment periods and late payment should be avoided in cases of subcontracted public procurement and in SMEs' relations with large companies, including HVR ⁽²⁾. Where appropriate, the national authorities could monitor or set down payment periods in sectors where the risk of unjustifiably long payment periods is particularly high, without imposing additional obligations and costs on businesses.

1.7 The Committee recommends that the Member States step up cooperation and provide for joint information and support measures aimed at SMEs, with regard to late payment for cross-border transactions.

1.8 At European level, it would be useful to develop a specialist multilingual website, gathering information pertaining to each Member State on the transposition of the directive, legal framework, and applicable procedures for debt recovery – including arbitration and mediation – or other useful information. At national level, there should be support for the widespread dissemination of this information via one-stop shops and SME organisations.

1.9 Measures to speed up payments by public authorities are also useful in the context of tax law (payment of VAT, regularisation of taxes, etc.), as in some countries regrettable practices occur, leading to financial bottlenecks.

1.10 The Committee reiterates its earlier proposal on 'the setting up of an advisory committee open to interested parties, which could operate with ESC support' ⁽³⁾.

2. Introduction

2.1 Background and the effects of late payment

2.1.1 In EU-based commercial transactions:

- as a general rule, payments are deferred;

- there are often delays in paying invoices, particularly in public procurement contracts, where they average 67 days ⁽⁴⁾, compared to 57 days for the private sector;

- a 'late payment culture' has evolved in certain Member States, becoming general practice, with very serious economic and social consequences (causing one in four bankruptcies and the loss of around 450 000 jobs every year), especially in times of crisis (as a result of poor payment practices, businesses will lose out on EUR 270bn in 2009, i.e. 2,4 % of EU GDP, compared to the 1,5 % received from the economic recovery plan) ⁽⁵⁾;

- late payments are used as a substitute for bank credit; and

- payment periods are unjustifiably long in many cases, often due to a privileged position, and this can have a particularly significant effect on small businesses, craft industries, or even medium-sized companies.

2.1.2 SMEs are vulnerable in negotiations, given their:

- level of competitiveness and market positioning;

- fear of harming relations with clients;

- limited ability to be competitive through the payment periods offered to their clients; and

- limited experience and human and material resources when it comes to initiating legal proceedings to recover debts, with particular difficulties in the case of cross-border transactions.

2.1.3 Late payment

- generates **substantial additional costs** for creditors and complicates their financial management; late payment is detrimental to cash flow, creates significant additional bank charges, curtails investment opportunities and increases uncertainty for many creditors, mainly SMEs; this significantly affects their competitiveness, profitability and viability, particularly at a time of restricted or costly access to finance;

⁽¹⁾ OJ C 224, 30.8.2008; OJ C 182, 4.8.2009.

⁽²⁾ High Volume Retail.

⁽³⁾ OJ C 407, 28.12.1998.

⁽⁴⁾ With wide variations between Member States and a clear north-south divide.

⁽⁵⁾ Intrum Justitia, 'European Payment Index 2009'.

- **often leads to subsequent delays** in paying suppliers and employees (with significant adverse social effects), as well as taxes, duties and State and social security contributions (detrimental to public revenue collection), and can also hinder companies' access to finance (e.g. the late payment of taxes, duties and social security contributions due to the late payment of invoices restricts access to State aid and programmes financed by the Structural Funds);
- **can lead to bankruptcy** for normally viable companies, which can trigger a whole series of bankruptcies across the supply chain, with significant adverse socio-economic effects;
- **discourages economic operators from participating in public procurement**: this not only distorts competition and undermines the functioning of the internal market, but also reduces the ability of public authorities to ensure the efficient use of public funds and obtain an optimum return on taxpayers' money;
- **can foster corruption** (to speed up the payment of public procurement invoices) or procurement practices that go over budget;
- is **detrimental to intra-Community trade**: the majority of businesses consider that the risk of late payment is very high in intra-Community transactions, thus increasing the cost of and uncertainty surrounding such transactions.

2.2 Legal basis

2.2.1 The only EU legislation in this field is Directive 2000/35/EC of the European Parliament and of the Council of 29 June 2000 on combating late payment in commercial transactions ⁽⁶⁾.

2.2.2 Concerning legal proceedings for the recovery of debts generated by late payments, Regulation (EC) No 44/2001 ⁽⁷⁾, Regulation (EC) No 805/2004 ⁽⁸⁾, Regulation (EC) No 1896/2006 ⁽⁹⁾ and Regulation (EC) No 861/2007 ⁽¹⁰⁾ also apply.

2.3 European objectives

2.3.1 The SBA ⁽¹¹⁾ highlighted the key importance of SMEs for the competitiveness of the EU economy and stressed the importance for them of access to finance and the need to make better use of the opportunities provided by the Single Market.

2.3.2 The European Economic Recovery Plan ⁽¹²⁾ stressed that sufficient and affordable access to finance was a pre-condition for investment, growth and job creation in the context of the economic slowdown and asked the EU and the Member States to ensure that public authorities pay invoices within one month.

2.3.3 The Proposal for a Directive of the European Parliament and of the Council on combating late payment in commercial transactions implements the SBA and aims at improving the cash flow of European business, with a view to facilitating the smooth functioning of the internal market via the elimination of barriers to cross-border commercial transactions.

3. General considerations

3.1 The EESC welcomes the implementation of the SBA and the proposal for a directive, and considers that the urgent improvement of the legislative framework to combat late payment is a measure that is extremely important and useful.

3.2 The EESC again expresses its support for the swift implementation of the SBA, through actions proposed at Community level, particularly 'the proposed amendment to the Directive on late payments, which should provide stricter obligations and penalties for public authorities in the event of payments exceeding the 30-day limit' ⁽¹³⁾.

3.3 The EESC's support takes account of the significant, complex negative effects of late payment on businesses (particularly SMEs), employees, and commercial transactions within the Community.

3.4 In addition to combating late payment, it is also very important to reduce payment periods; the title of the directive could be thus amended and its provisions grouped according to the two objectives.

3.5 While legislative measures are necessary and effective, they are not sufficient to combat late payment, given the many and complex causes of this problem, the current situation eight years on from the adoption of Directive 2000/35/EC and local circumstances. The Committee calls on the Member States to become actively involved in identifying and implementing the most appropriate measures to combat late payment, and stresses the importance of cooperation and quality dialogue between the authorities and the social partners and SME organisations. SMEs themselves have an important role to play in this process, and should step up their efforts to inform, improve their internal procedures and take action on debtors.

⁽⁶⁾ OJ L 200, 8.8.2000.

⁽⁷⁾ OJ L 12, 16.1.2001.

⁽⁸⁾ OJ L 143, 30.4.2004.

⁽⁹⁾ OJ L 399, 30.12.2006.

⁽¹⁰⁾ OJ L 199, 31.7.2007.

⁽¹¹⁾ OJ C 182/30, 4.8.2009.

⁽¹²⁾ COM(2008) 800 final

⁽¹³⁾ COM(2008) 394 final, OJ C 182, 4.8.2009, p. 30.

3.6 The EESC welcomes the following useful measures:

- regulation of the general obligation to pay public procurement contracts within 30 days, thus establishing standard transparent procedures, which will speed up payments;
- regulation of creditors' right to obtain compensation of at least 5 % of the outstanding amount, in order to deter late payments by public administrations;
- recovery of creditors' internal administrative costs, with a deterrent effect on debtors, additional to the statutory interest;
- removal of the possibility of excluding claims for interest of less than EUR 5, for small transactions;
- improvement of the rules on grossly unfair contractual clauses; Article 6 of the proposed directive makes significant contributions in this area;
- increased transparency with regard to the rights and obligations laid down by the directive; and
- establishment of a monitoring and evaluation scheme, making it possible to inform and more closely involve the European institutions and all interested parties.

3.7 However, the EESC believes that the proposal for a directive requires certain major improvements with regard to its content, to ensure that, in practical terms, it enables many businesses to benefit from reduced and respected payment periods, and that the efficiency of legal remedies with regard to debtors is increased.

4. Specific comments

4.1 *The EESC advocates the need for short, mandatory payment periods for all authorities at European, national, regional and local levels*

4.1.1 In practical terms, positive results will be achieved by establishing, for public procurement, a general obligation to pay within 30 days, and setting a 30-day period for finalising acceptance/verification procedures.

4.1.2 Short, mandatory payment periods should be established and applied by all public authorities and institutions at European, national, regional and local levels.

4.1.3 The Committee commends the European Commission for establishing new, more stringent objectives in respect of payments administered directly by the Commission itself, aimed at reducing pre-financing and initial payment periods, simplifying the general procedures prior to launching projects, and at encouraging simplified control measures. The Committee supports the continuation and development of these measures at all levels. It calls on the national authorities to adopt urgent measures to reduce and ensure compliance with payment periods, and recommends building on existing examples of good practice.

4.1.4 However, the EESC considers that Article 5 of the proposal, regarding payment of public procurement contracts, does not fully meet the Commission's positive requirements and aims, and makes the following proposals:

- In order to be clearer and more logical for the recipients of the directive, and to meet the proposed objective whereby 'payment periods for procurement contracts [...] should be as a general rule limited to a maximum of 30 days' ⁽¹⁴⁾, Article 5 should establish an express requirement that public procurement contracts be paid within 30 calendar days, and should then establish the maximum duration of a procedure of acceptance and provide for measures applicable in the event of non-compliance with these rules, while stating that these measures can be cumulated.
- The EESC is concerned that the exception stipulated under Article 5(4), enabling longer payment periods to be negotiated in justified circumstances, will be incorrectly applied by public authorities, as no provision is made for objective, precise criteria for assessing whether it is justified, or what justification is acceptable, as the authorities act as both the judge and the interested party, while the difficulties they face in funding their activities can by no means be greater than those faced by SMEs. The Committee therefore proposes deleting this exception, or at least restricting it, so that payment periods in such cases are limited to a maximum of 60 calendar days after delivery.
- Similarly, the EESC calls for the removal or, at least, the restriction of the exception regarding the maximum 30-day duration of a procedure of acceptance, laid down in Article 5.3.

4.1.5 The application of the freedom of contract principle presents certain particularities that should be taken into account:

- The directive does not include provisions on curbing the abuse of rights in the application of the freedom of contract principle; as regards exercising this right, the Committee proposes that the principles of fair competition and business ethics be taken into consideration. The EESC has previously commented on this: 'in the interests of healthy competition, and to combat unfair commercial practices,

⁽¹⁴⁾ Recital 16 of the proposed directive.

the Member States should be called upon to enact competition law provisions banning any oppressive provisions that permit abnormally long payment periods exceeding the average sales cycle (i.e. more than 60 days) without legitimate reason' ⁽¹⁵⁾.

- In public procurement contracts, it is only the businesses that are required to give performance guarantees, while similar guarantees are not given by the authorities with regard to paying on time; this imbalanced situation should be rectified.
- The principle of freedom of contract cannot be fully applied to payment and acceptance terms in public procurement contracts, as businesses do not have proper negotiating power with regard to authorities.
- The principle of freedom of contract should be applied with a view to establishing clauses that are more favourable to the creditor, and not by establishing clauses that go against the general rules. The Committee therefore proposes that the phrase 'unless otherwise specified' (Article 5(3)) be replaced by 'unless other provisions exist that are more favourable to the creditor'; this proposal also applies to Article 4(1) on compensation for recovery costs.

4.2 *Establishment of a legal obligation on debtors to pay interest, compensation and minimum internal costs*

4.2.1 In Finland and Sweden, interest on late payments can be automatically recovered without the need for any ruling by the courts. This should become standard practice. The EESC proposes that the payment of interest, compensation and minimum internal costs be made a legal obligation, applying the principle of freedom of contract by stipulating that clauses or sums more favourable to the creditor may be negotiated. As a result, SMEs will be able to exercise this right without significant effort or reluctance due to their precarious position.

4.3 *Relations with associations*

4.3.1 Employers' and SME organisations should be consulted and involved in transposing the directive and implementing/monitoring the measures adopted to reduce and ensure compliance with payment periods. They should be supported in developing direct online services aimed at informing, consulting and assisting their members with regard to late payment and abusive clauses.

4.3.2 The EESC proposes including an express reference to 'organisations of employers and of SMEs' in Article 6.3 on means to prevent grossly unfair clauses, and points out that the existing reference solely to 'organisations' could cause transposition problems.

4.3.3 Organisations of employers and, particularly, of SMEs could also contribute significantly to the drafting of the report provided for in Article 10 of the directive; their point of view should be included.

4.4 *The EESC advocates the need for effective, efficient means of legal action against debtors*

4.4.1 The EESC stresses the importance of enforcing simple, rapid, and efficient debt recovery procedures accessible to businesses, particularly SMEs, and agrees that an enforceable title should be obtained for unchallenged claims within a maximum period of 90 days (Article 9). Enhanced procedures are needed to determine grossly unfair contractual clauses.

5. **Other comments and proposals**

5.1 The Committee advocates enhancing the rules on grossly unfair contractual clauses (Article 6) and proposes developing them by defining criteria for the qualification thereof, and adding to the list of clauses always considered grossly unfair clauses excluding compensation for recovery costs, as well as retention of title and payment performance guarantee clauses.

5.2 The EESC reiterates its position on the situation of individuals to whom, from a strictly legal standpoint, the directive as it stands does not apply, but who are subject to similar conditions in their relations with certain businesses and the public administration. The EESC 'calls upon the Commission to plan studies on these issues so as to establish whether certain aspects of consumer relations should be included in the directive or whether specific provisions should be drawn up' ⁽¹⁵⁾.

5.3 The Committee proposes defining the notion of 'unchallenged claims' (Article 9). The existence of an invoice signed by the beneficiary or of a document confirming receipt ought to render challenges inadmissible.

5.4 The EESC also draws attention to the following aspects:

- The provision (Article 1(2)(b)) excluding contracts concluded prior to 8 August 2002 from the scope of the new directive should be deleted, bringing it into line with Article 11(4) which establishes the date of transposition.

⁽¹⁵⁾ OJ C 407/50, 28.12.1998.

- The definition of interest (Article 2(5)) should also allow for interest to be negotiated with public authorities.
- To avoid transposition problems, the three categories of public procurement contracts need to be listed in full – supply, services and works – or a general reference should be made to ‘public procurement contracts’ (as Articles 5.1, 5.2 and 5.6 do not mention works contracts).
- Replacing ‘date of receipt by the debtor of the invoice’ by ‘date on which the invoice was sent to the debtor’ (Articles 3.2(b) and 5.2(b)) would simplify the burden of proof and reduce costs resulting from the sending of invoices by post or the use of electronic invoices.
- The notion of ‘debt’ in Article 4.1 should be defined in order to make it clear whether this refers only to the value of the product or also includes VAT or other costs (e.g. transport).
- Article 5.5, on the right to compensation equal to 5 % of the amount due, should make it clear whether compensation of over 5 % is possible, in the event that relevant evidence exists.

5.5 The imposition of unjustifiably long payment terms and late payments should be avoided in the case of:

- public procurement subcontracting (the same payment rules should apply to subcontractors as for public authorities);
- HVR supplies. The EESC proposes establishing a voluntary code of conduct accompanied by written contracts to give SMEs a ‘minimum set of guarantees when accessing HVR’ ⁽¹⁶⁾, which would prevent HVR and/or large suppliers from exerting pressure.

5.6 The report provided for in Article 10 should be drawn up and transmitted on a yearly basis, at least for the first three years after the directive comes into force, in order to continually assess the results and facilitate the exchange of good practice.

5.7 The Committee advocates promoting and developing existing good practices in combating late payment and reducing payment periods:

- European Commission:
 - measures to reduce from 30 to 20 days the initial pre-financing payment period of non-reimbursable funding and EU contracts (this amounts to EUR 9.5 billion); in respect of payments administered centrally, the aim is to reduce the payment period from 45 to 30 days (in the case of grants);
 - increased use of flat rates and lump-sum payments for non-reimbursable funding and commercial contracts administered centrally;
 - simplified general procedures prior to launching projects, which could help speed up payments; measures are proposed to allow the Commission to publish calls for tender covering two years and to use standardised calls for tender; and
 - promoting the simplification of monitoring measures where possible.
- In the UK: the authorities have committed to paying invoices within ten days.
- In Ireland, Belgium, Poland, Portugal and the Czech Republic: governments have pledged to reduce late payments, particularly by public authorities.
- In Belgium: the federal government has set up a special new ‘bridging loan’ via a federal investment fund to finance late payments by all public authorities, not just at federal level.
- In Spain: For 2009, the Instituto de Crédito Oficial (ICO) has set up a EUR 10bn liquidity facility for preferential loans in order to meet the liquidity requirements of SMEs and self-employed people. These funds are subject to co-financing rules so that, for example, 50 % are covered by ICO and 50 % by credit institutes. Moreover, ‘the local authorities’ advance payment facility’ guarantees the recovery of invoices issued by businesses and self-employed people for work and services rendered to local authorities.

Brussels, 17 December 2009

The President
of the European Economic and Social Committee
Mario SEPI

⁽¹⁶⁾ OJ C 175/57, 28.7.2009.

Opinion of the European Economic and Social Committee on the 'Green Paper on the review of Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters'

COM(2009) 175 final

(2010/C 255/08)

Rapporteur: **Mr HERNÁNDEZ BATALLER**

On 21 April 2009, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Green Paper on the review of Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters

COM(2009) 175 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 17 November 2009. The rapporteur was Mr Hernández Bataller.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December), the European Economic and Social Committee adopted the following opinion by 174 votes in favour with one abstention.

1. Conclusions and recommendations

1.1 The EESC shares the Commission's position that the *exequatur* procedure should be abolished, with a view to facilitating the free movement of judgments in the internal market and the enforcement of these judgments on individuals and businesses.

1.2 The Committee considers that the scope of Regulation 44/2001 should be extended to administrative rulings and therefore calls on the Commission to carry out any studies needed to remove existing barriers to this process.

1.3 Similarly, the EESC considers the adoption of measures facilitating the trans-national use of arbitration to be important, and favours introducing a supra-national and uniform conflict rule with regard to the validity of arbitration agreements, which would refer to the law of the Member State in which arbitration takes place. This should be done while leaving the operation of the New York Convention untouched or at least as a basic starting point for further action.

1.4 A common supranational approach that establishes clear and precise rules on international jurisdiction will strengthen the public's legal protection and will ensure that binding Community legislation is implemented harmoniously. To achieve this, rules on defendants resident in third countries should be included, rules on subsidiary jurisdiction established, and measures adopted to prevent forum shopping and to encourage the use of standard choice of court clauses.

1.5 Rules should also be adopted to increase legal certainty and reduce the high costs caused by the possible duplication of intellectual property disputes before national courts.

1.6 For judicial proceedings in which binding and protective rights are clarified, such as the rights involved in labour contracts or consumer relations, for example, Regulation 44/2001 will have to be amended to allow for more than one case at a time, so that collective actions can be brought before the courts.

2. Introduction

2.1 One of the aims of the Treaty on European Union is that of 'maintaining and developing an area of freedom, security and justice' and Article 65 of the Treaty establishing the European Community states that measures in the field of judicial cooperation in civil matters having cross-border implications, in so far as necessary for the proper functioning of the internal market, shall include 'the recognition and enforcement of decisions in civil and commercial cases, including decisions in extrajudicial cases'.

2.2 The Tampere European Council held in October 1999 made the principle of the mutual recognition⁽¹⁾ of judgments a veritable cornerstone of judicial cooperation in both civil and criminal matters in the European Union.

⁽¹⁾ The principle of 'mutual recognition' guarantees the free movement of judgments without Member States' procedural laws having to be harmonised.

2.3 The entry into force of the Treaty of Nice in February 2003 replaced the decision-making procedure under Article 67 with qualified majority voting and the co-decision procedure in the field of judicial cooperation in civil matters, except in the area of family law.

2.4 The 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters makes an extremely valuable contribution to the Community *acquis*.

2.4.1 The case-law of the European Court of Justice on the Convention and the entry into force of the Amsterdam Treaty made possible the adoption of Council Regulation (EC) No 44/2001 of 22 December on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ⁽²⁾, on the proposal for which the EESC delivered an opinion ⁽³⁾, which welcomed the idea of a Community instrument to replace the Convention.

2.4.2 Regulation (EC) No 44/2001 lays down uniform rules for settling conflicts of jurisdiction and for facilitating the free movement of judgments, court settlements and authentic instruments enforceable in the European Union. This Regulation has proven to be of key importance in cross-border civil and commercial proceedings.

2.4.3 Denmark did not initially participate in judicial cooperation in civil matters. As matters now stand, the Regulation has been in force in Denmark since 1 July 2007, under the provisions of the Agreement between the European Community and the Kingdom of Denmark on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ⁽⁴⁾.

2.4.4 The Lisbon Treaty will make action at the European level easier in the field of judicial cooperation in civil matters, by increasing use of the Community method ⁽⁵⁾, with the Commission's proposals being adopted by qualified majority, and by boosting an active role of the European Parliament, democratic scrutiny via national parliaments, and the Court of Justice's role in monitoring legality.

3. The Commission Green Paper

3.1 Article 73 of Regulation 44/2001 states that the Commission is to present a report, no later than five years following its entry into force, on the Regulation's application, together with any proposals for adaptations to it.

⁽²⁾ OJ L 12, 16.1.2001, p. 1.

⁽³⁾ OJ C 117, 16.4.2000, p. 51.

⁽⁴⁾ OJ L 299, 16.11.2005, p. 61.

⁽⁵⁾ The Community method is based on the idea that the public's general interest is better protected when the Community institutions play their full role in the decision-making process, whilst respecting the principle of subsidiarity.

3.2 The Green Paper contains a set of proposals on the aspects that the Commission deems most crucial, reflecting the experience of Regulation No 44/2001's implementation and the relevant ECJ case-law.

3.3 The issues on which the Green Paper seeks to stimulate public debate include abolishing the *exequatur* procedure ⁽⁶⁾, the Regulation's operation in the international legal order, the choice of court, industrial property, *lis pendens* [parallel proceedings] and related actions, provisional measures, the interface between the Regulation and arbitration and the Regulation's scope and jurisdiction.

3.4 The Green Paper also addresses recognition and enforcement, in particular the free movement of authentic instruments, as called for in the European Parliament resolution of 18 December 2008; or the possibility of using a common standard form for enforcement.

4. General comments

4.1 Regulation (EC) No 44/2001 has proven to be an instrument of key importance in procedural and commercial practice. The EESC shares the Council and the Commission's view that measures in the field of judicial cooperation in civil matters are necessary for the proper functioning of the internal market.

4.2 The debate proposed by the Commission is relevant, given the experience of implementing the Regulation in recent years. The aim is to strengthen the fundamental right to obtain effective access to justice, which is a fundamental right enshrined in the European Charter of Fundamental Rights and under Article 65 of the EC Treaty, and is at the same time a general principle of law recognised by ECJ case-law.

4.3 Abolishing the *exequatur* procedure in all judgments handed down by Member State courts in civil and commercial matters is entirely consistent with the aims of ensuring their effectiveness and of upholding legal certainty in the internal market and the fundamental right to a fair trial ⁽⁷⁾ and effective remedy, as recognised in Article 6(1) of the European Convention on Human Rights and Article 47(1) of the European Charter of Fundamental Rights ⁽⁸⁾.

⁽⁶⁾ *Exequatur* is a procedure intended to determine whether it is possible to recognise a judgment handed down by a court outside the jurisdiction of the State in which enforcement is sought, and to enable the judgment to be enforced in a State other than that in which it was handed down.

⁽⁷⁾ Access to a fair trial forms part of right set out in Article 6-1, in accordance with the case-law of the European Court of Human Rights (See the Golder (21.2.1975, points 28 to 31) and Deweer judgments, amongst others.

⁽⁸⁾ OJ C 364, 18.12.2000.

4.3.1 This approach thus complies with the subsidiarity clause implicitly contained in the first paragraph of the EC Treaty Article 65(1), which states that measures adopted in the field of civil judicial cooperation with cross-border implications can only be adopted in so far as they are necessary for the proper functioning of the internal market.

4.3.2 On the one hand, and as regards the requirements to be met for a judgment to be enforceable at the supranational level, the guarantees set out in Council Regulation (EC) No 2201/2003 of 27 November 2003 (Brussels II-a) might prove adequate (Articles 41 and 42 of that Regulation make judgments in the fields of access rights and the return of minors directly enforceable), provided that two guarantees are in place in both cases: that the judgments are enforceable in the Member State of origin and that they have been duly certified in the Member State of origin ⁽⁹⁾.

4.3.3 Consequently, the only potential obstacle would be another enforceable judgment being given subsequently by a different court, but this would be an exceptional occurrence in the field covered by the Commission's proposed amendment to Regulation (EC) No 44/2001.

4.3.4 On the other hand, and as regards safeguarding the defendant's rights, an interpretation in line with the *principle of mutual recognition* enables the court before which the claim has been brought to apply the same rules that apply under national legislation to cases of notification of foreign citizens or non-resident nationals of the commencement of proceedings.

4.3.5 In the absence of such provisions, or should existing legislation be clearly inadequate to safeguard the right to fair proceedings (for example comprehension of the language, the reliability of the means of serving and receiving claims, etc.) it would be useful to establish subsidiary rules on guarantees in supranational law.

4.3.6 The EESC would, however, be in favour of a supranational review procedure that is generally more harmonised in civil and commercial proceedings, provided that the defendant has the safeguard of an *a posteriori* means of redress (special review).

4.4 In line with ECJ case-law ⁽¹⁰⁾, Chapter II of Regulation (EC) No. 44/2001 unifies the rules on jurisdiction not only for intra-Community disputes but also for those containing some extra-Community aspect, including situations in which the defendant is not domiciled in an EU Member State.

4.4.1 It should thus be possible to establish special rules on jurisdiction providing a supranational framework for such cases, in contrast with the current situation, as set out in Article 4 of Regulation (EC) No. 44/2001, which refers the decision to the

national courts, although these rules would still be subject to the exceptions laid down in Articles 22 and 23 of the same Regulation.

4.5 With regard to the introduction of 'subsidiary jurisdiction rules', the three rules currently under consideration appear to be adequate:

- jurisdiction based on the carrying out of activities, provided that the dispute relates to such activities (a similar clause already exists, in Article 3 of Regulation (EC) No 1346/2000 on insolvency proceedings, conferring jurisdiction on the State in which the centre of the debtor's main assets is located);
- jurisdiction based on the location of assets claimed to pay off a debt; and
- lastly, jurisdiction based on the concept of *forum necessitatis* ⁽¹¹⁾, although this option would have to comply strictly with the terms under which international law recognises the *principle of objective territoriality* ⁽¹²⁾, which underline the obligation to prove that referring a case to a given court is appropriate.

4.5.1 The exceptional nature of the use of the *forum necessitatis* rules is reflected in, amongst other provisions, Article 7 of Regulation (EC) No 4/2009 ⁽¹³⁾, which allows the court of a Member State to settle a dispute provided that no other Member State has jurisdiction within the meaning of the Regulation and proceedings cannot be instituted in a third State with which the dispute is closely connected.

4.5.2 Nevertheless, as regards extending the use of such procedures, given the risk of parallel proceedings as a result of establishing uniform rules for claims brought against defendants from third countries, these supranational uniform rules should be restricted to the following procedural situations:

- when the parties have concluded an exclusive choice of court agreement in favour of third-country courts;
- when the dispute falls, for other reasons, within the sole jurisdiction of third-country courts; or
- when parallel proceedings have already been opened in a third country.

⁽⁹⁾ See also, in this regard, Regulations 4/2009; 1896/2006 and 861/2007.

⁽¹⁰⁾ Judgment of 1 March 2005, Case C-281/02 Owusu, and Opinion 1/03 of 7 February 2006, paras 143-145.

⁽¹¹⁾ This means that a court will recognise the jurisdiction assumed by a third-country court if, in its opinion, that court had assumed jurisdiction in order to prevent a denial of justice caused by the lack of a competent court. This is more an aspect of access to the courts than a recognition of judgments.

⁽¹²⁾ For example in the judgments of the ICJ of 7 September 1927 in the Lotus case and of 5 February 1970, in the Barcelona Traction case.

⁽¹³⁾ OJ L 7, 10.1.2009, p. 1.

4.6 As regards the recognition and enforcement of judgments given by third-country courts holding sole jurisdiction in a dispute, a uniform supranational procedure must be established to avoid the damage and delays resulting from current differences in national legal systems. This means introducing a common set of conditions for accepting the decisions of third-country courts, which the EESC considers to be important.

4.6.1 The European Union has, therefore, on the basis of ECJ Opinion 1/2003, been given sole competence to sign the relevant international conventions at both the bilateral and unilateral levels and consequently, establishing a uniform supranational procedure is deemed appropriate.

4.7 *Lis pendens*

4.7.1 As is widely known, the rule of *lis pendens* states that where two claims exist involving the same cause of action, with identical facts being considered by two different courts, the court before which the claim was brought last must automatically stay proceedings in favour of the other court.

4.7.2 With regard to setting supranational rules to ensure the effectiveness of choice of court agreements signed by the parties concerned in the event of parallel proceedings taking place, reasons of efficiency, speed and legal certainty would appear to recommend amending the *lis pendens* rule in the Regulation, with safeguards for the obligation on the two relevant courts to communicate and cooperate directly with one another.

4.7.3 It would be useful to establish a mechanism for cooperation and communication between the courts involved, obliging the court that stayed proceedings to re-open the case if the court where proceedings were first brought also stays proceedings, which would avoid negative conflicts of jurisdiction such as the one contained in Regulation 2201/2003 ⁽¹⁴⁾.

4.7.4 In this regard, '*lis pendens* with safeguards' would enable a deadline to be set, within which the court that has jurisdiction on the grounds that it heard the claim first – applying the priority in time rule – should make a firm decision on its competence and, if it retains this competence, would be obliged to regularly inform the other court of progress on the case, in keeping with other binding deadlines.

4.8 Establishing a 'rule of due care' obliging courts to promptly communicate the relevant developments to two or more courts in a situation of parallel jurisdiction relating to the same case in which they have declared themselves to have sole jurisdiction would undoubtedly strengthen legal certainty.

4.8.1 Lastly, the EESC considers that including a supranational standard choice of court clause in Regulation 44/2001 would facilitate access for individuals and businesses to effective legal remedy, because it would avoid uncertainty concerning the validity of the choice-of-court agreement, with the aim of avoiding forum shopping by whatever measures are required.

4.9 *Safeguard measures*

4.9.1 As regards safeguard measures, a review of certain aspects of Articles 31 and 47 of the above-mentioned Regulation 44/2001 would also be useful. This holds especially true where the judicial authorities of a given Member State are asked to enforce such measures when it is another Member State's court that has jurisdiction to hear the substance of the case.

4.9.2 Given that safeguard measures must be adopted in a court case to protect the procedural situation of the person requesting them if two requirements – '*fumus boni iuris*' and '*periculum in mora*' ⁽¹⁵⁾ – are generally met in the majority of Member States, and in order to prevent the law being abused, some restrictions should be placed on this option.

4.9.3 Firstly, the obligation on the court before which the case is brought to communicate with the court that has jurisdiction on the substance of the dispute and, once this information is assessed, to decide whether it would be appropriate to hear the case, taking as the main criterion the proper conclusion of the proceedings.

4.9.4 Secondly, the obligation on the person requesting safeguard or provisional measures to deposit a bank guarantee, to be set at a reasonable level by the competent court in line with the scale of the case and with the deterrent effect that it must have to prevent the law being abused.

4.9.5 In cases where the plaintiff seeks to obtain an affirmative obligation and other similar cases that do not involve the payment of an amount that is cleared, due and payable on demand, the exemption from having to provide a guarantee could be regulated in line with the factual assessment of all relevant circumstances by the judge, to prevent obstacles to obtaining legal protection.

⁽¹⁵⁾ Safeguard measures require, first of all, prior, and in some cases partial, authorisation for a claim before the judgment is handed down. According to traditional procedural practice (for all examples, see Calamandrei, '*Introducción al Estudio sistemático de las Providencias cautelares*', [Introduction to the systematic study of safeguard provisions]) for such measures to be adopted, both of the following requirements must be met: it must be possible to make a *prima facie* case (*fumus boni iuris*) and there is a real risk of enforcement being frustrated (*periculum in mora*). The ECJ has also adopted this approach in the order of the President of the Court of 19.7.1995, Commission of the European Communities v Atlantic Container Line AB and others. (Case C-149/95), in the order of the President of the Court of First Instance of 30.6.1999, Pfizer Animal Health SA v Council of the European Union (Case T-13/99), the Factortame case of 19.6.1990 and the order of the President of the Court of Justice of 28.6.1990.

⁽¹⁴⁾ OJ L 338, 23.12.2003, p. 1.

4.10 Abolition of the *exequatur* procedure

4.10.1 The option of non-recognition also remains in place, on specific grounds set out in Article 34 of the Regulation, referring to public policy, the inability of the parties concerned to arrange for their defence and the judgment's incompatibility with other judgments.

4.10.2 These factors give the courts with jurisdiction a degree of discretion that is hard to monitor and which clearly adds to legal uncertainty and the risk of undue delays in proceedings.

4.10.3 It would also appear reasonable that, in order to abolish the *exequatur* procedure when authorising the enforcement of provisional measures, the amendment to Article 47 of the Regulation in question should be based on the formula provided for in the current Article 20 of Regulation (EC) No 4/2009 ⁽¹⁶⁾, in other words, a copy of the decision and an extract from the decision, translated using the correct form.

4.10.4 Since the amendments set out in the Regulation are intended to help ensure the widespread application of the principle of 'mutual recognition' in cases falling within its scope, it does not appear consistent to continue to make a distinction between 'recognition' and 'enforcement'.

4.10.5 It would, therefore, be desirable to abolish this option or to carefully review the conditions under which it applies.

4.10.6 Furthermore, if the aim is for the 'recognition' of judgments to cover the entire civil and commercial sphere, the content of the current Article 1 should be amended to extend its scope to administrative judgments, as this would enable individuals and businesses to draw greater benefit from the operation of the internal market.

4.10.7 This comment also applies to the proposal for the Regulation to include standard financial penalties for debtors and those imposed by Member State courts or tax authorities.

4.10.8 To simplify processes and streamline enforcement, access to justice could be improved by introducing a common standard form, available in all official Community languages and containing an extract of the judgment.

4.10.9 This could help reduce enforcement costs, by removing the requirement to designate an address for service of process or to appoint a representative *ad litem*: these requirements are now obsolete following the introduction of Regulation (EC) No 1393/2007 ⁽¹⁷⁾.

4.11 The European Authentic Act

4.11.1 Originally, Article 50 of the Brussels Convention referred to 'authentic instrument[s]' that are 'enforceable'. This provision has been interpreted by the ECJ ⁽¹⁸⁾ to mean that these were documents enforceable under the law of the State of origin, the authenticity of which has been established by a public authority or by any other authority empowered to do so by that State.

4.11.2 In Regulation 44/2001, this concept is incorporated into Article 57. The European Parliament has, however, asked the Commission to start work on a European Authentic Act.

4.11.3 The EESC would like the Commission to carry out the necessary work on the free movement of authentic instruments, which could ultimately lead to the creation of a European authentic instrument.

4.12 Consumer protection

4.12.1 According to recital 13 of Regulation 44/2001, in consumer contracts, the weaker party should be protected by rules of jurisdiction more favourable to his interests than the general rules provide for. This principle has been confirmed by ECJ case-law ⁽¹⁹⁾.

4.12.2 The Committee shares the concerns expressed by the Commission in the Regulation's recitals and in ECJ case-law, since it has always been in favour of upholding a high level of protection for consumers, who need to be covered by protective and mandatory regulations.

4.12.3 To ensure the consistency of the Community legal order, it would be appropriate to bring the wording of Article 15(1)(a) and (b) of the Regulation into line with the definition of consumer credit agreements and linked credit agreements set out in Article 3(c) and (n) of Directive 2008/48/EC ⁽²⁰⁾.

4.12.4 Lastly, and with regard to the issue of collective actions, this type of safeguard seeks to limit the procedural costs that usually deter consumers from claiming against a trader registered in another Member State; this applies in particular to the costs entailed when the plaintiff lodges a claim away from his or her usual place of residence and when the plaintiff has to lodge a claim with his or her own judge, and to the costs arising from having '*a fortiori*' to enforce the judgment in another Member State.

4.12.5 Since the current Regulation (Article 6(1)) does not allow for the possibility of bringing joint actions, especially actions brought by a number of plaintiffs against the same defendant in the courts of a Member State, this provision of the Regulation should be amended, to make it easier for consumers to bring collective actions and for actions to be brought for damages for breaches of Community antitrust regulations, for which the EESC has previously stated its support.

