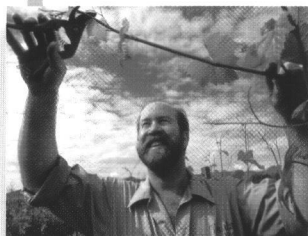


CES: 1

# European Economic and Social Committee



European Economic and Social Committee



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## Facts and figures - October 1998

### PRESIDENCY

President: Beatrice RANGONI MACHIAVELLI  
(Italy - Various Interests)

Vice-presidents: Josly PIETTE  
(Belgium - Workers)

Aina Margareta REGNELL  
(Sweden - Employers)

Secretary-General: Patrick VENTURINI

### ORIGINS

The ESC was set up by the 1957 Rome Treaties in order to involve economic and social interest groups in the establishment of the common market and to provide institutional machinery for briefing the European Commission and the Council of Ministers on European Union issues.

The Single European Act (1986), the Maastricht Treaty (1992) and the Amsterdam Treaty (1997) have reinforced the ESC's role.

### MEMBERSHIP

The 222 members of the ESC are drawn from economic and social interest groups in Europe. Members are nominated by national governments and appointed by the Council of the European Union for a renewable 4-year term of office. They belong to one of three groups: Employers (Group I - president: Manuel Eugénio Cavaleiro Brandão - Portugal), Workers (Group II - president: Roger Briesch - France), Various Interests (Group III - president: Anne-Marie Sigmund - Austria). Germany, France, Italy and the United Kingdom have 24 members each, Spain has 21, Belgium, Greece, the Netherlands, Portugal, Austria and Sweden 12, Denmark, Ireland and Finland 9 and Luxembourg 6.

### THE MEMBERS' MANDATE

The task of members is to issue opinions on matters referred to the ESC by the Commission and the Council, as well as the European Parliament pursuant to the Amsterdam Treaty.

The ESC is the only socio-occupational advisory body that can be consulted by the EU Council of Ministers.

### ADVISORY ROLE

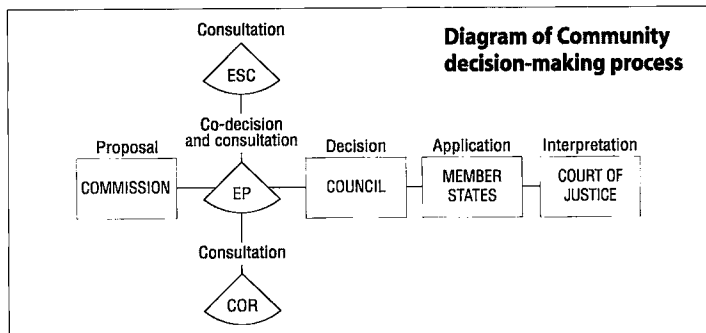
Consultation of the ESC by the Commission or the Council is mandatory in certain cases; in others it is optional. The ESC may, however, also adopt opinions on its own initiative. The Single European Act (17.2.86), the Maastricht Treaty (7.2.92) and the Treaty of Amsterdam (signed on 2.10.97) extended the range of issues which must be referred to the Committee: regional policy, environmental policy, employment policy, broad guidelines for economic policies, combating social exclusion, etc. The ESC produces 180 opinions a year (of which 15% are issued on its own initiative). All opinions are forwarded to the Community's decision-making bodies and then published in the Official Journal of the European Communities.

### INFORMATION AND INTEGRATION ROLE

Over the last few years the ESC has stepped up its role in the European Union and has transcended the straightforward duties flowing from the treaties. It acts as a forum for the single mar-

ket and has hosted, with the support of other EU bodies, a series of events aimed at bringing the EU closer to the people.

Diagram of the Community's decision-making process



### INTERNAL ORGANIZATION

#### 1. Presidency and Bureau

Every two years the ESC elects a Bureau made up of 21 members (seven per group), and a president and two vice-presidents chosen from each of the three groups in rotation.

The president is responsible for the orderly conduct of the Committee's business. He is assisted by the vice-presidents, who deputize for him in the event of his absence.

The president represents the ESC in relations with outside bodies.

Joint briefs (relations with EFTA, CEEC, AMU, ACP countries, Latin American and other third countries, and the Citizens' Europe) fall within the remit of the ESC Bureau and the president.

The Bureau's main task is to organize and coordinate the work of the ESC's various bodies and to lay down policy guidelines for this work.

#### 2. Sections

The Committee has six sections:

- Section for Economic and Monetary Union and Economic and Social Cohesion - secretariat tel. 546 9366 (president: Umberto Burani - Group I - Italy)
- Section for the Single Market, Production and Consumption - secretariat tel. 546 9598 (president: Klaus Schmitz - Group II - Germany)
- Section for Transport, Energy, Infrastructure and the Information Society - secretariat tel. 546 9611 (president: José Ignacio Gafó Fernández - Group I - Spain)
- Section for Employment, Social Affairs and Citizenship - secretariat tel. 546 9215 (president: Jan Olsson - Group III - Sweden)
- Section for Agriculture, Rural Development and the Environment - secretariat tel. 546 9687 (president: Etienne de Paul de Barchifontaine - Group III - Belgium)
- Section for External Relations - secretariat tel. 546 9537 (president: Tom Jenkins - Group II - United Kingdom)

#### 3. Study groups

Section opinions are drafted by study groups, varying in size from three to 15 members, including a rapporteur who may be assisted by as many as four outside experts.

#### 4. Other bodies

The ESC has the right to set up other ad hoc

structures under its Rules of Procedure, known as sub-committees, for specific issues. It has also set up a permanent Single Market Observatory.

#### 5. Plenary session

As a rule, the full Committee meets in plenary session ten times a year. At the plenary sessions, opinions are adopted on the basis of section opinions by a simple majority. They are forwarded to the institutions and published in the Official Journal of the European Communities.

### EXTERNAL RELATIONS

#### 1. Relations with economic and social councils

The ESC maintains regular links with regional and national economic and social councils throughout the European Union. These links mainly involve exchanges of information and joint discussions every year on specific issues.

The ESC also liaises worldwide with other economic and social councils at the "International Meetings" held every two years.

#### 2. Relations with economic and social interest groups in third countries

The ESC has links with economic and social interest groups in a number of non-member countries and groups of countries, including Mediterranean countries, the ACP countries, central and eastern Europe, Latin America and EFTA. For this purpose the ESC sets up delegations headed by the president or a vice-president. Some meetings involving the countries of central and eastern Europe have been institutionalized with the agreement of the Council, e.g. with the Committee's counterparts in Hungary and - in the near future - with those in Bulgaria and Poland. There are also formal links with socio-economic interest groups in Turkey.

### PUBLICATIONS

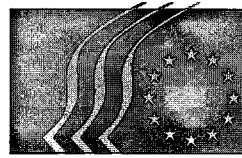
The ESC regularly distributes a number of publications, including its main opinions in brochure format, a monthly newsletter entitled ESC INFO and its Annual Report.

### SECRETARIAT-GENERAL

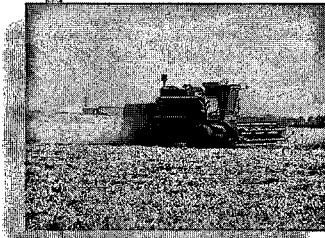
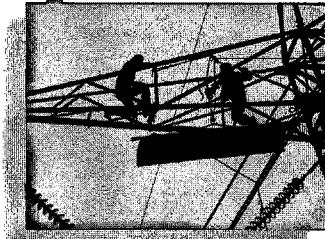
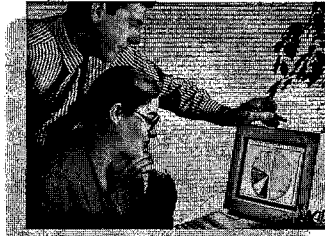
The Committee is serviced by a secretariat-general, headed by a secretary-general who reports to the president, representing the Bureau.

135 staff work exclusively for the Economic and Social Committee. Since 1 January 1995, the Economic and Social Committee and the Committee of the Regions have shared a common core of departments whose staff, numbering 516, are mostly members of the ESC secretariat.

# European Economic and Social Committee



*European Economic and Social Committee*



# BULLETIN

1 '99

CES: 1



This Bulletin reports on the activities of the Economic and Social Committee, a European consultative assembly. It is published after plenary sessions in French, English and German. Versions in the eleven official languages of the European Union are available on the ESC Internet site (<http://www.esc.eu.int>).

The complete texts of ESC opinions are available:

- *in the Official Journal of the European Communities,*
- *on the CELEX database,*
- *at the ESC Internet site,*
- *on written request from the ESC General Secretariat.*

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## I. 360<sup>th</sup> PLENARY SESSION - 27 and 28 JANUARY 1999

The European Economic and Social Committee held its 360<sup>th</sup> plenary session in Brussels on 27 and 28 January 1999. The ESC president, **Mrs Rangoni Machiavelli**, took the chair. The session was attended by **Mr Heiner Flassbeck**, Germany Secretary-of-state at the Federal Finance Ministry, on behalf of the German presidency.

Mr Flassbeck came to address the ESC on the economic aspects of the programme of the German presidency, against the background of the new stage in the process of EMU which had started on 1 January 1999. The speaker highlighted the need for collective discipline on the part of all the parties involved; the social partners should be called upon to help, with a view to ensuring that no party had to bear an intolerable burden and that we did not lose sight of the key objective, namely to combat unemployment. The speaker welcomed the establishment of an employment pact at EU level; that should make it possible to: (a) continue to seek to iron out structural problems by taking coordinated action; (b) coordinate labour policies and labour markets; and (c) coordinate macro-economic policy under the auspices of the new monetary union. The speaker had read with interest the ESC's opinion of December 1998 on the global economic situation; that situation was having repercussions- both symmetrical and asymmetrical - on the EU member states. As to how we were to deal with such shocks, the automatic stabilizers introduced by the EU would provide one course of action; the speaker did, however, point out that devaluations, fortunately, no longer represented a possible answer but he also noted that reducing wage costs was a risky strategy. The German presidency was placing its hopes more on an upturn in demand, backed up by a moderate rate of inflation of 1% per year, and proposed as a model the reunification process between the two Germanies. The speaker remained optimistic and had confidence in the ongoing dialogue with the economic and social partners.

\*

\* \*

In the course of the session, the Committee adopted the following opinions:

**Section for the Single Market, Production and Consumption**  
**Joao Pereira dos Santos, Head of Division - ☎ (32-2) 546 9245**

**1. XXVIIth REPORT ON COMPETITION POLICY (1997)**

**Opinion of the Economic and Social Committee on the XXVII Report on Competition Policy (1997) (SEC(1998) 636 final)**

(CES 55/99)

Rapporteur: Mario SEPI (Italy - Workers)

**Gist of the Commission proposal**

This report is published in conjunction with the General Report on the Activities of the European Union - 1997. It covers the main developments in competition policy: restrictive agreements and abuse of a dominant position, state monopolies and monopoly rights, merger control, state aid and the international dimension.

At the extraordinary European Council meeting on employment (Luxembourg, 20 and 21 November) the Member States agreed on "guidelines" to back the European Union's activities in support of employment. One is struck when reading the guidelines by the many forms the struggle against unemployment takes and by the many remedies that are needed to relieve it. Several of the priority measures identified involve competition policy.

