

**ECONOMIC AND SOCIAL
CONSULTATIVE ASSEMBLY**

1992



The E. C. and Maritime Affairs

**EUROPEAN
COMMUNITIES**

**ECONOMIC AND
SOCIAL COMMITTEE**

Brussels 1992

**ECONOMIC AND SOCIAL
CONSULTATIVE ASSEMBLY**

The E. C. and Maritime Affairs

**EUROPEAN
COMMUNITIES**

**ECONOMIC AND
SOCIAL COMMITTEE**

Brussels. June 1992

This publication is available in the following languages :
German, English and French.

Cataloguing data can be found at the end of this publication.

Reproduction is authorized, except for commercial purposes, provided the source is acknowledged.

Catalogue No. : ESC-92-006-EN

FOREWORD

Ships and the sea have at various times and from different angles been the object of EEC attention : examples of this are the law of the sea, fisheries, sea water quality, navigational aids to reduce the risk of potentially disastrous shipwrecks, control of State aids to the shipbuilding industry and a growing concern to seek ways to stem the decline of the EC merchant marine.

EC involvement has been sporadic and for the most part focussed on particular aspects, lacking any overall design. The record is mixed with no great sign of success.

It is against this background, and as an attempt to redress the situation, that the Commission in 1991 issued its "Communication on New Challenges for Maritime Industries" (COM(91) 335). The Economic and Social Committee, for its part, has long been concerned with these issues and has frequently called for a more systematic approach.

The Commission Communication seeks to stimulate an open discussion on the increasing importance of the Community's maritime dimension and to find an EC response to current and future challenges. It aims to set maritime issues within the context of the general principles of the Community's industrial policy, as set out in the Commission's recent Communication on Industrial policy in an open and competitive environment (COM(90) 556 final, 16 November 1990).

The present publication brings together a number of Economic and Social Committee Opinions on these matters as a contribution to public awareness and debate. The time for this is ripe. Maritime issues have become increasingly important internationally in ecological, political and economic terms. With its long coastline, its dependence on foreign trade, its environmental interest and its considerable human and technical resources in this field, the Community cannot afford to stand aside and play a passive role.

CONTENTS

	Page
FOREWORD	3
GIST of the Commission Communication on New Challenges for the Maritime Industries	5
LIST of the members of the Study Groupe on Maritime Industries	8
OPINION on the Commission Communication on New Challenges for Maritime Industries	9
OPINION on the Commission Communication on Industrial Policy in an Open and Competitive Environment	19
OPINION on Positive Measures for Maritime Transport	39
OPINION on the Proposal for a Council Directive on Aid to Shipbuilding	55

Gist of the Commission Communication on New Challenges for Maritime Industries

1. Introduction

Maritime issues have become increasingly important internationally in ecological, economic and political terms.

The Community should actively react to this because of its long coastline, its dependence on foreign trade and efficient shipping services, and its environmental interests.

The Commission Communication seeks to stimulate an open discussion on the increasing importance of the Community's maritime dimension and to find an EC response to current and future challenges. Its primary intention is to develop the relevant maritime issues within the context of the general principles of the Community's industrial policy, as set out in the Commission's recent Communication on Industrial policy in an open and competitive environment (COM(90) 556 final, 16 November 1990).

The basic objectives and content of the Communication are designed to:

- underline the importance of maritime issues and the Community's interests in this field (Chapter B);
- describe the key issues for improving the competitiveness of the EC maritime industries, in comparison with their main international competitors (Chapter C);
- outline the possibilities for a maritime initiative, within the context of Community industrial policy (Chapter D);
- propose a discussion forum with representatives of all the interested parties (maritime industries, research institutes, Member States' Maritime and Industrial Administrations and the Commission, for example), which should contribute to a more precise definition of the type of actions to be developed in order to improve the competitiveness of these EC maritime sectors.

2. Europe's maritime industries: elements for European competitiveness

The shipbuilding sector

Today, the EC's market share of 20% (compared with Japan's 38%) is based mainly on the construction of ships with a high technology content, where the Community still has a comparative advantage. However, EC-shipbuilders operate in a deeply fragmented European market.

The introduction of modern production technologies, additional R & D efforts and better exploitation of the benefits of the internal market, including a higher degree of intra-Community cooperation, are urgently needed. A review of the potential of shipbuilding technologies for marine use should be envisaged, for example with regard to new offshore structures, research vessels for science and industry and deep-sea mining equipment, built by specialized yards.