⁽¹⁶⁾ OJ L 7, 10.1.2009, p. 1.

⁽¹⁷⁾ Regulation (EC) No 1393/2007 on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters, OJ L 324, 10.12.2007.

⁽¹⁸⁾ ECJ judgment of 17.6.1999, Case C-260/97, Unibank.

⁽¹⁹⁾ ECJ judgment of 17.9.2009, Case C-347708, Vorarlberger Gebietskrankenkasse.

⁽²⁰⁾ OJ L 133, 22.5.2008, p. 66.

4.13 Intellectual property

4.13.1 While Directive 2004/48/EC ⁽²¹⁾ on the enforcement of intellectual property rights is intended to approximate certain procedural questions, supranational regulations are needed to correct the lack of legal certainty and reduce the high costs incurred by the possibility of proceedings before national courts being duplicated.

4.13.2 The EESC considers, therefore, that measures should be adopted to prevent trade mark counterfeiting and urges the Commission and the Member States to conclude the European Convention on Patents, whilst ensuring full respect for linguistic pluralism.

4.14 Arbitration

4.14.1 The EESC considers that when reforming Regulation 44/2001, the appropriate measures should be adopted to ensure that judgments can move freely within Europe and to prevent parallel proceedings.

4.14.2 In practical terms, the (partial) lifting of exclusion of arbitration from the Regulation's scope would:

- safeguard measures to support arbitration,

- allow for the recognition of judgments on the validity of an arbitration agreement and,
- facilitate the recognition and enforcement of judgments involving an arbitration award.

4.14.3 The EESC is in favour of measures being adopted to make transnational arbitration easier to use and thus favours introducing a supranational and uniform conflict rule concerning the validity of arbitration agreements which would refer to the law of the State in which arbitration takes place.

4.14.4 In any case, the EESC considers that it would seem most appropriate to leave the operation of the 1958 New York Convention on the enforcement of arbitral awards untouched or at least as a basic starting point for further action.

4.15 Extending the scope to administrative rulings

4.15.1 The EESC is aware that Regulation 44/2001 applies only to decisions in civil and commercial matters, but considers that, with a view to the proper functioning of the internal market, the Commission and the Member States should examine the possibility of extending the Regulation's material scope to final administrative rulings by whatever means they may consider appropriate, including that provided by Article 309 of the EC Treaty.

Brussels, 16 December 2009.

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

⁽²¹⁾ OJ L 157, 30.4.2004, p. 45.

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 — Moving the ICT frontiers — a strategy for research on future and emerging technologies in Europe'

COM(2009) 184 final

(2010/C 255/09)

Rapporteur: **Ms DARMANIN**

Co-rapporteur: **Mr WOLF**

On 20 April 2009, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Moving the ICT frontiers – a strategy for research on future and emerging technologies in Europe

COM(2009) 184 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 17 November 2009. The rapporteur was Ms Darmanin and the co-rapporteur Mr Wolf.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December 2009), the European Economic and Social Committee adopted the following opinion unanimously.

1. Conclusions and recommendations

1.1 Strengthening R&D and innovation is an essential element in the recovery from the present economic and financial crisis.

1.2 Among the main themes of R&D, such as climate, energy and healthcare, ICT plays a key role as a cross-cutting technology affecting nearly all aspects of society, economy, science and technology.

1.3 In terms of R&D for ICT, the sub-programme 'Future and Emerging Technologies' (FET) acts as the pathfinder which – in the longer term – may lead to completely new, possibly revolutionary information and communication technologies.

1.4 Consequently, the EESC fully supports the proposals set out in the Commission Communication on future and emerging technologies. The EESC also supports the proposed increase of the FET budget within ICT of 20 % per annum.

1.5 However, while the above-mentioned increase is merely in line with the foreseen increase of the ICT-programme as a whole and thus would not change the relative share of the FET-programme, the EESC recommends that the present relative FET share be raised incrementally to 15 % in FP7, and that this trend be continued in FP8.

1.6 Regarding the 'Rules for Participation for the Seventh Framework Programme', the EESC appeals to Member States and their funding organisations to contribute their required share to ensure the programme can be implemented successfully.

1.7 Moreover, the EESC also appeals to the Member States to develop powerful national R&D-programmes of their own in the fields of ICT and on FET, in order to become strong partners for European and for international cooperation. A larger part of the structural funds should be invested for this purpose. The EESC considers achieving progress in this area to be an important element of the new Lisbon strategy ⁽¹⁾, to be pursued using the instrument of open coordination.

1.8 The EESC also supports the proposed structuring of the FET programme into two different branches: 'Nurturing new ideas in promising domains' (FET Pro-active) - including the recently proposed Flagship projects - and 'Exploration of novel ideas' (FET Open). The openness of the FET scheme to new ideas is particularly important for stimulating scientific and intellectual potential within Member States.

1.9 Within the proposed FET-programme, the EESC also supports additional features such as multidisciplinary approach, joint programming between Member States and international cooperation. However, it should be ensured that promising initiatives are not submerged by the complexity of the related procedures, and that outstanding scientists and institutions are encouraged to participate.

⁽¹⁾ OJ C 277, 17.11.2009, p. 1.

1.10 The Committee calls for immediate and tangible action in the area of European Community patent.

1.11 The Committee appeals to Commission and Member States to attract top talent to this field of research and to avoid a brain drain of the most talented young scientists. The Committee notes with satisfaction that some research organisations have already implemented successful programmes to face this challenge.

1.12 The Committee repeats its recommendation that the new category of 'ICT for Science and Research' be introduced into the overall ICT programme.

2. Communication from the Commission

2.1 Within the *Specific Programme 'Cooperation'*, R&D on information and communication technologies (ICT) represents the central pillar of the Community 7th RTD-Framework Programme (2007 – 2013) ⁽²⁾, short FP7-Programme. A small part of that ICT-related R&D-Programme, presently accounting for about 10 % of its specific budget, is research on Future and Emerging Technologies (FET). While the larger part of the ICT Programme mainly involves using existing scientific knowledge to develop innovative ICT-technologies, research on FET acts as a pathfinder for the ICT programme by addressing more fundamental scientific questions, the solution of which – in the longer term – may lead to completely new and possibly revolutionary information and communication technologies.

2.2 The Commission Communication sets out the aim of strengthening research on Future and Emerging Technologies (FET) as part of the ICT programme. This will complement and reinforce the actions described in the recent Commission Communication ⁽³⁾ on the strategy for ICT R&D and innovation in Europe.

2.3 With current funding of around EUR 100 million a year, the FET Programme supports scientists and engineers venturing into uncharted areas beyond the frontiers of traditional ICT. The European Commission supports the increase in the FP7 budget for FET research by 20 % per year from 2011 to 2013. It invites Member States to match this effort with similar increases.

2.4 The European FET research scheme is unique in the way it combines the following characteristics. They are:

- *Foundational*. It lays new foundations for future ICT by exploring new, unconventional ideas and scientific paradigms that are too long-term or too risky for industrial research.

- *Transformative*. It is driven by ideas that challenge and can radically change our understanding of the scientific concepts behind existing information technologies.

- *High-risk*. But it balances these risks against high potential returns and the chance of revolutionary breakthroughs.

- *Purpose-driven*. It aims to make an impact on future industrial ICT research agendas.

- *Multidisciplinary*. It builds on synergies and cross-fertilisation between different disciplines, such as biology, chemistry, nanoscience, neuroscience and cognitive science, ethology, social science or economics.

- *Collaborative*. It rallies the best teams in Europe and increasingly worldwide to collaborate on common research topics.

2.5 FET is implemented by means of **thematic research** in emerging areas (**FET Pro-active**) and open, unconstrained **exploration of novel ideas** (**FET Open**).

2.6 In its Communication, the Commission proposes a strategy on several elements such as to:

- reinforce FET under the ICT theme
- launch FET flagship initiatives
- engage in joint programming and FET ERA initiatives
- increase young researchers' engagement in FET research
- foster faster capitalisation of scientific knowledge and speeding up innovation
- facilitate collaboration with global research leaders and attracting global talents to Europe

2.7 The Commission invites the Member States to endorse the proposed objectives, targets and strategy, and to encourage national and regional authorities, universities and public research organisations and private stakeholders to participate in the preparations for future action.

3. General comments

3.1 **ICT as part of FP7**. In its Opinion on the Community 7th RTD-Framework-Programme ⁽²⁾ the EESC stated that 'Effective, high-quality research and development that enjoys an adequate level of support is in fact the basic foundation and sine qua non for innovation, competitiveness and prosperity, and thus also for cultural development and the provision of social services; investments in research and development have a high gain factor and boost economic strength accordingly.' This is true more than ever in view of our present serious economic and financial crisis which, together with the prevailing energy and climate problems, demonstrates the urgent need for further research and ground-breaking innovations.

⁽²⁾ OJ C 65, 17.3.2006, p. 9.

⁽³⁾ COM(2009) 116 final.

3.2 Impact of ICT. In this context, ICT plays an essential role as a key cross-cutting technology supporting nearly all aspects and processes of modern life. During the last few decades, ICT and related technologies have produced revolutionary changes and progress in society's working patterns, affecting individual lifestyles, industrial production, commerce, administration, and science itself.

3.2.1 ICT as a research tool. ICT is a tool that enables further research and development in other innovation fields such as energy ⁽⁴⁾, climate, healthcare and the ageing society, together with a broad range of socio-economic issues. ICT represents therefore not only an area of innovation in itself but also a tool for innovation in other areas of science, society and technology. Further development of ICT is expected to accelerate and promote this progress.

3.3 R&D on ICT. R&D on ICT mainly uses existing scientific knowledge for developing or improving new devices, methods, and instruments of computation and communication. These topics range from grid computing to UMTS; the whole spectrum of the many different projects can be found at http://cordis.europa.eu/fp7/ict/projects/home_en.html.

3.4 The FET-Programme. Yet R&D on ICT also requires a deeper understanding of the laws of nature and in particular of the way nature processes information in order to extend our present limitations and to proceed into completely new fields of knowledge which promises new potential for innovation and ICT-technology. This is the purpose of the FET Programme which has already attracted the international science elite.

3.5 Pathfinder Role. The EESC believes that the Commission's FET programme has been very successful and has indeed acted as a pathfinder. The Committee therefore supports the continuation and extension of the programme as proposed by the Commission. The EESC also supports the proposed increase of the FET budget of 20 % per annum and the concept of venturing into uncharted areas seeking fundamental new opportunities

3.6 Increase of the relative share of FET. The EESC recognises that today's investment in FET is the seed for tomorrow's ICT. Hence, while the increase of the FET budget of 20 % per annum is merely in line with the foreseen increase of the ICT programme as a whole and would not change the relative share of the FET programme, the EESC recommends that the present FET share be raised incrementally to 15 % within FP7, and that this trend be continued in FP8.

3.7 Two Branches. The EESC also supports the structuring of the FET programme into two different branches: the proactive thematic research part 'Nurturing new ideas in promising domains' (FET Pro-active) - including the proposed Flagship projects ⁽⁵⁾ (decentralised self-organised systems for example) - and the 'Exploration of novel ideas' (FET Open) which takes a bottom-up approach and is open to applicants proposing completely new ideas. The openness of the FET scheme is particularly important for stimulating scientific and intellectual potential within Member States.

3.8 Member States and Rules for Participation. While the main part of ICT development is carried out by industry and SMEs ⁽⁶⁾, the FET Programme being discussed here is primarily addressing universities and public research institutions in the EU. In line with the 'Rules for Participation' ⁽⁷⁾ for the 7th RTD-Framework Programme, the FET Programme stimulates cooperation between Member States and funding by Member States. The EESC therefore appeals to the funding organisations of the Member States, to contribute their share in order to facilitate or enhance participation in this important programme.

3.9 Member States' national R&D on FET. Moreover, the EESC also appeals to the Member States to develop powerful national R&D-programmes of their own in the fields of ICT ⁽⁸⁾ and FET in order to become strong partners for European and for international cooperation. A larger part of the structural funds should be invested for this purpose.

3.10 Programme characteristics and selection criteria. The Committee considers that the main aim of addressing and supporting new thematic, methodical and technological ideas is excellent and worthy of support, and that the other aims listed in points 2.4 and 2.6 are attractive and important. The Committee is pleased to note that the characteristics and elements stated in points 2.4 and 2.6 - particularly when combined - are conducive to scientific originality and excellence as first-order selection criteria. The Committee is convinced that originality, excellence and relevance are of prime importance, and feels that this has been the case in the past and should continue to be so in the future.

3.10.1 No 'one size fits all' approach. The FET programme should therefore avoid a 'one size fits all' approach in applying its instruments. While the programme includes and combines different features ⁽⁹⁾, each of which is valid and important, the projects to be supported should not be selected on the basis of whether they fulfil all the different characteristics: in other words it should not be mandatory to address them all.

⁽⁵⁾ See Report from the Information Society Technologies Advisory Group (ISTAG), 31 July 2009, Final Version.

⁽⁶⁾ In this context the EESC also draws attention to the helpful role of EUREKA by offering project partners rapid access to a wealth of knowledge, skills and expertise across Europe and by facilitating access to national public and private funding schemes (<http://www.eureka.be/about.do>).

⁽⁷⁾ OJ C 309, 16.12.2006, p. 35.

⁽⁸⁾ OJ C 228, 22.9.2009, p. 56.

⁽⁹⁾ COM(2009) 184 final, point 2.

⁽⁴⁾ See also C(2009) 7604 final, 9.10.2009.

3.11 Acceptance of failures. Since exploring novel terrain generally leads to a significant overall pay-off, in the 'high-risk' projects which are characteristic of the FET programme, failures also have to be accepted and must not stigmatise the researchers involved or the support provided by the FP7 Programme. Even in the flagship projects, risk of failure cannot be excluded. The EESC is pleased to see that this principle has been included and emphasised in the Commission document.

3.12 FET Programme and ESFRI List. The European Strategy Forum on Research Infrastructures roadmap (ESFRI list ⁽¹⁰⁾) should be encouraged and supported in order to fully exploit the potential of existing and new research infrastructures, and to ensure that links are developed between them and the FET-Programme.

4. Specific Comments

This paragraph addresses some of the issues outlined in points 2.4 and 2.6 above.

4.1 Multidisciplinary approaches. The EESC recognises and emphasises the challenges outlined in the Commission Communication. One of the challenges involves promoting cooperation between disciplines, which is crucial for the success of FET. The EESC therefore appreciates that multidisciplinary approaches are an intrinsic requirement of the selected projects and the recently proposed 'flagship themes' ⁽¹¹⁾.

4.2 Involvement of Industry, SMEs and Society. In order to guarantee the proper implementation of future industrial or societal applications for the more fundamentally oriented FET-Programme, representatives of industry, SMEs and society should be part of the relevant advisory boards. The EESC notes that this has been the case ⁽¹²⁾; and the Committee recommends maintaining this practice in the future. The EESC also calls for more active participation from researchers in social fields.

4.3 Attracting top talent and avoiding brain drain. Attracting top talent to the field of research and avoiding a brain drain of the most talented young scientists in particular is a serious challenge that the EESC has highlighted on several occasions ⁽¹³⁾. The EESC notes with satisfaction that some research organisations ⁽¹⁴⁾ have already implemented successful programmes to

face this challenge. The EESC recommends that more organisations in all Member States act in the same vein, and that the Commission supports this policy. Furthermore, the EESC recommends that programmes for students are strengthened to attract graduates to specific fields of research, though it is also necessary to boost secondary school pupils' interests in innovation, science and research. These programmes would need to be implemented in such a way that excellence can be identified at the pre-graduation stage.

4.4 Joint Programming ⁽¹⁵⁾. Recalling that by far the largest part of publicly funded R&D is carried out within or financed by Member States, the EESC repeats its appeal for a coordinated procedure between the EU-Member States in order to fully exploit the R&D potential of the Member States, together with support from the Community R&D Framework Programme.

4.5 Research collaboration in FET domains. The EESC reemphasises its recent opinion ⁽¹⁵⁾ on this issue and welcomes the Commission's recommendation to overcome the fragmentation of current European research efforts and to further strengthen research collaboration in selected FET domains. As far as the requirements laid down in the Rules for Participation are not yet sufficient, the EESC recommends that the Commission as soon as possible invites Member States to launch joint initiatives under the Joint Programming in Research Initiative in domains such as quantum and neuro-information technologies where European research roadmaps exist, and to extend these initiatives to other FET domains of common interest at a later date. The EESC considers achieving progress in this area to be an important element of the new Lisbon strategy ⁽¹⁶⁾, to be pursued using the instrument of open coordination.

4.6 International Collaboration. The Committee agrees with the Commission that FET research is also especially well placed for (global) international collaboration as it lays the foundations for future ICT and addresses global scientific challenges. The EESC refers to its recent Opinion on this subject ⁽¹⁷⁾. The EESC agrees with the Commission that Europe's leading competitors have acknowledged the importance of foundational research for gaining and maintaining a leading position in ICT.

4.7 Complexity of Procedures. Concerning the issues addressed under points 4.4 and 4.5, the EESC also recognises that the related procedures can add considerable complexity to technical and scientific endeavour. Efforts should be made to ensure that promising initiatives are not submerged by these process issues, and that outstanding scientists and institutions are encouraged to participate.

⁽¹⁰⁾ OJ C 182, 4.8.2009, p. 40.

⁽¹¹⁾ See e.g. Commission Report on the FET-Consultations 2007-2008, Future and Emerging Technologies, ISBN 978-92-79-09565-8, Sept. 2008.

⁽¹²⁾ Members of the Information Society Technologies Advisory Group (ISTAG) see: http://cordis.europa.eu/fp7/ict/istag/home_en.html.

⁽¹³⁾ OJ C 110, 30.4.2004, p. 3.

⁽¹⁴⁾ For example Helmholtz Association of German Research Centres and Max-Planck-Society.

⁽¹⁵⁾ OJ C 228, 22.9.2009, p. 56.

⁽¹⁶⁾ OJ C 277, 17.11.2009, p. 1.

⁽¹⁷⁾ OJ C 306 of 16.12.2009, p.13.

4.8 Need for a European Community Patent. The Committee emphasises the fact that a European Community Patent would help to faster and better protect the intellectual property rights emerging from European investment in R&D. The Committee deeply regrets that no tangible progress has been made since ten years.

4.9 ICT for Science and Research. The EESC repeats its previous recommendation ⁽¹⁸⁾ that the new category of 'ICT for Science and Research' be introduced into the overall ICT programme, with a strong focus on software. The Committee feels that the extended FET programme would benefit from such a move.

Brussels, 16 December 2009

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

⁽¹⁸⁾ OJ C 306 of 16.12.2009, p.13.

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 autonomous regions of Madeira and the Azores'

COM(2009) 370 final — 2009/0125 (CNS)

(2010/C 255/10)

Rapporteur-general: **Mr SOARES**

On 7 September 2009, the Council decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Proposal for a Council Regulation temporarily suspending autonomous Common Customs Tariff duties on imports of certain industrial products into the autonomous regions of Madeira and the Azores

COM(2009) 370 final - 2009/0125 (CNS).

On 17 November 2009 the Committee Bureau instructed the Section for the Single Market, Production and Consumption to prepare the Committee's work on the subject.

In accordance with Rule 20 of the Rules of Procedure, the European Economic and Social Committee appointed Mr Soares as rapporteur-general at its 458th plenary session, held on 16 and 17 December 2009 (meeting of 17 December), and adopted the following opinion by 133 votes to two.

1. Conclusions and recommendations

1.1 The Committee agrees with the Commission's proposal for a regulation.

1.2 The Committee believes that the outermost region status of the Azores and Madeira fully justifies the adoption of measures to support the development of the local economy, which has traditionally been almost exclusively dependent on revenues from tourism. Other outermost regions, such as the Canary Islands, also benefit from a similar scheme.

1.3 The proposed measures support the continuation and development of other economic activities not directly linked to tourism, thus helping to stabilise and maintain local jobs, which will therefore be less exposed to the fluctuations of the tourism sector.

1.4 The Committee believes this measure will be helpful for the economic development of the region and to maintain local employment.

2. Gist of the Commission proposal

2.1 Scope

2.1.1 The Commission proposes to suspend temporarily the autonomous tariff duties applicable to imports into the autonomous regions of Madeira and the Azores for a series of finished

goods for agricultural, commercial or industrial use (listed in Annex I), and for a series of raw materials, parts and components used for agricultural purposes, industrial transformation or maintenance in these regions (listed in Annex II).

2.1.2 Finished goods will have to be used by local companies on the islands for a period of at least two years before they can be sold freely to other companies located in other parts of the customs territory of the European Community.

2.1.3 Raw materials, parts and components will have to be used for agricultural purposes and for industrial transformation and maintenance on the islands.

2.1.4 In order to avoid any misuse or change in traditional trade flows of these goods, end use controls are to be carried out.

2.2 Duration

The proposed suspension will run from 1 January 2010 until 31 December 2019.

2.3 Specific character of this measure in relation to the scheme previously in force

2.3.1 This measure applies to all economic operators located within these regions.

2.3.2 Until very recently, only operators located in the free zones of the Azores and Madeira could benefit from this measure, under Council Regulation (EEC) No 1657/93. This regulation expired on 31 December 2008, without having achieved its intended effect. As a result, the Commission, at the proposal of the regional authorities of the Azores and Madeira and with the support of the Portuguese government, has decided to propose extending coverage by establishing a new regulation whose scope will be broadened to all economic operators located in these regions.

Brussels, 17 December 2009.

The President
of the European Economic and Social Committee
Mario SEPI

2.4 *Legal basis*

The legal basis is Article 299(2) TEC.

2.5 *Grounds for the measure*

The reason for this measure is to support those economic sectors which are not directly dependent on revenues from tourism in order to offset, to an extent, the fluctuations of the tourism sector and thus stabilise local employment.

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee: Promoting Good Governance in Tax Matters’

COM(2009) 201 final

(2010/C 255/11)

Rapporteur: **Mr BURANI**

On 28 April 2009, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee: Promoting Good Governance in Tax Matters

COM(2009) 201 final.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 13 November 2009. The rapporteur was Mr Burani.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 17 December 2009), the European Economic and Social Committee adopted the following opinion unanimously.

1. Conclusions and recommendations

1.1 The Communication constitutes the Commission’s contribution to the fight against tax evasion and tax havens, which was announced by the G-20 and confirmed by the ECOFIN Council and the European Council. Good governance in tax matters is an objective that has been pursued for some time. Rules on cooperation among EU countries and with third countries, on mutual assistance, taxation of savings income and recovery of tax claims have been issued in this field; a code of conduct for avoiding harmful tax competition has been published. All of this shows that Europe considers that good governance in tax matters is of fundamental importance, and demonstrates this practically.

1.2 The Communication under discussion sets out the main actions that the Commission proposes to take, particularly in the part relating to follow-up to OECD initiatives; as a whole, it represents an integrated plan of regulations, negotiations, and innovations in the criteria that guide certain policies. The EESC is in **full agreement** with the series of measures proposed and with the Commission’s comments. On one point in particular, namely the consistency between financial support given to many countries in various forms and those countries’ level of cooperation in tax matters, it hopes that the EU will adopt a firm and responsible attitude: more explicitly, an end should be put to the policy of unconditional aid with nothing in return.

1.3 There is little point in listing the points where we agree: this would make the text longer without adding any value to it. However, the EESC considers that it should mention a few **fundamental problems**, which it believes should be given careful consideration.

1.4 In the Commission’s introduction, it describes governance in tax matters to be a means of providing a **‘coordinated response’** to money laundering, corruption and terrorism; the principle of a **comprehensive approach** to these problems is thus reaffirmed. In reality, however, this statement gives rise to some doubts: tax governance alone cannot meet the challenges of combating other phenomena that may or may not have a bearing on taxation, but have a **different background: money-laundering** as a product of **organised crime, terrorism or corruption**.

1.4.1 The third **money-laundering directive** ⁽¹⁾ (MLD) considers **tax fraud as a ‘serious crime’**, which should, as such, be **subject to the provisions of that directive**. In practice, this is not the case: tax evasion (or fraud) is the subject of a series of specific directives that take this issue out of the hands of anti-money laundering authorities **and place it within the remit of tax authorities alone**. An issue therefore arises of **overlapping rules**, or rather the need for clear **delimitation of powers and competences: the MLD should be refocused on its stated aim**, excluding tax-related or financial offences *where these are not of criminal or terrorist origin*; conversely, the tax directives should **exclude from the competence of tax authorities any offences that have a clear criminal or terrorist background**. Of course, there will always be a grey area where the two problems meet, but at least clear guiding principles will have been established.

1.4.2 The money-laundering directives and tax directives currently seem to run on two separate tracks. Blame for this, however, lies not with the Commission but rather with

⁽¹⁾ Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, OJ L 309, 25.11.2005.

a **fragmentation of powers and competences**: money laundering and the fight against organised crime are the responsibility of the FATF ⁽²⁾ at global level and the Justice and Home Affairs Council at European level; tax evasion is dealt with by the G-20 and, in Europe, by the ECOFIN Council. There is no mention in any document of the need for cooperation, information exchange and division of tasks among the various authorities. The EESC calls for this situation to be put right, as it makes the ultimate aim of a 'comprehensive approach' abstract and unachievable.

1.5 While we are on the subject of a comprehensive approach, the issue of **tax havens** arises. These are the focus of attention only when talking about tax evasion; the issue of **money related to organised crime or money intended for terrorist financing** remains out of sight. This problem arises not only in the most well-known centres, with which the tax authorities are currently negotiating, but also and more importantly in emerging financial markets located in areas where geopolitical considerations may affect the willingness to negotiate.

1.6 A difficult issue that is not mentioned is that of **flags of convenience** ⁽³⁾, a source of considerable financial flows that are perfectly legal even if they are spared from taxation. These usually end up in **tax havens**, which they then leave in order to be reinvested. However doubtful they may be for various reasons, flags of convenience exist with the tacit consent of all countries: when combating tax havens, it will be important to avoid unintended effects on legitimate activities and the diversion of capital to less cooperative centres.

1.7 Conclusion: the EESC notes that Europe has done and is doing much in the area of combating tax evasion, as well as on the financial aspects of combating organised crime and terrorism. However, the Committee would like to draw legislators' attention to a number of **serious deficiencies**: there is no **effective coordination between the fight against tax evasion and that against crime**, nor a clear **distinction between the tasks and remits of the authorities** responsible for tackling these various phenomena. These often have aspects that relate both to tax evasion and crime or terrorism, and are thus difficult to assign: another reason for requiring **structured cooperation** between the various authorities. There is no mention of such cooperation in the Commission or Council programmes.

2. Content of the Communication

2.1 The Commission Communication contains a number of ideas for tax governance. These ideas echo the results of a series of meetings: of the G-20 countries in November 2008, of the

ECOFIN Council in December 2008, of the finance ministers and central bank governors of the G-20 on 14 March 2009, of the European Council of 19 and 20 March 2009, and finally the G-20 summit on 2 April 2009. The conclusions of these meetings show a common willingness to **take action against non-cooperative jurisdictions, including tax havens, providing for sanctions to protect public finances and financial systems**. In particular, the G-20 summit commented that 'the era of banking secrecy is over'.

2.2 The Communication aims to identify the possible EU contribution to good governance in the area of direct taxation. In three distinct chapters, it examines how to improve it; the instruments for promoting it in practice; and the role of the Member States in supporting the initiatives taken by the OECD and the UN through coordinated actions both within the EU and internationally.

2.3 Good **governance in tax matters** is an objective the Commission has been pursuing for some time through **cooperation within the EU** and, more widely, through **cooperation with the OECD** in combating money laundering through tax havens.

2.4 On the whole, the EU's legislative and regulatory framework in the area of **tax cooperation** can be considered satisfactory: directives on **mutual assistance, taxation of savings income and recovery of tax claims** have been issued or are under discussion. It remains to be seen how, and how conscientiously, the Member States put the Community rules into practice.

2.4.1 In the area of **harmful tax competition**, a Code of Conduct for business taxation has been published ⁽⁴⁾. This has already achieved promising results, though there is room for further improvement. The Code has been adopted by the Member States and their dependent territories; its extension to third countries is part of the 2009-2010 work programme. The recurring theme across the board is **transparency**; the Commission's position in relation to the **application of the state aid rules to measures relating to direct business taxation** is also clear.

2.5 The Commission intends to propose **coordinated action by Member States to ensure an appropriate follow-up to the OECD initiatives** at international level. For the time being, it is 'looking forward to [the] implementation' of 'the important commitments that have been made recently'. Those commitments are twofold: firstly, the OECD proposes to dismantle the preferential tax regimes of its 30 member countries, and secondly, it has applied – and intends to continue – **pressure on non-member countries** with the aim of obtaining **political commitments** from them to **cooperate** with OECD countries.

2.5.1 The OECD has contacted numerous countries – pretty much the whole world – and has already achieved its first successes: **35 non-member countries**, including several tax havens,

⁽²⁾ Financial Action Task Force, an OECD body.

⁽³⁾ A ship flies a 'flag of convenience' (FOC) when it is registered in a country which has few rules with the aim of reducing operating costs or avoiding burdensome regulations. The International Transport Workers' Federation has drawn up a list of 32 registers that it considers to be FOC.

⁽⁴⁾ Agreed by the ECOFIN Council on 1 December 1997.

have given a **political commitment to cooperate on transparency and exchange of information in the area of taxation**. A number of other countries ⁽⁵⁾ have recently committed to complying with OECD standards in the area of **exchange of information on request**, without regard to domestic requirements or bank secrecy.

2.6 With regard to **international policy**, the Commission is working to agree good tax governance practices with various countries ⁽⁶⁾; more formally, the May 2008 ECOFIN asked that a standard for good governance in the area of taxation be included in agreements between the EU and third countries. In December of the same year, the introduction of the standard took on an even more stringent nature, with the request to be more determined about combating tax havens and non-cooperative jurisdictions.

2.6.1 In the area of **savings taxation**, the Commission has managed to get some third countries ⁽⁷⁾, along with Member States' dependent or associated territories (some of which were previously classed as tax havens) to apply measures that are the same as or equivalent to those laid down in the EU directives. Exploratory talks are also under way with other countries ⁽⁸⁾, but formal negotiations have not yet begun.

2.6.2 A series of negotiations are ongoing with the countries of the **European Economic Area** (EEA) ⁽⁹⁾ and **Switzerland**. The EEA countries directly apply the principles of the single market, whilst 'similar rules' apply to state aid. Relations with Switzerland are governed by the Free Trade Agreement of 1972, but some aspects have recently been called into question. Negotiations are under way with Liechtenstein regarding a new anti-fraud agreement. The whole area is in a development phase.

2.6.3 The principles of transparency, cooperation and exchange of information have been included in the action plans and the agreements concluded with several countries in connection with the **European neighbourhood policy** and **enlargement policy**. The Commission is working to extend those principles to a number of third countries: the first discussions with some countries seem promising, but it would be appropriate to establish what position should be adopted vis-à-vis those countries that have so far rejected the idea.

2.6.4 Particular attention is given to **negotiations with developing countries**: as well as openness in some quarters, there is resistance in others, which needs to be overcome, perhaps by making funding under the ENPI (European Neighbourhood and Partnership Instrument) and the 10th EDF (European Development Fund) conditional on accepting the rules on tax governance.

⁽⁵⁾ Including Switzerland, Austria, Belgium, Luxembourg, Hong Kong, Macau, Singapore, Chile, Andorra, Liechtenstein and Monaco.

⁽⁶⁾ Caribbean countries, Pacific islands.

⁽⁷⁾ Switzerland, Liechtenstein, San Marino, Monaco and Andorra.

⁽⁸⁾ Hong Kong, Macau and Singapore.

⁽⁹⁾ Iceland, Liechtenstein and Norway.

2.7 One chapter of the Communication is set aside to list **ongoing initiatives**: internal ones, in the form of the directives mentioned in point 2.4, and external ones, to provide practical follow-up to the initiatives mentioned in point 2.5. It is worth noting that the Commission rightly asks the Council to give it **sufficient flexibility in its negotiations**, an essential prerequisite for it to be able to adapt general policy to the specific case of each country. Particular attention is given to **development cooperation incentives**, which, it is suggested, might be used vis-à-vis recalcitrant countries as an incentive to greater openness (see 2.6.4 above).

2.8 The Commission concludes by drawing the Council's attention to the importance of the measures proposed and to the need to ensure **rapid transposition at national level of the directives already issued**, to speed up the process for those under discussion, to adopt **more coherent and better coordinated policies** at EU level, and finally to **ensure greater consistency between the positions of individual Member States** and the governance principles agreed.

3. Observations and comments

3.1 The European Economic and Social Committee (EESC) gives a very warm welcome to the Commission Communication: it was high time that a course of action and behaviour was mapped out in the complex area of combating tax evasion, as part of an environment of good tax governance. The **Committee can only give its support and full agreement to every aspect the Commission mentions and the measures it proposes**. However, it does consider that it has a duty to draw attention to a few fundamental problems and some other, more detailed ones, which it believes deserve careful consideration.

3.2 The Commission raises the issue of consistency between EU financial support for certain countries and their level of cooperation with the principles of tax governance (see point 2.7 above). It raises the possibility of taking 'appropriate measures' as part of the forthcoming mid-term review of the European Development Fund (EDF) and introducing specific measures into the Cotonou agreement ⁽¹⁰⁾. Such measures could include reducing the allocation of funds to countries that do not cooperate and, conversely, providing incentives in the form of technical assistance and additional funds to those who show willingness to meet their commitments.

3.2.1 Thus, it is proposed that a concept be introduced into EU policy on support for other countries whereby **aid must be earned with tangible evidence of willingness to cooperate** in areas including – but not limited to – taxation. The EESC considers that the documents setting out the arrangements for aid should contain an **explicit clause** to that effect. There needs to be a clear and explicit change in the policy on **giving financial aid**, which should become a means of **fostering a tangible and verifiable process of ethical, social and economic progress**. Corrupt governments are unmoved by requests for cooperation: the only way of convincing them is to put their interests on the

⁽¹⁰⁾ Partnership agreement between the African, Caribbean and Pacific group of countries on the one hand, and the EU and its Member States on the other, signed in Cotonou on 23.6.2000.

line. It remains to be seen to what extent the Commission's proposal will be able to be put into practice: **political and social hesitations** could play a significant role in relation to its implementation.

3.3 A few other comments arise from the statement made by the Commission in its introduction, which considers good governance in tax matters to be a way of providing a 'coordinated response' to the problems of money laundering, corruption and terrorism. This reaffirms the oft-repeated idea, to which the EESC subscribes, that only a comprehensive approach can put in place a strategy for protecting society from every kind of financial crime, be that of criminal, terrorist or fiscal nature.

3.3.1 All the measures mentioned by the Commission in its Communication are useful in the area of **tax governance**; however, the EESC notes that there is no clear reference to a global strategy. The actions under way or planned in the area of taxation should run parallel, and be consistent, with those in the area of **money laundering, combating corruption, organised crime and terrorism**. A first step would be to **remove a few grey areas and the inconsistencies between the directives on taxation and those on money-laundering**.

3.4 The directives on combating tax fraud do not refer to the provisions of the **third money-laundering directive** (MLD) ⁽¹¹⁾, despite the fact that the latter includes tax fraud (or some aspects of it) among a list of **'serious crimes'** ⁽¹²⁾. One could therefore wonder whether the MLD provisions apply to the area of taxation, in particular as regards reporting requirements, the functions of FIUs ⁽¹³⁾, and the involvement of third parties, including the professions ⁽¹⁴⁾. However, the answer to that question is no: **in the tax directives, the fight against fraud is assigned to the tax authorities alone**, and there is no mention of a role for FIUs or links with them, nor of the provisions of the MLD.

3.4.1 Thus, there is a discrepancy between legislative and operational fields in EU directives. In practice, the **boundaries between tax fraud and the laundering of the proceeds of crime**, even if they can be determined in theory, may be **vague or non-existent**: for example, VAT evasion can be seen as smuggling (laundering) or as tax fraud, and can reveal links between apparently normal businesses and drug trafficking, arms smuggling, etc.; corruption always involves tax evasion, but often hides other types of much more serious crime; transfers of money of questionable tax status may hide terrorist activities. There is much scope for doubts over interpretation and possible conflicts of competences.

⁽¹¹⁾ Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, OJ L 309, 25.11.2005, p. 15, known as the 3rd Money Laundering Directive (MLD).

⁽¹²⁾ See Article 3(5)(d) of the MLD: "'serious crimes' means ... fraud... as defined in Article 1(1)Article 2 of the Convention on the Protection of the European Communities' Financial Interests': tax evasion, at least in the area of VAT, is therefore explicitly included in the crimes covered by the MLD.

⁽¹³⁾ Financial Intelligence Unit, see Article 21 of the MLD.