The Luxembourg summit clearly assigns a role in the employment sphere to competition policy, especially as it relates to state aid. Paragraph 27 of the guidelines states that "it is important to focus on aid arrangements which favour economic efficiency and employment without causing distortions of competition".

Competition policy is clearly one of the keys to winning the struggle against unemployment in Europe.

The XXVIIth report contains the following chapters:

**I. Antitrust: Articles 85 and 86**

- A) Changes in the legislative and interpretative rules*
- B) Applying the competition rules to support market integration*
- C) Undertakings in a dominant position*
- D) Information society*
- E) Transport*
- F) Energy*
- G) Financial services*
- H) Statistics*

**II. State monopolies and monopoly rights: Articles 37 and 90**

- A) The Treaty of Amsterdam*
- B) Telecommunications*
- C) Media*
- D) Energy*
- E) Postal services*
- F) Transport*
- G) Other State monopolies of a commercial character*

**III. Merger control**

- A) Introduction*
- B) Merger review*
- C) New developments*
- D) Statistical overview*

**IV. State aid**

- A) General policy*
- B) Concept of aid*
- C) Assessing the compatibility of aid with the common market*
- D) Procedures*
- E) Statistics*

**V. International cooperation**

- A) Central and eastern Europe*
- B) North America*



C) *WTO*

D) *Other developments in international relations*

Outlook for 1998

### **Gist of the opinion**

The Committee emphasizes that the internal (EMU, single market etc.) and external (enlargement, international cooperation) changes that are to take place over the next few years will demand careful consideration of the relationship between the new tasks and the resources needed to accomplish them. These new tasks and the increasing complexity of existing tasks will require an enhanced intervention capability.

For an effective employment policy, the Luxembourg summit suggested that "it is important to focus on aid arrangements which favour economic efficiency and employment without causing distortions of competition". To determine suitable guidelines on the matter, the Commission should urgently put forward its ideas on competition and other aspects and establish which instruments to use in order to pursue them.

The foreword acknowledges this need but does not indicate how it is to be addressed. In particular, it is not clear whether the Commission intends to treat this objective as a side-effect of improved competitiveness, or whether - as the Luxembourg summit seems to suggest - new, employment-oriented criteria for the Commission's action are being drawn up.

It is also essential to modernize the instruments and procedures involved in the liberalization of public services. The balance between the market and citizens' access to such services needs to be further redressed in pursuance of Article 7d of the Amsterdam Treaty.

An issue that has in the past been exclusively a matter for the Member States, but is now of considerable interest due to the advent of the single currency and the growth in competition, is that of taxation and social security contributions. Several countries are calling for coordination in this field. The Committee believes that failure to

harmonize could lead to serious distortions of competition and a shift in the tax burden towards taxation of labour rather than of financial returns.

In any event, these new areas of Community policy will increasingly require an extension of the three-way dialogue between all the parties concerned, in view of the impact of competition on EU social and industrial policies.

In several technological sectors in economic areas outside Europe, public support is far more widespread and multi-faceted than in the EU. The Committee asks the Commission to consider the case for introducing similar industrial policy instruments, so that European industry will not be at a disadvantage in these sectors (space, defence, aeronautics), which are of strategic importance to the economy and are global market players.

The Committee emphasizes the need to fully revise the rules, to give legislative substance to Commission procedures and Court rulings, thus providing European citizens with a practical, transparent system and enabling applicant countries to adapt their systems rapidly. In this context, the Commission's proposals are positive, particularly the one on control procedures and sanctions on illegitimate state aid, as it demonstrates the Commission's aim to overcome the differences in the commercial law of Member States.

The Committee welcomes the recent agreement with the US antitrust authorities. However, the OECD and WTO must work for truly international regulations and make sure that these are enforced.

In the Committee's view, the task of introducing the Member States' competition policies in the candidate countries remains extremely difficult, despite the Commission's efforts. Applying these policies too rigorously would have dramatic social consequences, but not applying them would seriously distort competition. A transitional stage is thus needed, to take account of the social as well as economic aspects of enlargement in this sector.

The WTO negotiations and bilateral agreements must always take account of ILO conventions on working conditions, which should dovetail with international trade rules.

## 2. CUSTOMS CODE

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Regulation (EC) amending Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code**  
(COM(1998) 226 final - 98/0134 COD)

(CES 56/99 - 98/0134 COD)

Rapporteur: Helmut GIESECKE (Germany - Employers)

### Gist of Commission document

Council Regulation (EEC) No. 2913/92 of 12 October 1992 established the Community Customs Code and committed the Council to reviewing the Code after four years in the light of experience gained from the practical application of the measures during that period.

The Community Customs Code has been amended twice since its entry into application in 1994. The first set of amendments arose out of the Act of Accession of 1995 and the second was made in Regulation (EC) No. 82/97 of the European Parliament and of the Council of 19 December 1996 and mainly involved transposing the outcome of the Uruguay Round negotiations on agricultural policy and the rules of origin.

The Commission concludes that the quality objective of codifying (or recasting) the legislation seems to have been achieved for the Basic Regulation but further work is still needed on the implementing provisions. The Customs 2000 action programme and the objective of simplification represent the frame of reference for a modern code, whilst the Community's transit action plan and the communication on the management of the preferential tariff arrangements are also affecting the Code's development.

Since 1992 the sums involved in frauds and irregularities have risen steeply, the problems of detection have multiplied because of the increasingly sophisticated nature of the practices, and there has been increasing involvement by organized crime which has clearly chosen to move into customs fraud because of the substantial gains it can make without incurring any real risk.

The current round of amendments is mainly intended to make the Basic Regulation more flexible.

This concerns in particular:

- the rules governing customs debt and the question of proportionality;
- provisions recognizing a new type of free zone with special supervision rules;
- increased flexibility of customs procedures with economic impact;
- simplification of customs formalities and the obligation to present certain accompanying documents together with the customs declaration;
- making the recovery procedure more effective by allowing extension of the prescription period where an irregularity is suspected and more investigation is required, and revising the relationship between the recovery and appeals procedures;
- replacement of the reservation clause by the option to reserve indirect representation alone to customs agents.

### Gist of the Opinion

The Committee welcomes the proposed amendments since they serve both to bring the uniform EU customs provisions into line with current developments and to underscore the fact that these provisions meet the requirements of the new millennium. The Committee does, however, highlight the need for the codified customs provisions to be continuously reviewed, at given intervals, to ensure that they are line with economic reality.

The Committee recognizes that moves towards liberalizing customs controls - designed to benefit honest economic players and to take account of the growing volume of trade - must be backed up by sensible control systems, geared to the level of risk, in order to provide safeguards. The operational activities of the Unit on Coordination of Fraud Prevention (UCLAF) and the measures set out in the Customs 2000 action programme should play a special role in this context.

In the context of the freedom to provide services, the Committee is also very critical of the maintenance of the special status of customs agents in respect of indirect representation, even though this is only to constitute an option. It should be sufficient, in this respect, for the national customs administrations concerned to carry out a risk analysis.

The Committee particularly welcomes the proposed exemption from the need to submit supporting documents (Article 62 (3)); this exemption is an essential prerequisite for the electronic processing of declarations. In the interests of all the parties involved, the Committee does, however, take the view that the exemption should not be applied to electronic processing in cases where there is a well-founded doubt or where it is suspected that supporting documents have been falsified.

The Committee takes the view that it is advisable to establish specific time-limits for the re-exporting of goods placed under the inward processing procedure (Article 118(4)). The Committee nevertheless considers that it is vitally necessary to permit derogations from the re-exporting time-limit, in well-founded exceptional cases, thereby making it possible to comply with economic interests in particular individual cases.

In the Committee's view, the proposed amendments to Articles 152 and 153 constitutes a clear transfer of power from the Council to the Commission. The Committee rejects this transfer of power.

In addition to the simple issue of the calculation of customs duties, attention also has to be paid here to the issue of the recovery of national taxes, in particular VAT (Article 215 (5) and (6), on imports. The Committee takes the view that the proposed amendment makes it necessary to make adjustments to the sixth VAT Directive (77/388/EEC) and the Directives governing excise duties.

The entry in the accounts of sums which have not been finally settled (Article 220 (1)) flies in the face of current practice in the EU on the basis of Article 220. The proposed additional provisions do, in the Committee's view, constitute a perfectly appropriate means of combating cases of fraud. The Committee believes that the proposed additional provision should apply only in cases where fraud has been established. The Committee therefore calls upon the Commission to provide a clearer definition of the field of application. The Committee believes that there is a need to make it abundantly clear that the proposed sub-paragraph shall apply only in the case of fraud and not in cases where good faith needs to be protected.

The Committee does, however, have considerable reservations as to whether Community traders will readily be able to recognize that a given communication of a customs debt involves different expiry dates (Article 221(3) to (5)). Such "mixed" communications should be divided up; the bundling together of communications involving the same expiry dates would be preferable.

### **3. EMISSION OF GASEOUS POLLUTANTS / AGRICULTURAL TRACTORS**

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Directive on action to be taken against the emission of gaseous and particulate pollutants by engines intended to power agricultural or forestry tractors and amending Council Directive 74/150/EEC**

(COM(1998) 472 final - 98/0247 COD)

(CES 57/99 - 98/0247 COD)

Rapporteur: Edoardo BAGLIANO (Italy - Employers)

#### **Gist of the Commission document**

The European type-approval of tractors that has gradually been established since 1974 is based on Framework Directive 74/150/EEC, as last amended by Directive 97/54/EC, and on 22 separate directives. The aim is to create a single approval system that guarantees free movement within the Union.

For the moment, implementation of the directives and full-vehicle approval remain optional. Each manufacturer may thus decide freely whether to use them or not. However, where a choice is made to certify either an engine that is intended to power tractors or else a tractor in accordance with those directives, the Member States are required to authorize the free movement of these.

Those 22 separate directives include Council Directive 77/537/EEC relating to the measures to be taken against the emission of pollutants from diesel engines for use in tractors, but which only deals with the opacity of the exhaust gases. This proposal supplements that Directive 77/537/EEC by drawing a distinction between the four pollutant chemical components (CO, NO<sub>x</sub>, HC and PT). It is therefore necessary to amend framework Directive

74/150/EEC in order to add a further heading to Annex II which mentions the subject covered by this proposal, together with the code SD (separate Directive).

#### **Gist of the opinion**

The Committee welcomes the draft directive, which lays down the same test requirements for the type-approval of motors and tractors as those already adopted for non-road mobile machinery, together with the corresponding emission limit values, so as to "ensure an equivalent level of environmental protection".

The obligation to place the additional mark "on the topside of the engine" (Annex I, Appendix 3, point 3) would not ensure direct visibility in practice, thereby negating the original aim of the mark, which is to back up the main mark. The Committee therefore proposes that the words "the topside" be deleted.

Alternatively, placing a label on the side window or door of the vehicle might be considered.

It follows logically from the draft directive's reference to Directive 97/68/EC that the reference fuel - to be used for gaseous emission tests - should be that specified in Annex IV of the directive on non-road mobile machinery. This fuel was specially developed for this type of machinery.

It should, however, be borne in mind that agricultural tractors are also subject to the provisions of Directive 77/537/EEC on smoke emissions, and Annex V stipulates the use of another reference fuel for checking such emissions. The Committee calls for this anomaly to be removed as soon as possible by bringing the reference fuel requirements of the 1977 directive into line with the more up-to-date requirements under the 1997 non-road mobile machinery directive (which sets the date as 1 January 2001).