Given the special technological know-how of the warship yards, their experience and skills could be of great value *a priori* for civil activities, for instance in assisting in the exploration and exploitation of the oceans, the development of new unmanned submersibles and underwater robotics.

The EC Fleet

In 1975 the fleet registered in the Community amounted to more than 30% of the world fleet. Since then, however, the Community's share has declined sharply, to less than 15% in 1990.

This decline is partly due to the growth of protectionist measures by third countries and unfair pricing practices.

The Commission has put forward a package of positive measures and proposals intended to stem the decline in the size of the EC fleet and in the employment of Community seafarers: "A future for the Community shipping industry: Measures to improve the operating conditions of Community shipping" (COM(89) 266 final of 3 August 1989). The package includes a proposal for a Community shipping register (EUROS), improvements to the effectiveness of Port State Control, and the implementation of the principle of freedom to provide maritime services within the Member States.

The equipment industry

This sector covers all kinds of ship machinery, navigational and safety equipment as well as marine environmental instrumentation. Opportunities for European manufacturers to exploit possible European markets have not all been exhausted.

The marine resources industry and marine research

The EC's R&D in marine technology has been so dominated by the requirements of offshore, oil and gas, and defence, that it has created a situation where the technology already developed now needs to be adapted and extended into other promising areas. These include electrical and electronic engineering in the marine environment, underwater acoustics and communication to facilitate offshore exploitation and operations, especially in deep-water, including the development of autonomous (unmanned) vehicles and robotic mid-water and sea-bed systems.

Situation in Japan and the USA

In Japan, shipping and shipbuilding are closely interlinked at the level both of industrial conglomerates and of support measures.

In the USA, a complex system of measures gives support to shipbuilding and shipping, through restriction of cargo and national-built requirements in respect of domestic trade (Jones Act).

3. A new European maritime initiative

Action within the context of the Commission's industrial policy strategy

The Commission can only give special attention to areas which play a key role in the economy as a whole. In this connection, the maritime industry receives special mention in the communication on the EC's industrial policy.

Towards a coherent maritime approach - action points

Based on the analysis of future challenges and the current state of the EC's industries, the Commission has identified several interrelated areas as deserving special attention:

Business environment: achievement of the internal market

A draft directive is in preparation and will harmonize technical regulations on marine equipment used on board merchant ships.

Safety

The Commission is preparing a Communication covering a wide range of safety aspects.

A distinction has to be made between navigational safety, safety on board, safety at work and environmental safety.

R&D

Europe's maritime R&D base should be strengthened through coordination of European maritime science and technology R&D requirements. Priority areas should also be identified through better coordination of existing European R&D programmes (MAST, EURET, BRITE/EURAM, EUREKA (EUROMAR), etc.)

Transport

Attention needs to be paid to such aspects as container technology, intermodal transport and the integration of industrial-logistics with transport-logistics. The Commission is already carrying out work on the development of a combined transport network including maritime links. The extension of transport infrastructure policies and funding arrangements to the ports is also being pursued. In recognition of the importance of efficient ports with good connections to road, rail and inland waterway.

Training

An EC Directive is being prepared which aims to:

- promote adequate qualifications for seamen and mechanics;
- promote the harmonization of training of Community seamen and ensure the uniform application of IMO rules;
- guarantee navigational safety and environmental protection at the same time, by ensuring that sailors are properly qualified.

Environment

Particular attention should be paid to:

- interpretation and implementation of IMO rules at European level, taking into account existing Community legislation;
- promotion of a comprehensive policy on port-reception facilities;
- promotion of new technological systems for surveillance, combat and control of marine pollution (either operational or accidental).

Competition in the EC

Strict control of State aids is a necessary condition for fair competition. With regard to shipping and the proposed EC register, attention is paid to the need to secure real convergence of Member States' competition conditions.

International dimension

In the context of current OECD negotiations, the Community is actively seeking an international agreement against distortive trade measures, including unfair pricing practices, in the shipbuilding sector.

4. Conclusions

The Community needs to strengthen its maritime base if it is to benefit from future developments in the maritime sector. However, this cannot be done by the industry, Member States or the Commission individually.

There is thus a need for better internal policy coordination, as well as a better understanding between the different companies in each sector concerned, the different maritime industries, Member States and the Commission.