⁽¹⁴⁾ See Article 2(3) of the MLD.

3.5 The whole subject therefore needs **rethinking and reviewing from top to bottom**: the **MLD should be refocused on its declared aim**, i.e. the fight against organised crime and terrorism, explicitly excluding tax-related and financial offences *where these are not of criminal or terrorist origin*. Conversely, the tax directives should **exclude from the competence of tax authorities** any offences that have a clear criminal or terrorist nature. **Without wishing to create** a hierarchy of values, the fight against crime and terrorism is of even greater political and social importance than the fight against tax evasion. However, the two fields are closely linked, not only because of the blurred line between them as mentioned above, but also in terms of **putting into practice the concept of a 'comprehensive approach'**, which implies an **obligation** incumbent on the various authorities to **cooperate and share information**. Incidentally, the need for cooperation between the various authorities is mentioned in a 2004 Communication ⁽¹⁵⁾, but does not appear in any directive.

3.6 The sub-division or overlap of competences reflects the distribution of powers at Council level: problems of tax evasion and tax havens are dealt with by the ECOFIN Council, whereas combating crime and terrorism is dealt with by the Justice and Home Affairs Council. The same sub-divisions can be found at global level: the G-20 and the FATF ⁽¹⁶⁾ seem to belong to different worlds. There is a link at the OECD, but only at the centre: the contacts at national level vary in accordance with ministerial competences.

3.7 Official declarations lead one to believe that there is the political will to move forward with an effective **comprehensive fight**; but there is no immediate prospect of a practical solution unless there is a clear awareness of the problem at the highest political and financial echelons. At all events, a preliminary examination of some **fundamental issues** is urgent and must not be delayed. This must include **an assessment of the phenomenon of tax havens** ⁽¹⁷⁾ **as a whole**. Thanks to the OECD's action and that of the Commission, many tax havens have recently agreed to cooperate in the fight against tax evasion ⁽¹⁸⁾, by abolishing or limiting banking secrecy, such that no country is any longer on the blacklist ⁽¹⁹⁾. The near future will show whether and to what extent these promises have been kept.

⁽¹⁵⁾ Communication from the Commission to the Council and the European Parliament on Preventing and Combating Corporate and Financial Malpractice, COM(2004) 611 final.

⁽¹⁶⁾ FATF: Financial Action Task Force, an OECD body.

⁽¹⁷⁾ It is interesting to note that the English term 'tax haven' has been translated into most other languages as 'tax heaven'. It does not appear that the difference between 'haven' and 'heaven' can be attributed to a simple translation error: it reflects a different mentality.

⁽¹⁸⁾ In reality, the standard clause on organised crime and terrorism is included in the agreements with tax havens, but the emphasis is always on the tax aspect.

⁽¹⁹⁾ There are two other lists, 'light grey' and 'dark grey' according to the level of cooperation that has been promised.

3.7.1 However, the various lists are not exhaustive, or at least leave room for uncertainty. There seems to be something of a lack of transparency in **emerging financial markets**, some of which have, or may have in future, characteristics that make them 'havens', if not 'heavens' for tax or other purposes: some south-east Asian countries, the Gulf States, but also to some extent India, Singapore and China (Hong Kong is just the leading edge of Chinese finance). Although the issue of **terrorist financing** is included in the standard clauses, negotiations often skate over it, as it runs through channels that are certainly not going to make themselves public, still less negotiate. This and other problems are so delicate that the silence that surrounds them is understandable. However, this does not mean that they can be ignored.

3.7.2 There are other issues, too, that are not mentioned: **trafficking of weapons**, which are often sold legally and with the appropriate official authorisation, but subsequently pass through secret channels to fuel wars and terrorism in many countries. This is often funded with **proceeds from drugs**: all of this feeds into enormous flows of money that seems to disappear into an unfathomable black hole. This phenomenon is well known, but certainly cannot be dealt with through directives, agreements or enquiries: it is of an entirely different nature and involves world politics.

3.7.3 The phenomenon of tax havens as a whole is thus a problem that needs addressing, whilst keeping in mind the **geopolitical** aspects that will affect any solution. In terms of what is possible in practice, the fight against tax evasion and money laundering (but above all against terrorism) must, as far as possible, be global, keeping in mind that global victory is a goal that remains a long way off. More than anything, it is important to continue to take care to **prevent activities being diverted** from known centres to others that are less well known, which may be hostile or less willing to negotiate. The current crisis is speeding up the gradual shift in the balance of power among world financial centres: Asia and the Islamic world are the new emerging powers, whose thinking and behaviour is not necessarily the same as has traditionally prevailed in the Western world.

3.8 **Another** problem, which is in a way connected with tax havens, is that of **flags of convenience (FOC)**, under which 63 %

of the world's merchant fleet is registered, along with a significant number of large pleasure crafts: **most of these are based in tax havens** and provide them with a significant flow of **funds of perfectly legal origin**, albeit exempt or almost exempt from tax. Some of the countries that host such registers are EU Member States. Fleets sailing under flags of convenience have a competitive advantage over those that fly national flags, and the freight revenue they raise represents avoidance, though certainly not evasion, of 'official' taxation. In addition, they are not subject to the requirements set out in collective agreements relating to seafarers.

3.8.1 No tax measures are envisaged in relation to flags of convenience, not just because there is no legal basis for any such action, but also because any action based purely on tax considerations would risk, among other things, harming an economic activity that it is vital to the whole world and drying up a significant flow of investment into the global economy. Aside from serious moral considerations, flags of convenience distort competition and avoid complying with collective agreements – and do so with the tacit consent, or the tacit resignation, of governments throughout the world. At EU level, the only rules that apply to them are those relating to safety at sea and to traffic.

3.8.2 These aspects are mentioned in order to highlight the fact that not all the funds that flow into tax havens, and then flow out of them and are invested in world financial centres ⁽²⁰⁾, constitute tax evasion, money laundering or terrorist financing. With this in mind, the actions in the area of taxation proposed by the G-20 and presented by the Commission deserve support: they must **also cover the aspects of money laundering and terrorism**, whilst **taking care to avoid unintended effects on activities and financial flows that are legitimate or at least not illegal**.

3.8.3 Getting tax havens to **cooperate and be transparent** would be an historic achievement; the grey areas that remain, and probably will remain, show that, as well as broad principles, it is important to aim for **reasonable goals**, even if they are not perfect. In the final analysis, it becomes clear that **initiatives in financial and tax matters need to be driven and monitored by political authorities as part of their international relations strategy**. The EU needs a **common policy** in this latter area: an aim that governments should consider a priority, but that, as things stand, seems a long way off.

Brussels, 17 December 2009.

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

⁽²⁰⁾ It has been calculated that 35 % of worldwide financial flows transit through tax havens. However, it is not known on what basis this calculation is made.

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 a new partnership for the modernisation of universities: the EU Forum for University Business Dialogue'

COM(2009) 158 final

(2010/C 255/12)

Rapporteur: **Mr BURNS**

On 2 April 2009 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a new partnership for the modernisation of universities: the EU Forum for University Business Dialogue

COM(2009) 158 final.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 15 October 2009. The rapporteur was Mr Burns.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 17 December 2009), the European Economic and Social Committee adopted the following opinion by 60 votes to 12 with 11 abstentions.

1. Recommendations

1.1 The EESC thinks using the word 'university' for all institutions of higher education regardless of their status and what they are called in the Member States is confusing. What is needed, rather, in promoting partnership between higher education institutions (HEIs) and businesses is clarity about what disciplines the partnership is suitable for, leaving it to the two sides to assess how mutually beneficial the partnership would be. For this reason, the EESC proposes using the term HEI as a catch-all expression and placing it in the forum's title as a result.

1.2 The European Commission's Communication, like the EU University/HEI - Business Forum should concentrate on cooperation and action where it is appropriate and this should be assessed very carefully, especially during the present crisis, when it cannot be taken for granted that companies will be able to invest directly in graduates (over the longer term). The Forum must be used to formulate the long-term public interest regarding education and the evolution of the labour market.

1.3 Consultation of the social partners and civil society representatives is desirable here. The engagement with businesses and the creation of Forum has to be meaningful and not become a mechanism which has little value other than to raise more money for present university activities. This engagement and the creation of Forum must not become a means for business to 'dominate' HEIs.

1.4 The EESC would encourage a more equal partnership between universities and businesses where both are encouraged to become 'drivers' for change and both have valued contributions, recognise each other's different goals and social tasks and at the same time identify and use those subject-areas and points of contact which might give rise to cooperation ⁽¹⁾.

1.5 Life Long learning - Empirical research needs to be done to clearly identify what tasks are done in businesses and the identified outcomes before the Forum develop any objectives concerning vocational education and training.

1.6 Business have to take responsibility in defining any outcomes in relation to what is done or needs to be done, in the workplace and bearing in mind the lifelong learning needs of workers.

1.7 Access to Life Long Learning programmes must not be limited to previous academic achievements or the attainment of specific qualifications. Life Long Learning must be based upon the practical needs of the employee and their workplace. All workplace training should be outcomes based. The attainment of qualifications should not be the main objective of Life Long Learning.

⁽¹⁾ See EESC opinions on 'Universities for Europe', rapporteur: Joost van Iersel (OJ C 128, 18.5.2010, p. 48) and on 'Cooperation and transfer of knowledge between research organisations, industry and SMEs – an important prerequisite for innovation', rapporteur: Gerd Wolf (OJ C 218 of 11.9.2009).

1.8 In business there is no substitute to practical experience. Forum should therefore include proposals on how academics can get valid hands on experience with both large and small businesses. A wealth of experience is available and examples of good practice should be studied.

1.9 SMEs and micro businesses should be encouraged to become more active in the Forum.

1.10 A more practical definition of SMEs has to be used for the work of the Forum. We would suggest:

Enterprise Category	Head count of Staff
Medium size	<100
Small	<20
Micro	<5

2. Background overview

2.1 Education and training has been identified as a crucial factor in achieving the overall objectives of the Lisbon Strategy. For European society to survive and compete in the new global economy, citizens need to become more entrepreneurial. To achieve this objective the modernisation of European education systems has to be addressed and the role of universities and businesses have to be recognised as key drivers in that process.

2.2 Partnerships between large multinational companies and universities, research organisations and enterprises, already exist. The Joint Technology Initiatives, the European Technology Platforms, the Clusters of Excellence and the newly established European Institute for Innovation and Technology are good examples of new forms of collaboration and partnerships. Unfortunately similar relationships between HEIs and micro-enterprises and SMEs are not sufficiently developed.

2.3 New lines of research are needed to improve knowledge about the changing world of higher education, and the roles of academics. While universities are assigned a central role in building a European 'knowledge society', recent research has shown that as our expectations of universities increase, they face pressures that are hard to balance: they are expected to produce more research, to be competitive and cost efficient while teaching more students in a more personal way and upholding high academic standards. Thus their mission is blurred and the university risks losing its role in the generation and dissemination of knowledge ⁽²⁾.

⁽²⁾ European Science Foundation (ESF). 2008. *Higher Education Looking Forward: An Agenda for Future Research* by John Brennan, Jürgen Enders, Christine Musselin, Ulrich Teichler and Jussi Välimaa.

2.4 The May 2006 Communication on modernising higher education ⁽³⁾ argued that business had a contribution to make in three areas:

- Governance: business models could be imported to the university world;
- Funding: enterprises have a potential role to play in the financial support of both education and research;
- Curricula: students need to receive an education which will prepare them for the present and future world of work. Businesses must be involved in that process, and need to offer the kinds of placement which will help students make the transition from study to work. Enterprises must also be encouraged to release their staff for further learning and updating of their skills throughout their working lives.

2.5 In 2008 the Commission established a University-Business Forum which supports cooperation between universities and businesses with the objective of helping universities to respond better and faster to the demands of the market and to develop partnerships which harness scientific and technological knowledge.

2.6 The participants in the Forum were higher education institutions, companies, business associations, intermediaries and public authorities. It enabled discussions on the exchange of good practice, discussions on common problems and allowed the participants to work together on possible solutions.

3. Gist of the Commission's proposal

3.1 The need for better cooperation between universities and businesses is recognised by the Commission. Measures are therefore required to support the Member States in their efforts to modernise their higher education systems.

3.2 The purpose of the present Communication is to:

- Take stock of what has been learned from the first year of the Forum and other relevant activities at European level about the challenges and barriers to university-business cooperation. A Commission Staff Working Document develops this aspect of the work at greater length.
- Make proposals for the next steps in the Forum's work.
- Outline concrete follow-up actions to strengthen university-business cooperation.

3.3 The main conclusions of the report which will influence the work of the Forum are:

- The development of an entrepreneurial culture at universities requires profound changes in university governance and leadership.

⁽³⁾ Communication of 10.5.2006 from the Commission to the Council and the European Parliament 'Delivering on the Modernisation Agenda for Universities: Education, Research and Innovation' COM(2006) 208 final

- Entrepreneurship education has to be comprehensive and open to all interested students, in all academic disciplines.
- Universities should involve entrepreneurs and business people into the teaching of entrepreneurship.
- Professors and teachers should have access to training in teaching entrepreneurship and exposure to the business world.
- Universities and public research organisations should have clear long-term strategies for the management of Intellectual Property Rights (IPR).
- Particular challenges faced by SMEs that want to enter into partnerships with universities need to be addressed.
- Lifelong Learning (LLL) is to be fully integrated into the missions and strategies of universities.
- The updating/upgrading of skills has to be valued and recognised on the labour market and by employers.
- LLL has to be developed in partnership with enterprises – universities cannot design and deliver alone.
- National and regional framework conditions have to provide a supportive environment for universities to engage in cooperation with business.
- University-business cooperation has to be embedded in institutional strategies; leadership and effective management of human resources are crucial for the implementation.

3.4 To facilitate debate on the objectives above, the Commission's plans to give the EU Forum for University-Business Dialogue a reinforced structure of plenary meetings and thematic seminars. A web presence is recommended. It will also aim to encourage involvement of national and regional authorities and contributors from outside the EU.

3.5 Based on the findings of the Forum, the Commission plans to explore new forms of structured partnerships between universities and businesses, especially SMEs, and look at how these partnerships could be supported through EU programmes. The Commission will also investigate whether the scope of dialogue with businesses could be extended to other sectors of education and training.

4. EESC general comments/observations

4.1 The EESC welcomes the European Commission's endeavours to improve relations between HEIs and business. We are however, concerned that the content of the Communication does little more than confirm criticism that has been detailed in previous documents while coming to the same conclusions 'we have a problem and something has to be done about it'. Nevertheless, the

Committee is concerned that where the Commission's Communication proposes certain measures to improve cooperation between higher education institutions and businesses, it does so through a unilateral approach, for example, 'universities should adopt the management structures of businesses, facilitate the direct involvement of practitioners within them and introduce training in entrepreneurship etc.' (see point 3.3).

4.2 The EESC is concerned that the Communication has too academic an approach and the recommendations are too vague and open to interpretation. The use of 'universities' to mean all higher education institutions, irrespective of their name and status in the Member States is confusing. Different higher education institutions offer different services to business. Institutions that specialise in competence-based training, are therefore offering different products than those institutions that focus on knowledge-based courses. For example, the main function of traditional universities, where the humanities, social sciences and basic research are dominant, is to produce knowledge and maintain cultural continuity.

4.3 Most employers understand the traditional split between universities and other forms of further education. They expect universities to educate students so that they graduate with a deep understanding of their subject. They see degrees as more an indication of potential rather than an attestation of competence whereas they expect higher education qualifications and vocational qualifications to indicate competence in performing tasks. This Communication and the supporting Commission Staff Working Document does not help in clarifying any of these issues.

4.4 The EESC is aware of the problems in the so called corporatisation of universities. We believe that transferring educational processes and procedures from the USA and dropping them into Europe will not work. European universities have to find a new way of engaging with businesses and improving the services, qualifications and outcomes that they offer, without this damaging their capacity to carry out basic research, which is vital in helping the EU to survive global competition.

4.5 In today's economic climate, all of Europe's HEIs have to become more 'customer focused' and more aware of their cost/benefit to society. To help HEIs in this new role, the university business Forum should become ideal partners. However, the term 'customer' has to be defined from the point of view of the public interest, employers and the individual student.

4.6 These changes in priorities will have financial implications for universities. The extent to which the market should determine academic priorities is a crucial factor that has to be carefully considered. Exclusive focus on competitiveness and business orientation as absolute standards, among others, could imply the narrowing down curricula and research fields. This trend is illustrated in the decline of the classical disciplines which is observed

on a global scale. This process ⁽⁴⁾ is not confined to the humanities but is also occurring in the classical science disciplines of chemistry, physics and mathematics as well as in economics and the other social sciences.

4.7 In the Communication the Commission states that the main goal of any recommendations is to make European universities 'crucial drivers of Europe's ambition to be the world's leading knowledge-based economy and society'. While this may appear a very laudable aim, there is concern that universities alone have been identified as the 'drivers'. The EESC would prefer to see an equal partnership between businesses and the universities, where both recognise their own strengths and weaknesses and where both are equal drivers for change. The businesses providing the practical experience and knowledge of the marketplace and the universities providing intellectual content and support. The EESC points out, however, that a series of other factors go to make up the 'driver' behind Europe's endeavours, not just business and HEIs. These endeavours must be seen in the context of a whole raft of EU and Member State policies and especially against the backdrop of society's support for education and addressing unemployment.

4.8 The EESC recognises the need to match what is taught with employability and the references in the working document to 'outcomes' (5.2/5.2.3/5.5.5), but still thinks that this cannot be the only role of universities. We are, however, concerned as to how these outcomes will be defined, who will define these outcomes and how vocational education and training and vocational qualifications will fit into any final matrix of university training and qualifications and vocational training and qualifications. We believe that the definitions of these outcomes are crucial to matching training qualifications and the needs of employers especially in relation to SMEs and micro-businesses, but would point out that in view of the length of time needed for training and the evolving nature of Europe's non-harmonised labour markets, it will be difficult to achieve a match between training and jobs in business. For business-related subjects, universities must equip students and graduates with the requisite theoretical knowledge to meet the current challenges of the changing world of business.

4.9 Life Long Learning (LLL) is important for businesses and citizens but the Communication does not address the problem of equality of access. This is a serious problem especially in relation to those citizens who have not had a university education. It is clear that without specific recommendations, those who already have a university degree will receive more help and training, while

those who have not had university education will fail to engage with universities or any university based LLL programmes.

4.10 Within the proposals, there appears to be an assumption that the Commission will be able to specify areas of skills shortage by just meetings with employers and academics. It seems ironic that while pushing for more scientific research there is an avoidance of recommending any application of any scientific techniques to establish exactly where the skills gaps lie and to aid the design of the education and training to be delivered in order to close these gaps. By setting up institutions (for example, associations) at higher education institutions together with large companies, it is possible to identify which qualifications graduates need in practice, and to make sure that they meet requirements in the economy better. These institutions can also play a supportive role in finding jobs for graduates with companies.

4.11 This lack of evidence is particularly important in relation to LLL. Empirical research should take place to clearly identify - what tasks are done in businesses, and what tasks need to be done. Once these have been identified, training and any subsequent qualifications should be targeted to meet the identified outcomes. Owing to the practical aspect of defining these business outcomes it is essential that businesses play their part in the development process and define these objectives. Informing the relevant parties will be crucial here. For example, if it is known that there is strong demand for labour in a particular sector, such as the maritime professions, potential 'students' should be informed which universities (national or European) provide training in this area, where occupations are very diverse and, in some cases, highly qualified.

4.12 The Commission Communication (point 2) states: 'University-business cooperation involves two communities with marked differences in culture, values and missions'. It then goes on to detail how partnerships have been built between the two domains and then admits that 'the level of cooperation remains very unequal across countries, universities and academic disciplines. Furthermore, the extent to which such cooperation has influenced governance or organisational cultures in the two sectors concerned is limited. Few universities have an institution-wide strategy for cooperation with enterprise; those that do are concentrated in a small number of Member States'.

4.13 This statement encapsulates one of the main problems of university-business relationships i.e. many old style universities make little or no attempt to understand the culture, values and motivation of business and believe that any change in understanding has to be done by the businesses and not by the universities. True cooperation needs business representatives to take account of the specific function of universities and their different responsibilities towards society, as well as of the fact that the benefits that HEI contribute to businesses are achieved above all through indirect channels. Until this problem is solved any recommendations on university-business cooperation are likely to have only little value.

⁽⁴⁾ Wilshire, Bruce. 1990. *The Moral Collapse of the University: Professionalism, Purity and Alienation*, Albany: State University of New York Press; Readings, Bill. 1996. *The University in Ruins*. Cambridge, Harvard University Press.

4.14 This statement also highlights a problem in that; present cooperation is presently based upon universities working with large, often multinational, businesses with proven social and economic track records. This begs the question: - what hope do SMEs and micro-businesses have in influencing universities if big companies have historically had so little influence? This problem is alluded to in point 3.3: 'Particular challenges faced by SMEs that want to enter into partnerships with universities need to be addressed'. There are, however, no practical suggestions to what the challenges and solutions may be.

4.15 Throughout the document there is no clear definition of SMEs. The term is mentioned nine times in the Communication, ten times in the impact assessment and 76 times in the Staff Working Document but the general impression, in the Commission documents - is that the definition is not about small businesses but rather those businesses employing over 200 and have a turnover in excess of € 10 million. The present SME definition used by the European Commission is:

Enterprise Category	Head count of Staff	Annual Turnover		Annual balance sheet total
Medium size	<250	€50 million	or	€43 million
Small	<50	€10 million	or	€10 million
Micro	<10	€2 million	or	€2 million

This definition is not helpful to HEIs or the Forum when trying to identify SME businesses especially if they use the annual turnover figures. It is our opinion that using the present definitions of SMEs is a hindrance in identifying business partners. A more simple definition of SMEs that reflects reality would therefore be desirable.

4.16 The reference to 'fostering entrepreneurship' throughout the whole education system must be analysed in depth and illustrated with specific examples, our concern being that the Forum may not be the appropriate place to discuss this very wide ranging issue. The needs for children to develop their creativity and other prerequisites for their future jobs and the needs for adults to be entrepreneurial in work (in regard, for example, to Life Long Learning) are two different issues.

4.17 There is concern from businesses that 'Entrepreneurism' has becoming a new higher educational bandwagon. Universities do have a role in promoting and developing a more entrepreneurial attitude but lately, this has been extended to include training people to become Entrepreneurs. The world Economic Forum (Educating the next wave of Entrepreneurs April 2009) quotes – 'Most of what you hear about entrepreneurship is all wrong. It's not Magic; it's not mysterious; and it has nothing to do with genes. It's a discipline and like any discipline, it can be learned'. We believe that this latest shift by some Universities is fundamentally flawed. Universities can teach people how to perform business tasks such as accountancy, marketing and how to perform management procedures but no one, not even professors in universities, can teach people how to evaluate and take financial and personal risks that all too often defy any logical rational.

4.18 The EESC draws attention to its opinion '*Partnerships between education establishments and employers*' ⁽⁵⁾, which also sets out a series of initiatives on this matter.

5. Comments on the Staff Working Document

5.1 The EESC is concerned that the working document referred to in the Communication (point 2) adds little to what was said in the main Communication. If anything, the working document adds confusion by making assumptions with little or no proof to support the conclusions.

5.2 The working document is clearly written from the universities' perspective on what universities can do to gain from engagement with businesses. This does concern us as it does not offer a balanced view of what the Forum should be doing. The delineation between universities, further education institutions and other training bodies is also extremely vague and it is not clear whether it is suggesting that all universities should become training institutions or whether all training bodies should become universities.

5.3 The EESC believes that the working document is a lost opportunity and does not offer the broader business perspectives or raise the specific problems of SMEs.

Brussels, 17 December 2009.

The President
of the European Economic and Social Committee
Mario SEPI

⁽⁵⁾ EESC Opinion adopted on 24 March 2009, rapporteur: Mr MALOSSE (OJ C 228, 22.9.2009)

Appendix
to the
opinion
of the European Economic and Social Committee

The following amendment, which received at least a quarter of the votes cast, was rejected in the course of the debate (Rule 54(3) of Rules of Procedure):

Point 1.2

Amend as follows:

~~The European Commission's Communication, like the~~The EU University/HEI - Business Forum should concentrate on cooperation and action relating to degree level or above (e.g. Degree, Master degree, Bachelor of Science BSC). Only when the Forum has gained this experience, should it expand its cooperation to other educational institutions ~~where it is appropriate and this should be assessed very carefully, especially during the present crisis, when it cannot be taken for granted that companies will be able to invest directly in graduates (over the longer term). The Forum must be used to formulate the long-term public interest regarding education and the evolution of the labour market.'~~

Voting For: 27 Against: 49 Abstentions: 7

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 Action Against Cancer: European Partnership'

COM(2009) 291 final

(2010/C 255/13)

Rapporteur: **Ms KÖSSLER**

On 24 June 2009 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Action Against Cancer: European Partnership

COM(2009) 291 final.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 10 November 2009. The rapporteur was Ms Kössler.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December 2009), the European Economic and Social Committee adopted the following opinion by 176 votes to and one abstention.

1. Recommendations

1.1 The EESC welcomes the Commission's initiative for a European Partnership for Action against Cancer. Cancer takes an enormous toll on individuals and European society and is the sickness which claims the highest number of victims. After circulatory diseases, cancer was the second most common cause of death in 2006, accounting for two out of ten deaths in women and three out of ten deaths in men. Approximately 3,2 million EU citizens are diagnosed with cancer each year ⁽¹⁾.

1.2 The EESC highlights the importance of joint EU action, based on information sharing and exchange of expertise and best practice, in helping Member States in their fight against cancer.

1.2.1 The EESC stresses that there are unacceptable differences between Member States in terms of cancer incidence and mortality and supports the objective for all Member States to have integrated cancer plans by the end of the Partnership.

1.2.2 The EESC agrees with the Commission that integrated cancer strategies need to be built on clear objectives which provide a driving force for implementation and make it possible to assess whether the intended effects have been achieved.

1.2.3 The EESC agrees that preventive measures are of great importance and can improve well-being and contribute to healthier and longer life for people in the future.

1.2.4 The EESC considers the Partnership in the period up to 2013 to be an important further step in the process which began in 2003 ⁽²⁾ and recognises the need to continue the Partnership in some form or another after that date, given that several targets have a longer time horizon (2020).

1.2.5 The EESC would emphasise the importance of a healthy lifestyle and believes that the Partnership has an important role to play in convincing national leaders and bodies active in the public health sector to do more in the Member States.

1.2.6 The EESC would stress that the Partnership is in line with Article 152 of the Treaty on public health, which provides that Community action shall be directed towards improving public health.

1.2.7 The EESC is committed to supporting the Partnership and wishes to make an active contribution by working through its contacts with civil society at local and national level.

1.2.8 The EESC would stress the importance of using the Structural Funds that are earmarked for training and infrastructure in the health sector but notes that these funds are not utilised sufficiently in the Member States.

2. General background

2.1 The EESC would again point out that cancer affects many individuals and their friends and family. It is a major health and social problem and the single most important cause of death among working age people.

⁽¹⁾ Source: IARC 2007.

⁽²⁾ Council Recommendation of 2.12.2003 on Cancer screening (2003/878/EC), OJ L 327 of 16.12.2003, p. 34.

2.2 The high number of cancer cases therefore also has many important socio-economic implications in the Member States.

2.3 As the number of cancer cases is expected to increase, this will have further adverse consequences.

2.4 Effective prevention can prevent nearly one third of all cancer cases and through early detection a further third can be treated successfully and often even cured.

2.5 The four most common forms of cancer in the EU are breast cancer, colorectal cancer, lung cancer and prostate cancer.

2.6 The types of cancer which cause the most deaths in the EU-27 are, in order of mortality rates, as follows: lung cancer, colorectal cancer, breast cancer, prostate cancer and stomach cancer ⁽³⁾.

2.7 The number of incidences of and deaths from all these five types of cancer can be reduced by adopting a healthier lifestyle.

2.8 Lung cancer is the form of cancer which causes the most deaths in the EU. Nearly a fifth of all cancer deaths in 2006 were due to lung cancer and the majority of them were caused by smoking. Around 335 000 people die each year from lung cancer in Europe ⁽³⁾.

3. The gist of the Commission proposal

3.1 The European Commission proposal on European Partnership for Action Against Cancer for the period 2009-2013 is meant to support the Member States in creating integrated cancer plans, which should reduce the burden of cancer in the EU with the target of a 15 % reduction by 2020 (510 000 new cases).

3.2 The following four areas for action (with set objectives) are proposed:

Area 1: Health promotion and early detection

Objective: improved implementation of the Council recommendation on Screening and promotion of large scale information campaigns on cancer screening, directed at the general public and health-care providers.

Area 2: Identification and dissemination of good practice

Objective: to tackle inequalities in cancer mortality by reducing the disparity between the best and worst performing Member States.

Area 3: Cooperation and coordination in cancer research

Objective: achieving coordination of one third of research from all funding sources by 2013.

Area 4: Benchmarking process

Objective: to ensure accurate and comparable data on cancer.

4. Health and early detection

4.1 The EESC believes that a horizontal approach is necessary to curb the increasing burden of cancer throughout the European Union.

4.2 Cancer is caused by many factors but can be prevented in some cases. Prevention should therefore address lifestyle, occupational and environmental causes.

4.3 Prevention work should be guided by the principle of Health in All Policies (HIAP) and the Partnership can be strengthened through the mainstreaming of health policy in other fields, such as the environment and agriculture, both at national and EU level, in line with the EU health strategy.

4.4 The EESC believes that it is especially important to focus prevention on lifestyle patterns which increase the risk of getting cancer. In particular, it is important to make the young generation aware that a healthy lifestyle reduces the risk of contracting cancer. Such knowledge among young people, who in due course will become parents, can have a major impact on their children and future generations.

4.5 Knowledge is now available on the factors which increase the risk of contracting cancer. By far the biggest risk factor is smoking.

4.6 Other risk factors are obesity, physical inactivity, excessive sunbathing and high alcohol consumption.

4.7 Countless numbers of people die as a result of tobacco use, obesity, low intake of fruit and vegetables and high exposure to sunlight.

4.8 The EESC believes that it is important for the Partnership to focus on prevention and control.

4.9 The EESC welcomes the proposal to set overarching targets for prevention and screening and therefore highlights the importance of defining indicators to monitor achievement of the targets in the Member States.

4.10 Prevention and early detection (screening) are crucial for successful treatment and recovery.

4.11 The EESC recalls that the EU recommended the use of graphic warning pictures on cigarette packets as from 2001. As it is, only three Member States use them. More Member States should introduce them. Graphic warning pictures are also an effective way of influencing children and even make an impression on those who do not yet know how to read.

4.12 The EESC would draw attention to the importance of taking measures to counter second-hand smoking.

⁽³⁾ Source: IARC 2007.

4.13 The EESC believes that it is important to improve the lifestyle of young people by introducing lifestyle training in school systems in the Member States for the early provision and dissemination of information on how to live longer. Information on the risks of smoking, unhealthy eating habits, low fruit intake and the dangers of sunlight should be provided early in life. At least 2 to 3 hours of physical education a week should be introduced in primary and secondary schools in the Member States. Physical activity and an interest in outdoor life and sport can help to reduce overweight in adult life as well.

4.14 The EESC would point out the important role which researchers, public health workers, patient organisations, economists, teachers, healthcare professionals, supervisory authorities, politicians, other decision-makers and civil society have to play in ensuring that the Partnership's goals are given practical effect in Member States.

4.15 The EESC would highlight the importance of patient organisations at European level and the key role they can play for the Partnership. Similarly, other voluntary organisations and networks can play a major role in spreading the message on how to prevent getting cancer and the importance of early detection. The Committee would also draw attention to the role the media can play in raising awareness of a healthy lifestyle and early detection and in improving prevention efforts.

4.16 The EESC would underline that effective prevention efforts can save life 20-30 years in the future and that they bring economic benefits in that the cost of preventive measures is considerably lower than cancer treatment.

4.17 The EESC would emphasise the importance of finding indicators for monitoring primary prevention over time. In order to measure primary prevention efforts in the Member States over time it is proposed that Member States, at regular intervals, measure the number of 15-year olds who smoke and similarly use some indicator of overweight (e.g. the BMI). Prenatal care across the Member States might be one area where overweight among women can be monitored whilst trends over time among men might possibly be monitored in connection with military recruitment.

Screening

4.18 The EESC would stress that screening represents an investment for better health and a way for individuals to avoid contracting the sickness.

4.19 The EESC believes that it is important to be able to evaluate the screening programmes that are introduced.

4.20 The EESC agrees that the proposed screening programmes should cover as much of the population as possible in the cases of breast, cervical and colorectal cancer, in accordance with the Council Recommendation on cancer screening by 2013. Explicit goals were already set in 2003 but were never achieved.

4.21 The EESC agrees that Member States should increase their efforts to fully implement the Council Recommendation on cancer screening by 2013. The EESC would welcome seeing all Member States have reasonable, step-by-step goals for working in this direction.

4.22 The EESC believes that it is important to target information and support to vulnerable groups so that they also become aware of the benefits of taking part in screening. It is also important to point out the stress and strain that anxiety about cancer can cause.

4.23 The EESC hopes that any future screening programmes that may be recommended at EU level are based on evidence. It further hopes that the EU recommends the age ranges to be covered in connection with the introduction of programmes by Member States. Having common age ranges and intervals for calls for screening in all Member States would reduce disparities in results and would also benefit research.

4.24 The EESC endorses the idea of a voluntary European pilot accreditation scheme.

5. Identification and dissemination of best practice

5.1 The EESC supports the aim to tackle inequalities in cancer mortality by reducing disparities between Member States.

5.2 The EESC would emphasise that it is important that all the Member States start compiling statistics and establish cancer registries so that this goal can be achieved. Open and accurate comparisons are fundamental in this regard. A minimum requirement for achieving this goal is that each Member State has or establishes a population register, arrangements for registering new cancer cases and a cause of death register. In this way accurate data can be obtained on incidence, prevalence, survival and mortality. The EESC recommends that at a later stage hospital registers also be linked to these arrangements, thus making the strategies more comparable and enabling treatments to be compared.

5.3 The EESC agrees on the need for identification of obstacles in collection of data and recommends that targeted action be taken so that Member States which do not have registries can quickly introduce them.

5.4 The EESC agrees on the importance of collection of data on the cost of cancer to society. This would be beneficial for this issue and reveal the extent of the problem for society.

5.5 The EESC agrees with the proposal to conduct a survey to gauge European opinion on cancer data registration. Here the experience of the Nordic Member States can be cited as good examples.

5.6 The EESC agrees that cancer has many contributory causes, including lifestyle, working conditions and environmental factors, and that prevention work should therefore be conducted on a broad front.

5.7 The EESC would particularly stress the importance of preventive work in the tobacco field. In many Member States, above all the most recent ones, the incidence of smoking is high. Often smoking levels are highest among the most vulnerable socio-economic groups. Even passive smoking is associated with health risks and attention should be drawn to this.

Research

5.8 Like the Commission, the EESC believes that the exchange of knowledge between countries could be improved substantially and that it is important to improve research infrastructures.

5.9 The EESC welcomes the proposal to strengthen public access to information on cancer research and clinical trials in particular.

5.10 Like the Commission, the EESC would highlight the importance of a comprehensive European research initiative on prevention issues, for example lifestyle research, which has been neglected to date and is an important and strategic area for research efforts, in line with the Partnership's aims. There is also a need for research to shed light on the risks of side-effects and subsequent medical errors as well as for research on psycho-social issues.

5.11 The EESC would emphasise the importance of competition in research and believes that it is mainly at the infrastructure level where cooperation in research in general can be improved. The Committee welcomes the initiatives involving shared biobanks, easier exchange of material, exchange of knowledge and clinical studies where material produced by individual Member States is not enough or where things can be taken forward more quickly if many countries work together (European multi-centre studies).

5.12 The EESC would welcome the establishment of an authority to evaluate research and scientific practice from a European perspective. An independent organisation along these lines should be able to evaluate and review the overall body of evidence for a particular medical field in Europe; in other words, compare the research carried out in that area using pre-established criteria for good research.

5.13 The EESC would be pleased if this organisation could, in particular, identify areas where there is a pressing need for strategic EU-wide research projects on cancer but where there are no commercial interests.

Benchmarking

5.14 Objective: to ensure accurate and comparable data on cancer necessary for policy and action.

5.15 Like the Commission, the EESC emphasises the importance of comparable data and the need for cancer registries in the Member States.

5.16 The EESC would also point out the need to develop comparable and assessable indicators. A first step would be for all Member States to establish cancer registries and report registry data to a single designated authority. The IARC (International Agency for Research on Cancer) and the UICC (International Union Against Cancer) might be appropriate bodies – both of them operate at European level.