#### **4. HEATING SYSTEMS - PASSENGER COMPARTMENT OF MOTOR VEHICLES**

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Directive amending Council Directive 78/548/EEC on the approximation of the laws of the Member States relating to heating systems for the passenger compartment of motor vehicles (COM(1998) 526 final - 98/0277 COD)**

(CES 58/99 - 98/0277 COD)

Rapporteur: Edoardo BAGLIANO (Italy - Employers)

#### **Gist of the Commission document**

The aim of this Directive is to amend Council Directive 78/548/EEC relating to heating systems of motor vehicles by the introduction of improved prescriptions for all kinds of heating systems of the passenger compartments and by aligning the administrative provisions of this Directive to those of the framework Directive establishing the type-approval procedure for motor vehicles and trailers (Council Directive 70/156/EEC of 6 February 1970, as last amended by Directive 98/14/EC).

The proposal provides also for the possibility to grant a type-approval for the heating device as (a) a component which then can be installed in any vehicle without further technical testing being required, or (b) a part of a specific vehicle when fitted to that vehicle.

It is proposed that the new provisions should apply:

- from 1 October 2000 for all new vehicle types;
- from 1 October 2001 for all new vehicles.

#### **Gist of the opinion**

The Committee notes the increasing use of devices to enhance the comfort of vehicle users, both passengers and drivers, and agrees with the

Commission on the need to *harmonize legislation*, taking account of the different types of vehicle to which such devices are fitted. Heating systems are in fact used for applications ranging from the passenger compartments of cars, buses and trucks, to the sleeping compartments of trucks and motor caravans, and the load areas of trucks and trailers used for carrying goods sensitive to excessive falls in temperature.

The Committee would recall, concerning load areas of trucks and trailers, that precise prescriptions exist for the *transport of perishable goods and animals* based on the international ATP agreement and therefore proposes that the draft directive make appropriate reference to them.

The Committee emphasizes the importance of heating systems to the well-being and comfort of passengers.

Instructions on how to use, operate and maintain heating devices should also be available to users in clear and readily comprehensible form.

The Committee would have preferred the Commission to have kept the approval procedures and prescriptions for heating devices clearly *separate* from those for the fitting of such devices to vehicles. This would have made the proposal clearer and more precise.

## 5. ELECTRONIC MONEY

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Directive on the taking up, the pursuit and the prudential supervision of the business of electronic money institutions and the Proposal for a European Parliament and Council Directive amending Directive 77/780/EEC on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions**  
(COM(1998) 461 final - 98/0252 COD - 98/0253 COD)

(CES 69/99 - 98/0252 COD - 98/0253 COD)

Rapporteur: Umberto BURANI (Italy - Employers)

### Gist of Commission document

Progress in information technology has contributed to the development of a new kind of payment instrument, namely "electronic money", which may take the form of value stored on a technical device such as a chip card or in the memory of a personal computer, and which has the potential to replace a substantial number of cash payments over the long term.

These developments have implications for the European Union both in terms of completion of the internal market as well as regulatory and supervisory concerns associated with issuing electronic money.

The Commission proposal for a Directive on the business of electronic money institutions is a response to the Cardiff European Council's appeal to improve the single market in financial services. It aims to introduce minimum harmonized rules for electronic money institutions, via the concept of the single passport, removing barriers to exercising cross-border financial business activities and allowing free circulation of new technologies and products. It also addresses the questions of the financial integrity of those issuing electronic money, and sets up the necessary regulatory and supervisory framework.

For the purposes of the draft Directive, "electronic money" is defined as a multi-purpose digital form of cash, not requiring authorisation from a bank or other third party, hence excluding debt cards, credit cards, and single-purpose pre-paid cards such as telephone cards.

### Gist of the Opinion

The Committee endorses the Commission initiative and notes that in drawing up this directive, the Commission has based its approach mainly on opening up the markets in a climate of maximum competition involving as little regulation as possible. At the same time it feels duty-bound to point out that too little attention has been devoted to the effects of applying the directive in other fields, some of which admittedly fall outside the Commission's remit, e.g. supervision of monetary flows, and the impact on payment systems.

Another basic reservation concerns the concept of electronic money: this definition lumps together two products with some characteristics in common, but which are essentially different in terms of the techniques and technologies used, but above all in terms of their purposes and implications for the market.

The ESC takes the view that the possibility of electronic money being used for criminal purposes is a major cause of concern, and that regulations in this field must aim throughout to defend society against this danger. The ESC strongly recommends that the Commission assess this aspect very carefully: even if the anti-money laundering directive formally applies to electronic money institutions, it is extremely difficult to monitor its actual implementation.

Another basic reservation concerns international aspects. It would not seem to be possible to control and prevent the use of electronic money (*software*

*money*) from an issuer in a third country by a European beneficiary, or the offering of a *software money* service by an American issuer to European customers.

Finally, the Committee is somewhat concerned about the consequences which excessively "minimalist" legislation would have on consumer protection. Consumers are not protected against the loss of their funds, given that electronic money is not regarded as a "deposit" and is therefore not covered by deposit guarantee funds. In addition, if an electronic money institution became insolvent, the total of the commitments in relation to the *market as a whole* could be such as to involve a systemic risk in the payment systems and in the market itself. This consideration becomes particularly important in view of the fact that the bulk of the creditors are small and medium-sized enterprises in the commercial, tourism or services sectors.

**Section for Transport, Energy Infrastructure and the Information Society**

Luigi Del Bino, Head of Division - ☎ (32-2) 546 9353

## 6. TRANSPORT AND CO<sub>2</sub>

**Opinion of the Economic and Social Committee on the *Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on Transport and CO<sub>2</sub> - Developing a Community Approach***  
(COM(1998) 204 final)

(CES 59/99)

Rapporteur: Sergio COLOMBO (Italy - Workers)

### **Gist of the Commission document**

The emission reduction targets for greenhouse gases agreed at Kyoto mark an important milestone in efforts to curb climatic change caused by human activity. But they are just a first step, given the need to dramatically reduce emissions in the long term in order to stabilize the Earth's climate.

The European Union made an important contribution to the Kyoto agreement and the Commission feels it should continue to play a leading role. The first priority must, therefore, be to devise a sound, credible and cost-effective strategy for achieving the Kyoto target.

This will require action in all sectors of the economy throughout the Union, including the transport sector. Special attention will have to be focused on CO<sub>2</sub> emissions, which on present trends, will increase by about 40% between now and 2010 (compared with 1990 levels).

The communication examines various measures for curbing CO<sub>2</sub> emission growth in the transport sector, building largely on the common transport policy. It takes stock of existing Community approaches which could be deployed to this end and which in the Commission's view should underpin the Community's efforts to ensure that the transport sector makes an adequate and cost-effective contribution to meeting the commitments which the EU made in Kyoto. In addition, the communi-



cation assesses the emission-reduction potential of other promising policies which could be adopted at Community, Member-State and local level.

The communication therefore represents the initial response to the challenge posed to transport policy by the climate change agreement and will now have to be developed into a detailed strategy in the light of the EU's post-Kyoto strategy. The Commission intends to publish a document on the latter before the summer. One of the issues it will have to address is the sectoral distribution of the Kyoto target, a subject which is not touched upon in the present communication.

#### **Gist of the opinion**

The Committee welcomes the Commission Communication and takes the view that respect for the principle of sustainable development requires a shift in the development trend of the transport sector, involving a substantial investment of resources.

Reducing CO<sub>2</sub> implies reducing energy consumption, inter alia, by using alternative fuels which have less impact on the environment. Road transport is a logical main focus for action as it is a major source of CO<sub>2</sub> emissions, which increased more rapidly than GDP over the 1985/1995 period; however, it must be remembered that, action is also needed in the other sectors which contribute to CO<sub>2</sub> emissions.

What is needed is a holistic policy approach based firmly on the search for technologically advanced solutions. It is unwise to rely solely on more immediate solutions such as the use of taxation which, if used in isolation rather than as part of a global approach, could have a negative impact on industry and production.

There is no doubt that whereas the Community has a definite responsibility for defining the general framework for action, direct targeted action must be up to individual Member States. Economic assessments and eco-balance sheets taking account of the pros and cons of each initiative should be conducted at Community level. It is clear that it would be much easier to draw up an eco-balanced sheet - and would enhance intermodal competition - if external costs were internalized for all modes of transport.

## **7. BUSES AND COACHES UP TO 15M IN LENGTH**

**Opinion of the Economic and Social Committee**  
on the *Report from the Commission on the use of buses and coaches up to 15m in length*  
(COM(1997) 499 final)

(CES 60/99)

Rapporteur: Gabriel GARCÍA ALONSO (Spain - Employers)

#### **Gist of the Commission document**

Council Directive 96/53/EC omitted to set a maximum length for rigid passenger vehicles at Community level. This reflected an absence of consensus between the Member States on whether a harmonized maximum length should be set at 12m or 15m.

The purpose of the Commission's report is thus to look at the whole issue of buses and coaches of up to 15m in length, utilizing information provided by the national authorities of the Member States, manufacturers and operators of buses and coaches.

The report details the possible courses of action - both legislative and non-legislative - that exist. The Commission points out that the options can be combined in different ways. The Commission is of the opinion that, on the basis of the arguments laid down in Chapter 3, option 5, possibly together with options 2 and 4, could provide a good basis for a balanced solution taking into account the various concerns. The right of 15m vehicles to circulate internationally would be guaranteed, whilst at the same time standards would be set to mitigate the negative impacts of such vehicles. This approach would allow free and fair competition at the international level, whilst still permitting Member States to have lower limits for the national transport operations. In particular, this would enable Member States to retain limits of less than 15m for urban bus operations if they so wished.

However, before taking an initiative for legislation in this field, the Commission invites the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions to submit their observations on this report.

### **Gist of the opinion**

The Committee chooses the option set out in point 3.2.3 of the Commission report and urges the European institutions to harmonize the 15 m limit for rigid buses and coaches, without additional requirements, and to amend Directive 96/53/EC accordingly.

## **8. TRANS-EUROPEAN ENERGY NETWORKS**

**Opinion of the Economic and Social Committee on the *Proposal for a European Parliament and Council Decision amending Decision No. 1254/96/EC laying down a series of guidelines for trans-European energy networks* (COM(1998) 542 final - 98/0284 COD)**

(CES 61/99 - 98/0284 COD)

Rapporteur: Bernardo HERNÁNDEZ BATALLER (Spain - Various Interests)

### **Gist of the Commission proposal**

On 5 June 1996 the European Parliament and the Council adopted Decision No 1254/96/EC laying down a series of guidelines for trans-European energy networks. The Commission now proposes a further updating of the indicative list of projects of common interest contained in the annex to the aforementioned Decision and already revised by Decision No 1047/97/EC.

This list needs to be updated periodically in line with developments in interconnected energy networks both inside and outside the European Community, and taking account of the enlargement process and, more generally, the strengthening of energy links with non-member countries.

Overall, 19 projects are proposed, of which four have already been identified (but it is proposed to change their description), three were already included in the Commission proposal laying down a series of guidelines on trans-European energy networks and are being proposed again, and twelve are new. Of these 19 projects, five concern electricity networks and fourteen concern gas networks.