The Commission therefore proposes to set up a discussion forum of all the parties concerned, with the following tasks:

- define more precisely the scope of the global and horizontal approach, by identifying the priority areas and types of actions to be developed, in order to make the EC maritime industries more competitive, both within the Community and at world level;
- assess the best way to implement these actions.

The forum should submit a report to the Commission nine months after the present communication is approved.

Following this report, the Commission will decide whether a further communication to the Council and the European Parliament would be appropriate, in order to propose concrete actions of common interest to the maritime industries.

List of the members of the Study Groupe on Maritime Industries

Study Group
on Maritime Industries

Chairman: FLUM

Rapporteur: ARENA

Members: BARROW
BREDIMA-SAVOPOULOU
(Art. 50 - Mr KAZAZIS)
CONNELLAN
d'ELIA (Art. 50 - Mr PELLARINI)
HAGEN
de KNEGT
LYONS
LUSTENHOUWER
MORALES
PETERSEN
SAITIS (Art. 50 - Mr MULLER)
VELASCO (Art. 50 - Mr MOLINA)
WHITWORTH (Art. 50 - Mr BELL)

Experts

Dott. Nazareno SILVESTRINI (for the Rapporteur)
Direttore FINCANTIERI

Ms Caroline BOYLE (for Group I)
Manager, International Policy
Chamber of Shipping

Mr DELFORGE (for Group II)

Mr Enrico KIRSCHEN (for Group III)
UNIONCAMERE

ADDITIONAL OPINION
on the
Commission Communication on New Challenges for Maritime Industries
(COM(91) 335 final)



On 17 December 1991 the Economic and Social Committee decided, under the third paragraph of Article 20 of its Rules of Procedure, to draw up an Additional Opinion on the

Commission Communication on New Challenges for Maritime Industries
(COM(91) 335 final).

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 6 May 1992. The Rapporteur was Mr ARENA.

At its 297th Plenary Session (meeting of 26 May 1992) the Economic and Social Committee adopted unanimously the following Opinion:

1. Introduction

This Opinion should be regarded as supplementing the Committee's earlier Opinion¹ on the Commission's Communication "Industrial policy in an open and competitive environment" (COM(90) 556 final of 16 November 1990).

On several occasions in recent years the Committee has focused attention on maritime issues². Here cooperation with the Commission has proved constructive and produced good results. The Committee regrets the Commission's failure to ask specifically for its advice at a stage when an issue of such vital economic and social importance as the "New Challenges for Maritime Industries" was already being studied in depth.

This Opinion is intended to be the Committee's contribution to the work of the Maritime Industries Forum instigated by the Commission, which will continue up to next October.

2. General comments

The Committee welcomes the Commission's initiative, which seeks, while reiterating the importance of the "maritime dimension" in the context of the proposed industrial policy, to frame a strategy to halt the decline of the Community's maritime industries and sharpen their competitive edge. The setting-up of a debating chamber with the task of helping to frame the types of measures; required and enabling the various parties concerned to contribute their experiences and suggestions is also to be applauded.

On the other hand, the Commission document would not seem to highlight sufficiently the many social implications that are inevitable. This omission is also reflected in the membership of the forum's working groups. Further, the Committee has some doubts as to the key factors indicated for the purpose of boosting the competitiveness of the various sectors - in particular those vulnerable to international competition - and the corresponding areas of action proposed.

For the first time an overall approach is taken to the relaunch of the Community's maritime economy. For too long, the industry's various sub-sectors have been dominated by defensive positions which have hampered decisive action to sharpen their international competitiveness, let alone enhance the wider economy.

1. OJ No. C 40 of 17 February 1992

2. Progress towards a common transport policy - maritime transport - OJ No. C 207 of 18 August 1986)
Minimum requirements for vessels entering or leaving Community ports carrying packages of dangerous or polluting goods Ñ OJ No. C 329 of 30 December 1989
Aid to shipbuilding - OJ No. C 68 of 16 March 1987
Aid to shipbuilding - OJ No. C 332 of 31 December 1990
Common fisheries policy - OJ No. C 339 of 31 December 1991
Positive measures for maritime transport - OJ No. C 56 of 7 March 1990
Application of Article 85(3) of the Treaty to certain categories of agreements, decisions and concerted practices between shipping companies - OJ No. C 69 of 18 March 1991.