5.17 The EESC believes that open benchmarking has a key role to play in identifying and transferring best practice.

5.18 Comparable data and extensive exchange of such data are also of major importance for research.

5.19 The EESC would point out that all areas of the healthcare supply chain (treatment, rehabilitation and palliative care) are important in reducing the burden of cancer illnesses and the suffering to which cancer victims and their friends and family are exposed. The EESC hopes that, as an initial step, the focus is put on primary prevention and secondary prevention (screening) so that cancer can be detected and treatment begun as soon as possible.

5.20 The EESC believes that it is important that all parts of the healthcare supply chain (treatment, rehabilitation and palliative care) and primary and secondary prevention be included in the integrated national cancer plans.

Brussels, 16 December 2009.

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

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament and the Council on a European initiative on Alzheimer’s disease and other dementias’

COM(2009) 380 final

(2010/C 255/14)

Rapporteur: **Ms O’NEILL**

On 22 July 2009 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament and the Council on a European initiative on Alzheimer’s disease and other dementias

COM(2009) 380 final.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 10 November 2009. The rapporteur was Ms O’Neill.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December 2009), the European Economic and Social Committee adopted the following opinion unanimously.

1. Conclusions and Recommendations

1.1 Conclusion

1.1.1 The EESC welcomes the Communication from the Commission to the European Parliament and the Council on a European Initiative on Alzheimer’s disease and other dementias because it is an issue of critical importance in Europe which has implications for individuals, families and society, given the ageing population.

1.1.2 The EESC recognises that the primary responsibility for tackling dementia and providing care lies with the member states but welcomes the attention drawn by the communication to the role of the EU in enhancing national progress.

Note on terminology: since the term Alzheimer’s disease does not include all dementias, this document refers to ‘Alzheimer’s disease and other dementias’ or simply ‘dementia’.

1.2 Recommendations (not prioritised but taken in the order of the text)

1.2.1 The EESC recommends that the Commission supports awareness campaigns to improve public knowledge of dementia in order to increase timely diagnosis and to reduce stigma.

1.2.2 The EESC recommends a greater breadth in the range of research areas for support.

1.2.3 The EESC in welcoming the Joint Programming approach in research urges the Commission to implement this timeously.

1.2.4 The EESC recommends that the open method of coordination is extended to health so that the Commission can actively encourage the development of specific national strategies and quality frameworks for dementia.

1.2.5 The EESC urges the Commission to promote widely the use of the Health Programme to develop models of care and to actively work with national governments on the use of the European Structural Funds to develop and implement training in dementia care at local level in acute, long term care and in the community.

1.2.6 The EESC strongly emphasises the importance of the application of the European Convention on Human Rights for people with dementia.

1.2.7 The EESC supports the action point in the Communication for the establishment of a European Network using the facilities provided by the Health Programme.

1.2.8 The EESC urges the dissemination and implementation of the Communication at local, national, EU and international levels in collaboration with Alzheimer organisations, national governments, the Commission and other appropriate bodies, including the EESC.

2. Background

2.1 The White Paper ‘Together for Health: A Strategic Approach for the EU 2008-13’⁽¹⁾ explicitly identified and addressed the importance of developing a better understanding of neurodegenerative diseases such as Alzheimer’s disease and other dementias.

⁽¹⁾ OJ C 77 of 31.3.2009, p. 96.

2.2 The Commission has made it a priority to ensure that there should be proper recognition of the issue given the magnitude of the problem and the impact on individuals, carers and the costs to society.

2.3 The long-term action that is proposed will focus on strategies for prevention, non-medical intervention, skills for professional and voluntary caregivers and an emphasis on a collaborative approach between Member States and the Commission in the field of research ⁽²⁾.

2.4 The European Commission will also link the relevant parts of future work on Alzheimer's disease to the European Pact for Mental Health and Well-being, established in 2008, acknowledging that mental health is one particular dimension in Alzheimer's disease.

2.5 The European Parliament also passed a Declaration ⁽³⁾ on the priorities in the fight against Alzheimer's disease and other dementias, to give political commitment to research, prevention and social protection, eliminating stigma and the importance of supporting Alzheimer associations.

3. Context

3.1 Dementia is characterised by a progressive loss of mental functions caused by a range of conditions of which the most common is Alzheimer's disease which affects around 50-60 % of people with dementia. Other conditions include vascular dementia and Lewy-Body dementia. A project carried out by the EU patient's platform Alzheimer Europe supported by the EU Commission identified the most significant rare forms of dementia ⁽⁴⁾.

3.2 It was estimated in 2008 that in the 27 EU Member States 7,3 million people between the ages of 30 and 99 years were suffering from the different kinds of dementia. More women (4,9 million) than men (2,4 million) are affected ⁽⁴⁾.

3.3 Because of the general increase in life expectancy and the ageing of the 'baby boomer' generation the number of older people is projected to rise substantially, with the oldest groups experiencing the largest relative rise. An increase in the number of age related conditions, particularly dementia, is likely to continue with current forecasts predicting a doubling of the number of persons affected in the next 20 years. Alzheimer's Disease International estimates that worldwide 104 million people will have dementia by 2050.

⁽²⁾ Dementia Year Book 2008 Alzheimer Europe.

⁽³⁾ EP Declaration PE414.434.

⁽⁴⁾ COM(2009) 380 final.

3.4 The impact of the dementias both currently and in the future on family and professional carers, on public health and the cost of care is significant. Alzheimer Europe (2008) estimated that the total direct and informal care costs of Alzheimer's disease and other dementias in 2005 amounted to EUR 130 billion for the EU 27 member states – EUR 21 000 per person/year of which 56 % was generated through informal care ⁽⁵⁾.

3.5 At the Conference 'The fight against Alzheimer's disease and related disorders' during the French Presidency it was emphasised that it was vital as Europeans to share our knowledge and to mobilise the skills and experiences in the different member states in order to wage the fight against this disease and the conclusions were discussed by the Health Council in December 2008.

3.6 The primary responsibility for tackling dementia and providing care lies with the Member States. However, under Article 152 of the Treaty in relation to health there is an expectation that the EU lends it support to national action and under Article 165 requires the Community and Member States to coordinate their research and technological development to ensure that national and community policies are mutually consistent.

4. The Commission Communication

The objective of the Commission's Communication is to set out the areas and actions at EU level which bring added value in support of the Member States.

4.1 The Communication sets out five key issues for Community Action to address:

- Prevention
- Improved understanding of dementias – the coordination of research
- Sharing best practice
- Ensuring the rights of people with dementia are upheld
- Establishing a European Network.

4.2 A joint action between the EU Commission and the Member States, set out in the Work Plan for the implementation of the Second Health Programme for 2008-2013, will be launched in 2010 and will form part of the overarching goal in the Lisbon Strategy in relation to improvements in health outcomes ⁽⁶⁾.

⁽⁵⁾ Alzheimer Europe(2008) Dementia in Europe Yearbook.

⁽⁶⁾ Decision No 1350/2007/EC of the European Parliament and of the Council of 23 October 2007, establishing a second programme of Community action in the field of health (2008-13). See http://ec.europa.eu/health/ph_information/indicators/lifeyears_en.htm.

5. Prevention

At the present time it is not possible either to prevent or to cure Alzheimer's disease and other dementias and cognitive decline was seen as an inevitable part of ageing. However, with increased knowledge about ageing and the brain possible means of prevention are being investigated.

5.1 Since dementias can, to a greater or lesser extent, be related to cardiovascular problems, prevention includes having a good diet ⁽⁷⁾, controlling blood pressure and cholesterol is important as well as not smoking, drinking only moderate amounts of alcohol ⁽⁸⁾ and taking exercise.

5.2 Other preventative strategies include social activity, involvement and support and intellectual stimulation.

5.3 Good physical and mental health through life can assist in maintaining cognitive function. This is sometimes referred to as a 'healthy brain lifestyle' ⁽⁹⁾.

5.4 The evidence to support these strategies is still limited and the EESC supports the Commission in calling for more targeted research to better understand the potential preventative strategies. This is supported by Alzheimer Europe.

5.5 The EESC welcomes the proposed action to incorporate a dementia dimension into the EU's ongoing and future actions on health prevention, including education, and to work with Member States to develop and provide guidance for the widest dissemination to the public and health and social care organisations.

5.6 A key challenge is to enable earlier and more reliable diagnosis. This would alleviate uncertainty for the individuals concerned and those who care for them so that they can make appropriate legal, financial, medical and other plans.

5.7 Among the barriers to early diagnosis is that people do not recognise the symptoms or consider them to be a normal part of ageing. This is also tinged with denial and fear because of the perceived stigma attached to dementia. A recent survey showed that the average delays from symptoms to diagnosis varied considerably between European countries ranging from 10 months in Germany to 32 months in the United Kingdom.

5.8 However, the EESC is concerned about the number of people throughout the EU who might not have access to diagnosis because of a lack of knowledge or the provision of services, particularly in rural areas and disadvantaged communities.

5.9 The EESC supports the call from Alzheimer Europe for the EU Commission and national governments to support awareness campaigns for the general public, a wide range of stakeholders on a local, regional, and national basis, including the media, to improve the recognition of the symptoms of dementia and to reduce stigma ⁽¹⁰⁾.

6. Improved understanding of dementia conditions – the coordination of research

6.1 The EESC recognises the commitment that has been made by the Commission in its support of research through the Framework Programmes in relation to brain research, causes and prevention strategies for healthy ageing and public health.

6.2 However, the EESC emphasises that research is also required in the efficacy of various models of care, psycho-social and non-pharmaceutical interventions as well as the impact of demographic changes, such as divorce/remarriage/cohabitation, migration and urbanisation on the experience of dementia and dementia care.

6.3 Although there has been substantial EU funded research on Information and Communications Technology (ICT) and dementia care, more is required, and the key findings suggest that if technology is used ethically and integrated into care plans it can assist in helping people with dementia to make choices, to remain safely at home and it can improve quality of life in all settings.

6.4 The EESC welcomes the commitment of the Commission to the specific actions on ICT research in the Framework Programmes as well as the large scale pilot projects that have been launched between the EU and 23 European countries on ICT products and services ⁽¹¹⁾.

6.5 Given the increased prevalence of dementia it is essential that there is cooperation between research institutions and funding bodies in the Member States. The EESC welcomes the Joint Programming approach, on a voluntary basis, to ensure that the available funding from within Member States and the EU programmes is spent to best effect.

⁽⁷⁾ OJ C 24 of 31.1.2006, p. 63.

⁽⁸⁾ OJ C 318 of 23.12.2009, p. 10.

⁽⁹⁾ Dementia Risk Reduction: The evidence. Alzheimer's Australia Paper 13 September 2007.

⁽¹⁰⁾ Alzheimer Europe Paris Declaration on the political priorities of the Alzheimer movement (2006).

⁽¹¹⁾ Decision No 742/2008/EC of the European Parliament and of the Council of 9 July 2008, COM(2007) 332 final, OJ L 201 of 30.7.2008, p. 49.

6.6 The EESC therefore believes that it is essential that Member States commit to this research, its funding and collaborative working.

7. Sharing best practice

7.1 Given the recognised need for further research, the importance of early diagnosis, the range of treatments and health and social care available throughout the Member States, the open method of coordination plays a crucial role in relation to considering the effectiveness of social protection, social inclusion and long term care services available.

7.2 The provision of quality services to those who have dementia and their carers is essential. For some Member States this is part of an overall strategy but to date only two have formally produced a strategy in the EU and the EESC believes that the Commission by extending the open method of coordination to health could encourage both the development of specific national strategies and quality frameworks which could provide benchmarks for other Member States and for improvement in relation to policy, services, training and research.

7.3 The EESC welcomes the commitment to the provision of special training for health and care staff, and family members of those with dementia, with its holistic approach to care. The EESC believes in the use of the EU Health Programme to develop models of care complemented by Member States making use of the European Structural Funds to enable their implementation. This is particularly important in the light of a shortage of trained people in health and social care ⁽¹²⁾. The provision of training to improve understanding of Alzheimer's disease and dementia and ethical practice for staff in acute, long term care and in the community is essential.

7.4 The EESC supports the sharing of good practice in the identified areas of prevention and services which improve the quality of life for those with Alzheimer's disease and other dementias.

7.5 The EESC strongly supports the empowerment of national, European and international Alzheimer's associations and other relevant patients' organisations. These organisations provide a range of services to those with dementia and their carers and play an important part in preventing social exclusion and discrimination and promoting the rights of individuals with dementia.

7.6 These organisations provide valuable information ⁽¹³⁾ which can influence and inform research, policy and practice and enable the voice of those with dementia and their carers to be

heard. The EESC would wish to lend its support and influence through its involvement in liaison work with a range of organisations across the Member States and internationally.

7.7 The EESC supports the call from Alzheimer Europe to national governments to recognise the important contribution made by Alzheimer associations and to fund them in order to support the projected increase in the number of people who will be affected by Alzheimer's disease and other dementias in the context of pan-European solidarity.

8. Ensuring the rights of people with dementia are upheld

8.1 'First and foremost, people with dementia are friends, relatives, neighbours and fellow members of society. The fact that they have a specific medical condition is secondary' ⁽¹⁴⁾. The EESC upholds the right of individuals with Alzheimer's disease and other dementias to be treated with dignity and allowed the right to self determination.

8.2 The impact on individuals and carers both of the diagnosis and the progressive loss of capacity can be socially isolating and negative with resulting affects on their health and well-being. The EESC calls upon the Commission and National governments to inform and educate society to eliminate the stigma that is attached to dementia.

8.3 The EESC urges that the rights of those with dementia be upheld in the context of the European Convention on Human Rights which has been further strengthened by disability rights and patients' rights ⁽¹⁵⁾. Information must be provided both on the condition and the services available and those individuals and their carers must be involved in the decisions made about them.

8.4 The EESC supports the Commission influencing the political leadership in the EU in recognising the rights of incapacitated older people to enable their rights to be upheld and to be free from neglect and abuse ⁽¹⁶⁾.

9. Establish a European Network

9.1 The EESC considers the establishment of a European Network, through the Health Programme to be critically important. It would enable the sharing of good practice, contribute to the development of consistent standards and approaches ⁽¹⁷⁾ in relation to vulnerable older people across the member states and create the opportunity to develop common principles and definitions on the rights of people with Dementia.

⁽¹²⁾ OJ C 317 of 23.12.2009, p. 105.

⁽¹³⁾ The European Collaboration on Dementia (EuroCoDe) exists to produce consensual indicators and to undertake joint surveys.

⁽¹⁴⁾ Alzheimer Europe Year Book 2008.

⁽¹⁵⁾ OJ C 10 of 15.1.2008, p.67.

⁽¹⁶⁾ OJ C 44 of 16.2.2008, p.109.

⁽¹⁷⁾ OJ C 204 of 9.8.2008, p.103.

9.2 In addition a European Network could contribute to:

- improved education for a wider group for health and social care staff in relation on dementia and how those affected and their carers can be supported;
- improved education about dementia to reduce stigma and encourage early diagnosis;
- improved coordination between professionals who work with people with dementia and their carers so that individual needs can be met ⁽¹⁸⁾

across the Member States.

Brussels, 16 December 2009.

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

9.3 The Network could include work with the national governments on the development of advance statements for an individual, whilst they still have the capacity to consent, taking into account medical treatment, care, support, financial and legal matters and the potential to designate in advance a trustworthy person to speak on their behalf.

9.4 The EESC would urge close collaboration between the Network and Alzheimer Europe in order to ensure the provision of good and consistent information about dementia which is vitally important to reduce stigma, to encourage people to seek medical advice and to develop knowledge of the services and support that are available to them, as well as promoting the rights of individuals to enable their dignity and self determination to be sustained.

⁽¹⁸⁾ Baseline assessment of current information provision to people with dementia and their carers; Alison Bowes NHS Quality Improvement Scotland and the Dementia Services Development Centre at Stirling, Scotland.

Opinion of the European Economic and Social Committee on the ‘Green Paper — Promoting the learning mobility of young people’

COM(2009) 329 *final*

(2010/C 255/15)

Rapporteur: **Ms PÄÄRENDSON**

On 8 July 2009, the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Green Paper – Promoting the learning mobility of young people

COM(2009) 329 *final*.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 4 December 2009. The rapporteur working alone was Ms Päärendson.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December 2009), the European Economic and Social Committee adopted the following opinion by 173 votes to 4 with 2 abstentions.

1. Recommendations

1.1 The EESC fully supports the Commission's efforts towards promoting the learning mobility of young people. In order to make such greater mobility a reality, potential hosts need to be encouraged to act as a magnet to draw such people to their countries and cities.

1.2 The learning mobility targets can only be met if there is full and widespread cooperation and efforts are made at all levels (EU, Member States, regions, educational establishments, social partners and civil society organisations, as well as by young people themselves).

1.2.1 The Commission and Member States should increase their efforts to eliminate barriers to mobility and to exchange best practices. The Committee calls on the Member States to implement community law correctly and to remove the administrative and legislative obstacles relating to residence permits, social security rights and recognition of student cards from other countries. Learning mobility was the key to the success of the Bologna process and the European Higher Education Area. The Committee believes that mobility can also be the key to the development of the Common European Life Long Learning Area. The introduction of a ‘European Trainee Statute’ or ‘European Student Statute’ will ensure equal treatment and address many fears and concerns about issues such as the recognition of degrees, health care and student support.

1.2.2 With a view to the validation and recognition of both formal and non-formal learning, the Lisbon convention on recognition needs to be formally recognised, signed and ratified.

1.3 In order to generate more support for learning mobility, including financial support, it is important for all parties to be aware of and recognise the benefits it can offer. The link between learning mobility and employability needs to be further explained and emphasised.

1.4 Promoting the mobility of young Europeans, and attracting the brightest young people to Europe from third countries are both important elements in maintaining Europe's competitiveness and its position as a key technological leader. The Committee strongly believes that the visa problems hindering mobility should be resolved immediately. The Committee is also convinced that long term, gradual expansion of learning mobility programmes into such third countries as China, India, Japan and the USA would be a reasonable investment.

1.4.1 The Committee would strongly recommend that serious efforts should simultaneously be directed towards avoiding a brain drain from Europe and at making Europe an attractive location both for scientists of European origin and those from outside Europe.

1.5 The European Union and the Member States will not reap the social and economical benefits of an increased number of mobile learners if there is no substantial increase in resources to support learning mobility. In times of crisis, structural investments should be made in a better-educated and a more competitive Europe. In order to improve funding, the EU should mobilise all existing mechanisms and partners and mainstream mobility in all relevant policies, allowing funding to come from the Structural Funds and the R&D Framework Programme. The ESF should become an additional source of funding, first and foremost for VET, complementing the existing funding from the Life-Long Learning Programme 2007-2013.

1.6 Increased learning mobility will only lead to improvements if the quality of the learning experience abroad is sufficiently high. The Committee therefore recommends that all mobility programmes adhere to the European Quality Charter for Mobility.

1.7 The Committee also recommends reforming the current mobility programmes – Erasmus, Leonardo, Comenius, Grundtvig and Marie Curie – to simplify procedures and ensure that there are as few bureaucratic obstacles as possible. It is especially important that educational establishments, local and regional authorities, social partners and civil society organisations be involved in this process.

1.8 The commitment to mobility should be expressed in an ambitious Benchmark on mobility in the new strategic framework for European cooperation in education and training (ET2020), this Benchmark should differentiate between different target groups (VET-students, teachers, non-formal education, higher education and school students) and should be based on a much more complete statistical data set.

1.9 In order to disseminate knowledge about learning mobility programmes and to increase the number of young people opting for a period of study abroad, more effective information on this subject should be provided than has hitherto been the case.

1.10 The Committee supports the establishment of a single European web portal where all information about pan-European learning mobility programmes could be readily found, and where businesses could find information (CVs) about young people looking for internship or apprenticeship opportunities and vice versa. European company networks (including SME organisations) and European professionals need to be encouraged to add information about learners' mobility programmes to their websites and to advertise among their members.

1.11 To enhance the political process following the Green Paper, the Committee would recommend that the notion of learning mobility be defined and the age range of the people it covers specified.

1.12 The Committee is convinced that to promote learning mobility, language teaching should become a priority in the curricula of education and training institutions at all levels, and we would advise exploring options to make a year abroad mandatory for language teachers in all higher educational institutions and asking the Member States to do much more through educational policy to meet the target of every EU citizen speaking at least two other EU languages.

2. Summary of the Commission's Green Paper

2.1 On 8 July 2009 the European Commission published a Green Paper on 'Promoting the learning mobility of young

people'. The aim is to open up a debate on how best to boost the opportunities for young people in Europe to develop their knowledge and skills by staying in another country for study or work experience, community work or additional training in the context of life-long learning.

2.2 The scope of the Green Paper is broad; it aims to address the situation of all young people in all different learning contexts, i.e. at school; at Bachelor, Master and PhD levels within university studies, as well as in internships, apprenticeships, youth exchanges, volunteer work or vocational training, in or outside the European Union ⁽¹⁾. The paper seeks to promote organised learning mobility, focusing on *physical mobility* of young people (16-35 year olds), while recognising also the value of *virtual mobility* (in terms of developing partnerships, training and e-twinning projects). It aims to invite an exploration of how existing and new mechanisms and instruments can be better mobilised to promote the mobility of young people and how the different tiers of government – EU, national, regional and local – together with other stakeholders – business, civil society and private individuals – can be mobilised. It highlights a number of areas where further efforts are required and suggests possible courses of action. Examples of good practice are provided where applicable. Funding opportunities, education/training programmes and practical guidance exist for mobile learners, but need to be publicised and made more easily accessible.

2.3 The Erasmus programme, with its 20 years of experience, is proof of the benefits of higher education mobility. In its Lisbon Strategy report from December 2007, the European Commission stressed that Erasmus-type mobility should become a natural part of university education ⁽²⁾. The Commission has emphasised the importance of investment in education and training, i.e. in promoting knowledge and skills to combat the current economic crisis. Learning mobility should become an opportunity open to all young people in Europe to secure the future competitiveness and cohesion of the EU; the rule and not the exception ⁽³⁾. Mobility of knowledge should become a 5th freedom in the EU.

2.4 The Leuven Communiqué, adopted on 29 April 2009 by the Ministers in charge of higher education in the countries participating in the Bologna Process, stipulates that by 2020 at least 20 % of those graduating in the European Higher Education Area should have studied or trained for a period abroad ⁽⁴⁾.

(1) Learning may be formal – within the educational system – or informal – in the Youth and volunteering context.

(2) Strategic report on the renewed Lisbon strategy for growth and jobs: launching the new cycle (2008-2010), COM(2007) 803.

(3) Report of the High Level Expert Forum on Mobility, June 2008, http://ec.europa.eu/education/doc/2008/mobilityreport_en.pdf.

(4) http://www.ond.vlaanderen.be/hogeronderwijs/bologna/conference/documents/Leuven_Louvain-la-Neuve_Communique_April_2009.pdf.

2.5 The Green Paper therefore launches a public consultation and invites responses on the following issues and questions:

- How can more young people be encouraged to spend time abroad for study, additional training, volunteering or work experience?
- What are the key obstacles to mobility that need to be overcome?
- How best can all those involved – schools, universities, businesses and business organisations, government departments and local authorities, civil society organisations and others – work more closely and effectively together, particularly to encourage young people of other nationalities to come to gain experience with them? In this connection, how can companies be motivated to host participants of mobility programmes, including young entrepreneurs and apprentices?

3. Mobility: benefits, obstacles, and threats

3.1 As the Green Paper rightly points out, learning mobility 'is one of the fundamental ways in which individuals, particularly young people, can strengthen their future employability as well as their personal development'.

3.2 Going to another country to study, as part of their existing job, to gain wider work experience, or for voluntary work, offers young people a real opportunity to broaden their horizons. However, according to the statistics given in the Green Paper, in 2006, existing mobility programmes ⁽⁵⁾ offered mobility opportunities to around 310 000 people - a mere 0,3 % of all 16-29 year olds in the EU. Eurostat's data show that outside of these programmes, a further 550 000 university students undertake their studies abroad each year.

3.2.1 Nevertheless, mobility remains low despite the numerous efforts made by the European Institutions and others through support programmes and other opportunities. Mobility is more readily accessible for some students than others – for example for vocational trainees and apprentices many practical obstacles remain, not least as approximately 80 % of funds are for higher education.

3.3 Rather than being the exception, the Green Paper aims to encourage going abroad to study or work to become a natural move for a young European to consider. Young people need to gain a better understanding of the many benefits that this would offer them, including increased language and other skills and

increased intercultural competencies that will benefit them all their lives in an increasingly multicultural world. Professional learning mobility equips young people with the right mentality, including a sense of self-initiative, making them outward-looking and confident. Experience shows that those who have studied abroad are likely to be more mobile during their working life.

3.4 The EESC fully supports increased mobility for young people for study purposes and for expanding their work experience – as this would increase mobility for all ages. In order to make such greater mobility a reality, potential hosts need to be encouraged to act as a magnet to draw such people to their countries and cities.

3.5 The main beneficiaries of learning-related mobility are young people, educational and research institutions, and businesses. In the longer term it will improve the competitiveness of the EU, by building its knowledge-intensive society, and promote European citizenship, through strengthening Europe's sense of identity and creating a more positive attitude towards Europe among its citizens. Mobility promotes language learning and multilingualism.

3.5.1 The mobility of learners contributes to free movement of knowledge which might be considered the 5th freedom of the EU. In order to promote learning mobility, educational and training systems and institutions will need to become more open, not least to increase cooperation between educational establishments and make their work more effective. Mobility between enterprises and between enterprises and educational and research institutions will also have a far greater impact on clustering and technology partnership, which will strengthen Europe's competitiveness and its capacity to innovate.

3.5.2 Increased mobility will be of particular benefit to leading academic institutions through improved cultural diversity and the ability to recruit really outstanding research teams. Greater mobility will also be to the advantage of companies that have a multi-cultural, multilingual ethos and to any company that trades internationally. In a world where EU competitiveness is under increasing challenge from countries that are developing fast – China, India, Brazil and South Africa and in time many more – the future for EU businesses (above all the future of quality employment opportunities) will lie in either becoming leaders in new technologies and niche manufacture, heavily dependent on maintaining an EU cutting edge in research and development, or in the wider field of services.

3.6 However, there will be obstacles and dangers that will need to be guarded against; including:

- a possible concentration of top level research, and linked teaching and learning, in fewer, elite, centres of excellence in Europe as outstanding students flock to these, at the expense of many lesser renowned establishments;

⁽⁵⁾ Erasmus, Leonardo, Comenius, Grundtvig, Marie Curie, Culture Programme, Youth in Action, European Voluntary Service within Youth in Action Programme, Europe for Citizens Programme).

- a possible concentration of study in major world languages (notably English, French, Spanish, and German) at the expense of those Member States whose languages are not widely known beyond their borders;
- due to an increasing concentration on English, mobile students and researchers may be encouraged to move on elsewhere in the English speaking world, including the US, China, Japan and other parts of East Asia, and beyond: it may then be hard to persuade these people to return to Europe in due course. Any EU development in the area of mobility will need to include sufficient encouragement to mobile academics to base themselves in the EU in the longer term;
- a wider brain drain, as job opportunities open up elsewhere in the so-called 'middle-income' ⁽⁶⁾ countries in the developing world;
- main beneficiaries being Arts, not science, graduates, not least as in the science area many smaller companies will only be able to afford to employ core skills, with language and other such skills being more readily purchased.
- practical obstacles (language knowledge, cultural differences, insufficient funds, economic inequalities, difficulties over the portability of funds, lack of readily accessible information about mobility programmes – notably through the lack of effective websites;
- obstacles over mutual recognition of qualifications;
- recognition of learning mobility in national curricula, plus problems with the right of residence;
- very different funding practices and control of universities across Europe – some are independent (as in the UK), others are more closely State controlled;
- insufficient commitment by Member States ⁽⁹⁾ and in the private sector ⁽¹⁰⁾.

3.6.1 To maintain Europe's position as a key technological leader it is essential to nurture the brightest talent. Today the USA is still seen to be leading the so called 'war for talent'. About 400 000 Europeans with scientific and technical education live and work in America. Among the world's top-50 universities, 36 were located in the USA compared to only 10 in the EU. But the USA's leadership position will not remain undisputed either. Talent is no longer the exclusive preserve of the Western world. China, India, Brazil, Russia, and other countries are taking centre stage in the global race for innovation and talent. Business in Europe will face fierce competition in growing, attracting and retaining talents.

3.7 Despite several previous attempts through support programmes ⁽⁷⁾ and other tools ⁽⁸⁾ promoting learning mobility, there are also other obstacles including:

- legal obstacles (administrative burdens);

⁽⁶⁾ Tunisia, Brazil, South Africa.

⁽⁷⁾ Erasmus, Leonardo, Comenius, Grundtvig, Marie Curie, Culture Programme, Youth in Action, European Voluntary Service within Youth in Action Programme, Europe for Citizens Programme.

⁽⁸⁾ Europass, the European Credit Transfer and Accumulation System (ECT, for higher education), the Diploma Supplement, the European Qualifications Framework for Lifelong Learning, the European Credit System for Vocational Education and Training (ECVET), Youth-pass, EURAXESS, the 'student visa' Directive and the 'scientific visa' package.

3.7.1 Language is an important barrier to learning mobility ⁽¹¹⁾ as without speaking the language of the host country, the learning and social experience will be seriously hindered. It is notable that only 18 % of Europeans have moved out of their region, while only 4 % have moved to a different Member State than the one in which they were born, and only 3 % have moved outside the Union. In the USA, 32 % of citizens live outside the state in which they were born. This may fundamentally be linked to the diversity of languages in the EU ⁽¹²⁾.

3.8 However, a key obstacle that must be overcome will be ensuring that for the students concerned, travelling abroad does not turn into a negative experience for any reason. Negative stories will be counter-productive, especially if the more vulnerable students – including those with disabilities, minority sexual orientation, from poor or ethnic minority backgrounds, or with other disadvantages - have a bad time, and that would do far more harm than good. The stay abroad must also be lengthy enough to ground new ideas and establish greater elasticity in attitude and behaviour. Virtual mobility can be a valuable tool for young people with disabilities. Young people for whom physical mobility is not possible could participate in virtual learning mobility by using IT tools. Virtual learning mobility must not replace physical learning mobility.

⁽⁹⁾ Doctorates are different in every Member State and there is a wide variation in VET systems from one country to another.

⁽¹⁰⁾ The private sector is not sufficiently informed about learning mobility support programmes and it is debatable what benefits they can offer to employers.

⁽¹¹⁾ The figures (2002-03) show that an average of 1.3 and 1.6 foreign languages are taught per student in the Member States in general lower- and upper-secondary education respectively. Students in VET are even further away from the goal of achieving command of two foreign languages.

⁽¹²⁾ Only 3 % of SMEs in Europe have subsidiaries, branches or joint ventures in other countries.

3.8.1 For younger students, especially those of school age, it will be particularly important to ensure sufficient pastoral care to support the change of location, help with language problems, decent accommodation for the full length of their stay abroad, full financial support – over and above existing grant levels where topping up becomes necessary – and to ensure that they are generally accepted in their new community.

4. Solutions: Answering the questions of the Green Paper

4.1 It is important for all parties to understand and recognise the benefits learning mobility has to offer them. Employers, and especially SMEs, have to be persuaded that learning mobility can create added value for their company, for example through promoting trans-national apprenticeships and internships or helping them to enter to a new market. However, in a free market, it is important to avoid any over-regulation at the EU level.

4.2 Preparing for a period of learning mobility: Information and Guidance

4.2.1 The Committee believes that quite often young people themselves don't ever consider how learning mobility might be of benefit to them, particularly improving their prospects in the labour market. While internet information portals on mobility have been set up ⁽¹³⁾, inter alia by the European Commission, there is serious doubt as to whether they are sufficiently user friendly or accessible. The Committee supports the establishment of a single European web portal where all information about pan-European learning mobility programmes could be readily found, and from where businesses could find information about young people (CVs of students) who are looking for internship or apprenticeship opportunities and vice versa.

4.2.2 European company and professional networks (including SME representative organisations) need to be encouraged to add information about learners' mobility programmes to their websites and to advertise among their members.

4.2.3 'Service points' play an important role by giving advice to SMEs and other interested companies to encourage them to make extra efforts to offer more placements for young people.

4.2.3.1 Languages and culture

4.2.3.2 If we really want to remove one of the major barriers to learning mobility, and meet the target of every EU citizen

speaking at least two other EU languages ⁽¹⁴⁾, the Committee would advise exploring options to make a year abroad mandatory for language teachers in all higher educational institutions and asking the Member States to do much more through educational policy to meet the target of every EU citizen speaking at least two other EU languages.

4.3 Legal issues

4.3.1 The Committee calls on the Member States to implement community law correctly and further to remove obstacles in the areas of administration and legislation: *residence permits, social security rights, and the recognition of student cards from other countries*. The Committee strongly believes that the visa problems hindering mobility should be resolved immediately. As regards third-country nationals coming to the EU for studies, unremunerated training, school exchanges or voluntary activities for a period longer than three months, Directive 2004/114 sets out specific conditions easing the visa procedure for them. However the criteria identified in the Directive and related to specific groups could actually be a barrier to mobility ⁽¹⁵⁾. The Committee supports the idea that EU Member States should consider extending the application of student directive 2004/114 to cover young people participating in the EU Voluntary Service, school exchanges or unremunerated training.

4.4 What should be done to promote more mobility from and to the EU?

4.4.1 Mobility needs to play an important part in relations between the EU and its neighbours, which should be involved in the policy discussion and the organisation of programmes.

4.4.2 As already outlined, the European population needs to update its skills in order to meet the challenges posed by globalisation and increasing competition. Europe's researchers must have access to the world's best institutions to bring their experiences and expertise into Europe's research area, and Europe's students should have access to the world's best education establishments. Promoting the mobility of young Europeans, and attracting young people to Europe from third countries are both important elements in Europe's future competitiveness. In order to attract them, the EU needs to have the best universities in place. European universities and entrepreneurs are seeking opportunities to improve cooperation in order to develop a competitive edge in the world of research and development ⁽¹⁶⁾.

⁽¹³⁾ PLOTEUS (Portal on Learning Opportunities throughout the European Space), the European Youth Portal, the Study in Europe Website, the Euraxess - Researchers in Motion Gateway, the Marie Curie Actions, Your Europe and Euroguidance Websites, the EURES Job Mobility Portal, Eurodesk, the Erasmus for Young Entrepreneurs Website and the European portal for SMEs.

⁽¹⁴⁾ The target set by the 2002 Barcelona European Council.

⁽¹⁵⁾ For example, the Directive requires students from third countries to have minimum financial means to cover their living costs.

⁽¹⁶⁾ See also the Commission Communication 'A new partnership for the modernisation of universities: the EU Forum for University Business Dialogue' - COM(2009) 158.

4.4.3 To this end, the Committee considers it necessary to increase the number of foreign countries involved in the EU mobility programmes in the long term. The Committee believes that it was right to expand the geographical reach of the Erasmus Mundus programme and that a similar expansion should therefore also be considered for the Erasmus for Young Entrepreneurs programme.

4.4.4 The Committee believes that long term, gradual expansion of learning mobility programmes into such third countries as China, India, Japan and the USA, would be a reasonable investment.

4.4.5 The Committee would strongly recommend that serious efforts should simultaneously be directed towards avoiding a brain drain from Europe and at making Europe an attractive location for scientists of European origin and for those from outside Europe too.

4.5 *Recognition and Validation*

4.5.1 The fact that validation and recognition of both formal and non-formal learning is still either insufficient or totally lacking is a significant obstacle to mobility. The PRIME study conducted by ESN shows that one third of the students have problems regarding the recognition of their study abroad. It is clear that higher education institutions and governments still have a long way to go. The Committee recommends that all Member States should immediately recognise, ratify and implement correctly the Lisbon convention on recognition.

4.5.2 The Committee supports the idea that learning mobility should be available for young people in all forms of education and in all forms of learning: formal, non-formal and informal. Educational mobility between the different educational levels needs to be promoted. Links need to be built between general education, vocational training and higher education, and credit systems should be fully implemented to ease mobility in VET where national structures differ considerably. In addition, pathways should be developed connecting initial and continuing training. Crucial to achieving this will be a swift and coherent implementation of the European Qualifications Framework.

4.5.3 Recognition of differences between countries in requirements for higher degrees and acceptance of each other's awards, differences in fees allowance and other scholarship and other criteria need to be fully assimilated where necessary. For example European Master Degree requirements are not equal to those for a Japanese Master Degree, whilst a Japanese student would also need to continue paying a fee to their own university, which would make attendance in Europe prohibitively expensive for them.