The legal basis for the proposal is the first paragraph of Article 129d of the Treaty establishing the European Community.

### **Gist of the opinion**

The Committee welcomes the Commission proposal to press ahead with the development of the trans-European energy networks, but points out that the legal basis must be strengthened, implementation facilitated and the economic and social repercussions taken into account.

Greater attention should be paid to the environmental friendliness of TENs projects. Every single project must meet environmental and strategic impact criteria.

The Committee realizes that the indicative list needs to be updated periodically on account of the rapid growth of the energy sector.

In addition, the Committee refers to the need for the EU's outlying and most remote regions to be better integrated into the trans-European energy supply network and therefore calls for increased energy investments in these regions.

In accordance with the subsidiarity principle, it must be ensured that the Member States are able, through public service obligations, to supply all citizens fairly in terms of quality and price.

**Section for Economic and Monetary Union and Economic and Social Cohesion**  
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**9. RECOVERY OF CLAIMS / FINANCING THE EAGGF**

**Opinion of the Economic and Social Committee on the Communication from the Commission to the European Parliament and the Council on a strategy for the better functioning of mutual assistance on recovery, including a Proposal for a European Parliament and Council Directive amending Council Directive 76/308/EEC on mutual assistance for the recovery of claims resulting from operations forming part of the system of financing the European Agricultural Guidance and Guarantee Fund, and of agricultural levies and customs duties and in respect of value added tax and certain excise duties**  
(COM(1998) 364 final - 98/0206 COD)

(CES 62/99 - 98/0206 COD)

Rapporteur: José Bento GONÇALVES (Portugal - Various Interests)

**Gist of the Commission proposal**

Five broad categories of problems have been identified in the mutual assistance between Member States regarding the recovery of claims:

- the difficulty of tracing debtors in the Community,
- great variations in recovery powers between Member States,
- lack of legal equity for inter-Member State claims,
- slow, complicated and poorly understood mutual assistance arrangements,
- lower priority given to recovery of inter-Member State claims.

A reform of existing agreements is called for. Three elements need to be given consideration:

- **Modification of the existing Community law on mutual assistance on recovery, which includes:**

a) Modification of Council Directive 76/308/EEC:

- *The scope of this Directive has been widened to cover direct taxes. Excessively old claims (more than three years) are excluded from the arrangements. National fines and penalties relating to claims are added to the scope. Penalty interest is subject to the rules of the applicant Member State.*
  - *Limits on use of the Directive should be scrapped: Articles 7 and 14 requiring applicant Member States to exhaust all the domestic means of recovery before launching a request have in practice limited recourse to the Directive to virtually nil. Article 12, which provides for the suspension of the arrangements if the underlying claim is contested, has been abused by fraudulent traders.*
  - *Recognition of legal instrument: the instrument permitting enforcement of the claim would be directly recognized and automatically treated as an instrument of the requested Member State.*
  - *Legal equality and administrative treatment: the Commission proposes the guarantee of effective equal treatment with equivalent national claims and recommends that requested Member States be compensated for the administrative effort of mutual assistance in order to align the short-term costs of mutual assistance with short-term benefits for the requested Member State.*
  - *Monitoring the arrangements and the performance of each Member State.*
- b) Modification of Commission implementing Directive 77/794/EEC: to avoid fraud the deadlines for responses and action have to be shortened, bearing in mind the reasons for the slowness of the procedure.
- **Supporting administrative measures for VAT and excise duties in the context of the FISCALIS programme:**

- *A system of electronic communications* would offer significant advantages. To respect the rights of the debtor to transparency it would be necessary for the instrument itself to be sent via the post. However, for all other communications between the authorities involved, paper can be dispensed with.
- *Ensuring the training of national officials* whose knowledge of the arrangements is low or who hesitate to use them.
- *An intermediary* is still required to monitor the flow of requests and allocate them. For VAT the Commission proposes that the Central Liaison Offices (CLOs), as a lynchpin of administrative cooperation, be designated the competent authority for VAT claims as well.
- **Community legislation harmonizing national recovery powers, particularly in the customs field.**

#### **Gist of the opinion**

The Committee broadly endorses the Commission proposal, but has reservations about the:

- exclusion of excessively old claims from the directive's field of application; the Committee considers that this contravenes the principle of fiscal justice;
- removal of the possibility of not supplying the applicant authority with information about the debtor which would disclose an industrial, commercial or professional secret; the Committee thinks that this will not help to combat fraud.

While recognizing the Commission's concern to make the recovery of claims more efficient, the Committee feels that the proposed directive provides only a partial, transitional and ad hoc solution to the rise in fraud. The situation has been worsened by the failure to take high-level political decisions on the establishment of a definitive VAT regime based on the principle of assessment in the country of origin; this regime was due to enter into force in 1996.

The Committee considers that application of this principle could provide a more effective response to the present situation.

## **10. RULES ON THE RIGHT TO DEDUCT VAT**

**Opinion of the Economic and Social Committee on the Proposal for a Council Directive amending Directive 77/388/EEC as regards the rules governing the right to deduct Value Added Tax and the Proposal for a Council Regulation (EC) on verification measures, measures relating to the refund system and administrative cooperation measures necessary for the application of Directive 98/xxx/EC**

(COM(1998) 377 final - 98/0209 CNS - 98/0210 CNS)

(CES 71/99 - 98/0209 CNS - 98/0210 CNS)

Rapporteur: Kenneth WALKER (United Kingdom - Employers)

#### **Gist of the Commission document**

The plethora of rules for determining the place where a transaction is taxed, coupled with the haphazard way the present system of VAT is applied, have effectively divided up the single market into 15 tax areas, thus creating legal uncertainty for traders. Action to modernize the general provisions of the current arrangements and to apply Community directives more uniformly has today become an absolute priority. The Commission believes that there is an urgent need to simplify the VAT refund procedure laid down by the eighth VAT directive. It has therefore submitted a twin-track proposal to this end.

- **Deduction of VAT paid in a Member State where the taxable person is not established**

Steps must be taken to simplify the procedures enabling taxable persons established in the Community to recover VAT in a Member State where they are not established. As Community law stands at present, the taxable person can only exercise this entitlement to deduction or refund in the Member State where the transaction was taxed. Furthermore, operation of the eighth directive refund procedure poses considerable problems in practice for traders and national administrations.

The above-mentioned difficulties will be definitively solved when the new common system of VAT is introduced. The measures now being proposed are therefore temporary and include:

- *A right to deduct*: this will allow a taxable person to deduct the VAT paid in a Member State where he is not established, by off-setting it in his periodic return against the VAT which he is liable for in a Member State where he carries out taxable transactions involving VAT-rated goods and services. This right to deduct would be incorporated in Article 17 of the sixth directive and would abolish the special refund procedure laid down by the eighth directive.
- *A bilateral refund and compensations system for debts* between the Member States so that the Member State in which the deduction is made (Member State of deduction) can obtain a refund from the Member State where it was paid (Member State of purchase).
- *Verification of measures*

The proposed system would considerably simplify recovery of tax paid in a Member State where a taxable person is not established, thus abolishing a real obstacle to trans-national trade. It would simplify administrative management for the Member States by providing better opportunities for verification at Community level.

- **Expenditure not eligible for full deduction**

Some Member States authorize full deduction of tax for all expenditure except non-business expenditure, while others exclude some categories of expenditure from deductibility. This difference can lead to distortions of competition. The second aspect of the proposal is therefore designed to bring different national rules closer to one another, while leaving Member States some discretion.

The proposed system stipulates optional arrangements for limiting deduction in respect of expenditure on passenger cars. For other business expenditure (on accommodation, food and drink), a flat rate deduction threshold of 50% of the VAT paid is being proposed. Deduction will still be disallowed for expenditure not directly or strictly linked to the needs of the taxed transactions (expenditure on luxuries, leisure activities or entertainment).

### **Gist of the opinion**

The Committee welcomes the Commission's proposals inasmuch as they represent a fundamental improvement on the current position. Businesses and national authorities alike would be relieved of a considerable proportion of the burdens they presently bear, and it would at last be possible for many traders to be refunded for tax paid in Member States in which they are not established.

For these reasons, the Committee approves the proposal to allow traders to deduct VAT incurred in Member States where they are not established from their periodical returns in those Member States where they are established, and to do away with the eighth VAT directive procedure. It agrees that this is the only effective way to simplify the present system.

The Committee also broadly approves the proposals on expenditure not eligible for full deduction.

The Committee hopes that the period for which the additional verification measures are in force will be as brief as possible.

Lastly, the proposals constitute a further major step towards the establishment of a true single market, in line with previous recommendations that ongoing reform of the existing VAT system should continue pending the introduction of a definitive new system. Nevertheless, the Committee considers that these measures only scratch the surface of problems that can only be resolved by a new common system of VAT. Against that backdrop, the Committee urges the Member States to adopt a constructive and positive approach to VAT reform, in the interests of European integration and the completion of the single market.

### **11. COMMON SYSTEM OF VAT - STANDARD RATE**

**Opinion of the Economic and Social Committee on the Proposal for a Council Directive amending, with regard to the level of the standard rate, Directive 77/388/EEC on the common system of value added tax**

(COM(1998) 693 final - 98/0331 CNS)

(CES 72/99 - 98/0331 CNS)

Rapporteur-general: Kenneth WALKER (United Kingdom - Employers)

### **Gist of the Commission proposal**

The purpose of this proposal is to enable the Council to take a decision concerning the level of the minimum standard rate, as required by Community legislation in the field of value added tax (VAT).

This decision is necessary in order to consolidate the functioning of the internal market from a tax standpoint, both under the transitional arrangements currently in force and with a view to the definitive arrangements for the common system of VAT.

At present, the transitional arrangements contained in Community VAT legislation provide for harmonization of the number and level of VAT rates, this being the degree of harmonization which the Member States had already recognized as being essential to the functioning of the transitional arrangements. Under these transitional arrangements, Member States must set the standard rate of VAT at a minimum of 15%.

Article 12(3)(a) of the Sixth VAT Directive (77/388/EEC) stipulates that the Council will decide unanimously on the level of the standard rate to be applied after 31 December 1998.

This proposal follows the same line of reasoning as the 1995 Commission proposal on the same subject. The situation has not fundamentally changed since then. In 1996, the Council had accepted the Commission's objective of preventing a further widening of the gap between the standard rates

applied by the Member States. However, it confined itself to laying down a legally binding minimum rate of 15%, although it did annex to this decision a declaration containing a political commitment to avoid, during the period of application of the Directive, an increase in the span of 10 percentage points between the lowest and highest standard rates applied in the Community.

In practice, the level of the standard rate varies between 15% and 25%. A rate of 15% is applied in one Member State (L), while a rate of 25% is applied in two Member States (DK and S).

The Commission will present a proposal on the level of both the standard rate and reduced rates at some time during the year, but in the meantime it is important to ensure that the degree of harmonization already achieved is at least maintained, thereby ensuring that the transitional arrangements continue to function as satisfactorily as possible.

The Commission has, therefore, concluded that it is appropriate to propose another rate band, which is the only instrument reflecting the political agreement of the Council in 1996. Accordingly, from 1 January 1999 to 31 December 1999, the lower limit of the standard rate band is fixed at 15% and the upper limit at 25%.

### **Gist of the opinion**

The Committee approves the Commission's proposal.