Though interests clearly do not always coincide, the interdependence and potential pooling of effort among the maritime industries must be highlighted. A large EC fleet obviously guarantees an internal market for shipbuilding and repair yards as well as for suppliers of ship components. Historically, no country has developed maritime industries without relying on its national shipping sector as main customer; the same holds good for off-shore activities. Similarly shipping must be able to draw on an extensive range of highly skilled financial, insurance, legal and brokerage services. Lastly, the professionalism of those employed in the Community maritime sector is an asset which must be carefully preserved since it ultimately advantages other land-based and port activities.

The persistence of the worldwide recession afflicting the maritime economy, combined with pressure from a competition policy conceived virtually exclusively in terms of the internal market, has caused the maritime industries within the EC to "withdraw into their shells". The stringent restructuring process undertaken by the Member States has undoubtedly reduced production unit costs but also swept away hundreds of thousands of jobs.

Today we are at last becoming aware of the sharp decline in the influence exercised by the EC maritime industries as a whole, both on the international front and in terms of the Community's own requirements, causing concern on strategic as well as economic grounds.

The many and various causes of this steadily dwindling competitiveness primarily affect two sectors - shipping and shipbuilding - which operate directly on international markets. It is not just a matter of the technological and qualitative advances achieved by certain competitors. The Member States' shipping fleets - which are already burdened by higher tax, social and administrative costs - also have to contend with the widespread protectionist measures (e.g. reservation of cargoes) and unfair practices to which the fleets of quite a few non-EC countries resort. EC shipyards have been hit not only by the lower labour costs and working conditions prevalent in countries such as Korea - which are inconceivable in the Community - but by more or less surreptitious yet highly effective systems of aid, as borne out by the still unresolved OECD negotiations on the dismantling of mechanisms which distort the shipbuilding market.

Japan has developed a distinctive maritime policy - a modern national fleet, entirely built in Japanese shipyards (supplemented by Japanese controlled vessels under other flags also built in other, even cheaper countries) and serving a closely integrated, export-oriented economy in which all synergies are exploited. Furthermore, there is now a prevalent belief that the "Japanese system" has undermined the trust on which free trade is founded.

The Community fleet

The European Communities, as the world's largest trading power, cannot continue to be an idle witness of the decline of its fleet - which, as mentioned above, is the main catalyst of the many and varied interests revolving round sea transport.

This is more true today than ever before, as we move towards the Single Market - with its physical, legislative and service infrastructure - and the new prospects of trade with the markets of Eastern Europe. The internationalization of markets (and in particular the rapid expansion and consolidation of the other two main areas: the Pacific Rim and North/South America) will have a significant impact on the transport system, both in organizational terms and as regards technological innovation.

In addition, the scaling-down of investment in new ships from the mid-70s and virtually throughout the 80s is currently making it imperative to modernize the world fleet (EC vessels are generally older than average) - a vast process which has already been set in motion.

The competitiveness of Community shipowners, operating as they do on an international market as described above, is seriously undermined by constraints and regulations since these are not applied, as they should be, by all countries.

Hence the dramatic fall in the tonnage of the Community fleet (and thus in the number of Community seamen), and the ploy of recourse to "secondary registers" which distort competition within the Community.

Shipowners' operating costs must be reduced with the aid of a pragmatic approach which does not damage working conditions, most importantly safety. Here the Committee's earlier suggestions should serve as basis for this new Community policy³.

The Commission's proposals to date seem inadequate. Shipowners' expectations are based on the adoption of a complete package of measures (tax, financial, nationality of crew, pay, working conditions, etc.) which will also make the EUROS registry proposed by the Commission genuinely attractive, and thus competitive. The Committee therefore urges the Commission to press ahead with this work.

At the same time effective instruments, drawing on Community and other funds, should be introduced with a view to modernizing the EC fleet and scrapping decrepit vessels.

The shipbuilding and equipment industries

A strong EC fleet is a sine qua non for the future of an internationally viable Community shipbuilding industry. Over the past fifteen years the shipbuilding industry has undertaken a major drive to cut back and restructure its production capacity. Regardless of the resulting productivity gains and greater concentration on shipbuilding with a higher technological content, EC shipyards are still unable to survive on the market unless they receive adequate public support. This will apply until such time as their main competitors (notably Japan and Korea) dismantle their aids systems (here the above-mentioned OECD negotiations instigated by the US are highly relevant) and concurrently the effects of the indispensable process of integration among national shipyards start to bear fruit.

It follows from this that the European Community cannot at present rely solely on competition policy, but must develop a positive industrial policy to assist its shipbuilding industry.