4.6 *A new partnership for learning mobility*

4.6.1 The targets of learning mobility can only be met if there is full and widespread cooperation and efforts are made at all levels (EU, Member States, regions, educational establishments, social partners and civil society organisations, as well as by young people themselves). A real readiness to act by Member States is crucial to advancing learning mobility.

4.7 *Should we set targets for mobility within the EU?*

4.7.1 The Committee believes that more work needs to be put into the statistical data used in the Green Paper since only true statistical records can tell us how effective current learning mobility programmes are ⁽¹⁷⁾ and help design solid future strategies with real mobility targets (%) for different target groups.

4.7.2 It is crucial that the Bologna process set a clear target for mobility and similar targets should be set in other areas of education. The Committee therefore supports the idea of setting mobility targets for vocational education and training, for teaching staff, school students and for non-formal education. These targets should be set not only for the EU as a whole but also for all Member States. Furthermore, regions and educational institutions should set their own targets as well. When setting targets, quality of education should always come first.

Brussels, 16 December 2009.

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

⁽¹⁷⁾ Also comparative analyses with bilateral learning mobility schemes, for example such as 'Vulcanus' in Europe and in Japan (for engineering and science students) should be considered, since they are effective, and well targeted.

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: Towards a better targeting of the aid to farmers in areas with natural handicaps'

COM(2009) 161 final

(2010/C 255/16)

Rapporteur: **Ludmilla TODOROVA**

On 21 April 2009 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Towards a better targeting of the aid to farmers in areas with natural handicaps

COM(2009) 161 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 11 November 2009. The rapporteur was Ms Todorova.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 17 December), the European Economic and Social Committee adopted the following opinion by 81 votes to one with four abstentions.

1. Conclusions and recommendations

1.1 In several opinions ⁽¹⁾ the EESC has emphasised the essential importance of adequate compensation as an indispensable tool for preserving the cultivated landscape and agriculture. LFA support is of paramount importance in ensuring the continuation of agricultural production and in contributing to the vitality of rural areas and to preventing land abandonment and depopulation in areas that face natural handicaps.

1.2 The LFA scheme should also make a contribution to preserving food production capacity, which could become increasingly important if the ongoing process of climate change reduces production capacity elsewhere. Therefore the scheme's rationale should be driven by the principle that there are public benefits to be secured by promoting the maintenance of farming activity in disadvantaged areas where land might otherwise be abandoned.

1.3 The LFA scheme should not be confused with agro-environment commitments undertaken on a voluntary basis. The LFA scheme must, in principle, offer compensation to farmers who operate under more difficult circumstances and are least able to earn compensation from the market, and yet contribute most to the maintenance of the landscape.

1.4 The proposed eight biophysical criteria could be an adequate basis for LFA delimitation but data availability and the selection of correct thresholds are of vital importance. Therefore the EESC recommends that Member States carry out an in-depth analysis of the impact of the proposed criteria, including detailed mapping.

1.5 The communication suggests that an area should be considered as an LFA if 66 % of the land is classified under at least one of the eight criteria. The EESC would analyse the results of LFA delimitation and provide an opinion on these thresholds.

1.6 The use of cumulative criteria based on scientific evidence in heterogeneous areas suffering simultaneously from multiple handicaps is very worthwhile, as they address in a practical manner the interactions between many influencing factors. Furthermore, the proposed designation criteria could be extended to include additional factors, such as isolation, that could be also seen as a natural handicap.

1.7 Following the LFA designation on the basis of the common biophysical criteria, it might prove necessary to engage on a degree of fine-tuning. In such a case the EESC is of the opinion that the most suitable indicator to be used would be a production-related one that reflects the entrepreneur's real economic situation, including opportunity costs for family work and equity. The Commission will ensure that the criteria used by Member States are objective and non-discriminatory and that they respond to the objectives of the scheme.

⁽¹⁾ OJ C 318, 23.12.2006, p. 93; OJ C 44, 16.2.2008, p. 56; OJ C 318 of 23.12.2009, p. 35.

1.8 The EESC calls for the additional work required from farmers in disadvantaged areas, as well as the increased investment costs they face, to be adequately valued and taken into account in the new payment formula set out in Regulation 1698/2005.

1.9 An adequate phasing out period must be put in place to enable farmers to adapt to the new support regime for LFAs.

2. Background

2.1 In place since 1975, the Less Favoured Areas (LFA) payments - now called Natural Handicap Payments (NHP) - support the continuation of farming in mountain areas, in less favoured areas other than mountain areas (the so-called 'intermediate LFAs', which are the subject of the current communication) and in areas affected by specific handicaps (e.g. islands and coastal areas, which account for 9 % of the agricultural area). Mountain areas cover nearly 16 % of the agricultural area of the EU and are designated according to altitude, slope, or a combination of these two factors. Areas north of the 62nd parallel are also regarded as mountain areas. Approximately 31 % of the agricultural land of the EU is classified as intermediate LFA, on the basis of over 100 very different national criteria whose diversity throughout the EU was spotlighted by the European Court of Auditors as a possible source of unequal treatment ⁽²⁾. Not all farms in these areas receive an LFA payment.

2.2 Article 50.3(a) of the EAFRD Regulation (EC) No 1698/2005 ⁽³⁾ provided a new definition of areas with natural handicaps other than those which are mountainous in character and those with specific handicaps, i.e. '*areas affected by significant natural handicaps, notably a low soil productivity or poor climate conditions, and where maintaining extensive farming activity is important for the management of the land*', while Article 37 introduced a change as regards the payment calculation. However, in 2005 the Council did not achieve an agreement on a possible Community-wide system for classifying these areas. It was therefore decided to maintain the previous system in force for a limited period of time and the Commission was asked to undertake a review of the LFA scheme. The new area delimitation system is likely to be in place in 2014.

2.3 The current classification of intermediate LFAs is based on the three typologies of indicators listed in Article 19 of the EAGGF Regulation (EC) No 1257/1999 ⁽⁴⁾: poor productivity of the land; economic performance in agriculture appreciably lower than the average; a low or dwindling population predominantly dependent on agricultural activity. It is partially based on socio-economic criteria that, according to the Commission, no longer reflect the core objectives of NHP. Furthermore, the evolution of the demographic and economic data used has not been taken into account

to update the delimitation. In addition, it has occurred with reference to a wide range of national criteria often not comparable at a European level.

2.4 The information necessary to assess the outcome of a new delimitation approach on a sufficiently detailed scale (e.g. municipality, LAU 2 in the nomenclature of territorial units for statistics) can only be collected at national level. The Commission suggests that Member States be invited to simulate the application on their territory of eight biophysical criteria (low temperature, heat stress, soil drainage, soil texture and stoniness, soil rooting depth, soil chemical properties, soil moisture balance and slope) and to produce maps of the areas that would become eligible under such simulations. An area is considered affected by significant natural handicaps if 66 % of its utilised agricultural land meets at least one of the criteria at the threshold value.

2.5 At present 13 Member States use several indicators combined for calculating an index used for classifying areas according to specific thresholds or classes. In some cases the 'index systems' can be considered more sophisticated than the biophysical criteria and therefore able to better capture the presence of handicaps in an area. However, from the point of view of the Commission, setting up a common index system to be applied consistently by all the Member States would require a huge effort in terms of design, data collection, analysis and implementation. Therefore, the establishment of a pan-European index system as a means of properly capturing the presence of natural handicaps would neither be efficient nor realistic.

2.6 It is also necessary, according to the Commission, in the cases where natural handicaps can be overcome, to fine-tune the area delimitation by applying biophysical criteria in combination with appropriate production-related indicators.

2.7 The communication states that appropriate farm level eligibility rules are a useful way of targeting the aid beyond the area delimitation. According to the Commission, around 150 different eligibility criteria at farm level are currently in place in the different Member States and some of them could raise some concerns regarding WTO compatibility because they exclude certain production sectors or agricultural activities from support. Some Member States currently exclude part-time farmers from receipt of aid, although such farmers contribute to the objective of the measure.

2.8 Four review options were submitted to public consultation on 22 May 2008:

— Option 1: Status Quo+

In this scenario the Member States would be asked to remove the socio-economic indicators currently in use for delimiting LFAs and to identify the criteria they deem the most appropriate for defining natural handicaps affecting agriculture.

⁽²⁾ OJ C 151, 27.6.2003.

⁽³⁾ OJ L 277, 21.10.2005, p. 1.

⁽⁴⁾ OJ L 160, 26.6.1999, p. 80.

— Option 2: Common Criteria

LFAs would be designated by using the common biophysical criteria.

— Option 3: Eligibility Rules

The Community legislation would provide a basic framework for the eligibility criteria indicating the principles and the type of criteria to be used for excluding intensive farming systems (e.g. maximum livestock density, average yield, standard gross margin).

— Option 4: High Nature Value

This option would imply a more targeted delimitation of areas: only areas classified as High Nature Value (HNV) farmland within areas affected by natural handicaps would qualify as LFAs.

3.4 Throughout this communication, the Commission aims to identify areas (by way of mapping) that present severe limitations for agricultural production. In an initial phase, the criteria proposed provide an adequate basis to assess the natural handicaps across the EU. However, since a well functioning LFA support scheme is so important for the future of the CAP, a careful evaluation of the suggested criteria is required. The Committee therefore welcomes the cooperation to that end between the Commission and the Council ⁽⁵⁾.

3.5 It is vital for data to be available for the eight biophysical criteria in order to be able to define and classify intermediate agricultural areas clearly and objectively. It is very important for the Member States to carry out an in-depth analysis of the impact of the proposed criteria, including detailed maps. Further to this, allowing Member States to provide the Commission with simulations for additional criteria and different thresholds also helps to better incorporate the specific characteristics of each Member State into the debate. The delimitation of the LFAs at municipality level (LAU 2) could be considered to be a sufficient degree of detail.

3. Position of the EESC

3.1 Agriculture is one of the EU's most important economic sectors, providing employment for nearly 30 million people. Maintaining the European model of agriculture, safeguarding the availability of quality food and providing employment are essential to the continuity of the social fabric in rural areas, but also for its wider responsibility for land stewardship. This will also contribute to safeguarding the present rich diversity of foods, local traditions and crafts. A sustainable agriculture has numerous positive side-effects providing public services such as the maintenance of biodiversity, the conservation of wildlife habitats and an attractive and well-maintained landscape.

3.2 Non-mountainous LFAs account for 30 % of agricultural holdings, 39 % of the utilised agricultural area (UAA), 31 % of the agricultural labour force and 26 % of the economic potential expressed in terms of economic size. Rural areas are being depopulated throughout Europe and the LFAs are the most vulnerable regions. This process may have a very destructive effect. LFA support is thus of paramount importance in ensuring the continuation of agricultural production and in contributing to the vitality of rural areas and to preventing land abandonment and depopulation in areas that face natural handicaps.

3.3 In several opinions the EESC has already highlighted the difficulties faced by farmers in LFAs and emphasised the essential importance of adequate compensation in ensuring that land continues to be used for agricultural production. The EESC regards compensation as an indispensable tool for preserving the cultivated landscape and agriculture in areas which are particularly sensitive from an economic, environmental and social point of view. The EESC pays particular attention to the problems of the EU's northern regions.

3.6 The communication suggests that an area should be considered as an LFA if 66 % of the land is classified under at least one of the eight criteria. This implies additionality, meaning that up to eight different subtotals could be added up (and eventual overlaps discounted) to get the total classified land in a given region. While the whole point of the zoning exercise is to target support towards areas where it is crucial to the maintenance of agriculture, the proposed limit is felt to be too high and there is some concern that this could lead to the potential exclusion of current LFAs. The EESC is of the opinion that, in the absence of simulation results, the 66 % threshold must be viewed with considerable caution and can only be further discussed once the simulations and maps are available.

3.7 Particular attention should be paid to the use of cumulative criteria based on scientific evidence in heterogeneous areas suffering simultaneously from multiple handicaps. The advantage of the systems previously used, which in many cases were index systems, was that they incorporated several criteria and therefore, as instruments, were more specific and meaningful. They reflected conditions on the ground, and the interplay between them, far better. The use of a composite indicator combining several criteria on objective, scientific grounds, could enable an area to be classified as an LFA even when individual criteria would not trigger that classification. Such a situation exists in some Member States for the classification of mountainous areas, for example. These instruments are very worthwhile, as they address in a practical manner the interactions between many influencing factors.

⁽⁵⁾ Council Conclusions of 22 and 23 June 2009.

3.8 In circumstances where the natural handicap has been overcome by technical progress or other forms of intervention (such as irrigation or drainage), the Commission proposes a fine-tuning that should be used only to exclude areas that would otherwise be designated as LFAs and not to include additional areas. A major problem lies, however, in zones to be excluded from the delimitation because they have overcome their natural handicaps through appropriate adaptation of their farming practices. It should be pointed out that natural disadvantages cannot be considered to have been totally eliminated despite a certain level of intervention. The burden from investments, which are almost always very high, and the costs of maintenance should also be considered. Furthermore, careful consideration should be given to the fact that those adaptations, in most cases, are only possible with additional financing (e.g. drainage and irrigation methods).

3.9 In a previous opinion, the EESC has already called for a sensible balance between the EU rules and flexibility on national and regional levels in working out the details of these measures ⁽⁶⁾. Following the implementation of the biophysical criteria, it might prove necessary to undertake a fine-tuning of the designated LFAs. The EESC is of the opinion that should such situation occur it should be allowed and it should take place at Member State level. From the EESC's point of view, the most suitable indicator to be used in this secondary process would be a production-related indicator that reflects the entrepreneur's real economic situation, including opportunity costs for family work and equity. The Commission will ensure that the criteria used by Member States are objective and non-discriminatory and that they respond to the objectives of the scheme. This alternative approach will improve the access of small and medium-sized farms to the financial support and, at the same time, will avoid penalising farmers who make investments to overcome natural handicaps. To avoid uncertainty among farmers, their inclusion in the scheme should be valid for at least the whole programming period.

3.10 It is worth highlighting the total absence in the proposal of a reference to geographical handicaps (isolation, distance from consumer bases, decision-making centres and services, etc.) which nonetheless represent one of the major constraints faced by farms situated in LFAs. Adjustments based on farm scattering, market access or transport abilities in the region could also be allowed.

3.11 The proposed designation criteria could be extended. One extra criteria could be 'field capacity days', acknowledging the limitations of wet unworkable soils and thus allowing for the interaction between soil types and climate, for example in a maritime climate. In addition to this, some of the suggested threshold values should be carefully analysed to uncover the real conditions. One example is the 15 % value for the slope criterion proposed by the Commission. The Committee has already called for consideration to be given to the accumulated negative temperatures in the winter ⁽⁷⁾.

3.12 Taking into account the fact that the new criteria might exclude certain areas that are currently eligible, extreme consequences at farm level are to be expected. The EESC considers an adequate phasing-out period to be essential in allowing farmers to adapt to the new support regime for LFAs. The policy orientation for the future CAP should also be integrated into this process.

3.13 The LFA scheme is intended to channel aid to farms in areas suffering from natural handicaps and forms an integral part of the rural development policy, the so-called second pillar of the CAP. The LFA scheme should also make a contribution to preserving food production capacity, which could become increasingly important if the ongoing process of climate change reduces production capacity elsewhere. Therefore the scheme's rationale should be driven by the principle that there are public benefits to be secured by promoting the maintenance of farming activity in disadvantaged areas where land might otherwise be abandoned.

3.14 The LFA scheme should not be confused with agro-environment commitments undertaken on a voluntary basis. Both schemes should be seen as additional rather than mutually exclusive. LFA aid payments should not be linked to environmental obligations that go beyond cross-compliance requirements. Contrary to the first pillar of the CAP (direct payments and market support), the LFA scheme must, in principle, offer compensation to farmers who operate under more difficult circumstances than those in non-handicapped areas and are least able to earn compensation from the market, and yet contribute most to the maintenance of the landscape.

3.15 Member States will be required to calculate LFA payments using the new payment formula set out in Regulation 1698/2005, which stipulates that payments should compensate for costs incurred and income foregone. The EESC therefore calls for the additional work required from farmers in handicapped areas, as well as the increased investments and operating costs they face, to be adequately valued and taken into account in compensation payments.

3.16 The new payment system should improve transparency. However, there will continue to be considerable variation in LFA payment levels across and within Member States. This is an inevitable result of allowing individual authorities to exercise discretion in how they deploy the rural development funding they receive through the EAFRD, including the freedom not to operate an LFA scheme at all.

⁽⁶⁾ OJ C 44, 16.2.2008, p. 56.

⁽⁷⁾ OJ C 318 of 23.12.2009, p. 35, point 1.7.

3.17 Many Member States are providing insufficient support to their LFAs. The EESC calls on Member States to acknowledge the utmost importance of LFA support and to maintain the share

allocated to the LFA scheme within their national envelopes for rural development, regardless of the result of the current LFA delimitation exercise.

Brussels, 17 December 2009.

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

Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures'

COM(2008) 436 final — 2008/0147 (COD)

(2010/C 255/17)

Rapporteur: **Mr DANTIN**

On 28 August 2008, the Council decided to consult the European Economic and Social Committee, under Article 71(1) of the Treaty establishing the European Community, on the

Proposal for a Directive of the European Parliament and of the Council amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures

COM(2008) 436 final - 2008/0147 (COD).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 12 November 2009. The rapporteur was Mr Dantin.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 17 December), the European Economic and Social Committee adopted the following opinion by 218 votes to 16 with 9 abstentions.

1. Conclusions and recommendations

1.1 The transport sector plays a key role in guaranteeing the mobility and socioeconomic development of the EU. Improvements to the transport infrastructure must respond to the challenges of growth and sustainability.

1.2 There is major concern at European level about the effects of climate change, environmental conservation and all those issues relating to health and social wellbeing, in connection with the efficient use of transport.

1.2.1 Here the Committee would point out that Community law currently bars the Member States who wish to do so from internalising the external costs in tolls on transit routes. It notes that one other country which is close to the EU and confronted with comparable difficulties has already put in place such a policy of internalising external costs and of modal shift with potential positive effects under certain conditions from an economic and environmental point of view.

1.3 The Commission has for some time been working to develop mechanisms to help measure and internalise external transport costs. It is involved in a strategy designed to 'correctly set transport prices so that they better reflect the costs of the actual use of vehicles, trains, planes or ships in terms of pollution, congestion and climate change' (COM(2008) 436 final/2, Grounds for and objectives of the proposal, point 1.1).

1.4 Although the competitiveness of road freight transport is important in a context of globalising markets, the Committee believes that applying the 'polluter pays' principle, which it

endorses, as well as trying to safeguard the public interest, must result in complementary measures aimed at reducing environmental pollution, noise pollution, damage to the countryside, and social costs (e.g. costs incurred by poor health, and indirectly by accidents, congestion and traffic jams), which generate substantial economic costs that are borne by the public at large - and thus by Europe's citizens. In so doing, the EESC can welcome the draft directive but, for the sake of consistency, only on condition that the European Commission takes into account the comments raised by the EESC in its July 2009 opinion on the 'Strategy for the internalisation of external costs'. ⁽¹⁾

The EESC reiterates its support for Commission efforts to promote co-modality of transport, including multimodal transport.

1.5 Bearing in mind the fact that territorial, economic and social cohesion is one of the Commission's objectives, the internalisation of external costs through taxation of heavy goods vehicles for use of infrastructure will enable Member States - whether centrally located or outlying - to reduce a series of costs arising from the impact of pollution and the problems mentioned in point 1.4 above. The potential drop in the competitiveness of road transport resulting from this must be assessed comprehensively, within the framework of the general interest, to be identified, and taking account of the economic benefits achieved by reducing the impact of pollution and network congestion in particular.

Furthermore, internalisation should enable the three pillars of the Lisbon strategy - economic, social, environmental - to be respected with regard to transport; this new tool should facilitate this.

⁽¹⁾ OJ C 317, 23.12.2009, p. 80

1.5.1 The Committee is keen for a framework to be created at Community level for calculating external costs. No Member State should be able to opt out of this. The framework should lay down conditions to which charges aimed at internalising external costs should have to comply, albeit with a margin of tolerance. Levies should also be linked to use and not to ownership of means of transport ⁽²⁾.

1.6 The amendment of the current Directive helps to programme measures to step up efforts to make roads more environmentally friendly: ITS systems ⁽³⁾, engines, fuels, tonnage, surfaces, etc.

1.7 It is also important to point out that if the EU decides to implement a policy of external cost charging, this would have to be applied to all other modes of transport.

1.8 Despite being recently implemented, the Committee deems it necessary, as does the Council and the Parliament, that Directive 2006/38/EC should be amended to make it more effective. To this end, the EESC believes that the draft directive under consideration, drawn up at the instigation of the European Parliament, is timely.

1.9 In addition, the implementation of certain measures from the logistics action plan for the road transport sector, including the use of intelligent communication systems, which are directly related to the application of transport measures in the Galileo project, will undoubtedly help to reduce external transport costs.

1.10 The Committee believes that while road hauliers are currently put at a disadvantage by traffic congestion costs because of the impact of congestion on transport productivity, any measure aimed at reducing this congestion, which is in part the subject of the directive under consideration, will in the long run improve productivity of road and other modes of transport.

1.11 The revenue generated by taxation should be used to improve standards of environmental, social and economic performance in the transport sector.

1.12 The Committee believes that electronic tolls should be used to introduce charging for use of infrastructure; the interoperability of the different systems within the EU is essential.

1.13 The Committee considers that the Directive should encourage Member States to take into account, in accordance with criteria to be established jointly, the level of greenhouse gas emissions of vehicles subject to charging for use of infrastructure and the steps taken to reduce them.

1.14 According to the impact assessment study carried out by the Commission, it is important to take into account the effects of internalisation on the economy as a whole, whether this be the gains or the direct and indirect costs, and the impact on the costs of goods transported both within the European Community, and for import and export.

2. Introduction

2.1 The EU has a population of 497 million, covers an area of 4 324 782 km², and has 294 million vehicles ⁽⁴⁾. It requires sustainable transport in order to deal with its mobility needs. It is the world's main economic power, accounting for more than 18 % of total imports and exports. Trade relations are at the heart of the economic and social development of any modern society and therefore a way must be found of reconciling development and sustainability.

2.2 Internalisation is an approach that seeks to attribute the external transport costs caused by congestion, noise, air pollution and climate change and to ensure that the prices paid by transport users reflect the social costs. It is a way of applying the 'polluter pays' principle, as has been called for by the European Parliament.

2.3 The internalisation of external costs has already been analysed and provided for by the Commission in the 1995 Green Paper and the 1998 White Paper. The White Paper of 2001 and the mid-term review in 2006 confirmed the Commission's wish to see efficient charging for use of infrastructure.

2.4 1993 saw the approval of the first directive on charging for the use of road transport infrastructure, known as the Eurovignette.

2.5 This Directive was later amended by Directive 1999/62 on the charging of heavy goods vehicles for the use of certain infrastructures.

2.5.1 Article 10 of Directive 2001/14 requires that measures adopted for other modes of transport be applied, by transposition, to railways.

2.6 By 10 June 2008, Member States had to adopt the necessary legal, regulatory and administrative provisions in order to comply with Directive 2006/38/EC on charging for use of infrastructure.

⁽²⁾ See opinion mentioned in footnote no. 1.

⁽³⁾ OJ C 277, 17.11.2009, p. 85.

⁽⁴⁾ According to statistics from the Commission's Directorate-General for Energy and Transport from 2006, in the EU-27 there are 30 837 000 motorcycles, 229 954 000 private vehicles, 797 900 buses and 32 249 000 commercial vehicles.

2.7 In 2006, the European Parliament and the Council called on the Commission to submit by June 2008 ⁽⁵⁾ a generally applicable, transparent and comprehensible model for assessing the external costs to serve as the basis for future calculations of infrastructure charges. Furthermore, this model was to be accompanied by an impact analysis of the internalisation of external costs for all modes of transport and a strategy for a phased implementation of the model for these modes.

2.8 In July 2008, the Commission presented to the Council and the Parliament a legislative package on the greening of transport which contains, in addition to the proposed directive that is the subject of this opinion, a communication setting out a model and strategy whose goal was to correctly set transport prices so that they better reflect the costs of the actual use of vehicles, trains, aircraft or ships in terms of pollution, congestion and climate change and a communication on reducing noise from rail freight. In this way, the strategic Communication, already mentioned by the European Parliament and the Council, is the touchstone for the two additional proposals.

2.9 The purpose of the directive under consideration is to harmonise road tolls, **not on a compulsory basis but by allowing Member States to choose** to introduce a system for internalising a **limited number** of external costs (congestion, noise, atmospheric pollution, etc.).

Specifically, it should enable the Member States to vary their toll charges in accordance with congestion and so to spread traffic more efficiently by offering lower tolls to encourage hauliers to operate outside rush hours. The economic impact of such differentiation should be positive, both for road transport and for shippers.

2.10 It should be noted that the proposal for a Directive does not prevent the Member States from imposing road charges in urban areas.

3. General comments

3.1 As it has already signalled in previous opinions, the Committee endorses the 'polluter pays' principle and its application,

which is the subject of the directive under consideration. The application of this principle, which safeguards the general interest of Europe's citizens, is what the Committee is most concerned about in this area. The EESC believes that a logical application of the 'polluter pays' principle means combating the social and environmental effects of the external road transport costs that are the subject of the directive under consideration, while also being committed to seeking new ways of solving the problem.

In this respect, the Committee recognises the Commission's efforts in drawing up its proposals and welcomes the analysis of any initiative whose aims include an improvement in transport sustainability and which would lead to a better social, environmental and economic situation in the EU. In so doing, the EESC can welcome the draft directive but, for the sake of consistency, only on condition that the European Commission takes into account the comments raised by the EESC in its July 2009 opinion on the 'Strategy for the internalisation of external costs.' ⁽⁶⁾ As it rightly points out, the proposed charging system would encourage transport businesses to use less-polluting vehicles, to choose less congested routes, to optimise the cargo on their vehicles and finally to make more efficient use of infrastructure financed by the public through taxation, **thus reducing congestion**.

3.2 In contrast to the potential impact of the directive, the Committee wonders about the possible implications of the proposal to amend Directive 1999/62/EC for the position of European products in the global markets. It would like the Commission to pay attention to this point.

In any case, the Committee believes that the general and collective interest should be the main concerns and that, from this point of view, the possible disadvantages linked to the internalisation of costs can be offset through the gains made, for example, by reducing environmental pollution, noise pollution, damage to the countryside, and social costs (e.g. costs incurred by poor health, and indirectly by accidents), which generate substantial economic costs that are borne by the public at large - and thus by Europe's citizens. This is the subject of the directive under consideration.

3.3 Despite being recently implemented, the Committee deems it necessary, as does the Council and the Parliament, that Directive 2006/38/EC should be amended to make it more effective.

To this end, the EESC believes that the draft directive under consideration, drawn up at the request of the European Parliament, is timely.

Furthermore, it enables the European Union to send an important signal to the market with a view to improving its economic and environmental performance which is vital for achieving the objectives that the EU has set itself in its energy package.

⁽⁵⁾ Article 11 of Directive 2006/38/EC: No later than 10 June 2011, the Commission shall present a report to the European Parliament and the Council on the implementation and effects of this Directive, taking account of developments in technology and the trend in traffic density, including the use of vehicles of more than 3,5 and less than 12 tonnes, and evaluating its impact on the internal market, including on island, landlocked and peripheral regions of the Community, levels of investment in the sector and its contribution to the objectives of a sustainable transport policy.

Member States shall forward the necessary information for the report to the Commission no later than 10 December 2010.

No later than 10 June 2008, the Commission shall present, after examining all options including environment, noise, congestion and health-related costs, a generally applicable, transparent and comprehensible model for the assessment of all external costs to serve as the basis for future calculations of infrastructure charges. This model shall be accompanied by an impact analysis of the internalisation of external costs for all modes of transport and a strategy for a stepwise implementation of the model for all modes of transport. The report and the model shall be accompanied, if appropriate, by proposals to the European Parliament and the Council for further revision of this Directive.

⁽⁶⁾ See footnote 1.

3.4 The Committee believes that the Commission should ensure that the internal market functions smoothly and that there are no distortions in competition between transport businesses in Member States. It must also ensure territorial, economic and social cohesion.

The introduction of charging for use of infrastructure will require a re-evaluation of the charges for outlying and transit countries, which will be faced with increased costs for importing and exporting goods that bear no comparison to the current costs of pollution, deterioration of infrastructure, traffic jams, as well as damage to public health and the environment. However, the EESC is aware that in an integrated market, the movement of goods is conducted purely on the basis of supply and demand from outlying to central areas or vice-versa, depending on the circumstances; usage charging applicable to all road hauliers thus establishes equality among professionals within the European Union, bearing in mind that it is always the end consumer who ultimately bears the cost.

3.5 The Committee is aware that of all the negative consequences of road transport, only part can be attributed to goods transport.

For this reason there should be a comprehensive approach to pricing.

3.6 The Committee considers that the Commission must, as the Directive requires, present a model for evaluating all external costs without delay, which is to be accompanied by an analysis of the impact of internalising the external costs of all modes of transport, as well as a strategy for a joint and phased implementation for all modes, thus avoiding measures which distort competition between them and hamper the correct application of co-modality.

3.7 As outlined by the 2006 review of the European transport policy, a wide range of policy tools at EC and Member State level is required to optimise European logistics chains, make all forms of transport greener and more efficient, and ultimately, by means of co-modality (7), ensure more sustainable transport.

In the light of this, the Committee believes that the Commission work programme should, parallel to the content of this Directive, place greater emphasis on parallel positive and complementary measures, such as promoting and providing incentives for the purchase of environmentally-friendly vehicles, the consumption of alternative fuels, investment in RTDI, cooperation between various modes of transport, use of public transport, training policies in road safety and fuel-efficient driving techniques, regulating and harmonising the application of traffic restrictions opening corridors of free movement at European level that prevent congestion and artificial obstructions. This would help to improve the situation of international transport workers, enabling them to return home.

(7) 'Co-modality' means the efficient use of transport modes operating on their own or in multimodal integration in the European transport system to reach an optimal and sustainable utilisation of resources.

3.8 The Committee would like the application of the operational content of this directive to be accompanied by the development of multimodal transport with a view to creating a true alternative solution beyond the possibility of roads use alone.

3.9 The Committee takes account of the fact that road hauliers are currently put at a disadvantage by traffic congestion costs because of the impact of congestion on transport productivity. Any measure aimed at reducing this congestion, which is in part the subject of the directive under consideration, will in the long run improve the productivity of road transport.

On this point, the Committee stresses the importance of the costs of congestion, which **could** be dealt with by Member States as part of the toll for external costs proposed by the Commission. Congestion costs represent 1,1 % of the European Union's GDP (8). In the absence of any new measures, it is estimated that 29 % of the European road network will be congested in 2020 with adverse impacts in terms of fuel consumption (additional consumption of between 10 and 30 % in the case of heavy congestion) (9) and CO₂ emissions. Congestion represents 42 % of all external costs of road transport. Heavy goods vehicles are well-known to cause up to 3.5 % more congestion on inter-urban roads than cars (10).

3.10 The Committee believes that the revenue generated by taxation should be used to improve standards of environmental, social and economic performance in the transport sector.

Among the intended uses for income generated through external cost charging, special emphasis has to be placed on improving working conditions for drivers, for example by constructing safe places to park, enabling drivers to take a break in good conditions, on improving transport fleets through investment in R+D+i, and facilitating observance of social legislation.

In this connection, the Directive could include a reference of a social nature, detailing the impact of an intended use of income generated on improving working conditions for drivers.

3.11 The EESC calls on the Commission to establish appropriate measures so that hauliers can pass on to their customers the costs generated through the charges applied under this directive. The objective here is to ensure that the real cost is met by goods hauliers, not to impair the social conditions of transport workers.

(8) European Commission, Communication on greening transport.

(9) European Commission, Impact study on internalisation of external costs. page 55.

(10) CE Delft: Handbook on estimation of external costs in the transport sector (IMPACT).

3.12 The Committee agrees with the Commission that the use of electronic tolling systems, as opposed to traditional toll booths, is essential to avoiding disruption to the free flow of traffic that affects all users and to preventing adverse effects on the local environment caused by queues at toll barriers. From this point of view, special attention will have to be paid to workers who find themselves without employment because of the introduction of electronic systems. This attention should be paid in particular to the search for alternative employment in the labour catchment area concerned and the provision of any necessary training.

4. Specific comments

4.1 The Committee welcomes the fact the tolls and user charges will not entail any kind of discrimination, but this requires that the same principle is always applied in order to rationalise their use and prevent them from generating unnecessary costs for society as a whole.

4.2 The Committee believes that governments must attach more importance to urban planning by municipalities in order to reconcile liveability with the communications needs of the public, avoiding urban sprawl along inter-urban roads. Furthermore, research should be promoted into the use of technically superior road surfaces, which will reduce noise pollution for the benefit of the public.

4.3 Since preventing heavy road congestion and pollution is an important social objective, the Committee believes that the types of vehicles involved in obstructions need to be analysed in order

to gain a more accurate picture of areas where action is needed to minimise the impact.

4.4 The Committee welcomes the fact that the amount of the external cost charge is to be set by an authority independent of the organisation in charge of managing or collecting part or all of the charge. However, a high degree of objectivity must be ensured.

4.5 The Committee believes it is right that any mark-ups resulting from internalisation of costs linked to infrastructure in mountainous regions are used to finance the construction of priority projects of European interest which favour co-modality and provide a combined transport alternative for the mode which contributes to the financing of the infrastructure.

4.6 The Committee believes it is right that where a driver is unable, in the event of a check, to produce the vehicle documents necessary to ascertain the EURO emission class of the vehicle, Member States may apply tolls up to the highest level chargeable, provided that subsequent redress is possible with appropriate compensation for the excess charged.

4.7 The Committee would be in favour of a differentiated system for vehicles on the basis of the pollution or noise they produce.

4.8 The Committee welcomes the fact that the implementation of toll and payment collection is designed to disrupt traffic flows as little as possible. It also believes that is essential to eliminate the bottlenecks that currently occur at certain border posts where tolls are collected.

Brussels, 17 December 2009.

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

APPENDIX TO THE OPINION
of the European Economic and Social Committee

The following amendment, which received at least one quarter of the votes cast, was put to the vote and rejected in the course of the debate:

Point 3.9

Amend as follows:

The Committee takes account of the fact that [...].

*On this point, the Committee stresses the importance of the costs of congestion, which **could** be dealt with by Member States as part of the toll for external costs proposed by the Commission. Congestion costs represent 1,1 % of the European Union's GDP ⁽¹⁾. In the absence of any new measures, it is estimated that 29 % of the European road network will be congested in 2020 with adverse impacts in terms of fuel consumption (additional consumption of between 10 and 30 % in the case of heavy congestion) ⁽²⁾ and CO₂ emissions. Congestion represents 42 % of all external costs of road transport; ~~Heavy goods vehicles are well-known to cause up to 3,5 % more congestion on inter-urban roads than cars ⁽³⁾~~. The assumption that a truck needs on average 3,5 times more space than a private vehicle reflects the extent of responsibility for traffic congestion of each vehicle based on the road space it occupies.'*

Reason

According to the footnote, the sentence 'Heavy goods vehicles are well-known to cause up to 3,5 % more congestion on inter-urban roads than cars' is taken (without any page number being given) from the CE Delft IMPACT handbook. But the sentence concerned in this study (noted by the members tabling this amendment to be at the top of page 34) actually reads 'This approach reflects the responsibility for congestion in proportion to the road space consumed', which is something quite different. Deletion seems better than taking over the sentence from the study because the preceding sentences are taken from other studies which refer to the whole of road transport, whereas the sentence from the study refers to one individual truck. The text cited refers only to a standard calculation and road space taken up by a single truck. But congestion is caused by the lack of infrastructure capacity for a certain traffic flow of private cars and trucks at a certain moment in time or by unusual circumstances such as accidents or bad weather. In the case of infrastructure capacity, the crucial factor is the intensity or mix of private cars and trucks (Eurostat data for the EU 27: less than 20 % of traffic consists of heavy goods vehicles; there are around 230 million private cars and only 34 million buses and trucks). The average proportion of accidents caused by trucks in the EU between 1996 and 2006 was only 13 %, of which only a fraction caused congestion.

For: 91

Against: 138

Abstentions: 10

⁽¹⁾ European Commission, Communication on greening transport.

⁽²⁾ European Commission, Impact study on internalisation of external costs, page 55.

⁽³⁾ CE Delft, Handbook on estimation of external costs in the transport sector (IMPACT).