It asks however that the text be amended, in accordance with the sixth VAT directive (77/388/EEC), to provide for consultation with the Economic and Social Committee on the forthcoming Commission proposal on the level of the standard rate to be applied after 31 December 1999.



**Section for Employment, Social Affairs and Citizenship**

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**12. UNDECLARED WORK**

**Opinion of the Economic and Social Committee**  
on the *Communication from the Commission on undeclared work* (COM(98) 219 final)

(COM(1998) 219 final)

(CES 63/99)

Rapporteur: Daniel GIRON (France - Various Interests)

**Gist of the Commission document**

Undeclared work is one of the issues of common concern in the employment field. The concept of "undeclared work" is taken to mean any paid activities that are lawful as regards their nature but not declared to the public authorities, bearing in mind that differences in the regulatory system of Member States must be taken into account. Applying this definition, criminal activities would be excluded, as would work which does not have to be declared.

The main motivation for employers, employees and self-employed for participating in the undeclared economy is economic. Working in the undeclared economy offers the opportunity to increase earnings and to avoid taxation and social contributions or to reduce costs. There are three contributing factors: a growing demand for "personalized services"; the reorganization of industry into long lines of vertical disintegration and chains of sub-contracting; and the spread of light technology which opens up new working opportunities and new areas of service activities. Undeclared work is generally present in sectors which are labour intensive and with low profits such as agriculture, construction, retail trade, catering or domestic services; manufacturing and business services where costs are the major factor of competition; and modern innovative sectors.

Four main groups of participants in the undeclared economy can be identified: second and multiple job holders; the "economically inactive" popula-

tion; the unemployed; and third country nationals illegally resident in the EU. The age and gender of undeclared workers depend to a large extent on the sectors affected.

Undeclared work risks undermining the foundations of financing and delivery of social protection and public services. The curtailment of receipts means a reduction in the level of services the State can offer, and this creates a vicious circle, as the government raises taxes to continue to provide the services, thus creating more incentives to undeclared work. In countries where social protection coverage is universal or where individuals have rights derived from their partners, undeclared work may not affect health or pension rights. The same is true for second job holders. However, undeclared workers who are normally inactive forego all the benefits derived from working with a formal contract, such as training, a specific career profile, pay rises, a sense of belonging to the enterprise. These people will also have difficulty in moving into other jobs. The impact on enterprises is felt through the distortion of competitive conditions, especially at the micro-level.

There are two dimensions to the problem of undeclared work: it can be viewed as an issue of individuals taking advantage of the system and undermining solidarity in the process, or as the outcome of greater flexibility in the labour market and slower adaptation of existing legislation. In the first case, intervention should be oriented towards sanctions and awareness campaigns; in the second case, policy should concentrate on prevention through adapting inappropriate legislation to reflect new labour market realities and reducing burdens and obstacles.

The establishment of a comprehensive targeted strategy is essential if combating undeclared work is to be effective. A strategy which is to have any effect on reducing undeclared work should involve a mix of elements. This policy mix will inevitably vary from one Member State to another. Effective implementation and enforcement remain an important part of the overall strategy whatever the measures chosen.

This paper aims to launch a debate on the causes of undeclared work and the policy options for combating it. It suggests that there is, firstly, a need to identify correctly the causes and extent of the problem, and, secondly, to regard combating undeclared work as part of the overall employment strategy.

The Commission hopes and expects that the Member States, Community institutions and social partners will participate vigorously in this debate. An increased awareness of the causes and extent of undeclared work, the identification of best practices in combating it and the possibility of coordinated EU action should be considered in this context. Implementation of several of the 1998 employment guidelines, such as those on developing entrepreneurship and encouraging adaptability, will help to discourage undeclared work. If the outcome of this debate indicates that further action at EU level would be appropriate, it could be considered in the context of the 1998 Joint Report and the Employment Guidelines for 1999.

#### **Gist of the opinion**

The Committee very much welcomes the Commission's desire to initiate a discussion on undeclared work so as to enable the European Union to develop a strategy for combating a problem that affects all its Member States.

The Committee considers the definition of "undeclared work" as "any paid activities that are lawful as regards their nature but not declared to the public authorities" to be acceptable given the need to have one definition for all the Member States. The Committee thinks that this definition should be brought closer to the more familiar concept of moonlighting in order to avoid confusion with charitable or voluntary work, or with work undertaken in a family context, particularly occasional domestic work. On the other hand, it goes without saying that the practice of employer or employee not declaring part of the work carried out also constitutes a form of undeclared work. However, the Committee notes that other types of paid activity may exist that are lawful in principle but unlawful when conducted in a certain way and are therefore non-declarable.

The Committee is pleased that the Commission has approached the issue of undeclared work from the perspective of both businesses and individuals, and it fully agrees with the analysis that the main

attraction of undeclared work is economic. This assumption should make it possible to demonstrate the burden that taxation and social costs on labour represent for both individuals and companies, particularly small companies. In this respect, the Committee has already recognized the need to reverse the trend in taxation and shift the main burden away from labour.

The Committee notes that the Commission identifies four groups of undeclared workers as a frame of reference:

- multiple job holders
- "economically inactive" persons
- the unemployed
- third country nationals.

However, the Committee feels it is necessary to draw up another definition aimed at distinguishing between those who should have employee status and those who have decided not to declare their activities.

The Commission reports that traditional sectors characterized by labour-intensive production and local economic networks are one of the types of activities most affected by undeclared work. The Committee thinks that these traditional sectors should also include personal commercial services. Attention should also be paid to teleworking.

The Committee thinks that even if the employment of illegal immigrants is an issue that must be addressed in individual Member States, it should also be tackled at European level with the aim of achieving more convergence.

The Committee notes the very negative impact of undeclared work on public finances, both in terms of social security funding and the loss of tax revenue.

The Committee agrees with the Commission's analysis that undeclared work has only a moderate effect on international trade. However, it also feels that it is difficult to ignore the fact that undeclared work can actually distort competition in a way that is harmful to businesses that have declared their activities.

It is crucially important to develop a strategy that helps to reduce the financial gains resulting from undeclared work. In this respect, the Committee

feels that it would make more sense to consider preventive measures before sanctions. It is essential to prevent the development of a parallel economy and black market for labour. It is necessary to increase the involvement of all the relevant social partners in information and prevention of undeclared work.

The Committee would ask the Commission to be more circumspect, or at least more specific, in what it says about inappropriate labour legislation.

### 13. ORPHAN MEDICINAL PRODUCTS

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Regulation (EC) on orphan medicinal products**

(COM(1998) 450 final - 98/0240 COD)

(CES 64/99 - 98/0240 COD)

Rapporteur: Sergio COLOMBO (Italy - Workers)

#### Gist of the Commission proposal

Rare diseases - those which affect fewer than five per ten thousand people in the Community - have been identified as a priority area for action within the Community's framework for action in the field of public health. There are approximately 5,000 such diseases known, but the pharmaceutical industry is reluctant to develop medicinal products to treat them. The reason for this reluctance is that pharmaceutical research and development are so expensive nowadays that there is practically no chance of any company making the effort to develop a medicinal product, to obtain authorisation for its use and to place it in the market if it is to be supplied at normal prices to the few patients who require it. That is why such medicinal products are known as "orphan medicinal products".

This proposal for a Regulation, which is based on Article 100a of the Treaty, aims at establishing harmonised criteria and a Community procedure for designating orphan medicinal products, and to introduce incentives for orphan medicinal products research, development and marketing. These incentives mainly involve:

- the sponsors of designated orphan medicinal products may be exempted from payment of the

fees payable to the European Agency for the Evaluation of Medicinal Products (EMEA) for carrying out the centralised authorisation procedure necessary to access the Community market;

- the granting of exclusive marketing rights for authorised orphan medicinal products throughout the Community for a ten-year period (however, these rights may be withdrawn under certain circumstances in order to protect the interests of patients or the requirements of public health).

#### Gist of the opinion

The Economic and Social Committee welcomes the Commission proposal for a regulation on orphan medicinal products - subject to the reservations set out below - on the basis that it represents an important move in the direction of solidarity with patients who are left at the margins of medical advances, because they suffer from rare diseases.

The Committee therefore considers that designation of orphan medicinal products - while still subject to the criteria under Article 3 - should be extended to cover specific indications of active substances which have already been authorized for other indications, as well as medicines for treating debilitating, chronic or life-threatening diseases in the Community.

The Committee believes that the aim of the proposed regulation would be hard to achieve at purely national level. It, nevertheless, calls upon the Commission to draw up a recommendation promoting the introduction of initiatives in the Member States in particular, tax incentives for research.

The Committee furthermore:

- endorses the disease incidence proposed (diseases with a generally-accepted prevalence in the total Community population of less than five per 10,000);
- welcomes the fact that three members of the committee for orphan medicinal products are representatives of patients' organisations;
- believes that the progress generated by Community research into of rare diseases - some of which are widespread in other parts of the

world - could make a decisive contribution to improving living conditions in the developing countries.

Regarding the incentives offered by the proposed regulation in order to provide for an appropriate level of research and marketing of orphan medicinal products by the pharmaceutical industry and/or the university sector in tandem with the industrial sector, the Committee, feels that:

- such incentives need adequate support through specific Community research programmes;
- the proposed assistance in the development of protocols for the clinical experimentation on orphan medicinal products will be of particular value to SMEs;
- the "reduction clause" making it possible to shorten market exclusivity from ten to six years should be viewed as an exceptional measure, representing a safeguard in any cases where orphan drugs prove to be "blockbusters" during the exclusivity period;
- the proposed market exclusivity derogations constitute a proper measure in terms of protection of patients' interest and public-health imperatives;
- and agrees that it is the authorisation of the medicinal product which entails exclusivity and that there should be no obstacles to further research into medicines with the same therapeutic indication, which may be authorised only if they demonstrate greater safety and practical efficacy.

In relation to the resources earmarked for the programme, the Committee considers that these are not enough to prime the entire scheme properly. It therefore suggests that:

- the inherent costs to companies of the entire EMEA centralised authorisation procedure be kept as low as possible;
- thought be given to fully defraying the whole cost of such procedure from the Community budget;
- the Commission should make specific arrangements for individual SMEs, or groups of SMEs, to use Community funds, which should not be limited to those provided under the fifth framework programme for research and technological development.

Regarding the consistency of the proposed action with other Community policies, the Committee hopes that coordination of the different Commission DGs (III - V - XII) involved in rare diseases and orphan medicinal products will prove more broadly based and more effective in generating the maximum Community "added value". Furthermore, the Committee:

- feels that efforts must be made to secure the early adoption of the Directive on good clinical practice for the pursuit of clinical experimentation with medicinal products for human use and to secure its application in the individual Member States;
- calls for a specific procedure to speed up the launch of clinical experiments on orphan drugs and completion of protocols, so as make these products available to patients as soon as possible.

The Committee also made specific remarks regarding terminology which, in some articles of the proposed regulation, was felt to be too narrow, failing to define certain concepts adequately.