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 Critical Information Infrastructure Protection “Protecting Europe from large scale cyber-attacks and disruptions: enhancing preparedness, security and resilience”’

COM(2009) 149 final

(2010/C 255/18)

Rapporteur: **Mr McDONOGH**

On 30 March 2009, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Critical Information Infrastructure Protection ‘Protecting Europe from large scale cyber-attacks and disruptions: enhancing preparedness, security and resilience’

COM(2009) 149 final.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 12 November 2009. The rapporteur was Mr McDonogh.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December 2009), the European Economic and Social Committee adopted the following opinion by 179 votes with four abstentions.

1. Conclusions and recommendations

1.1 The Committee welcomes the communication from the Commission on the action plan for the protection of critical information infrastructures (CIIs) in Europe. The Committee shares the concern of the Commission re the vulnerability of Europe to large-scale cyber-attacks technical failures, man-made attacks and natural disasters, and the enormous damage that could be done to the economy and welfare of its citizens. We agree with the Commission that urgent action is needed to increase EU coordination and cooperation to address this critical problem. We also agree with the need to rapidly build a comprehensive policy framework for the protection of CIIs.

1.2 The Committee notes the conclusions of the EU Ministerial Conference on Critical Information Infrastructure Protection (CIIP) and is alarmed that Europe is poorly prepared to deal with large-scale cyber attacks or disruptions to CIIs, because the approaches taken in individual Member States to CII protection is often uneven and inadequately coordinated. It is understood how the evolution of the Internet and a lack of large-systems thinking about the security and resilience of information infrastructures has given rise to the serious situation we are in. However, now that the need for action has been identified, the Committee calls on the Commission to act decisively and without delay to address the problem.

1.3 The Committee supports the high-level ‘five pillar’ action plan outlined in the communication and compliments the Commission on its work; it is extremely difficult to develop an

integrated, multi-stakeholder, multi-level approach to enhancing the security and resilience of CIIs, especially when dealing with such a disjointed set of stakeholders and with the complexity of European information infrastructures. It also recognises ENISA's supporting role and contribution in reaching the goals of this Communication.

1.4 The Committee notes that there has been insufficient action by stakeholders to implement Council Resolution 2007/C 68/01 as it relates to the security and resilience of ICT infrastructure ⁽¹⁾. The difficulty in developing effective policies for the protection of Europe's most critical information infrastructures is helpful to those who would like to attack CIIs for political or financial reasons. Therefore the Committee would like the Commission to be more assertive about the strong leadership role needed to unify all stakeholders and implement effective measures to protect Europe from possible threats to its critical information infrastructures. The Committee does not believe that the action plan outlined in the communication will deliver the outcomes intended unless responsibility for implementing it is vested in an appropriate regulatory authority.

1.5 The Committee directs the attention of the Commission to previous Opinions by the EESC which commented on the need for a secure information society, Internet security concerns and protection for critical infrastructures.

⁽¹⁾ COM(2006) 251.

2. Recommendations

2.1 The European Union should vest responsibility in an appropriate regulatory authority, including members of the European Agency for Fundamental Rights, to implement effective protection for critical information infrastructures across the EU.

2.2 All Member States should develop a national strategy, a solid policy and regulatory environment, holistic national risk management processes and appropriate preparedness measures and mechanisms. In that respect, each Member State should form a Computer Emergency Response Team (CERT) and affiliate it with the European Governmental Group of CERTs (EGC) ⁽²⁾.

2.3 The Commission should accelerate its work on the establishment of the European Public Private Partnership for Resilience (EP3R) and integrate it with the work of the European Network and Information Security Agency (ENISA) and the European Governmental Group of CERTs (EGC).

2.4 Risk management best practice should inform the Critical Information Infrastructure Protection (CIIP) policy at all levels. In particular, the potential cost of security and resilience failures should be quantified and made known to the relevant responsible stakeholders.

2.5 Financial and other penalties should be imposed on stakeholders who fail to fulfil their responsibilities under a CIIP policy, proportionate to the risk and cost of system failures due to their negligence.

2.6 The responsibility for security and resilience of CIIs should rest most heavily on the large stakeholders – the governments, infrastructure providers and technology suppliers – and they should not be allowed to avoid responsibility by transferring liability to corporate and private consumers.

2.7 Security and resilience must be design imperatives in all information and communication technology (ICT) systems implemented in the EU. We would encourage private CIIP stakeholders to continuously strive for improvement in particular resilience related areas - e.g. network management, risk management and business continuity.

2.7.1 The setting and policing of best practices and standards should be a fundamental part of any policy to deal with failure prevention, situation response measures and CII recovery.

2.7.2 Priority should be given to the implementation of IPv6 (latest protocol for Internet addresses) and DNSSEC (suite of security enhancements to Internet Domain Name System) technologies throughout the Internet in the EU, which would enhance Internet security.

2.8 We encourage public and private stakeholders to regularly work together to test their preparedness and response measures through exercises. We fully support Commission's suggestions in this Communication to organise the first pan European exercise by 2010.

2.9 A strong information security industry should be fostered in Europe to match the competency of the very well financed industry in the US. Investment in R&D related to CIIP issues should be increased significantly.

2.10 Funding should be increased for skills development and knowledge & awareness programmes in the area of cyber-security.

2.11 Information and support agencies should be established in every member country to help SMEs and citizens understand and comply with their responsibilities under a CIIP policy.

2.12 In the interest of security, the EU should advance its position on the future of Internet governance ⁽³⁾, which calls for a more multilateral approach that respects the national priorities of the US but also reflects the interests of the European Union. The EU action in this area should include an in-depth appraisal of the interaction between cyber security and respect of civil and private liberties.

3. Background

3.1 Threat of large-scale Cyber-attacks on Critical Information Infrastructures

3.1.1 Critical Information Infrastructures (CIIs) comprise the Information and Communication Technologies (ICTs) which provide the underpinning information and communications platforms for the provision of essential goods and services, including vital societal functions such as power supply, water, transport, banking, health and emergency services.

3.1.2 CIIs are characterized by a high degree of complex systems integration, interdependencies with other infrastructures (e.g. power) as well as cross-border interconnectedness. Thus these elaborate infrastructures are exposed to numerous risks, which could give rise to catastrophic systems failure affecting critical societal services in multiple Member States. The risks arise from human error, technical failure, man-made attacks (including criminal, and politically motivated attacks) and natural disasters. Risk analysis shows the shortcomings of such systems and at the same time reveals the possibility of controlling these system through practices which, intentionally or not, are detrimental to civil and private liberties. The Commission is obliged to ensure that fundamental rights are respected when drawing up Community legislation.

⁽²⁾ <http://www.egc-group.org>.

⁽³⁾ COM(2009) 277 final.

3.1.3 Governments and the providers of vital services do not publicize security and resilience failures unless they have to. Even so, there have been numerous public examples of the threat to critical infrastructure from security and resilience failures in CII:

- There were large-scale cyber attacks in Estonia, Lithuania and Georgia in 2007 and 2008.
- Breaks in transcontinental submarine cables in the Mediterranean and Persian Gulf in 2008 affected Internet traffic in many countries.
- In April 2009 US national security officials advised that 'cyberspies' had penetrated the U.S. electrical grid and left behind software programs that could be used to disrupt the system.
- In July, the US and the South Korea had to deal with a very public denial-of-service attack (involving 100 000-200 000 'zombie' PCs), which affected numerous government websites.

3.1.4 The problem is greatly exacerbated by the malicious intent of criminal gangs and the use of cyber warfare for political motives.

- By exploiting weaknesses in the operating systems of personal computers connected to the Internet, criminal gangs have created botnets – PCs networked by malware (malicious software) into a single virtual computer at the command of the criminals (like 'zombies' or 'drones'). These botnets are used for a variety of criminal activities, and to support large-scale cyber attacks by terrorists and by governments engaged in cyber warfare, who 'lease' the use of the botnets from the criminals. It is believed that one such botnet called 'Conficker' has more than 5 million PCs at its disposal.

3.1.5 The economic cost of CII failure could be extremely high. The World Economic Forum has estimated that there is a 10-20 % probability of a major CII breakdown in the next 10 years, with a potential global cost of \$250 billion and thousands of lives.

3.2 Problem of Preparedness, Security and Resilience

3.2.1 The Internet is the primary platform supporting much of Europe's CII. The architecture of the Internet is based on the interconnection of millions of computers with processing, communications and control distributed globally. This distributed architecture is key to making the Internet stable and resilient, with fast recovery of traffic flows whenever a problem arises. However, it also means that large-scale cyber attacks can be launched from the edge of the network, using botnets for example, by any hoodlum with the intent and basic knowledge.

3.2.2 Global communications networks and CII involve a high degree of cross-border interconnectivity. So, if there is a low level of security and network resilience in one country it can adversely affect the security and resilience of CII in all the other countries with which it is interconnected. This international interdependency puts the onus on the EU to have an integrated policy for managing CII security and resilience across the Union.

3.2.3 There is a low level of knowledge and awareness about the risks to CII among most stakeholders and in many Member States. Very few countries have a comprehensive policy for managing those risks.

3.2.4 The proposed reforms of the Regulatory Framework for electronic Communications networks and services will strengthen the network operators' obligations to ensure that appropriate measures are taken to identify risks, guarantee the continuity of services and notify security breaches ⁽⁴⁾.

3.2.5 The vast majority of the technologies supporting the platform for CII is provided by the private sector and securing proper cooperation to ensure effective protection for CII depends heavily on high levels of competency, trust, transparency and communication between all stakeholders – governments, business and consumers.

3.2.6 A multi-stakeholder, multi-level, international approach is essential.

3.3 Five Pillar Action Plan

The Commission proposes a five-pillar action plan to address these challenges:

1. Preparedness and Prevention: to ensure preparedness at all levels
2. Detection and Response: to provide adequate early warning mechanisms
3. Mitigation and Recovery: to reinforce EU defence mechanisms for CII
4. International Cooperation: to promote EU priorities internationally
5. Criteria for the ICT Sector: to support the implementation of the Directive on the Identification and Designation of European Critical Infrastructures ⁽⁵⁾

⁽⁴⁾ Articles 13a and 13b in COM(2007) 697 (final) re proposed amendments to Directive 2002/21/EC.

⁽⁵⁾ Council Directive 2008/114/EC.

Specific goals are set under each of these headings with target dates for some extending to end-2011.

4. Comments

4.1 It will be very difficult to develop and implement an effective strategy for the protection of CIIs by the highly consultative, voluntary and cooperation-based approach outlined in the communication. Given the seriousness and urgency of the challenge, the Committee recommends that the Commission examine the policy being followed in the UK and the US of vesting responsibility and power in an appropriate regulatory authority.

4.2 The Committee agrees with the call of UN General Assembly Resolution 58/199 for the *Creation of a global culture of cybersecurity and the protection of critical information infrastructures*. Given the interdependence between countries for the security and resilience of CIIs – ‘A chain is only as strong as its weakest link’ – it is alarming that only nine Member States have so far established Computer Emergency Response Teams (CERTs) and joined the European Government CERTs Group (EGC). The formation of these teams needs to be pushed-up the intergovernmental agenda.

4.3 Stakeholders in EU cyber security include every citizen whose life, might depend on vital services. The same citizens have a responsibility to protect their connection to the Internet from attack to the best of their ability. Even more responsible are the technology and services providers of the ICTs that deliver CIIs. It is critical that all stakeholders are appropriately informed about cyber security. It is also important for Europe to have a large number of skilled experts in the field of security and ICT resilience.

4.4 The Committee recommends that every Member State should have an organisation whose job it is to inform, educate and support the SME sector on issues regarding cyber security. The large firms can easily acquire the knowledge they need but SMEs need support.

4.5 Because the provision of CIIs is mostly in the hands of the private sector, it is important that high levels of trust and cooperation are fostered with all companies responsible for CIIs. The EP3R initiative launched by the Commission in June is to be applauded and encouraged. However, the Committee believes that the initiative needs to be supported with legislation to compel cooperation of stakeholders who fail to engage responsibly.

4.6 The discipline of Risk Management exists to help with the kind of problems covered by this paper. The Commission should

insist that Risk Management best practices are followed where appropriate within its action plan. In particular, there is great merit in quantifying the risks and costs of failure at each level of the CIIs. When the probability and possible cost of failure is known, then it is easier to motivate stakeholders to take action. It is also easier to hold them financially liable for failing in their responsibilities.

4.7 Large stakeholders attempt to limit their liability by using their market power to force their customers or suppliers to accept terms which indemnify the large company from their proper responsibility, e.g. software license agreements or ISP interconnect agreements which circumscribe liability for security issues. These agreements should be illegal and liability should rest with the major actor.

4.8 Security and resilience could and should be designed into every ICT network. As a priority, the topology of network architectures in Member States, and the EU as a whole, should be studied to identify unacceptable concentrations of communications traffic and high-risk network failure points. In particular the high concentration of Internet traffic in a very few Internet Exchange Points (IXP) in some Member States presents an unacceptable risk.

4.9 The Committee also refers the Commission to its comments on COM(2008) 313 final *Advancing the Internet – Action Plan for the deployment of Internet Protocol version 6 (IPv6) in Europe* ⁽⁶⁾ which highlighted the security benefits from the adoption of IPv6 throughout the EU Internet. We also recommend that DNSSEC technologies be implemented where possible to increase Internet Security.

4.10 With the launch of its policy on security in cyberspace, the US is budgeting to spend \$40bn in 2009 and 2010 on cyber security. This is a massive injection of funds into the security sector and will see a lot of information technology security firms, including European firms, concentrate their efforts in the US. It will also stimulate the US security companies to become world leaders. It is highly desirable for Europe to have its own state-of-the-art industry competing on a par with American firms, and for the security industry to put sufficient effort and focus into Europe's infrastructural needs. The Committee would ask the Commission to consider how it might counterbalance the massive financial stimulus that the US is providing.

⁽⁶⁾ OJ C 175 of 28.7.2009, p. 92.

4.11 The Committee supports the recent communication from the Commission on the future of Internet governance ⁽⁷⁾. The Committee believes that the EU must have a more direct influence on the policies and practices of ICANN (Internet Corporation for

Assigned Names and Numbers) and IANA (Internet Assigned Numbers Authority), and that the current unilateral oversight by the US should be replaced with arrangements for multilateral, international accountability.

Brussels, 16 December 2009.

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

⁽⁷⁾ COM(2009) 277 final.

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 — Strategic goals and recommendations for the EU's maritime transport policy until 2018'

COM(2009) 8 final

(2010/C 255/19)

Rapporteur: **Dr BREDIMA**

On 21 January 2009, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Strategic goals and recommendations for the EU's maritime transport policy until 2018

COM(2009) 8 final.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 12 October 2009. The rapporteur was Dr Bredima.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 17 December 2009), the European Economic and Social Committee adopted the following opinion by 187 votes to 7 with 15 abstentions.

1. Conclusions

1.1 The EESC welcomes the Communication as a generally sound and realistic basis for a future European maritime transport policy until 2018, acknowledging the *de facto* global character of European shipping, in respect of its global competitive position, safety and environment and the need for high quality maritime know-how.

1.2 The Communication comes at a critical time of serious challenges affecting maritime transport: the world economic and financial crisis aggravating the structural and cyclical shipping crisis, discussions on air emissions from ships in view of the Copenhagen Conference of the UN Framework Convention on Climate Change (December 2009) and the growing worldwide scarcity of seafarers. Maritime piracy and illegal immigration to the EU from the Mediterranean Sea exacerbate them.

1.3 'Attracting' youngsters to maritime careers coupled with measures for their 'retention' is an absolute necessity. A more coordinated approach is needed including all relevant stakeholders (maritime administrations, schools, shipowners associations, seafarers' unions). The standard of training for maritime professions in Europe needs to be improved. To that end, all Member States should develop training programmes and flag-linkage arrangements to safeguard maritime expertise in Europe. All Member States must act to raise nautical college standards further. Long-term schemes must be put in place to improve working and living conditions on board and steps must be taken to increase the size of ships crews (three-watch system) to mitigate fatigue-related problems and risks. In this regard, the EU should adopt a directive on minimum crew size. The use of the internet, media and TV programmes projecting life at sea is also necessary. The Commission is encouraged to address the issue at EU level.

1.4 The EESC in cooperation with national Economic and Social Councils and other stakeholders of the organised civil society can promote EU maritime identity and heritage and communicate best practices for attracting youngsters to seafarers' careers. A Conference on Maritime Professions organised by the EESC would be instrumental in giving this message at European level.

1.5 European shipping is the world leader. This position should be reinforced through the State Aid Guidelines, to safeguard a level playing field and worldwide competitiveness of the EU fleet. At the same time, the EESC also calls for the fleshing-out of EU aid arrangements. In future, aid should in principle be granted only to flags within the EU and there should be no possibility of circumventing European standards.

1.6 In the face of the world crisis, the Communication rightly refers to the longstanding EU commitment to open and fair competition. Efforts should be enhanced to avoid protectionist measures since they would even further delay a return to healthy economies. Restoring the basic principles of shipping, confidence, trust and ethical behaviour of parties involved are paramount. The same applies to the ship financing sector.

1.7 The EU/China maritime agreement should be promoted as 'best practice' (model agreement) with other trading nations e.g. India, Brazil, Russia, ASEAN, Mercosur. The Commission should draft a Black Sea Strategy securing the transportation of energy resources from the Caspian Sea to Europe.

1.8 The EESC invites the Commission to investigate the existence of bilateral maritime agreements on cargo sharing between EU Member States and third countries and, if necessary, activate enforcement of the *acquis communautaire* (Regulations 4055/86 and 4058/86).

1.9 The EESC repeats its support for investment in R&D for 'green' ships, fuels and ports further boosting green employment.

1.10 In view of the Copenhagen Conference on Climate Change (December 2009) the EESC reiterates that the application of an emission trading scheme in the maritime transport sector is considerably more complicated than in aviation. With regard to environmental protection, the EESC would add that it approves the new impetus which is to be given to the quality shipping philosophy, and, in view of the density of the EU's sea and coastal transport, feels that the EU must not forget to combat the practices of cleaning tanks at sea and substandard vessels.

1.11 Applying sulphur limits in Emission Control Areas, *prima facie* an environmentally friendly measure, may have the opposite effect: a modal shift from sea to land. The European policy of co-modality and promotion of short sea services should not be endangered.

1.12 The EESC reiterates the need for urgent EU action on proliferation of piracy incidents against merchant vessels in Africa and South East Asia. The Commission should promote the establishment of appropriate jurisdictions and legislations to face the current impunity of pirate acts. Close cooperation must be sought with the UN organisations in order to improve the political, economic and social conditions in the countries of origin and in Somalia in particular. The EESC categorically opposes the arming of seafarers. To control illegal immigration by sea, the EU should develop a co-operation policy with the third countries of origin and transit of immigrants.

2. Introduction

2.1 On 21 January 2009 the European Commission issued a Communication on the strategic goals and recommendations for the EU's maritime transport policy until 2018 ⁽¹⁾. The Communication reflects extensive consultations with stakeholders, the Member States, a group of senior shipping professionals and a study on trends in seaborne transport.

2.2 The EESC adopted two opinions on forerunners of the present Communication: i.e. on the Communication towards a future Maritime Policy for the Union ⁽²⁾ on 26 April 2007 and on the Communication on an Integrated Maritime Policy for the EU ⁽³⁾ on 22 April 2008. It is gratifying that most of its

suggestions have been adopted by the Commission. The EESC reiterates its strong support for a holistic approach encompassing all sea activities to avoid unintended consequences between sectoral policies.

2.3 The EESC welcomes the Communication as a generally sound and realistic basis for a future European maritime transport policy until 2018 stressing the key role of European shipping services for global and European trade and the daily life of EU citizens. The Communication acknowledges the *de facto* global character of European shipping, in respect of its global competitive position, safety and environment and the need for high quality maritime know-how.

The Communication comes at a critical time of serious challenges affecting maritime transport: a) the world economic and financial crisis aggravating the structural and cyclical shipping crisis. Whilst the drafting of the Communication started prior to the world crisis, the principles laid down in it are also valid in crisis periods. b) discussions on air emissions from ships, to culminate in view of the Copenhagen Conference of the UN Framework Convention on Climate Change in December 2009. c) the growing worldwide scarcity of seafarers.

2.4 These challenges are exacerbated by the revived medieval scourge of sea piracy, and illegal immigration from the Mediterranean Sea.

2.5 The present Communication should be read in conjunction with the Communication on 'A sustainable future for transport' (COM(2009) 279 final) – which identifies the issues of urbanisation, traffic congestion, an ageing European population and illegal immigration – as trends posing challenges to the transport policy in the 21st century. The future maritime policy can give answers to these challenges and be instrumental in facilitating their solution.

3. Human resources, seamanship and maritime know-how

3.1 Attracting youngsters to maritime careers to safeguard the highest level of know-how in the European maritime cluster – the global leader – is an absolute necessity. The EESC is alarmed at the high drop rates from nautical colleges in some Member States and from seafaring careers. The maritime vocation of the EU could be seriously jeopardised unless an immediate holistic strategy is devised to make the seafaring profession more attractive. The career mapping opportunities exercise conducted by the social partners (ECSA/ETF) should be further developed. 'Attraction' to the seafarers' profession should be coupled with measures for their 'retention'.

⁽¹⁾ COM(2009) 8 final.

⁽²⁾ OJ C 168, 20.7.2007, p. 50-56.

⁽³⁾ OJ C 211, 19.8.2008, p. 31-36.

3.1.1 In times of world crisis and high unemployment, the opportunity should not be missed to promote sea careers. Notwithstanding the crisis, employment on board the EU fleet was maintained. Loneliness and distance from families are top reasons for the unattractiveness of maritime professions.

3.1.2 A more coordinated approach including all relevant stakeholders (maritime administrations, schools, shipowners associations, seafarers' unions), the use of the internet, media and TV programmes projecting life at sea is necessary. The Commission is encouraged to address the issue at EU level.

3.2 In 2003, the European Community Shipowners' Associations (ECSA) and the Transport Workers' Federation (ETF) carried out a project to eliminate harassment and bullying on board ships and to implement effective company equal opportunities policies. The project meets key objectives of the European Sectoral Social Dialogue Committee for Sea Transport, promoting women in the seafaring workforce.

3.3 The standard of training for maritime professions in Europe needs to be improved. To that end, all Member States should develop training programmes and flag-linkage arrangements to safeguard maritime expertise in Europe. All Member States must act to raise nautical college standards further. Long-term schemes must be put in place to improve working and living conditions on board. The Commission is urged to investigate and study the increase of the size of ship crews and fatigue related problems and risks with a view to their mitigation and to take measures as appropriate. Promotion, education and training schemes must be put in place. Working and living conditions on board should be improved by creating a global level playing field through the ratification of the ILO Maritime Labour Convention (2006) as well as the transposition by the member states of the directive based on the agreement reached between the European Community Shipowners Associations (ECSA) and the European Transport Workers Federation (ETF) concerning this Convention. International legislation, in particular the IMO Standards of Training Certification and Watchkeeping of Seafarers (STCW) Convention (1995) which is currently under review should be respected.

3.4 Promotion activities, education and training towards the highest quality should be further enhanced. The Commission should examine best practices in Member States at secondary education level promoting maritime careers. The EESC endorses proposals for exchanging cadets (Erasmus programme), employing cadets at sea as part of their maritime education and improving medicine on board. It reiterates ⁽⁴⁾ that the Floating University experience merits to be explored for attracting students to maritime careers.

3.5 The EESC stresses the need for fair treatment of seafarers in line with the ILO/IMO Guidelines on the Fair Treatment of Seafarers in the event of a Maritime Accident. The criminalisation should be dealt with internationally. The IMO should make a detailed analysis of cases where IMO flag States have unacceptably criminalised seafarers particularly by detention. The EESC would also note that criminalising seafarers tarnishes the image of the profession at a time when there is an acute shortage of highly qualified seafarers worldwide ⁽⁵⁾. The EU future policymaking should be drafted in line with the internationally agreed principles and standards in the MARPOL/UNCLOS Conventions.

3.6 The EESC urges Member States to ratify the 2006 ILO Maritime Labour Convention that will create a global level playing field on ships' conditions and contribute to attracting youngsters to a seafaring career.

3.7 The EESC in cooperation with national Economic and Social Councils and other stakeholders of organised civil society can promote EU maritime identity and heritage and communicate best practices for attracting youngsters to seafarers' careers. A Conference on Maritime Professions organised by the EESC would be instrumental in giving this message at European level.

4. European shipping in global markets

4.1 The EESC welcomes the Commission's recognition of the necessity for global rules for a global industry, the importance of international maritime regulation and meeting regulatory challenges in international bodies (e.g. IMO). European shipping is the world leader. This position should be reinforced through the State Aid Guidelines (to be reviewed in 2011), a major instrument in safeguarding a level playing field and worldwide competitiveness of the EU fleet. Prolongation of the Guidelines to maintain the status quo is necessary. At the same time, the EESC also calls for the fleshing-out of EU aid arrangements. In future, aid should in principle be granted only to flags within the EU and there should be no possibility of circumventing European standards.

4.2 In the face of the world crisis, the Commission rightly refers to the longstanding commitment of the EU to open and fair competition. Protectionist measures should be avoided as they would even further delay a return to healthy economies. The environment should not be used as an excuse for the adoption of protectionist measures.

⁽⁴⁾ OJ C 211, 19.8.2008, p. 31-36, *c.f.* 'New York Harbour School', www.newyorkharbourschool.org.

⁽⁵⁾ According to Drewry Shipping Consultants Study (2009), the world fleet will need 42 700 new officers until 2013.

4.3 Shipping should go back to basic principles and ethical behaviour. Confidence and trust should be restored in both the shipping and banking sectors. Speculation in building ships for which there is no economic necessity should be avoided. A new approach combining financing and building in terms of valuable shipping projects is necessary. There should be solidarity between EU Member States in mitigating the impact of the financial and economic crisis ⁽⁶⁾ on the maritime sector.

4.4 The EU shipping sector is characterised by an entrepreneurial spirit. The large number of private (often family owned) shipping companies is a main feature of EU fleets. European legislators should be sensitised to this model, its particular characteristics and institutions. The shipping crisis has taken a heavy toll on the small and medium sized companies, constituting the backbone of European shipping. EESC would also point out the need to eradicate substandard vessels under any flag. In such cases, there must be no eligibility for aid of any kind.

4.5 Following the unilateral abolition of the antitrust exemption to maritime conferences in the EU (2006), the Commission is invited to monitor the consequences of non uniform competition regimes worldwide. There are currently 110 competition jurisdictions applying different regimes to a global industry such as the liner trades ⁽⁷⁾.

5. Quality shipping

5.1 The EESC maintains that the recent adoption of the Maritime Safety Package III establishes an adequate regulatory maritime safety framework resulting in a comprehensive package of European legislation on maritime safety based on the global approach of the IMO. The Package will contribute to targeting sub-standard shipping and a new impetus will be given to the quality shipping philosophy. The database EQUASIS created by EMSA provides useful information on ship quality.

5.2 Maritime transport will continue to grow in the foreseeable future to service the ever growing world trade. Consequently, its total emissions are bound to increase. Significant reductions can be achieved via an array of technical and operational measures. More research and development in relation to alternative propulsion units, fuels and the shape of ships can also play a part here. Vessels are one of the best performers on air emissions particularly CO₂ due to their ongoing modernisation and energy efficiency and despite distances involved.

5.2.1 In view of the Copenhagen Conference on Climate Change (December 2009), the EESC reiterates ⁽⁸⁾ that the application of an emission trading scheme in the maritime transport sector is considerably more complicated than in aviation and in particular in tramp shipping. In considering any possible market based instrument for maritime transport the competitiveness of the European shipping industry in the global market should not be adversely affected.

5.2.2 Applying sulphur limits in Emission Control Areas from ships is environmentally friendly. This instrument should be extended to other basins.

5.3 The EESC reiterates ⁽⁹⁾ its request for EU environmental legislation applying to leisure boats and, if possible, military vessels ⁽¹⁰⁾. Non-visible maritime pollution should also be examined in environmental policy.

5.4 The EESC proposes ⁽¹¹⁾ a balanced strategy improving environmental and social conditions in the recycling yards whilst retaining their capacity in order to face the worldwide shortage of dismantling yards. This strategy should be applied in the interim period until the IMO Convention for the Safe and Environmentally Sound Ship Recycling (2009) enters into force internationally.

6. Working together on the international scene

6.1 The EESC has raised EU awareness on maritime transport problems regarding specific geographic areas ⁽¹⁰⁾ (e.g. Arctic Ocean, Baltic Sea, Mediterranean Sea). It is gratifying that the Commission responded with Communications on the Arctic Route, the Baltic Sea Strategy and the Mediterranean Sea Strategy. The EESC notes that the Communication highlights the strategic importance of the EU fleet in securing the smooth oil and gas supply of the EU. It therefore invites the Commission to draft a Black Sea Strategy involving all countries of the basin to secure the transportation of energy resources from the Caspian Sea to Europe.

6.2 Efforts to come to an agreement on maritime services in WTO should be enhanced. The EU/China maritime agreement can be promoted as 'best practice' (model agreement) with other trading nations (e.g. India, Brazil, Russia, ASEAN, Mercosur).

6.3 The EESC invites the Commission to investigate the existence of bilateral maritime agreements on cargo sharing between EU Member States and third countries and, if necessary, activate enforcement of the *acquis communautaire* (Regulations 4055/86 and 4058/86). In this vein, it should discourage bilateral agreements between third countries as well.

⁽⁶⁾ Information Report CESE 397/2009 on 'The Global financial crisis: its distant origins', rapporteur: Mr Burani, 11.3.2009.

⁽⁷⁾ OJ C 157, 28.6.2005, p. 130-136.

OJ C 309, 16.12.2006, p. 46-50.

OJ C 204, 9.8.2008, p. 43-46.

⁽⁸⁾ OJ C 277 of 17.11.2009, p. 20.

⁽⁹⁾ OJ C 168, 20.7.2007, p. 50-56.

⁽¹⁰⁾ OJ C 211, 19.8.2008, p. 31-36.

⁽¹¹⁾ OJ C 277 of 17.11.2009, p. 67.

6.4 Regarding the proposal for higher EU visibility in IMO, in cases of mixed competence between the EU and Member States there is scope for an enhanced cooperation/coordination of the Member States without jeopardising their individual participation. The EESC reiterates that 'the expertise input of EU Member States in IMO is of high repute and this should not be undermined but rather enhanced' ⁽¹²⁾.

6.5 The EESC reiterates the need for urgent EU action on proliferation of piracy incidents ⁽¹³⁾ against merchant vessels in Africa and South East Asia. The absence of appropriate tribunals and legislations encourages the impunity of pirate acts. Hence, the Commission should promote the establishment of relevant jurisdictions and legislation in the affected areas. Close cooperation must be sought with the UN organisations in order to improve the political, economic and social conditions in the countries of origin. Addressing the root causes of piracy ashore and restoring law and order and sound social and economic conditions, in particular in Somalia, are urgent. EU development aid and diplomatic action should be used to that effect. The EESC categorically opposes the arming of seafarers.

6.5.1 According to recent data ⁽¹⁴⁾, piracy attacks are expected to cost the world economy 16 billion dollars. In 2008, 111 pirate attacks took place in the Horn of Africa and 240 in the first six months of 2009 endangering the lives of 1 000 seafarers. 150 million USD were paid as ransom to Somali pirates in the last 18 months.

6.6 Illegal immigration, apart from its evident humanitarian implications, entails acute problems for maritime transport and sea frontiers security. The enhancement of the integrated maritime surveillance for the Mediterranean Sea (Safe Sea Net,

FRONTEX) is imperative. The Commission should develop a co-operation policy with third countries of origin and transit of immigrants to control illegal immigration by sea.

7. Short Sea Shipping

7.1 In the context of sustainable transport and the promotion of short sea shipping, more investment should go to improving port infrastructure and hinterland connections. This parameter should be fully taken into account in the TEN-T review. The EESC invites the Commission to identify the incompatibilities in the interface between land and sea networks to facilitate the connection of EU with neighbouring countries having common frontiers.

8. Maritime research and innovation

8.1 The EESC ⁽¹⁵⁾ invited the Commission to become the world leader in maritime research and innovation. It is gratifying that the Communication responded positively.

8.2 The EESC supports investment in R&D for 'green' ships, fuels and ports which will also boost 'green' employment. Targeted R&D on further reducing ships' emissions should be enhanced.

8.3 In this process, the Commission should promote solutions on environmental, energy, safety and social challenges combining a coherent future maritime policy with the shipbuilding policy. European shipyards should channel their proven capability towards building 'green' ships using the Leadership 2015 and other relevant programmes.

Brussels, 17 December 2009.

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

⁽¹²⁾ OJ C 168, 20.7.2007, p. 50-56.

⁽¹³⁾ COM(2009) 301 final.

⁽¹⁴⁾ ICC International Maritime Bureau Piracy Reporting Center (IMB), Report, August 2009; the recent Communication on Partnership between EU/Africa identifies piracy and illegal immigration by sea as key issues for transport cooperation.

⁽¹⁵⁾ OJ C 277 of 17.11.2009, p. 20.

APPENDIX

to the

OPINION

of the European Economic and Social Committee

The following paragraph, which received at least a quarter of the votes cast, has been rejected in the course of the debate:

Point 1.5

'European shipping is the world leader. This position should be reinforced through the State Aid Guidelines, to safeguard a level playing field and worldwide competitiveness of the EU fleet. At the same time, the EESC also calls for the fleshing-out of EU aid arrangements. In future, aid should be granted only to flags within the EU and there should be no possibility of circumventing European standards via bareboat charters.'

Result of the vote For the amendment: 92 Against the amendment: 91 Abstentions: 7

The following amendment, which received at least a quarter of the votes cast, was rejected in the course of the debate:

Point 1.11

'Applying sulphur limits in Emission Control Areas, ~~prima facie~~ is an environmentally friendly measure, ~~may have the opposite effect: a modal shift from sea to land. The European policy of co-modality and promotion of short-sea services should not be endangered.~~ The EESC calls on the Commission to take measures to further designate SO₂ emission control areas in the EU's sea basins.'

Reason

There is no proof that the designation of SO₂ emission control areas would cause a shift towards land transport at the expense of sea transport.

Result of the vote For the amendment: 92 Against the amendment: 96 Abstentions: 18

The following paragraph, which received at least a quarter of the votes cast, has been rejected in the course of the debate:

Point 5.2.1

'In view of the Copenhagen Conference on Climate Change (December 2009), the EESC reiterates ⁽¹⁾ that the application of an emission trading scheme in the maritime transport sector is considerably more complicated than in aviation and in particular in tramp shipping. In considering emission trading schemes (ETS) for maritime transport the competitiveness of the European shipping industry in the global market should not be adversely affected.'

Result of the vote For the amendment: 112 Against the amendment: 83 Abstentions: 16

⁽¹⁾ OJ C 277 of 17.11.2009, p. 20.

The following paragraph, which received at least a quarter of the votes cast, has been rejected in the course of the debate:

Point 5.2.2

‘Applying sulphur limits in Emission Control Areas from ships, prima facie environmentally friendly, may have the opposite effect: a modal shift from sea to land transport. The European policy of co-modality and promotion of short sea services should not be endangered. Appropriate impact assessments prior to taking decisions are essential.’

Result of the vote

For the amendment: 94

Against the amendment: 93

Abstentions: 17

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission: A sustainable future for transport: Towards an integrated, technology-led and user friendly system’

COM(2009) 279 final

and on

‘Starting points for European transport policy after 2010’

(exploratory opinion)

(2010/C 255/20)

Rapporteur: **Mr RIBBE**

On 17 June 2009 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on

A sustainable future for transport: Towards an integrated, technology-led and user friendly system (communication)

COM (2009) 279 final.

On 2 July 2009, the Swedish Presidency of the Council of the European Union requested the European Economic and Social Committee to draw up an exploratory opinion on the subject:

Starting points for European transport policy after 2010.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the EESC’s work on the subject, adopted its opinion on 12 November 2009. The rapporteur was Mr Ribbe.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December), the Committee adopted the following opinion by 171 votes to 5, with 11 abstentions:

1. Conclusions and Recommendations

1.1 The EESC shares the Commission’s view that the current transport policy still leaves us far short of the sustainability goals we have set ourselves and that a radical change of direction is needed.

1.2 The EESC points out that not only must more effort be made to achieve environmental goals (in areas such as climate protection, resource conservation, biodiversity, and noise and air pollution), but that many social issues in the transport field also remain unresolved. These include not only employee rights and the pay and working conditions of those employed in the transport sector, but also the availability of, and access to, public transport for those with disabilities, the young and the elderly. Another issue is the freedom of choice of transport users who either cannot afford or do not wish to have their own car.

1.3 The Committee supports the goals set out in the Commission document, but does not accept that the instruments described can alone usher in the fundamental turnaround needed.

1.4 Many of these goals are far from new and the Commission has been promoting some of them for many years. The problem is that they have not been implemented: the internalisation of external costs and calls for a change in urban transport policy are just two examples.

1.5 In its definitive white paper, the Commission should set out clear options for action and present specific and quantifiable goals.

1.6 The Committee thinks it is imperative to have a debate on which political and planning decisions give rise to transport or indeed how transport can be avoided. It calls on the Commission to devote far greater attention to these issues when it puts forward a new white paper or new policy guidelines.

2. The European Commission communication

2.1 In 2001, the Commission issued a white paper ⁽¹⁾ setting an agenda for European transport policy up to 2010. This programme was updated in the mid-term review of 2006 ⁽²⁾. Approaching the end of the ten-year period, the Commission now thinks it is time to look further ahead and prepare the ground for later developments in transport policy.

2.2 In the present communication, the Commission sets out the first results of its thinking and deliberations, informed by various studies, discussions, findings and consultations.

2.3 In taking stock, the communication states: 'Transport is an essential component of the European economy', with the transport industry accounting for 7 % of GDP and over 5 % of total employment in the EU. The Commission explains and highlights the importance of transport not least for the social and economic cohesion of the regions, Europe and the world as a whole, as well as for the competitiveness of European industries and the attainment of the Lisbon goals.

2.4 However, the Commission notes regarding transport policy: 'More limited, however, have been the results with respect to the goals of the EU SDS: as indicated in the progress report of 2007 ⁽³⁾, the European transport system is still not on a sustainable path on several aspects.'

2.5 It goes on to state: 'The environment remains the main policy area where further improvements are necessary. In the EU, compared to 1990 levels, in no other sector has the growth rate of greenhouse gas (GHG) emissions been as high as in transport ⁽⁴⁾. Applying this analysis to past developments in transport, it can be seen that the sector has greatly increased its activity while making insufficient progress in reducing its energy and GHG intensity.'

2.6 The decoupling of growth in transport from GDP growth, which was one of the objectives of the 2001 white paper and of the sustainable development strategy (SDS), has only been achieved in passenger transport and not in freight. One of the reasons given for this is: 'The growth of freight transport is also linked to economic practices – concentration of production in fewer sites to reap economies of scale, de-localisation, just-in-time deliveries, wide-spread recycling of glass, paper, metals – that allowed reduction of costs and, possibly, of emissions in other sectors at the expense of higher emissions from transport.'

2.7 Although the energy efficiency of transport (and individual modes of transport) is increasing, this is not enough to outweigh the larger transport volumes ⁽⁵⁾. In other words, the volume of traffic is no less a problem than the fact that '[t]here has also been limited progress in shifting transport to more efficient modes, including through the development of short sea shipping.'

2.8 Among the points the Commission makes in a section headed 'Trends and Challenges' are the following:

- There will be a sharp rise in the proportion of older people (over 65) in the EU. While this will mean different transport patterns, it will also mean society having to spend more public money on pensions, healthcare and nursing. The Commission expects this to reduce public monies available for transport in the future.
- Transport will play a cardinal role in attaining the EU's climate protection goals and 'an inversion of some of the current trends will be necessary' to achieve them.
- The scarcity of fossil fuels will have a marked impact on the transport sector, not only in terms of technology (97 % of energy needs in transport is covered by fossil fuels), but also in structural terms (the transport of such fuels currently accounts for around half of the volume of international maritime traffic).
- While local transport is already responsible for 40 % of CO₂ emissions and 70 % of emissions of other road traffic pollutants, the proportion of EU citizens living in cities is set to rise ⁽⁶⁾.
- Ever increasing populations and prosperity around the globe will translate into greater mobility and greater transport volumes. The communication cites studies predicting a rise in the number of cars around the world from 700 million today to more than three billion in 2050, which will 'creat[e] serious sustainability problems unless there is a transition towards lower and zero-emission vehicles and a different concept of mobility is introduced'.

2.9 In a nutshell, the Commission is absolutely right in saying that a 'vision for the sustainable mobility of people and goods' must be formulated.

2.10 To this end, it sets out seven general policy objectives:

- Quality transport that is safe and secure

⁽¹⁾ COM(2001) 370 final.

⁽²⁾ COM(2006) 314 final.

⁽³⁾ COM(2007) 642 final.

⁽⁴⁾ Unless otherwise stated, figures are taken from: GD TREN (2009), EU energy and transport in figures. Statistical pocketbook 2009.

⁽⁵⁾ The EESC points out that the Mid-term review of the transport White Paper (COM(2006) 314, Graph 3-2) includes the Commission's calculations of a further increase in CO₂ emissions from transport up to 2020. This runs counter to the EU's climate protection goals.

⁽⁶⁾ From around 72 % in 2007 to 84 % in 2050.

- A well maintained and fully integrated network
- More environmentally sustainable transport
- Keeping the EU at the forefront of transport services and technologies
- Protecting and developing the human capital
- Smart prices as traffic signals
- Planning with an eye to transport: improving accessibility.

3. General comments

3.1 The EESC welcomes the fact that the Commission is returning to this matter and putting forward the first ideas – albeit often still rather nebulous – on the future of transport as part of a wide consultation process. Its analysis of the transport sector is quite clear: we are a long way from the sustainability goals we have set ourselves and fundamental changes are necessary. Nevertheless, we still do not have a recognisable vision with specific goals and instruments to curb and reduce car use in particular. These should be set out by the Commission in a detailed action plan and should include quantified goals.

3.2 The EESC agrees with many of the Commission's ideas, including, among others, 1) that the present infrastructure, including new or improved information and communication technologies, must be exploited to the full; 2) that 'an intelligent and integrated logistic system must become a reality'; 3) that new ideas are needed, especially in urban transport; 4) that co-modality must be improved and transport shifted in larger measure to more environmentally friendly transport modes; and 5) that innovative, emissions-reducing technologies must be employed. However, none of this amounts to new insights, let alone a new vision.

3.3 The EESC would draw attention to the great many pertinent opinions it has drafted in past years on policy and on improving the technical and organisational facets of managing transport flows such as the opinions on the Mid-term review of the 2001 Transport White Paper (7); the Strategy for the internalisation of external costs (8); Freight Transport Logistics Action Plan (9); Facilitating cross-border enforcement in the field of road safety (10); TEN-T: A policy review (11); The Greening of Maritime Transport and Inland Waterway Transport (12); A European vision for the oceans and seas (13); Road transport in 2020 (14); A rail

network giving priority to freight (15); A European rail network for competitive freight (16); Promotion of inland waterway transport 'NAIADES' (17); and An Integrated Maritime Policy for the European Union (18).

3.4 The EESC is keen to stress that the transport policy of the future must be much more than 'merely' the improved solution – from the sustainable development angle – of present or expected transport flows. While the Commission makes some sound comments about this in its communication, they are nevertheless too vague and intangible. In fact, this is the fatal flaw in these considerations.

3.5 The Commission makes it clear that the present system must be radically changed. Thus point 53 states: 'The transport system will experience substantial changes', point 70 speaks of the need for a 'substantial overhaul of the transport system', and paragraph 37 refers to a 'different concept of mobility'. However, the EESC would like to see more tangible explanations of what exactly is meant by this.

3.6 As a result, while the document serves as a very good summary of many familiar positions and ideas, it falls short of presenting a real 'vision'. Much remains unexplained, such as the question – unresolved for years – of how to address the 'internalisation of external costs'.

3.7 This is why the EESC would like this exploratory opinion to raise some fundamental issues which it feels are not adequately addressed in the Commission document. It would like to see the Commission take up these points and go into them in greater depth as it pursues its deliberations.

4. Specific comments

4.1 To gauge the importance of transport primarily in terms of the transport sector's contribution to GDP or jobs is short-sighted. Whenever people converge, whenever goods change hands, whenever, that is, there is social or economic activity, there is 'transport'. To put it another way: without the exchange of goods, without transport, no society would function and there would be almost no GDP.

4.2 People want and need to be mobile and goods demand and need to be traded. Thus the Commission is right in its assertions in points 39 and 40 of the communication: 'Transport provides access to many of our freedoms. The freedom to work and live in different parts of the world. The freedom to enjoy different products and services. The freedom to trade and to establish personal contacts. ... Demand for these freedoms will likely increase in the more multicultural, heterogeneous society of the future...'

(7) OJ C 161, 13.7.2007, p. 89.

(8) OJ C 317, 23.12.2009, p. 80.

(9) OJ C 224, 30.8.2008, p. 46.

(10) OJ C 77, 31.3.2009, p. 70.

(11) OJ C 318, 23.12.2009, p. 101.

(12) OJ C 277, 17.11.2009, p. 20.

(13) OJ C 168, 20.7.2007, p. 50.

(14) OJ C 277, 17.11.2009, p. 25.

(15) OJ C 27, 3.2.2009, p. 41.

(16) OJ C 317, 23.12.2009, p. 94.

(17) OJ C 318, 23.12.2006, p. 218.

(18) OJ C 211, 19.8.2008, p. 31.

4.3 Transport is therefore of the utmost importance, but it is not an end in itself. Not all transport must automatically be deemed 'good' for society simply because it furthers the interchange of people of goods. As the Commission itself makes abundantly clear in its paper, transport is not always beneficial. A core role for politicians, therefore, is to give the 'freedoms' in question a clear framework – boundaries indeed – where they may come into contact with, or even threaten, other freedoms: for example, where human health, our environment and/or our climate – but also the needs of future generations – are concerned.

4.4 At the same time, (transport) policy must ensure that everyone has good transport options and safe access to them. This especially includes – if sustainability is to be achieved – the socially more vulnerable groups, those with disabilities, children and young people, and so on. Efforts must also be made to improve the working conditions of those employed in the transport sector.

4.5 However, transport policy in the past has often taken the soft option. Its main concern up to now has been how to satisfy demand for transport. Indeed, it often went beyond that and actually created new demand and new transport needs through, for example, the economically misguided subsidising of motorised transport, the promotion of an economic division of labour and attendant allocation of enterprise sites and residential areas on the basis of cheap oil alone. It was believed that the problems this created could be solved purely by infrastructure or technology. What the debate forgot to address – and this must change – was how transport is generated and whether certain transport phenomena make sense. In so saying, the Committee is well aware that the Commission does not bear sole responsibility here, since many decisions are taken, under the subsidiarity principle, at national, regional or local level.

4.6 The EESC expressly welcomes the Commission's very candid approach to a number of questions. In point 59, the Commission writes: 'Many public services have been progressively centralised with a view to increasing efficiency. The distances between the citizens and the service providers (schools, hospitals, shopping malls) have been on the increase. Firms have followed the same trend by keeping a smaller number of production, storage and distribution centres. The trend towards the concentration of activities has produced a large amount of 'forced' mobility, owing to a worsening of accessibility conditions.' However, what is missing here, in the EESC's view, is any discussion of what conclusions should be drawn in terms of policy.

4.7 There should be no doubting that the trends set out – such as the concentration of not only public institutions, but also of companies – are directly or indirectly influenced by overall economic circumstances and political decisions. It is important that, before policy and planning decisions are taken in the future, the impact on transport and the transport system is analysed far more stringently. Has a plan ever been scrapped because of a political decision that the new transport situation that would follow (or be induced) was undesirable?

4.8 In the light of the findings, shortcomings and needs set out in its communication, it would be helpful, therefore, if the Commission made it clear – as part of the search underway for a 'sustainable future for transport' – which past developments and frameworks at European and national level it considers to have been wrong. Was it right to centralise schools and administrations the way it was done in some Member States? Was the move to concentrate slaughterhouses and dairies (often with EU structural funding) really effective in terms of sustainability (and, for example, regional development)? Was it really possible to promote regional development by expanding infrastructure, or is it not rather the case that a misguided transport infrastructure policy has led to the depopulation of rural areas and engendered forced mobility?

4.9 Another example would be the importing of cheap animal feed into Europe as part of a worldwide division of labour, which has led to a concentration in livestock farming and to new transport flows. Perhaps the main reason for this was that neither the animal feed prices nor the transport costs reflected the whole 'environmental and economic truth'. Nor, in many cases, are the adverse social costs reflected. The knock-on costs alone of climate change – itself due in part to transport – or the costs of illness caused by transport noise and emissions raise important questions regarding a sustainable mobility policy within the EU. Will this be the same in the future? How does this affect transport policy? Regrettably, these are questions which the Commission's document fails to answer.

4.10 The EESC calls for an impact assessment to be made in all policy areas – from economic and competition policy through to development policy – to gauge the extent to which they generate transport. For example, the revision of the European common agricultural policy to strengthen regional economic cycles affords great opportunities for transport avoidance and for shortening transport routes in Europe.

4.11 The issue in such a debate is not mobility per se – in other words the number of journeys made. It is about their length and the ways in which they are made (at what cost and using which mode of transport).

4.12 This is where many things have changed in recent years. Journeys have become much longer and it cannot even be said that the most environmentally friendly modes of transport are being used. This is as true for passenger transport as it is for freight transport, the flow of goods. Grain has always travelled from the field via the mill and the bakery to the end consumer; it is the nature of the transport that has changed. The fact that it currently makes sound business sense – because of the parameters of other policy areas and inadequate harmonisation within the EU – to take pre-formed pieces of dough hundreds of kilometres in a freezer lorry before they are baked into pretzels is just one example of where action needs to be taken.

4.13 For generations, people have made no more than three or four journeys a day. In Germany, for example, they make around 281 million journeys – around 3,4 journeys – per person every day. This means around 3,2 billion kilometres are travelled every day ⁽¹⁹⁾. In 2002 it was ‘only’ around 3,04 billion kilometres.

4.14 Transport and journey lengths depend on private, political and business decisions. Crucial in these are the costs that have to be paid for transport solutions. On this front much should and must change in the future, as a result, for example, of the increase in raw material prices (especially for fossil fuels), the ‘internalisation of external costs’ – which the EESC has backed and called for on many occasions – and the cut in public funding for infrastructure that the Commission is expecting. However, there are no clear policy messages about what conclusions should be drawn now. In the EESC’s view, decisions on infrastructure should increasingly take on board the broader picture of sustainable development. Consideration should be given not only to improvement in connections, productivity increases and time-saving but increasingly also to the knock-on environmental and social costs involved.

4.15 Every new measure in transport infrastructure is very costly and the consequences of implementing it last for several decades. If the Commission states that the number of older people in our society will rise, that more and more people will live in cities (with mobility demands shifting accordingly) and that less public money will presumably be available for transport infrastructure, this means that massive changes are needed in infrastructure investment.

4.16 For this reason, the EESC proposes that the Commission and the Council presidency – as part of the ‘substantial overhaul of the transport system’ and the ‘different concept of mobility’ – initiate a deeper discussion of questions of principle, such as how transport is created and forced mobility. The Committee stresses once again: this would not be a debate about the erosion of freedoms or about mobility needs, but a necessary discussion about drafting the sustainable development strategy – in which transport policy has so far been very inadequately integrated – and about preserving the freedom of mobility for future generations.

4.17 The Commission addresses an important point in point 53: ‘However, transport workers in some sectors may be displaced from their jobs as a result of the adjustment to a radically different economic and energy context. It is important to ensure that such change is well anticipated and managed, so that changing conditions will also be a source of new jobs and that transport workers can participate in, and respond to, the process.’

4.18 The key phrase here is ‘well anticipated’. This involves setting out in the clearest terms which sectors will benefit or be adversely affected. Much is already known; it needs to be dealt with in the open. In one of its first opinions on sustainable development (NAT/229), the EESC pointed out that it is these necessary processes of transformation that foster anxiety and resistance, especially in those areas of society that profit from the present, unsustainable system and as such are most affected by structural changes.

4.19 There needs to be clarification not only about how transport arises and the length of journeys, but also about the nature of transport modes. The EESC especially welcomes the following points the Commission makes in its communication:

- Revenue raised ⁽²⁰⁾ from (road) transport users ‘often bears little connection to the real costs on society of their choices’.
- A correct allocation of external costs of all transport users and modes of transport would result in people either making do without transport or making a better – i.e., more environmentally sustainable – choice of transport mode. However, the EESC would have liked to see some indication of how this ‘correct allocation’ would be achieved.
- ‘There is a compelling need for a technological shift towards lower and zero-emission vehicles.’ The EESC believes that the downsizing of vehicles, allied with the use of electric cars, will play an important role. Calculations from the Renewable Energy Agency clearly indicate that only the use of electricity and renewable sources can make a substantial contribution to climate protection ⁽²¹⁾. However this is not just a matter of new propulsion technologies, since these will not solve questions such as congestion and car-oriented cities.
- It is in conurbations, which continue to grow, that public transport, cycling and walking would have to be promoted on a massive scale. This is in line with Commission statements from the ‘Citizens’ network’ ⁽²²⁾. The EESC has recently reiterated its criticism of the stumbling progress being made in implementing ideas from this source. It is in urban transport policy that radically new concepts are required that question the hitherto dominant role of the car.
- The EESC sees the urban transport policies put in place, for example, in London and Bielefeld (Germany) over the past few years or decades as proof that negative trends can be reversed and a sustainable transport policy implemented if committed decision-makers pave the way for it.
- In this connection, the EESC questions the Commission’s statement in point 32 that: ‘This urban sprawl [...] brings about greater need for individual transport modes.’ The relatively low car density in cities such as Berlin and Copenhagen, for example, shows that with the right transport policy the modal split can take exactly the opposite direction.

⁽²⁰⁾ Such as road and energy taxes, tolls and charges for infrastructure use.

⁽²¹⁾ See: <http://www.unendlich-viel-energie.de/de/verkehr/detailansicht/article/5/erneuerbaren-energien-koennen-strombedarf-fuer-elektroautos-spielend-decken.html>.

⁽²²⁾ Developing the Citizens’ network – Why local and regional passenger transport is important and how the European Commission is helping to bring it about; COM(1998) 431 final of 10.7.1998.

⁽¹⁹⁾ See the study ‘Mobilität in Deutschland’ [Mobility in Germany] from Germany’s Federal Ministry of Transport, Building and Urban Affairs.

- The EESC expects to see an informed discussion about effective instruments to achieve a clear prioritising of more environmentally friendly ways and modes of transport whenever investments are made and frameworks established, as well as the development of uniform social and environmental standards for all transport modes to ensure fair competition and sustainable development.
- This should include, above all, the impact of various economic and housing policies, with examples from Member States, and experience in many EU projects with local authorities that operate an exemplary policy that avoids motorised transport while meeting most living and mobility needs. The EESC advocates the creation of an EU coordination point to gather and disseminate examples of good practice.

Brussels, 16 December 2009.

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

Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Internet of Things — An action plan for Europe'

COM(2009) 278 final

(2010/C 255/21)

Rapporteur: **Mr RUDZIKAS**

On 18 June 2009, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Internet of Things - An action plan for Europe

COM(2009) 278 final.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 12 November 2009. The rapporteur was Mr Rudzikas.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 17 December), the European Economic and Social Committee adopted the following opinion by 60 votes with 2 abstentions.

1. Conclusions and recommendations

1.1 Given the specific features involved in the growth of information and communication technologies (ICTs) and their particular importance, on various fronts, for a country's development and that of the lives of its people, the Committee welcomes the European Commission communication *Internet of Things - An action plan for Europe* ⁽¹⁾, which seeks to create a new and broad paradigm: the transition from an Internet that connects people, to one that connects people with things or things with each other, in other words an Internet of Things (IoT).

1.2 The Committee agrees with the Commission that the IoT will deliver new and better jobs for workers, business opportunities and growth for industry, and a boost to Europe's competitiveness – and also improve citizens' quality of life.

The IoT will greatly contribute to addressing societal challenges in areas such as health monitoring, ecology and environmental protection, transport and other areas of human activity. Networked communications using IoT applications will have profound effects on our society and gradually result in a genuine paradigm shift in this field.

1.3 Although it backs the Commission document and broadly endorses the statements and recommendations it contains, the Committee feels the text is not specific enough, not least in relation to timeframes and implementation deadlines.

1.4 Given the worldwide nature of the Internet, schemes, measures and legislation devised by the European Commission are, of themselves, not enough to get to grips with this global phenomenon. The focus must increasingly shift to the role of international organisations and the importance of negotiations and agreements ratified by a majority of countries. We urgently need a 'Kyoto Protocol' for cybernetics or cybernetic equivalents of the hoped-for Copenhagen climate agreement.

1.5 The Committee would recommend that the Commission be more specific in what it says both about the basic principles underpinning IoT management – so as to strike a proper balance between a centralised and decentralised Internet regime – and about the ongoing monitoring of issues relating to privacy and the protection of personal data. It is not enough simply to 'launch a debate': further practical steps are also needed.

1.6 The Committee is aware that, in setting up this cybernetic 'Tower of Babel', it is particularly important to standardise systems and procedures. However, any moves towards standardisation must take due account of the diversity and specific characteristics of the languages, cultures and traditions of the individual countries involved.

1.7 The Committee is pleased that the Commission intends to continue financing FP7 research projects in the area of IoT. However, that is not enough. Funding must also be given to research institutes working to build up the IoT. Indeed, priority support for these bodies would prepare the ground for a qualitative breakthrough in this area (nanotechnologies, optoelectronics, quantum computers, grid and cloud computing, computer-based oral communication technologies, etc.) These activities require better coordination.

⁽¹⁾ COM(2009) 278 final.

1.8 Rapid ICT development requires continually updated knowledge. The principle of lifelong learning is thus particularly appropriate in this field. University lecturers and students, school teachers and pupils – indeed all adults – must constantly work to expand their knowledge base. Distance-learning technologies will be particularly useful here. Action is at all costs needed to bridge the geographical digital divide. Organised civil society has a key role to play in the practical success of these endeavours.

1.9 The Committee recognises the importance of innovation and would draw the Commission's attention to the need to afford intellectual property better protection and promote the patenting of technical facilities, devices, procedures and methods. Priority support should be given to projects designed to protect the cultural heritage, cultural and linguistic diversity and other elements of the intellectual wealth of the nations of the world.

1.10 The Committee would also point out to the Commission the need for a more detailed examination of the impact of electromagnetic waves on humans. Although the pulses emitted by IoT systems are weak, the number of radiation sources is set to increase exponentially. Most of these sources produce constant emissions so that the rapidly growing phenomenon of 'electronic pollution' may lead to major problems in the future. Modern science has yet to determine conclusively whether there is a threshold above which harmless levels of radiation become dangerous, and what the cumulative impact of such exposure is. If we let the genie out of the bottle, will we be stuck with the consequences?

2. Specific features of ICT development

The IoT is based on the idea of a worldwide, wireless, integrated network of smart facilities and devices ('things') and a whole range of different sensors and actuators, in which, using standard protocols, the 'things' communicate with each other and with people. This network will connect billions of people. This section sets out some of the particular hallmarks of ICTs.

2.1 One key characteristic of ICTs is their rapid, indeed meteoric growth, of which the Internet was one stage in the development. In virtually a single generation, ICTs have moved out of isolated scientific laboratories and into the public domain. Parallel and distributed computing (grid technologies) have also grown just as rapidly. In Lithuania, for instance, projects such as Baltic-Grid I and II and the national schemes LitGrid and GridTechno are being implemented with EU support.

2.2 Another feature of ICTs is their ongoing development, which is largely the result of interaction between different scientific disciplines and the use and combining of different methods and findings. This in turn makes new departures possible.

2.3 ICTs repay their 'debt of gratitude' to the other scientific disciplines by placing research methods, equipment and other tools at their disposal and also by improving the day-to-day lives of the public at large. Whereas mathematics used to be seen as the queen (or some would say 'servant') of sciences, that role now falls to

information technology. We might also quote a phrase coined by French philosopher François Rabelais in 1532 on the brink of that other revolution – printing: '*Science without conscience is but the ruin of the soul*' ('Pantagruel' Chapter 8).

2.4 Another characteristic of ICTs is that they are predominantly application-based, as is reflected in the rapid development of ICT-supported devices and facilities. One need think only of the mobile communications boom, the pace of change in computer properties, the development of algorithmic languages or the expansion of the Internet.

2.5 By its very nature, the IoT will inevitably result in the technosphere around us becoming ever 'smarter'. 'Intelligent objects' are set to emerge that will, at a certain point, be able to comprehend their own properties and potentialities (and those in the locality around them), make autonomous decisions and take proactive steps to meet the targets they have been set or to fulfil the remit assigned to them. It is perfectly conceivable that smart objects will be able to carry out all manner of activities and tasks and, at a certain point, react to their environment, i.e. adapt to the world around them, alter their configuration, repair any faults themselves – and even decide who can access them or switch owners.

2.6 Given the massive worldwide ICT market and the particularly rapid growth noted above – requiring constant fine-tuning and updating of scientific knowledge – this is an especially attractive niche area for European countries that have a high level of education and a highly developed work culture.

2.7 However, there are also two sides to the ICT coin. On the one hand, ICT applications help improve people's quality of life, yet they may also have adverse impacts. These include, among others, the threat to privacy, the risk of cyberterrorism and the use of the Internet to disseminate pornography and spread homophobia, racism, etc. Moreover, young people in particular risk becoming addicted to the Internet, with reality to a large extent replaced by life in a 'virtual' world.

2.8 Given the specific features of ICTs and their Internet 'offshoot', and their importance for a country's economy and the quality of life of its people, the Committee has for some time now devoted a great deal of attention to this area. We would refer here to opinion CESE 1514/2008 (TEN/342) on the 'Internet of Things' (rapporteur Mr Retureau) in particular, as well as to a number of opinions on relevant issues that have been adopted over the past few years ⁽²⁾ and to the documents cited therein.

⁽²⁾ OJ C 256, 27.10.2007, p. 66-72; OJ C 224, 30.8.2008, p. 50-56; OJ C 175, 28.7.2009, p. 92-96; OJ C 128 of 18.5.2010, p. 69 and EESC opinion on Critical Information Infrastructure Protection – See page 98 of this Official Journal.

3. General comments

3.1 Given the particular importance, on various fronts, of ICTs for a country's development and that of the lives of its people, the Committee welcomes the European Commission communication *Internet of Things - An action plan for Europe*, which seeks to create a new paradigm: the transition from an Internet that connects people, to one that connects people with things or things with each other.

3.2 The Committee agrees with the Commission that the IoT will deliver new and better jobs for workers, business opportunities and growth for industry, and a boost to Europe's global competitiveness – and also that it will improve citizens' quality of life.

3.3 The Committee welcomes the investments the European Commission has already made in ICT development through the Framework Programme for Research and Development (FP5-6-7) and the Competitiveness and Innovation Framework Programme (CIP). Key progress has already been achieved on a number of fronts. Devices are becoming noticeably smaller and will soon be invisible to the human eye. Appliances increasingly have wireless connections and are mobile. Systems are becoming ever more heterogeneous and complex. The latest technologies are becoming used ever more widely, including radio frequency identification (RFID), Near Field Communication (NFC), Internet Protocol version 6 (IPv6) and ultra-broadband connections.

The trailblazing progress made in this area is also reflected in the award of the 2009 Nobel prize in physics to three scientists for the invention of fibre optic technology and for their contribution to the first successful capture and transfer of images using digital optical sensors. This breakthrough paved the way for the emergence of the modern Internet and its continued development to become, in future, an IoT.

3.4 Given the profound social changes involved in IoT expansion, it is vital to manage the process properly so as to genuinely deliver enhanced economic growth and individual well-being without impinging on privacy or jeopardising information security.

3.5 The Committee welcomes all the Commission's measures to overcome obstacles to the introduction of IoT.

3.5.1 Two fundamental EU citizens' rights are of paramount importance here: (i) the protection of privacy and (ii) the protection of personal data. These two areas thus require continual monitoring – and action to combat any breaches identified.

3.5.2 In the interests of protecting privacy and personal data, it is particularly important that, from the very outset, IoT components should be designed with built-in protection and security functions and take due account of all user requirements so as to generate an atmosphere of trust, acceptance and safety. For industry, information security is tied in with the availability, reliability and confidentiality of business data and the weighing-up of new risks.

3.5.3 Since any IoT malfunction could have a significant economic and social impact in certain regions or even across the world, it is vital to provide optimum protection for IoT information infrastructures.

3.5.4 Standardisation is key if IoT is to develop into a mass phenomenon. It not only makes the IoT easier to use but also helps businesses hold their own more effectively in international competition. A particularly effective approach would be to pursue standardisation in conjunction with the speedy introduction of IPv6 as this would make it possible to provide a virtually limitless number of objects – not to mention the entire population of the planet – with a direct Internet address.

3.6 The Committee particularly welcomes the Commission's moves to support scientific research and technological development in this interdisciplinary area, which brings together the findings of a large number of different research fields and technologies and combines them to create a whole new calibre of product: the Internet of the future, that is to say the IoT. The Committee also endorses the Commission plan to foster public-private partnerships (PPP) to address the basic issue involved here.

The IoT not only opens up new avenues for industry and the production sector, but also requires completely new business models, not least in e-trade and e-commerce.

3.7 IoT systems will be developed, managed and used by a large number of stakeholders drawing on different business models and based on differing interests. It is vital therefore to put in place the parameters needed to foster growth and innovation, to add new components to existing systems and to flexibly adapt new systems to those already in place.

3.8 The cross-border impact of the IoT means that this will be a truly global product – hence, in its development and practical application, the particular importance of international dialogue, exchange of best practice and the coordination of current joint measures.

3.9 The Committee welcomes the ways and means provided for by the Commission to secure the timely availability of appropriate spectrum resources and to monitor and assess the need for additional harmonised spectrum for specific IoT purposes. Given the increased number of devices and objects that emit electromagnetic waves, steps must be taken to ensure that all devices and systems continue in future to meet the requisite health and safety requirements in order to protect the general public.

3.10 The Committee endorses the Commission's efforts to put in place a multi-stakeholder mechanism at European (or possibly even global?) level to monitor the evolution of IoT, and to assess which additional measures should be undertaken by the authorities to ensure this ambitious project is put into practice as quickly as possible. To that end, regular dialogue and sharing of best practice with other regions of the world is essential.

3.11 The Committee backs the Commission's plan for a proactive approach to ensuring that Europe plays leading role in shaping IoT so that the *Internet of Things* becomes an *Internet of Things for People*. The Committee is keen to help achieve these ambitious, yet realistic goals. Organised civil society has a key role to play in that regard, and its representatives must be consulted on all aspects affecting society and the private lives of individuals, including the safeguarding of public and private freedoms.

4. Specific comments

The Committee welcomes the Commission document and broadly endorses the points and proposals it sets out. However, it would make the following comments, proposals and recommendations.

4.1 The action plan and the fourteen lines of action are vague as to timeframes and deadlines for implementation. We have to wait until almost the end of the document (section 5: *Conclusions*) to read that 'IoT is not yet a tangible reality, but rather a prospective vision of a number of technologies that, combined together, could in the coming 5 to 15 years drastically modify the way our societies function.' We can infer from that that the action plan has a timeframe of around fifteen years. That would naturally imply that most of the proposed lines of action would be implemented, coordinated or at least monitored throughout that timeframe. In some cases, however, a deadline for implementation could be indicated or specified more clearly (for instance in lines of action 1, 4, 8, 9 and 14).

4.2 Given the global nature of the IoT, all countries across the world will sooner or later be involved in it. Thus, schemes, measures and legislation devised by the European Commission are, of themselves, not enough to get to grips with this global phenomenon. The focus must increasingly shift to the role of international organisations and the importance of negotiations and agreements ratified by a majority of countries. We urgently need a 'Kyoto Protocol' for cybernetics or cybernetic equivalents of the hoped-for Copenhagen climate agreement.

4.3 The Committee feels the proposals must be more specific both as to the basic principles underpinning IoT management (so as to strike a proper balance between a centralised and decentralised Internet regime) and to the ongoing monitoring of issues relating to privacy and the protection of personal data (so as to minimise risks in these areas – and also the threat of terrorist attacks).

4.4 The Committee would stress that the 'right to silence of the chips' (i.e. that individuals should be able to disconnect from the networked environment) does not provide sufficient safeguards for privacy protection or object safety. Thus, for instance, switching off a mobile phone does not prevent certain interested parties from obtaining information on the owner. It is not enough simply to 'launch a debate': further practical steps are also needed.

4.5 The Committee recognises that, in setting up this cybernetic 'Tower of Babel', it is particularly important to standardise systems and procedures so that, for instance, a refrigerator in China is able to 'communicate' successfully with a shelf of Danone yoghurt pots in a supermarket in France. However, any moves towards standardisation must take due account of the diversity and specific characteristics of the languages, cultures and traditions of the individual countries involved.

4.6 The Committee expressly welcomes the Commission's intention continue to finance FP7 research projects and technological development in the area of IoT. However, this area requires priority funding as success here is a crucial factor in Europe's global competitiveness and the well-being of the European public. In addition to the research fields set out in line of action 7, mention must also be made of nanotechnologies, grid and cloud computing, optoelectronics, quantum computers and other sectors of physics and information sciences, where priority support would pave the way for a qualitative breakthrough. These activities require better coordination.

4.7 Rapid ICT development and dissemination requires properly trained experts. University lecturers must continuously update their teaching content so that students have access to the latest information and are able to help shape and use the IoT. Schools pupils too need to be given appropriate preparation and further training for adults is also required. Lifelong learning and distance learning technologies are thus particularly appropriate in this field. Action is at all costs needed to bridge the geographical digital divide. Organised civil society and the various bodies of which it is made up have a key role to play in the practical success of these endeavours.

4.8 The Committee recognises the importance of innovation and pilot projects and would draw the Commission's attention to the need to afford intellectual property better protection and promote the patenting of technical facilities, devices, procedures and methods. Rather than just 'considering' the options, the Commission would do well to pursue a more resolute approach. Priority support must be given to projects designed to protect the cultural heritage, cultural and linguistic diversity (it is claimed that a language not supported by computers is doomed) and other elements of the intellectual wealth of the nations of the world.

4.9 The Committee would also point out to the Commission the need for a more detailed examination of the impact of electromagnetic waves on humans. Although the pulses emitted by IoT systems are weak, the number of radiation sources is set to increase exponentially. Most of these sources produce constant emissions so that the rapidly growing phenomenon of 'electronic pollution' may lead to major problems in the future. Modern science has yet to determine conclusively whether there is a threshold above which harmless levels of radiation become dangerous, and what the cumulative impact of such exposure is. Sometimes, in fact, a single electromagnetic pulse at quantum level is enough to trigger unchecked cancerous growth in a cell. If we let the genie out of the bottle, will we be stuck with the consequences?

4.10 To function properly, an IoT requires elaborate, structured information and complex algorithms. Clearly, it is made up of modules of centralised and solitary 'smart' objects. The processes involved here may be similar to those used by the European Organisation for Nuclear Research (CERN) where data are collected, analysed, stored and used via a grid technology

infrastructure based on the EGEE project ⁽³⁾ and other initiatives. In the IoT, however, the data processing involved is much more complicated. Hence, the EGEE project can only be seen as the first stage in the development, planning and launching of IoT components.

Brussels, 17 December 2009.

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

⁽³⁾ Enabling Grids for E-sciencE, www.eu-egEE.org.

Opinion of the European Economic and Social Committee on the 'Proposal for a Council Regulation concerning the notification to the Commission of investment projects in energy infrastructure within the European Community and repealing Regulation (EC) No 736/96'

COM(2009) 361 final — 2009/0106 (CNS)

(2010/C 255/22)

Rapporteur working alone: **Mr SALVATORE**

On 4 September 2009 the Council decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Proposal for a Council Regulation concerning the notification to the Commission of investment projects in energy infrastructure within the European Community and repealing Regulation (EC) No 736/96

COM(2009) 361 final – 2009/0106 (CNS).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 12 November 2009. The rapporteur was Mr Salvatore.

At its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December), the European Economic and Social Committee adopted the following opinion by 177 votes, nem con with one abstention.

1. Conclusions and recommendations

1.1 The European Economic and Social Committee supports the European Commission's aim to introduce new rules on investment projects in energy infrastructure and endorses this proposed regulation since it takes account of recent developments in EU energy policy. The proposal addresses the real needs of the sector, facilitating the collection of appropriate, satisfactory and transparent information and entailing an administrative burden proportionate to its usefulness.

1.2 The Committee endorses the principle underlying the Commission's proposed regulation, i.e. that the need to ensure regular and consistent information for carrying out regular, cross-sector analyses of the energy system ought to be reconciled with the objective of cutting administrative costs and promoting transparency. The Commission's proposal, underpinned by this objective, constitutes a clear improvement on the existing system. This proposal, which has its legal basis in Article 284 of the EC Treaty and Article 187 of the EURATOM Treaty, seems therefore to comply fully with the fundamental principles of subsidiarity and proportionality.