#### **14. SOCIAL SECURITY SCHEMES FOR EMPLOYED PERSONS, SELF-EMPLOYED PERSONS AND MEMBERS OF THEIR FAMILIES MOVING WITHIN THE COMMUNITY**

**Economic and Social Committee Opinion on the Proposal for a Council Regulation (EC) amending Regulation (EEC) No. 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community and Regulation (EEC) No. 574/72 laying down the procedure for implementing Regulation (EEC) No. 1408/71**

(COM(1998) 547 final - 98/0285 CNS)

(CES 65/99 - 98/0285 CNS)

Rapporteur: Markku Matti LEMMETY (Finland - Workers)

#### **Gist of the Commission document**

Regulations (EEC) No. 1408/71 and No. 574/72 were updated by Regulation (EC) No. 118/97 and last amended by Regulation (EC) No. 1606/98.

The purpose of this proposal is to update these Community Regulations to take account of changes to national legislation, certain bilateral agreements concluded between Member States and the possibility of amendments to the annexes of the implementing Regulation being made by the Commission.

#### Article 1

*Amendments to Regulation (EEC) No. 1408/71*

- **Amendments to Chapters 3 and 8**

The present Chapter 8 provides for common rules in respect of orphan's pensions and family allowances for orphans. Given that interpretation of this Chapter by the Court gives rise to problems of an interpretational and administrative nature, it is proposed to transfer orphan's pensions to Chapter 3 and to apply the rules provided for in Chapter 8 only to family allowances for orphans. The Regulation thus follows the method already adopted for orphan's pensions arising from a special scheme for civil servants.

#### Article 2

*Amendments to Regulation (EEC) No. 574/72*

- **Amendment of Article 122**

Article 122 contains special provisions concerning the amendment of certain annexes to the implementing Regulation.

The purpose of the proposal is to extend the Commission's authority to amend all the annexes to Regulation (EEC) No. 574/72 at the request of the Member State or Member States concerned or their competent authorities, and after the opinion of the Administrative Commission has been obtained. In the past, amendments to these annexes accounted for the bulk of the proposals for miscellaneous amendments to Regulation 574/72. In order to facilitate the amendment procedure, the Commission should be authorized to amend not only Annexes 1, 4, 5, 6, 7 and 8, as is the case at present, but all the annexes to this Regulation. It should also be taken into account that, firstly, the purpose of amending these annexes is simply to incorporate into a Community instrument decisions taken by the Member States concerned or their competent authorities and, secondly, the provisions contained

in these annexes have no direct influence on the determination of the rights of individuals.

#### **Justification for the proposal for a regulation with regard to the principle of subsidiarity**

This proposal for a Council Regulation conforms to the principle of subsidiarity as regards the two underlying criteria, namely necessity and proportionality, as specified in Article 3b of the European Community Treaty.

On the one hand, Article 51 requires the Council to adopt such measures in the field of social security as are necessary to provide freedom of movement for workers within the Community. The co-ordination of national social security schemes therefore falls exclusively within the competence of the Community. On the other hand, a binding legislative instrument, in the form of a regulation, is clearly proportionate to the objective pursued, i.e. ensuring effective freedom of movement. This is why the Council has chosen such an instrument as being the most appropriate means of achieving this objective.

#### **Application in the countries of the European Economic Area**

Freedom of movement for persons is one of the objectives and principles of the Agreement on the European Economic Area (EEA), which entered into force on 1 January 1994. In Chapter 1 of Part III on the free movement of persons, services and capital, Articles 28, 29 and 30 are devoted to the free movement of workers and self-employed persons. Article 29 more specifically reiterates the principles set out in Article 51 of the EC Treaty relating to social security for persons moving within the Community. Consequently, this proposal for a Regulation, if adopted, must be applied to the member countries of the EEA.

#### **Gist of the opinion**

The Committee welcomes the proposal, subject to certain comments. The Committee would reiterate its view that proposals must satisfy the need to reform and update regulations that are designed to facilitate coordination of social security systems.

However, the Commission has very little to say about the reasons for the proposal and its effects, and it is not clear from the proposal what the actual effects of the amendments are.

The Committee endorses the stated aim to simplify and speed up the administrative procedure. The Committee has suggested this on a number of occasions and hopes that the simplification of the entire body of Community law will be continued. The Committee also awaits the Commission proposal for an overall reform of the regulation. Simplification must not, however, take place at the expense of beneficiaries.

The Commission proposes that orphan's pensions be transferred to Chapter 3. As a result of this amendment, orphan's pensions would become subject to the provisions applicable to other pensions.

The Committee feels that the proposal can be justified on administrative grounds, since orphan's pensions would be treated in the same way as other pensions. From the pensioner's point of view, the proposed amendment could, in some cases, lead to a situation where the pensioner receives a pension

from several Member States at the same time rather than just one pension as under the existing rules.

The Committee would stress that changing the rules for calculating pensions must not lead to a loss of benefits. Pensioners should have the right to choose the most advantageous scheme.

#### **Proposed amendments to Regulation (EEC) No. 574/72**

The Commission proposal would give the Commission the power to amend the Annexes of the implementing Regulation at the request of the Member State or competent authorities. It would be possible to amend all the Annexes with a Commission regulation after the opinion of the Administrative Commission has been obtained.

The Committee considers this proposal to be justified and supports it.

**Section for External Relations**  
*Georgina Willems, Head of Division - ☎ (32-2) 546 9471*

#### **15. WORLD TRADE ORGANIZATION (WTO) (Own-initiative)**

##### **Opinion of the Economic and Social Committee on the world-trade organization (WTO)**

(CES 66/99)

Rapporteur: Helmut GIESECKE (Germany - Employers)

##### **Case for drawing up an own-initiative opinion on the WTO**

The Section for External Relations, Trade and Development Policy proposes to draft an own-initiative opinion on current and future negotiations in the WTO and on the dispute settlement system of the WTO.

As stated in the Commission's political programme, the Union will continue to be a prime player in multilateral trade negotiations, particularly in the WTO. An agreement on financial

services, particularly relevant to the EU, is presently being negotiated in the WTO to be finalized by July 1998.

Settlement of economic and commercial differences, due attention to other considerations including environment and public health and preferences offered to all LLDC's support of Russia's and China's accession to the WTO are other issues, with which the EU will deal in the near future.

In the wake of WTO ruling on bananas, where the Commission is working on new proposals to modify the current regime, the potential impact of WTO rulings on EC legislation should be fully understood. Other issues are at stake such as the forthcoming decision of the appellate body regarding the use of hormones in beef.

Although the social aspects have been entrusted to the ILO by the WTO ministerial conference in Singapore, the opinion could encompass this issue.



The problem of US extraterritorial legislations Helms-Burton and d'Amato is not solved either.

The section considers that the Committee should examine all these outstanding WTO issues, which are also relevant for the transatlantic agenda, bearing in mind that the EU and US set the tone in multilateral trade.

#### **Gist of the opinion**

The ESC calls upon the EU, in the light of its experience in promoting integration, to play a leading role in the forthcoming round of world trade negotiations; efforts should be made to achieve a much wider-ranging round of negotiations as this would considerably enhance the position of the EU.

In its opinion the EU addresses the advantages and disadvantages of more rapid progress towards globalization.

The Committee welcomes the formal declaration adopted by the International Labour Conference on 18 June 1998 and urges speedy worldwide implementation of the principles adopted in respect of minimum rights for workers.

The resumption of negotiations in respect of agricultural products and services should go ahead on time in the year 2000, as agreed. The Committee believes that it is absolutely essential to maintain the European agricultural model defined in Luxembourg. The Committee regards the inclusion of services in the WTO global trading system, brought about by the GATS, as a considerable step forward.

It is proposed that a WTO working party on trade and employment be set up.

The financial and economic crisis which is spreading from Asia to take on world-wide proportions could place a serious obstacle in the way of the achievement of further liberalization under a new round of world trade negotiations. An undiminished WTO system does, in the Committee's opinion, provide the only dependable platform on the basis of which collapsing economies can be rebuilt.

At the most recent WTO ministerial meeting, held on 18-20 May 1998, a large number of NGOs issued a strong call for an end to the exclusive na-

ture of earlier negotiations, for greater transparency and for a more significant role to be given to representatives of civil society. The Committee welcomes this new transatlantic dialogue. The relevant representative NGOs should be entitled to make written submissions, have their views taken into account and to receive detailed answers, subject to clear rules. The WTO will also have to consider the issue of granting observer status to internationally recognized NGOs. A consensus should be reached between the parties involved on where to draw the line with regard to publicity. The Commission's proposal that panel members organize hearings involving representatives of groups which are involved in the issue concerned and groups which have specialist knowledge should be examined as part of the drive to improve transparency.

The ESC puts the success, recorded over a fifty-year period, of the GATT and the WTO, down to (a) the introduction of trade standards which are founded on consensus between all Member States and which take account of their various needs and (b) the effective procedure for settling disputes, involving the possible use of trade sanctions. In its opinion the ESC sets out a number of ways in which the disputes settlement procedure could be improved.

The Committee welcomes the establishment of a High Level Working Group bringing together representatives of the WTO, the IMF and the World Bank, for the purpose of setting out joint guidelines for cooperation between these bodies.

In its opinion the Committee also addresses the question of the fulfilment of the commitments entered into under the Uruguay Round.

The Committee welcomes the European Commission's action plan for a transatlantic Economic Partnership (TEP).

The EU should champion the recognition of EU public health and food standards in international discussions. The Committee shares the Commission's view as regards the need to introduce global environmental and labour standards and pay greater attention to the interests of consumers.

The Committee welcomes the outcome of the negotiations on the liberalization of basic telecommunications services and financial services. These successes have to be weighed against the disap-

pointing impasse which has been reached in negotiations on professional services.

The establishment of an internationally-recognized corpus of competition law, backed up where possible, by a world anti-trust commission, would be a very important step. The Committee welcomes the efforts by the OECD to bring about the conclusion of a Multilateral Agreement on Investment (MAI); these efforts should be extended to include the WTO. The proposed agreement should take account, in an appropriate form, of the core labour standards and the OECD guidelines for multinationals.

The Committee welcomes the progress made in telecommunications technology; there is, however, a need to introduce a suitable legal and regulatory framework - if possible, applicable on a worldwide basis - for this field. The programme of work decided upon at the Ministerial Conference held in May 1998 and enacted by the General Council in September 1998 therefore deserves the EU's full support.

#### **16. COMMUNITY AID FOR AGRICULTURE IN THE APPLICANT COUNTRIES OF CENTRAL AND EASTERN EUROPE (Agenda 2000)**

**Opinion of the Economic and Social Committee on the *Proposal for a Council Regulation (EC) on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period***  
(COM(1998) 153 final - 98/0100 CNS)

(CES 70/99 - 98/0100 CNS)

Rapporteur: Adalbert KIENLE (Germany - Employers)

#### **Gist of the Commission proposal**

In its Agenda 2000 Communication (COM(97) 2000) the Commission submitted proposals on granting financial support for agriculture and rural development in the applicant countries of central and eastern Europe.

The framework for Community pre-accession aid is provided by a horizontal coordination regula-

tion. This regulation has been drafted in accordance with the horizontal framework. The relevant legal base is Article 235.

In accordance with the Luxembourg conclusions (§22), Cyprus benefits from a specific pre-accession strategy which reflects its present circumstances and present economic situation.

The priorities of the pre-accession aid for agriculture and rural development are:

- Improving the efficiency of farms (including the setting up of producer groups); processing and marketing; promoting high-quality products; improving veterinary and plant-health controls; improving land quality, re-parcelling and registration; water resource management; vocational training; diversification of economic activities in rural areas; agro-environmental and forestry measures; improving rural infrastructure and rural villages, including conservation of the rural heritage; and technical assistance. This list can be extended if additional priorities arise.

The annual funds available under the EAGGF Guarantee Section amount to ECU 500 million at constant 1997 prices and will be allocated to applicant countries on the basis of objective criteria.

Community support will be in the form of multi-annual programmes established in accordance with the guidelines and principles of operational programmes already existing under the EU's structural policy. These embrace in particular the principles of complementarity, partnership, additionality, the programme planning procedure, monitoring and evaluation. Accession partnerships must also be compatible with national programmes on the adoption of the *acquis communautaire*.

#### **Gist of the opinion**

The Economic and Social Committee considers that the following opinions, which have already been adopted by the Committee, are of particular relevance to discussions about pre-accession aid for agriculture and rural development:

- the own-initiative Opinion on the implications for CAP of the accession of countries of central and eastern Europe (rapporteur: Mr Bastian); CES 1505/96;

- the own-initiative Opinion on the agricultural aspects of Agenda 2000 (rapporteur: Mr Bastian), CES 1396/97;
- the own-initiative Opinion on reinforcing the pre-accession strategy (rapporteur: Mr Hamro-Drotz), CES 456/98.

The ESC warns that overhasty admission would have devastating consequences for employment in rural areas and therefore believes that transitional periods will be needed before the CAP can be taken on board.

With regard to the list of measures proposed in Article 2 of the draft regulation, the Committee considers that measures should be much more carefully targeted at CEEC preparations to take on board the "acquis communautaire", and hence the CAP. This is because the proposed measures are much too comprehensive given the limited funding available. There should also be a clear distinction between pre-accession aid provided for under the Ispa, Sapard and Phare programmes.

The plans for closer cooperation with the Economic and Social Committee are also welcomed.

The Committee urges that top priority be given to human resources, with particular attention paid to

the strengthening of relations with economic and social partners; in this context the setting up of key representative organizations is of great importance.

The Committee also feels that greater importance should be attached to setting up and cultivating partnerships between towns and villages in western and eastern Europe and to furthering training exchanges for young people starting out in employment.

The Committee considers that, because of its own experiences and remit, it is itself an ideal forum for an intensive exchange of ideas and experiences, and use here should be made of the ESC's Joint Advisory Committees - both those already in existence and those in the process of being set up.

The Committee believes that the efforts of the applicant countries themselves should be stepped up whilst all the Community can offer is back up. The ECU 500 million to be earmarked annually for all ten CEEC applicants is nevertheless considered to be inadequate.

In addition to Phare, Ispa and Sapard, the Committee calls for a separate fund to be set up to cover the pre-accession period.

**Section for Agriculture, Rural Development and the Environment**  
*Francisco Vallejo, Head of Division - ☎ (32-2) 546 9396*

**17. EMISSION OF POLLUTANTS INTO THE AIR FROM LARGE COMBUSTION PLANTS**

**Opinion of the Economic and Social Committee**  
on the *Proposal for a Council Directive amending Directive 88/609/EEC on the limitation of emissions of certain pollutants into the air from large combustion plants*

(COM(1998) 415 final - 98/0225 SYN)

(CES 67/99 - 98/0225 SYN)

Rapporteur: José Ignacio GAFO FERNÁNDEZ  
(Spain - Employers)

**Gist of the Commission proposal**

The Commission proposal, which is based on article 130 s of the Treaty, seeks to amend the existing Directive 88/609/EEC in order to take account of the technical progress achieved in the large combustion plant (LPC) sector over the last 15 years. By setting more stringent emission limit values for SO<sub>2</sub> and NO<sub>x</sub> the proposed amendment will serve to: i) contribute to achieving acidification targets in accordance with the Commission acidification strategy of 1997 and ii) further reduce health risks related to small suspended particles and the formation of tropospheric (i.e. ground-level) ozone, thus contributing to the achievement of planned Community air quality targets.

The central elements of the revision concern:

- the updating of the emission limit values applicable to combustion plants put into operation after 1.1.2000 (thus excluding existing LCPs);
- the extension of the scope of the Directive to include gas turbines.

The other new aspects of the proposal include:

- the updating of the scope of fuels covered, notably by clarifying the relationship with the Directives dealing with waste incineration and by addressing the use of biomass as a source of energy;
- the promotion of the development of combined heat and power generation;
- the updating of provisions concerning abnormal operation conditions;
- the reinforcement of provisions concerning monitoring of emissions (including those from existing installations) and compliance with limit values;
- the updating of provisions concerning the annual emissions inventory for SO<sub>2</sub> and NO<sub>x</sub> to include data from both new and existing LPCs on an individual basis and to include data concerning energy consumption in order to provide information on trends in emission factors.

#### **Gist of the opinion**

The opinion makes a number of critical comments on the Commission proposal.

First, the opinion states that the proposed uniform emission values conflict with the provisions of the IPPC directive, which allows firms to gear the technologies they use to local environmental conditions. The Committee points out in this connection that the proposed limit values for the various categories of fuel in many cases go much further than those applicable to individual plants under the IPPC directive. The Committee therefore feels that they are in many cases too rigorous, particularly as such a tightening of the existing standards is not justified by technological progress.

The Committee also expresses its satisfaction over the fact that existing installations will not be covered by the draft Directive and that the provisions of the "old" Directive will therefore continue to apply.

The Committee also considers that:

- the proposed provisions with regard to malfunction of abatement equipment constitute interference in the responsibilities of the regional and local authorities and thus conflict with the subsidiarity principle;
- the economic assessments referred to in the proposal are too superficial and fail to address the possible serious consequences of the proposal for the Union's competitiveness;
- the term "new plants" frequently used in the proposal gives rise to confusion;
- the Commission should at the earliest opportunity study the proposal's impact on the Community's most remote regions, whose geographical and climatological conditions make them a special case;
- the applicant countries should be granted a transitional period.

#### **18. CAP REFORM / WINE (Agenda 2000)**

**Opinion of the Economic and Social Committee on the *Proposal for a Council Regulation (EC) on the common organisation of the market in wine* (COM(1998) 370 final - 98/0126 CNS)**

(CES 68/99 - 98/0126 CNS)

Rapporteur: Adalbert KIENLE (Germany - Employers)

#### **Gist of the Commission proposal**

The proposal forms part of the reform of the common agricultural policy (CAP) under Agenda 2000 and represents an estimated total budgetary cost of ECU 1.234 billion for the year 2000. It is designed to replace the 23 regulations currently governing the sector with a single text.

The European wine sector occupies a major position on the world stage in terms of production, consumption and trade. With an output in 1997/98 of 160 million hectolitres, 58 million of which comprised quality wine, the EU accounts for 60%

of world wine production and consumption. It is also the world's largest exporter and importer of wine. Supply conditions have changed dramatically in recent years: grubbing up incentives and other production restriction measures have led to a 10% decrease in the wine-growing area; market intervention measures no longer have the impact they once did; and international competition is increasingly fierce, with third-country imports entering the EU virtually duty free. Nowadays, EU production potential matches overall demand and the market for quality wines is expanding.

In addition to guaranteeing a market balance, the Commission's objectives include supporting the production of wine-based products, accommodating diversity in supply and ensuring production quality. The principal measures planned are as follows:

- The ban on new vineyard plantings will be retained for a further transitional period until 2010. A degree of flexibility will be allowed however and limited additional planting rights will be allocated to Member States to regularise certain unauthorised plantations and to build up the production of quality wines so as to meet growing demand. A first regional and then national system for pooling planting rights will be established to facilitate the transfer of unused rights to producers in greatest need, giving priority to young wine growers.
- Grubbing-up measures are to be maintained but will be more specifically targeted by Member States at regions with major structural surplus.
- A vineyard restructuring programme will be launched, to introduce varietal improvements, relocate vineyards in specific regions and promote the adoption of new production techniques. Community financing will be provided to compensate for income lost by producers who grub and replant vineyards (full Community financing) and to cover the material costs of restructuring (75% in the most underprivileged areas, falling under Objective 1 of the Structural Funds, and 50% elsewhere, the remainder being met by the beneficiaries).
- Preventive distillation, compulsory distillation and support distillation will be replaced by a voluntary "crisis" distillation mechanism to deal with exceptional market disturbances.

Provision is also made for a by-product distillation measure, and for a specific distillation measure to ensure continued market supply of potable alcohol.

The rules relating to acidification and chaptalization (adding sugar to wine with insufficient alcoholic strength, common practice in Northern countries) remain largely unchanged.

The Commission estimates the budgetary impact of the proposed reform at ECU 1,234 million in the year 2000, ECU 1,293 million in 2001, ECU 1,305 million in 2002 and ECU 1,292 million from 2003 onwards.

#### **Gist of the opinion**

An extensive number of suggestions and improvements is put forward in the opinion regarding the different instruments proposed by the Commission viz. restrictions on new plantings, the regulation of re-plantings, reserves for planting rights, bonus payments for the final abandonment of vineyards and restructuring measures. The Committee's general view is that the proposals do not match the desired objectives of deregulation and subsidiarity and that the proposed measures are insufficient. It calls for fundamental simplification. It also stresses the importance of an EU-programme for vineyards in less favoured areas.

The Committee supports the simplification of intervention measures and the retention of private storage aid. As for preventive distillation and the market in potable spirits it considers the Commission proposals are not clear enough and require further research and explanation.

The provisions for producer organisations and interbranch organisations are similar to the existing rules in the fruit and vegetable sector. However, the two sectors are very different and therefore the ESC calls for more account to be taken of the very great structural differences between Member States with a specific regulatory framework.

The Committee supports the proposed support for traditional oenological processes and production conditions. However, it takes a different view on the procedures for examination and authorisation of new oenological processes. It fully supports the thorough overhaul of EU law on designations and abolition of the principle of banning anything that

is not explicitly allowed, but insists on the need for proper consultation.

The Committee rejects the Commission proposal to incorporate the rules on quality wine psr yields into the wine market organisation. It asks the Commission instead to present proposals for promoting sales of quality wine psr on the international market.

The Committee regrets that the Commission proposal contains no specific measures for strengthening competitiveness in international trade. It calls upon the Commission to set up an external trade council.

Attention must be given to the dangers of abuse if third-country musts and wine bases are used for the production of wine products in the EU.

## **19. MARKETING OF COMPOUND FEED-INGSTUFFS**

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Directive amending Directive 79/373/EEC on the marketing of compound feed-ingstuffs and Directive 96/25/EC on the circulation of feed materials**

## **II. FUTURE WORK**

### **FOR INFORMATION**

- Consumer policy action plan 1999-2001 (Communication) (**INT-APRIL**)  
COM(1998) 696 final
- Customs 2000 (**INT-MARCH**)  
COM(1998) 644 final - 98/0314 COD
- Distance marketing of consumer financial services (**INT-MARCH**)  
COM(1998) 468 final - 98/0245 COD
- Organization of working time in excluded sectors (road, rail and maritime transport, doctors in training) (**TEN-MARCH/APRIL**)  
COM(1998) 662 final - 98/0318 SYN - 98/0319 SYN - 98/0321 SYN
- Green Paper on radio spectrum policy (**TEN-APRIL**)  
COM(1998) 596 final
- The common transport policy - sustainable mobility (Communication) (**TEN-MAY**)  
COM(1998) 716 final
- Community eco-management and audit scheme (**NAT-MAY**)  
COM(1998) 622 final - 98/0303 SYN
- Guarantee thresholds for leaf tobacco (**NAT-FEB**)  
COM(1998) 633 final - 98/0306 CNS

(COM(1998) 435 final - 98/0238 COD)

(CES 73/99 - 98/0238 COD)

Rapporteur working alone: José BENTO GONÇALVES (Portugal - Various Interests)

### **Gist of the Commission proposal**

To extend Community rules to cover the use of feed materials.