1.3 The Committee points out that the details of the minimum thresholds set out in the Annex to the proposed regulation, above which the notification obligation is triggered, are not properly justified by the Commission. More in-depth discussions are needed between European and national decision-making bodies, market operators and civil society organisations to set the most appropriate minimum thresholds that guarantee safety, environmental protection, transparency and cost-effectiveness.

1.4 The Committee would suggest that beyond anticipating energy supply and demand imbalances and identifying gaps in infrastructure, the Commission's regular analysis should also be

an instrument for monitoring the state of play in the notified projects, to ensure that they are completed within a reasonable timeframe.

1.5 The Committee considers it of crucial importance to ensure the security of both existing infrastructure and new projects. Investment by economic operators should focus primarily on the modernisation and maintenance of energy networks, as well as their technological upgrading for security purposes, with a view to preventing problems and ensuring energy efficiency and environmental sustainability – exceptions cannot and must not under any circumstances be made here.

1.6 The Committee points out that the collection of information on infrastructure of Community interest will enable the principle of energy solidarity among Member States to be strengthened. Moreover, conducting regular analyses will promote the diversification of energy sources, thus reducing energy dependence on individual countries that export conventional sources, and fostering a secure supply.

1.7 As regards electricity generated from renewable energy sources, the Committee considers it important to avoid imposing administrative costs on SMEs, particularly those specialising in the emerging green technologies, which are already disadvantaged by higher production costs than those from conventional energy sources.

1.8 The Committee suggests that in order to increase transparency – a stated aim of the Commission – Member States should give due consideration to the views of local residents, as represented by civil society associations.

1.9 The Committee recommends that the Commission ensure that the costs of investment are not passed on to consumers.

2. Introduction

2.1 The liberalisation of the internal energy market is opening up new opportunities for investment in this sector; the new legislative context requires specific objectives to be achieved in the field of renewable energy and biofuels.

In view of the anticipated and desired increase in infrastructural investment in Europe, a harmonised framework is needed for the collection of data on energy plant (commissioning or decommissioning) projects.

2.2 The Commission is proposing to repeal Regulation (EC) No 736/96 and replace it with a new regulation aimed at monitoring infrastructure investment projects in respect of the production, transport and storage of energy and carbon dioxide.

2.3 The collection of relevant, appropriate data on progress in energy infrastructure in the Member States is crucial for carrying out regular cross-sector analyses aimed at anticipating possible structural gaps and imbalances in energy supply and demand. There is also a need to ensure transparency for market participants and cut administrative costs.

2.4 Regulation No 736/96 is not only obsolete – as its scope excludes a large swathe of renewable energy plants – but also fails to provide for a suitable system for collecting data and monitoring Member States' energy projects. The existing system could therefore be hindering investment certainty insofar as it fails to ensure transparency; in the long term, it could slow down the transition to a low carbon economy. Moreover, the current legislation does not seem to provide security guarantees as regards energy and carbon networks, production sites and storage facilities.

3. The Commission's proposal

3.1 The content of the proposed regulation hinges on the requirement for Member States to supply the Commission with information on infrastructure investment projects – concerning oil, natural gas, electricity and bio fuels, and the capture, storage and transport of carbon dioxide – on which work has started or is scheduled to start within five years, or which aim at taking infrastructure out of commission within three years.

3.2 The required information concerns: the capacity of the plant; the location, name, type and main characteristics of the infrastructure; the probable date of commissioning; the type of energy sources used; the infrastructure security technologies; and the installation of carbon capture systems. In the case of plant decommissioning, information is required on the character and capacity of the infrastructure concerned; and the probable date of decommissioning.

3.3 The Commission is proposing that Member States supply the requisite information every two years, as of 31 July 2010. Market operators are to provide the information to the Member States in whose territory they were planning to carry out investment projects before 31 May of each reporting year. The information notified would reflect the situation of investment projects as of 31 March of the year in question.

3.4 The Commission favours a model based on complementarity, to avoid the duplication of information. Member States are thus exempted from notifying information where they have already supplied equivalent information under other specific legislation or as part of a multi-annual investment plan.

3.5 The Commission proposes to use the information received to carry out, at least every two years, a cross-sector analysis of the structural development of the EU energy system, the results of which are to be discussed with the Member States and stakeholders. The results may be made public, except where they undermine personal data protection or are commercially sensitive.

3.6 The Commission is to adopt the measures necessary for the implementation of this regulation, regarding, in particular, the calculation methodologies to be used, the technical definitions, and the content of the requisite data. Provision is made for a review of the proposed regulation within five years of its entry into force.

4. General comments

4.1 The Committee welcomes the Commission's proposal, given the importance of the new regulation for meeting the objectives of the EU's energy policy. The chosen solution tries to reconcile the need to monitor and collect relevant information on investment projects with the need to limit administrative costs and foster transparency.

4.2 The aim of the regulation is to monitor the EU energy system by examining information on energy infrastructure investment projects, collected by the Commission, and specifically its Market Observatory for Energy.

4.2.1 The very existence of an internal market and need for such a monitoring system at supranational level attest to the greater suitability of legislation at EU rather than national level. The regulation proposed by the Commission is thus fully in line with the general subsidiarity principle.

4.2.2 It is clear from both the choice of a regulation as the legislative instrument, to replace a previous regulation governing this area, and its content – centred on the notification requirement on Member States, and mitigated by factoring in the need to avoid imposing an excessive administrative burden – that this proposal is also fully in line with the proportionality principle.

4.3 The Commission proposal favours a complementary notification model, as opposed to an integrated exhaustive system. The Committee would point out that this is a cost-effective option, conducive to lower administrative costs for companies and the Member States. It would have a positive impact on the final price of energy, while preventing the duplication and enhancing the quality of the data concerned.

4.4 The Committee believes that regular, complete and quality information not only enables the Commission to monitor and identify gaps in Europe's energy infrastructure, but also helps increase understanding of problems in this area among all national and European policymakers, as well as market operators and investors.

5. Specific comments

5.1 The Committee appreciates the clarity of the definitions in Article 2 of the proposed regulation. These definitions, which were not provided in the existing regulation (Regulation (EC) No 736/96), aid understanding of the legislation and clarify its scope.

5.2 The Committee thinks that undertaking a cross-sector analysis every two years should allow effective monitoring of the progress made in Europe's energy infrastructure projects.

5.3 The Committee has always maintained that the issue of infrastructure security cannot be isolated from that of security of supply. In a recent opinion on a similar topic ⁽¹⁾, the Committee stressed the need to ensure the security of plants and networks for transporting energy and carbon dioxide. It is therefore important that in its regular analyses the Commission take account of aspects relating to the modernisation and maintenance of existing plants and networks.

5.4 In the Committee's view, information on projects of Community interest is of key importance. Hinging on the quality of this information is the Commission's ability to guide the Member States in applying the energy solidarity principle and diversifying

supply sources, so as to reduce energy dependence on a small number of exporters of conventional energy. In the Committee's view, transnational energy infrastructure falls inherently within the remit of the Community. The Committee has even maintained in previous opinions that 'Community SGIs are necessary for the continued process of European integration', and that 'the progressive unification of energy networks (gas, electricity, oil) (...) could significantly reduce operating and investment costs and provide greater incentives to invest in new network projects [in the framework of public (Union and Member States) – private partnerships, thereby increasing security of supply]'. ⁽²⁾

5.5 The Committee notes that the system proposed by the Commission is underpinned by a centralised approach to energy production. This is despite the fact that many signs point to a future in which the European energy system may depend on decentralised plants for the generation of electricity for domestic use (solar panels, micro-cogeneration, etc.). Access to electricity transmission networks must be ensured for these plants, without entailing excessive administrative costs for SMEs.

5.6 The Committee points out that the details of the minimum thresholds set out in the Annex to the proposed regulation, above which the notification obligation is triggered, are not properly justified by the Commission.

5.7 The Committee calls for a more in-depth debate on the value and viability of CCS (Carbon Capture and Storage), having already expressed reservations as regards how worthwhile and safe carbon capture and transport projects actually are. The Committee notes, however, that the Commission's proposed regulation provides for the inclusion of information on carbon transport and storage projects. This should only be interpreted as subjecting such infrastructure to the regular European energy system analyses.

5.8 The Committee considers it vital that energy infrastructure construction does not go against the wishes of local residents and their representatives. It favours a transparent approach whereby local people are properly informed about the scale of planned projects by means of suitable economic, social and environmental impact analyses.

Brussels, 16 December 2009.

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

⁽¹⁾ OJ C 306, 16.12.2009, p. 51.

⁽²⁾ OJ C 128, 18.5.2010, p. 65.

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on “Supporting developing countries in coping with the crisis”’

COM(2009) 160 final

(2010/C 255/23)

Rapporteur: **Mr JAHIER**

On 28 April 2009 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on Supporting developing countries in coping with the crisis

COM (2009) 160 final.

The Section for External Relations, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 19 November 2009. The rapporteur was Mr Jahier.

At its 458th plenary session, held on 16 and 17 December (meeting of 16 December), the European Economic and Social Committee adopted the following opinion by 151 votes to five with eight abstentions.

1. Conclusions and recommendations

1.1 Now that the international economic and financial crisis seems less likely to become systemic, the EESC considers it vital that we do not neglect the serious impact it is having in many developing countries, threatening the results achieved over past decades and coming on top of the consequences of the energy and food crisis; all this could aggravate existing conflicts and political instability.

It is now up to the international community to take all the requisite steps and decisions in order to help the poorest countries tackle this crisis for which they bear no responsibility.

1.2 The EESC appreciates the Commission Communication as the first framework decision adopted by the international community; it remains the most positive and complete among those which have emerged. It offers numerous proposals, also looking ahead to the medium term, and these should be appropriately developed.

The EESC notes that the two main limitations of the Communication lie in the failure to schedule additional resources and the fact that the impact of the decisions regarding the crisis will be short-lived (e.g. the frontloading of aid commitments).

1.3 The EESC welcomes the results of the most recent international summits ⁽¹⁾, in particular the well-structured proposals concerning the poorer countries, the confirmation of the intention to boost the quantity and quality of aid, and the renewed drive for reform. However, this remains seriously inadequate for tackling such key issues as:

- the urgent need for more funds and the use of new instruments for financing development;

- reform of the aid system;

- the link between fiscal governance and development.

1.4 First and foremost, as noted by Commission President Barroso, it is vital to honour all the commitments which have been made in recent years. The EESC calls on the Commission to remind Member States of the need to respect their schedules for increasing aid appropriations; these have so far never really been revised, even though some Member States have effectively disowned them by deciding to cut appropriations.

The EESC believes that significant extra appropriations are urgently needed, as called for in all the main international forums, to channel new aid and investment into the poorer countries. The EESC also supports the proposal to earmark at least 0,7 % of the sums mobilised by the international community for tackling the crisis, currently estimated at around USD 7 000 billion.

1.5 The EESC considers that the double impact of the energy and food crises makes it necessary to adopt more precise priorities for new investment, as part of a sustained commitment to the Millennium Development Goals (MDG).

It is in the interest of both Europe and the poorer countries to make agriculture and food security a strategic priority, alongside investment in the urgent needs brought by climate change, and to launch a new round of strong investment in the poorer countries, with a view to ensuring long-term sustainable development.

⁽¹⁾ In particular the UN Summit of June 2009 and the Aquila G8 of July 2009.

1.6 The EESC calls on the new Commission to play a leading role internationally regarding the commitment to radically reform the development aid and investment system, grasping the challenges of the new millennium such as green growth and migration and launching a new drive to make the aid system as a whole more effective, transparent and efficient.

1.7 The EESC believes that the EU should not retreat from its moves to recognise and support non-state actors (NSA), particularly those representing the private sector, trade unions, farmers, women's organisations and consumers. This is a key part of the European approach.

The EESC deplores the Communication's failure to make any reference to their role in tackling the crisis, particularly as civil society is one of the few international players to have shown its ability to mobilise additional resources. In many of the poorer countries, the crisis is hitting the private sector particularly hard and hampering the activity of the social partners and civil society organisations. These bodies are vital to ensure sustainable forms of development in the long term.

1.8 Alongside respect for the commitments made in terms of official development assistance (ODA), the EESC supports the creation and adoption of new, innovative development funding mechanisms, such as a Tobin tax. It is especially important to recognise the key role of migrants' remittances by implementing the G8 decision to halve remittance transfer costs and devising strategies to protect migrant workers more effectively during the crisis.

1.9 The EESC thinks that all the measures to open markets should be continued, by relaunching the Doha negotiations, supporting regional integration processes ⁽²⁾, and strengthening mechanisms for financing trade, with special attention to the needs of the poorest countries regarding fair trade. FDI should also be relaunched, not least by leveraging innovative funding lines from the IMF and the World Bank, starting with a new issue of IMF special drawing rights and the establishment of an appropriate Vulnerability Fund by the World Bank.

1.10 Lastly, the EESC considers it vital that absolute priority at world level be given to the fight against corruption and tax fraud (avoidance and evasion), with a view to gleaning major new resources for development schemes. The EESC urges the Commission to address this issue forthwith and to draw up appropriate proposals.

⁽²⁾ See the EESC opinion on the Commission Communication on Regional integration for development in ACP countries, OJ C 317, 23.12.2009, p. 126, rapporteur: Mr Dantin, co-rapporteur: Mr Jahier.

2. Introduction

2.1 At the start of the international financial crisis, analysts were sure that the developing countries, especially the poorest, would not be affected. As the months went by, the possible effects on developing countries became clearer, particularly in view of the anticipated contraction of the world economy. It was only in April 2009, with the G20 summit in London and the IMF and World Bank meetings, that it became clear the crisis was starting to be felt in the main developing countries; this could push a further 100 million people into poverty, adding to the 160 million who have already fallen below the absolute poverty threshold following the energy and food crisis of 2007/2008.

2.2 The estimates are worrying. On 19 June the FAO published the key points of a forthcoming report on food insecurity in the world which indicates that in 2009 the number of people going hungry is set to exceed the billion mark for the first time. This is an overall rise of 11 %, and will trigger a major humanitarian crisis that could cancel out the successes of the 1980s and 1990s. On 22 June the World Bank drastically revised downward all its estimates, predicting a 3 % contraction of the world economy in 2009, with world trade falling by 10 % and a collapse of international private capital flows from USD 1 trillion in 2007 and USD 707 billion in 2008 to USD 363 billion in 2009. Overall growth in the developing countries is now estimated at just over 1 %. However, if China and India are excluded, GDP in developing countries is predicted to fall by 1,6 %. Africa will be particularly hard hit, with growth in 2009 forecast to be 66 % down on the 2007 figure. The ILO estimates that 50 million people could lose their jobs in 2009 and that the number of workers facing poverty could reach 200 million.

2.3 The financial and economic crisis has four major effects: a) a drop in the overall volume of trade, with plummeting export earnings; the developing countries face a financing gap estimated at between USD 270 and 700 billion ⁽³⁾; b) a drop in private investment flows, particularly to middle-income countries and those where major structural investment is under way; c) a sharp drop in emigrants' remittances, which in some African developing countries can account for 30 % of GDP and which in 2006 alone totalled USD 270 billion, i.e. more than double all development aid; d) a drop in official development assistance (ODA) from many bilateral donors in 2009 and 2010. The latter two effects, coming on top of the preceding crises in food and energy prices, are felt particularly in Africa, where these flows are often vital both for state budgets and for the very survival of local communities and households.

⁽³⁾ World Bank 2009 and African Development Bank March 2009. The figures quoted represent the lowest and highest current evaluations.

2.4 The consequences of these successive and interconnected problems – which clearly affect the various countries and areas in very different ways – include:

- a slowdown in growth or severe shrinkage of local economies;
- a sharp rise in unemployment, poverty and hunger, especially in urban areas, with serious consequences for the most vulnerable groups, especially women and minors;
- a drop in tax revenue, with serious budgetary consequences: African countries in particular have seen major fiscal adjustment over the last decade;
- resultant risks to public investment plans, especially for maintenance and infrastructure;
- greater problems regarding access to goods and services for large swathes of the population in tandem with a reduction in already fragile welfare systems;
- a drop in earnings from tourism;
- increasing difficulty of gaining access to credit and investment, particularly for the private sector;
- a serious impact on the ability to achieve the Millennium Development Goals (MDG), already seriously jeopardised for at least the last two years after the progress made between 2000 and 2005;
- the danger of not having sufficient means to tackle the effects of climate change.

2.5 The picture becomes even more worrying when one considers the possible consequences for the political stability and internal and external security of several parts of the world. A 2008 study by the British Government estimated that in 2010 half of the world's poorest people could be living in countries that are experiencing virtually permanent conflict.

2.6 Lastly, the crisis could trigger further migration both within individual countries and at regional level, and to the richer countries. As well as aggravating existing tensions, particularly on the EU's borders, all this could generate a further worrying loss of vital human resources for many of the poorer countries.

3. The Commission's response

3.1 The European Commission was the first body to take concrete decisions in the context of a commitment made towards the G20 in London, summed up by President Barroso in the following clear terms: 'the recession must not, cannot, will not be used as an excuse for going back on our aid promises'.

3.2 The Commission's Communication provides one of the most positive framework decisions proposed thus far by the international community to help the poorer countries tackle the crisis. As well as stressing the need to honour existing aid commitments and to leverage new resources for development (such as the ambitious but perhaps a little unrealistic proposal that every euro spent on aid should leverage five euro in non-ODA), the Communication underlines the importance of disbursing aid more quickly or frontloading it – a unique example among donors – and adopting more flexible mechanisms; it thus asks the EIB to devise counter-cyclical instruments, particularly for infrastructure and the financial sector. The Commission also undertakes to speed up budget support and, in exceptional cases, to consider macroeconomic assistance for European Neighbourhood Policy (ENP) countries.

3.3 The Communication notes that 'aid ineffectiveness' is very costly, and that substantial reform of the whole ODA system is needed. For its part, the Commission calls on Member States to promote common coordinated approaches to tackle the crisis. At the same time the EU, as the world's largest donor, should push for reform of the international aid system.

3.4 The Communication dwells at some length on measures to cushion the social and employment aspect by means of support mechanisms for social spending and the building of national and regional infrastructure. Particular attention is paid to the Mediterranean and Africa, not least in terms of funding. The Commission also renews its commitment to revitalise agriculture and invest in green growth through innovative financing to tackle climate change and support for the transfer of environmentally sustainable technologies.

3.5 Lastly, the Communication proposes measures to support the international trade system by making Aid for Trade (AfT) programmes more effective and increasing export credits. It also recommends promoting a discussion on sovereign debt restructuring mechanisms, with measures to strengthen tax governance at international, regional and domestic level.

3.6 The Council endorsed the main recommendations set out in the Communication, stressing the importance of Member States honouring their commitments and encouraging 'Member States, the Commission and the European Investment Bank (EIB) to take coordinated action (...) on the basis of joint country impact analyses of the crisis, in cooperation with international institutions and partner countries, with a view to identifying the most vulnerable and less resilient countries and population groups' ⁽⁴⁾.

⁽⁴⁾ Conclusions of the External Relations Council, 18 May 2009.

3.7 However, the most obvious shortcoming in the set of decisions taken by the EU is the fact that the only additional funding scheduled is the EUR 100 million per year assigned to the EU-Africa fiduciary fund for infrastructure.

4. ODA under threat

4.1 According to figures from the OECD's Development Assistance Committee (DAC), in 2008 official development aid reached its highest ever level, rising by 10 % in real terms to just under USD 120 billion, or 0.30 % of OECD members' GNI. Bilateral programmes have also risen in the last year after falling sharply in 2006-2008.

4.2 The total contribution of EU members stood at EUR 49 billion in 2008, a EUR 4 bn increase on the 2007 figure and representing 0,40 % of GNI. It is worth noting that at the time of the Monterrey Consensus, in 2002, the Commission set itself an interim target of 0,39 % by 2006. We are still a long way from the goal of allocating 0,20 % of GNI to the least developed countries; today only USD 20 billion are earmarked for Africa, compared with the 2010 target of USD 50 bn.

4.3 There are serious reservations about the EU's ability to secure the further increases, estimated at an additional EUR 20 bn, that are needed in order to reach the target of 0,56 % of GNI in 2010. In its AidWatch 2008 report, the CONCORD European NGO platform anticipated a drop in aid of USD 27 bn in the two years 2009-2010. It also considers that the EU figures should be revised because they include expenditure which should not come under ODA: USD 5 bn of foreign debt cancellation, 2 bn for scholarships and 1 bn for refugee-related costs. By excluding these figures, CONCORD arrives at a figure of just 0,34 % of GNI for 2008, well below the 2010 target of 0,56 %.

4.4 The World Bank's 2009 Global Monitoring Report agrees that despite the rise in 2008 and the commitments already made by some leading donors, the prospect of achieving the Gleneagles targets (USD 130 bn per year by 2010) is totally unrealistic in the present situation.

4.5 There is a growing feeling that new resources are needed which far exceed the Gleneagles commitments. The UNDP stresses that it is not just a matter of honouring commitments already made but also of substantially increasing budget allocations, for example by earmarking at least 0,7 % of all the finances released to prop up the banks and relaunch the economy (estimated at around USD 7 000 bn) to help the developing countries attain the Millennium Development Goals and relaunch direct, long-term investment and expenditure in the poorer countries. As World Bank President Zoellick himself has said several times since the start of the crisis, much more needs to be done to help the poorest countries tackle the devastating effects of a crisis that is not of

their making. Recent World Bank estimates put the overall financing gap for developing countries at between USD 350 bn and USD 635 bn. These figures are light-years away from the sums that the international community has so far been able to mobilise, not only as ODA but also in the form of other assistance and loans.

4.6 Moreover, if we exclude the intentions voiced by the EU, the OECD report shows that the crisis is tending to widen the gap between commitments and disbursements by the vast majority of bilateral donors, and often also to cause further delays or postponement of payments. Aid from non-DAC countries is rising but its total still does not significantly affect overall trends. Total aid from non-DAC countries which notified their figures to the OECD stood at USD 5.6 bn in 2007.

4.7 Although the data available are limited, private donor trends appear positive: USD 18.6 bn for 2007, up 25 % on the 2006 figure. Domestic data within the USA, not notified to the OECD, estimate flows from private donors at USD 37 bn in 2007, while many of the main foundations, such as the Gates Foundation, have announced increases of up to 20 % for 2009.

5. Aid effectiveness and the fight against corruption

5.1 In times of crisis it becomes vitally important to make aid more effective. The economic damage caused by the unpredictability of aid, its fragmentary nature and the lack of coordination between donors are only too clear. The Commission estimates that aid volatility can increase costs by between 15 and 20 %; full application of the aid effectiveness agenda could thus save around EUR 5-7 bn per year. The provisions of the 2005 Paris Declaration and the 2008 Accra Agenda for Action must be implemented as a matter of urgency, bearing in mind the decisions already taken by the EU which could really make a difference: division of labour between Member States and the Commission; better use of country systems; predictability of aid and greater accountability for results, including less use of conditionality ⁽⁵⁾.

5.2 The OECD notes that insufficient headway is being made on improving the quality of aid. Throughout the world, 225 bilateral agencies and 242 multilateral agencies fund hundreds of thousands of activities each year. By way of example, there are over 90 health funds worldwide, and the WHO has to report to some 4 600 donors and provide donors with around 1 400 reports per year. The government of a developing country has on average to receive and respond to around 200 official donor missions per year, plus several hundred missions by private donors. Furthermore, the OECD's latest monitoring survey shows that on average only 45 % of aid is delivered on schedule.

⁽⁵⁾ COM(2009) 160 final and Council conclusions of 22 July 2008.

5.3 Faster progress is therefore needed in order to achieve international targets. The governments of the EU's 27 Member States must show the requisite political will by:

- transparent use of the 12 indicators listed in the Paris Declaration;
- applying the EU codes of conduct;
- improving consistency between policies, and particularly between trade and development policies;
- resolute investment in the overall reform of the international aid system, exploiting the potential of non-state actors and launching a new multilateral round.

5.4 As part of this approach, consideration also has to be given to the huge amount of resources which in many developing countries are eaten up by corruption and illegal capital exports, with particular reference to investment linked to the exploitation of raw materials and major infrastructure schemes. It is an established fact that a significant proportion of aid is wiped out by corruption: this has devastating effects on the local population and damages the confidence of tax-payers in donor countries. According to Transparency International's 2008 global corruption report, corruption now costs USD 50 bn, equivalent to almost half the total volume of global ODA and to the investment needed to achieve targets for drinking water and sanitation. A distinct improvement in governance, particularly as regards aid traceability and more explicit conditionality for payments, is vital in all the EU's commitments and at multilateral level. It is regrettable, to say the least, that the Communication has nothing to say about this.

6. The role of private actors and civil society

6.1 The importance of the role of non-state actors (NSA) – which the Cotonou agreement defines as the 'private sector, economic and social partners, including trade unions, civil society in all its forms' (Article 6) – is now widely recognised. It is strange that the Communication makes no reference to their role in tackling the crisis, not least as they are the only international players showing themselves capable of mobilising additional resources. In many poor countries the crisis is hitting the private sector particularly hard and hampering the activity of the social partners and civil society organisations. These bodies are vital to ensure sustainable forms of development in the long term.

6.2 On 18 May 2009 the EC Court of Auditors issued its special report on the Commission's management of non-state actors'

involvement in EC development cooperation ⁽⁶⁾. While warmly appreciating the increasing investment of Community funds via NSA ⁽⁷⁾, the Court makes three main criticisms:

- non-state actors are insufficiently involved in the development cooperation process and their role is often limited to carrying out projects or supplying services. They tend to be consulted once only and too late;
- there is insufficient capacity development activity, and it tends to focus on communication and participation systems which in practice exclude most small or medium and non-urban organisations;
- there are numerous shortcomings in monitoring and implementation of procedures, which many organisations often find over-complicated and opaque and which sometimes do not provide adequate information about the progress of schemes and their final impact.

6.3 The problems highlighted by the Court lead us to reiterate what the EESC has been saying for years about the need to channel investment towards non-state actors, by tailoring procedures to involve them more effectively and by doubling to 20 % the volume of aid channelled directly to NSAs, as advocated in an earlier EESC opinion ⁽⁸⁾.

7. Towards a revision of aid and new funding instruments

7.1 There is now a clear need for wide-ranging reform of the international financial institutions, starting with the World Bank and the IMF. The June UN conference was unambiguous about this: the international financial institutions need to be clearly oriented towards development and must be reformed in order to 'reflect current realities and enhance the perspective and voice and participation of (...) developing countries' ⁽⁹⁾.

It is something of a paradox that, faced with the crisis, 82 % of IMF loans have gone to countries in Europe and only 1,6 % to African countries; and a scant USD 20 billion of the USD 1 100 bn decided by the London G20 on 2 April 2009 has gone to the poorest countries.

⁽⁶⁾ The Court's definition of non-state actors in this report only covers civil society organisations and excludes the private sector.

⁽⁷⁾ According to EuropeAid, the value of contracts concluded with NSAs in 2006 and 2007 can be estimated at EUR 836,43 million and 915,26 million (excluding humanitarian aid, which is managed by ECHO). This is equivalent to 10 % of EU aid to developing countries. Around 50 % of ECHO funding goes to NGOs (approximately EUR 353 million in 2007).

⁽⁸⁾ Florio opinion OJ C 234, 2003, Civil society and development policy.

⁽⁹⁾ See the Outcome of the UN conference on the world financial and economic crisis, June 2009.

7.2 The EU must take steps to secure a drastic revision of these relative percentages, first and foremost by giving more serious practical attention to the World Bank's proposal to set up a specific new Vulnerability Fund, designed principally to finance food security, social protection and human development, inter alia by establishing a specific common framework spanning the World Bank and the UN special agencies. The EU should also press for the issue of new IMF special drawing rights, for at least USD 250 bn, specifically earmarked to provide liquidity for development funding.

7.3 The EU must also play a leading role to ensure that trade financing and the early relaunch of the Doha negotiations give central importance to the needs of developing countries and provide specific support and safeguard measures for the poorest countries and for food security.

7.4 The EESC has long believed that it is necessary to work with alacrity to promote and extend new development finance instruments. It is regrettable that little progress has been made hitherto. The scope of the most recent initiatives and decisions should be extended: the International Finance and Facility Fund (IFF) for Immunisation, of November 2006, to fund vaccinations in the poorer countries; the Advanced Market Commitment from the same period; and the Aquila G8's initiative to halve within five years the transfer costs of migrants' remittances to their countries of origin, which could increase them by USD 13-15 bn per year. The EESC supports the proposal to finally start discussions on the application of a voluntary tax of 0,005 % on international financial transactions (Tobin tax), launched by the French and German governments at the recent G20 summit in Pittsburgh. These new financing mechanisms, which must be strictly additional to existing ODA commitments, should be more clearly tied to achievement of the individual Millennium Development Goals, and to the urgent needs brought by climate change and the costs which the poorer countries will have to bear over the coming years.

7.5 The issue of reforming the international aid system, which the Commission rightly raises in point 11 of its proposal, is extremely urgent, and the EU can play a real leadership role here, at least for the following points:

- the introduction of an international early-warning system to monitor in future years the impact of the crisis on people's living conditions and development prospects, in order to steer assistance and investment;
- the development of a proper accountability system to monitor progress and measure the effectiveness of its intervention, as decided at the G8 summit;
- more solid investment in the stabilisation of conflict areas, in institution-building and crisis management, strengthening local and regional planning and intervention capacity,

increasing universal social-protection systems, and scheduling appropriate investment to tackle the new challenges of food security and climate change;

- strengthening and extending access to microcredit, to support business initiatives which would not otherwise secure financing from the banks.

7.6 Treating food security and green growth as two long-term strategic investment goals can provide an important guiding thread for launching a new aid and investment system, made even more important by the crisis. It can also bring about a more coordinated involvement of resources and competences from emerging countries and provide a practical opportunity for economic partnership between the EU and OECD countries.

7.7 Two further specific points regarding the EU:

- a careful assessment is needed of the development in recent years of budgetary aid mechanisms, which should be more specifically directed at sectoral commitments such as health, decent work, education and training, infrastructure, social services and green growth, as advocated by the European Parliament ⁽¹⁰⁾;
- the distribution of remits among the new commissioners should be reviewed, in particular by giving the Development Commissioner direct control over EuropeAid, which is now assigned to the External Relations Commissioner.

7.8 In the development field above all others, it is clear that the EU must increasingly show itself able to speak with one voice and adopt a more united and coordinated front together with its Member States. It needs to do this both to be effective in the new international conditions which emerge from the crisis and to play a more effective role and deploy its existing resources and competences more effectively. Today more than ever before, given the changing positions of the players on the international stage, the development of the poorest countries and of Africa in particular is of strategic interest for Europe's own future development ⁽¹¹⁾.

7.9 The crisis has made greater international cooperation to fight corruption and tax evasion into an accepted fact, particularly as regards action against tax havens. According to the United Nations Office on Drugs and Crime (UNODC), the proceeds of criminal activity and tax evasion today account for between USD 1 000 bn and 1 600 bn of illicit cross-border flows, and half of these come from developing or transitional economies. Of this

⁽¹⁰⁾ Draft resolution of the DEVE committee, September 2009.

⁽¹¹⁾ See the opinion on Relations between the EU, Africa and China (OJ C 318, 2009, rapporteur: Mr Jahier) and the opinion on the External dimension of the Lisbon strategy (OJ C 128, 2010, rapporteur: Mr Jahier).

USD 500-800 bn, just 3 % stems from corruption, 30 % from criminal activities and 67 % from tax evasion. In other words, tax evasion costs developing countries between USD 300 bn and 500 bn. Of this, 285 bn is due to the informal sector and 160 bn to tax avoidance by many transnational companies operating in these countries ⁽¹²⁾. The EESC thinks that a firm

change of direction is urgently needed here, and today this seems more of a realistic prospect. It could free up unanticipated resources for development aid and investment while also favouring the development of more robust, fairer tax systems in many poor countries; this is vital for institution-building and for any healthy long-term development prospects.

Brussels, 16 December 2009.

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

⁽¹²⁾ See the CIDSE study of November 2008.

APPENDIX

The following amendment, which received at least a quarter of the votes cast, was defeated in the course of the plenary debate:

AM: Mr Peel

Point 7.9

Amend as follows:

7.9 The crisis has made greater international cooperation to fight corruption and tax evasion into an accepted fact, particularly as regards action against tax havens. According to the United Nations Office on Drugs and Crime (UNODC), the proceeds of criminal activity and tax evasion today account for between USD 1 000 bn and 1 600 bn of illicit cross-border flows, and half of these come from developing or transitional economies. Of this USD 500-800 bn, just 3 % stems from corruption, 30 % from criminal activities and 67 % from tax evasion. In other words, tax evasion costs developing countries between USD 300 bn and 500 bn. Of this, 285 bn is due to the informal sector and 160 bn to tax avoidance by many transnational companies operating in these countries⁽¹⁾. The EESC thinks that a firm change of direction is urgently needed here, and today this seems more of a realistic prospect. It could free up unanticipated resources for development aid and investment while also favouring the development of more robust, fairer tax systems in many poor countries; this is vital for institution-building and for any healthy long-term development prospects.

Reason:

These figures to be deleted as they do not appear in the UNODC report, as implied.

Voting

For: 59

Against: 93

Abstentions: 9

Votes cast: 161

⁽¹⁾ See the CIDSE study of November 2008, mentioned in the bibliography overleaf.

Opinion of the European Economic and Social Committee on the ‘Proposal for a Directive of the European Parliament and of the Council relating to the radio interference (electromagnetic compatibility) of vehicles (codified version)’

COM(2009) 546 *final* — 2009/0154 (COD)
(2010/C 255/24)

On 9 November 2009 the Council decided to consult the European Economic and Social Committee, under Article 95 of the Treaty establishing the European Community, on the

Proposal for a Directive of the European Parliament and of the Council relating to the radio interference (electromagnetic compatibility) of vehicles

COM(2009) 546 *final* – 2009/0154 (COD).

Since the Committee unreservedly endorses the content of the proposal and feels that it requires no comment on its part, it decided, at its 458th plenary session of 16 and 17 December 2009 (meeting of 16 December 2009), by 179 votes, with two abstentions, to issue an opinion endorsing the proposed text.

Brussels, 16 December 2009.

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

Opinion of the European Economic and Social Committee on the 'Proposal for a decision of the European Parliament and of the Council repealing Council Decision 79/542/EEC drawing up a list of third countries or parts of third countries, and laying down animal and public health and veterinary certification conditions, for importation into the Community of certain live animals and their fresh meat'

COM(2009) 516 final — 2009/0146 (COD)
(2010/C 255/25)

On 27 October 2009 the Council decided to consult the European Economic and Social Committee, under Article 37 and Article 152, 4b) of the Treaty establishing the European Community, on the

Proposal for a decision of the European Parliament and of the Council repealing Council Decision 79/542/EEC drawing up a list of third countries or parts of third countries, and laying down animal and public health and veterinary certification conditions, for importation into the Community of certain live animals and their fresh meat

COM(2009) 516 final – 2009/0146(COD).

Since the Committee endorses the contents of the proposal and feels that it requires no comment on its part, it decided, at its 458th plenary session, held on 16 and 17 December 2009 (meeting of 16 December 2009), by 178 votes in favour and 4 abstentions to issue an opinion endorsing the proposed text.

Brussels, 16 December 2009.

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

2010/C 255/19	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 — Strategic goals and recommendations for the EU's maritime transport policy until 2018' COM(2009) 8 <i>final</i>	103
2010/C 255/20	Opinion of the European Economic and Social Committee on the 'Communication from the Commission: A sustainable future for transport: Towards an integrated, technology-led and user friendly system' COM(2009) 279 <i>final</i> and on 'Starting points for European transport policy after 2010'	110
2010/C 255/21	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: Internet of Things — An action plan for Europe' COM(2009) 278 <i>final</i> ...	116
2010/C 255/22	Opinion of the European Economic and Social Committee on the 'Proposal for a Council Regulation concerning the notification to the Commission of investment projects in energy infrastructure within the European Community and repealing Regulation (EC) No 736/96' COM(2009) 361 <i>final</i> — 2009/0106 (CNS)	121
2010/C 255/23	Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on "Supporting developing countries in coping with the crisis"' COM(2009) 160 <i>final</i>	124
2010/C 255/24	Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council relating to the radio interference (electromagnetic compatibility) of vehicles (codified version)' COM(2009) 546 <i>final</i> — 2009/0154 (COD)	132
2010/C 255/25	Opinion of the European Economic and Social Committee on the 'Proposal for a decision of the European Parliament and of the Council repealing Council Decision 79/542/EEC drawing up a list of third countries or parts of third countries, and laying down animal and public health and veterinary certification conditions, for importation into the Community of certain live animals and their fresh meat' COM(2009) 516 <i>final</i> — 2009/0146 (COD)	133

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