### **Gist of the opinion**

The ESC feels that the proposed changes to the directives are essential in order to provide closer tracking of feed materials from origin to end users, and to extend quality requirements to feed materials produced and directly used by producers on their own farms.

However, it believes that the amendments are insufficient to achieve the ultimate aim of strengthening human health protection and restoring consumer confidence, particular with regard to beef. The Committee therefore feels that further initiatives aiming, in particular, to establish objective quality criteria for feed materials which are technically sound and apply in all Member States, are urgently needed.



- Common organization of the market in fruit and vegetables (NAT-FEB)  
COM(1998) 647 final - 90/0309 CNS - 98/0310 CNS
- Cohesion Fund annual report (ECO-JULY)  
COM(1998) 543 final
- Determination of person liable for VAT (ECO-FEB)  
COM(1998) 660 final - 98/0312 CNS
- Informing and consulting employees in the EU (SOC-JULY)  
COM(1998) 612 final - 98/0315 SYN
- Safety and health requirements for the use of work equipment (SOC-MARCH)  
COM(1998) 678 final - 98/0327 SYN

#### **FOR DECISION**

- Gyllenhammar Report (Managing Change) (INT-MAY)
- Communication on consolidating economic cohesion by dovetailing measures under transport policy and structural policies (Communication) (ECO-TO BE DECIDED)  
COM(1998) 806 final

#### **IN ANTICIPATION**

- Technical rules in civil aviation (TEN-MARCH/APRIL)  
COM(1998) 759 final - 98/0349 SYN
- Financial instrument for the environment (LIFE) (NAT-APRIL/MAY)  
COM(1998) 720 final - 98/0336 SYN
- Structural assistance in fisheries sector (NAT-MAY)  
COM(1998) 728 final - 98/0347 CNS
- Community action programme in the field of civil protection (NAT-APRIL)  
COM(1998) 768 final - 98/0354 CNS
- Accidental marine pollution (NAT-APRIL)  
COM(1998) 769 final - 98/0350 SYN
- Minimum criteria for environmental inspections (NAT-APRIL)  
COM(1998) 772 final - 98/0358 SYN
- Conservation of fisheries resources/protection of juveniles of marine organisms (NAT-APRIL)  
COM(1998) 788 final - 98/0359 CNS
- Common organization of markets in the sugar sector (codified version) (NAT-MARCH)  
COM(1998) 794 final
- Protection of zoonotic agents in animals (NAT-MAY)  
COM(1999) 4 final
- Farm prices 1999/2000 (NAT-APRIL)
- Coordination of social security systems (SOC-JULY)  
COM(1998) 779 final - 98/0360 CNS
- Cross-border services/Secondment of third-country employees (INT-MAY)  
COM(1999) 3 final
- Approximation of laws on cosmetic products (INT-TO BE DECIDED)  
COM(1999) 26 final
- Waste management statistics (ECO-MAY)  
COM(1999) 31 final

### ***OWN-INITIATIVE WORK***

- European tourism policy (**INT-MAR**)
- Regional initiatives (**INT/SMO-1<sup>st</sup> SEMESTER**)
- Cross-border initiatives (**INT/SMO-1<sup>st</sup> SEMESTER**)
- Implementation of a structured social dialogue in pan-European transport corridors (**TEN-JUL**)
- Priority agri-environmental objectives in the multifunctional agriculture proposed by Agenda 2000 (**NAT-JUL**)
- Financing the EU (**ECO-JUL/SEP**)
- Implementation of the Employment Guidelines for 1999 (**SOC-MAY**)
- Debt relief in combating poverty in LDCs (**REX-TO BE DECIDED**)

### ***INFORMATION REPORT***

- Review of employment and the social situation in the candidate countries for EU membership in the context of application of the *acquis communautaire* to the internal market (**REX-APR/MAY**)

## **III. PRESENCE AND INFLUENCE OF THE ECONOMIC AND SOCIAL COMMITTEE**

### **Activities of the ESC presidency**

Mrs Rangoni Machiavelli, ESC president, met Mr Mattéoli, president of the French Economic and Social Council on 14 December. Mr Mattéoli expressed his wish to step up cooperation with the European ESC.

On 12 January Mrs Rangoni Machiavelli met Mr Kavi, co-chair of the EU-Turkey Joint Consultative Committee, and Mrs Nicolai, Romanian Minister for Social Affairs and president of the Romanian ESC.

The Committee president attended the annual meeting of presidents and secretaries-general of the EU economic and social councils in Rome on 22 January. Participants discussed *inter alia* activities by national ESCs to further European integration, preparations for EU enlargement, and the social model and the role of economic and social councils.

### **Activities of sections and members**

The Section for the Single Market, Production and Consumption held a hearing at the Committee building on 21 January in connection with its opinion on the green paper on counterfeiting.

On 8 December Mr Konz took part in a workshop on transport pricing at the Palais des Congès in Brussels. He also attended a conference on East-West cooperation in pan-European transport policy organized by the European Parliament on 10 December.

On 18 January Mr Gafo Fernández, president of the Section for Transport, Energy, Infrastructure and the Information Society, participated in a workshop in Brussels on the subject of restructuring in the internal market in electricity, organized by EURELECTRIC (the European Grouping of Electricity Supply Industries).

Mr Burani, president of the Section for Economic and Monetary Union and Economic and Social Cohesion, attended a seminar in Brussels on electronic commerce: shopping in the next millenium, organized by the Kangaroo Group.

## **Other News**

### ***– EU-Bulgaria Joint Consultative Committee: inaugural meeting***

The EU-Bulgaria Joint Consultative Committee (JCC) - a body comprising six representatives of economic and social interest groups in Bulgaria together with six members of the European ESC - held its first meeting in Sofia and Plovdiv, Bulgaria, on 17 January.

The setting up of joint consultative committees is provided for in the Europe Agreements that the EU has concluded with each of the ten candidate countries in Central and Eastern Europe. The EU-Bulgaria JCC is the second such body; the EU-Hungary JCC has been in operation since 1997. The purpose of creating JCCs is to prepare the ground for EU enlargement by promoting dialogue and giving support to occupational organizations in the partner country in their efforts to secure a civil society in which consultation of interest groups by government is an integral part of the decision-making machinery. This process is set to become particularly important in the years to come when the Bulgarian government starts negotiating EU membership.

At this first meeting JCC members exchanged views on the current economic situation in Bulgaria, social dialogue in the country and the progress of agricultural reform. It is expected that the JCC will meet twice a year.

### ***– Visit of Spain's Prince of Asturias to the Economic and Social Committee***

As part of his visit to the European institutions, HRH Felipe de Borbón, Prince of Asturias, visited the Economic and Social Committee on 26 January.

The Prince met the ESC president, Mrs Rangoni Machiavelli, together with the Committee vice-presidents, the three Group presidents and the Spanish Bureau members.

Following a wide-ranging discussion on the role of the ESC and its prospects for the future, the Prince took part in the meeting of the Committee Bureau. He was thus given a first-hand view of the variety of the ESC's work and its key role in the Union's decision-making process.

### ***– Conference on Pension schemes: Features and challenges of the European social model, Brussels, 8 December 1998***

The European Parliament, the European Commission and the Economic and Social Committee held a conference chaired by Mr Wim J. van Velzen, Member of the European Parliament, on Pension schemes: Features and challenges of the European social model on 8 December at the ESC building. Mr Byrne, Mr van Dijk and Mr Vaucoret represented the ESC at this event.

### ***– Conference on Electronic commerce - Is Europe ready?***

Electronic Commerce Europe, with the support of European Economic and Social Committee, organized a conference on 10 December entitled Electronic commerce - Is Europe ready? The opening speech was made by the ESC secretary-general, Mr Patrick Venturini.

### ***– Mercosur***

The ESC was invited to send representatives to the plenary session of Mercosur's Economic and Social Consultative Forum (FCES) in Rio de Janeiro on 7 and 8 December. The agenda included cooperation between the

FCES and the ESC and the creation of an international association of economic and social councils. Mr Cavaleiro Brandão (Gr. I), Mr Cal (Gr. II) and Mr Melícias (Gr. III) attended on behalf of the Committee.

– *ESC: change in terminology*

The Bureau has decided to adopt the term "European Economic and Social Committee" for everyday use and public relations purposes while retaining "Economic and Social Committee of the European Communities" for official use.

#### **IV. RESIGNATION**

The president announced the resignation of Mr Jacques Pé (Group II - France). Mr Pé's resignation would take effect on 1 March 1999.

#### **V. INFORMATION VISITS**

The following groups visited the ESC during the period in question:

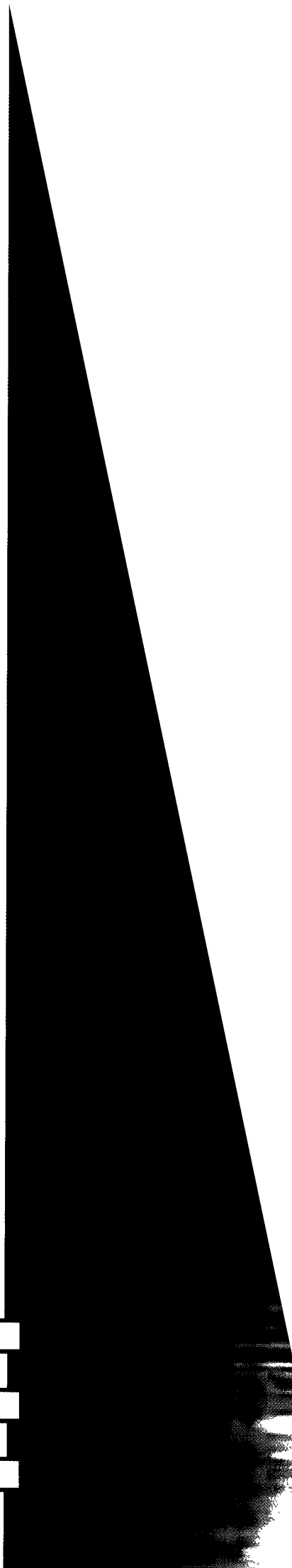
Cámara de Comercio de Castellón - Spain  
ISTI delegation - mixed  
Canterbury City Council - UK  
Bildungswerk des deutschen Gewerkschaftsbunds - Germany  
Università di Roma - Italy  
Pan-Cypriot delegation - Cyprus  
Lycée H. Romane - France  
Université d'Artois - France  
Gent University - Belgium  
University of Central Lancashire - UK  
CNFPT de Strasbourg - France  
EFAP International - mixed  
University of Luton - UK  
Briefing for EU officials - mixed  
Mission d'appui aux programmes communautaires - France  
Hogeschool Ijselland - Netherlands  
Chinese interpreters - China  
Fachhochschule öffentlicher Dienst - Germany  
ATRI delegation - France  
Université de Paris/Panthéon Sorbonne - France

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