Inside the Community, principles of transparency and degression are applied to shipbuilding subsidies. The Commission should advocate these principles with equal vigour in a global context.

EC shipyards can certainly not be accused of having contributed to the overproduction of ships since their shipbuilding capacity (and in particular their workforces) has been cut by around 60% since 1975 so that today it is about one-fifth of the world total. The Community, via its directives, has invariably made the granting of aids subject to stringent controls over production capacity. Further, this policy does not seem to have biased the choices of the Community shipping sector, which has purchased over half its requirements from non-EC shipyards.

Conversely, with the upsurge in world demand for ships, the Committee is perturbed by the renewed expansionist drive, especially on the part of the shipyards of Japan (already in a position to meet around 50% of world demand) and Korea (over 15%), with the dangers - for EC shipowners - of a monopolization of supply.

However, it would seem narrow and misguided - as borne out in the Commission's Communication - to place trust in the relative advantage that the Community would enjoy over its competitors in more sophisticated shipbuilding products and consequently see the EC's strong hand in terms of greater concentration on highly advanced technologies (important as that may be) which the world's largest producer can certainly offer too.

³ ESC Opinion on Positive Measures for Maritime Transport - OJ No. C 56 of 7 March 1990.

From the industrial angle, Community shipyards and ancillary activities must cease to be so fragmented and strive for the economies of scale which are one of the strongpoints of their Asian competitors. It is therefore more important than ever to encourage cooperation between Community undertakings. Only in the past few years, interesting joint schemes have been set in motion in such areas as R&D, design, purchasing, environmental protection and marine engine manufacture.

The Community must also take more forceful action to obtain, in conjunction with the stage-by-stage dismantling of all forms of aid, voluntary restraints on production from the major Asian shipbuilders to prevent a recurrence of the dreaded imbalance of supply and demand and, in the last resort, discourage surplus cargo capacity which would push down freight rates. With this particular aim in mind, modernization of the world fleet should go hand in hand with the scrapping of decrepit vessels, starting with those which are sub-standard, on account of the obvious implications for occupational safety and protection of the marine environment.

The supply of ship components is another prerequisite for a competitive shipbuilding industry, since products purchased from outside shipyards account for over 50% of ship costs. Perhaps the main problem, especially in view of lower production volumes, is the wide variety of suppliers of ancillary components (in terms of both size and specialization), many of which sell only a small proportion of their production to the shipping sector. Standardization of parts, especially those required to comply with specific safety requirements, also poses many problems.

A jointly agreed definition of future maritime transport requirements is thus one of the basic components of a common strategy for not only shipping and shipyards but also the numerous, disparate enterprises (mostly of small or medium size) of the equipment industry. Knowledge of trends is no less important for the technologies pertaining to protection of the marine environment and utilization of its resources.

Protection of the marine environment

In recent years the social demand for greater environment protection has become far more urgent and a practical response must be forthcoming, particularly from national and international institutions. Though most marine pollution is land-based in origin (industrial and municipal plants, chemicals used in farming, etc.), accidental or systematic ship discharges of oil or toxic substances cause great public anxiety.

The increase in oil tanker transport, the increasing obsolescence of much of the world fleet (over 85% of tankers above 150,000 tonnes currently in service were built before 1980, i.e. before the introduction of rules making segregation of ballast compulsory) and the significant number of sub-standard ships (a phenomenon which casts doubts on the effectiveness of ship registers) are among the main factors that have made the seas surrounding Europe - a major consumer of energy raw materials - into high risk zones through the discharge of oil and a variety of chemical products intended for, or resulting from, a wide range of industrial processes.

Many different aspects (legislative, administrative, technical, economic, insurance, etc.) have to be considered and anti-pollution programmes are still at the "first generation" stage despite the discovery of significant possibilities for improvement, due especially to scientific and technological progress in telecommunications, monitoring, marine equipment, etc.

The global and international dimension of protection of the marine environment clearly highlights the problem of just how efficient cooperation on a very broad scale actually proves. Often points of weakness have been evident. This explains, for instance, the United States' adoption in 1990 of the Oil Pollution Act (making double hulls compulsory for tankers built after June 1990 sailing in North American waters), a measure which has inevitably influenced the new IMO⁴ standards recently agreed on, which are to come into force in July 1996 as regards new ships and in July 1995 as regards more stringent controls in respect of ships already in use.

4. IMO - International Maritime Organization

The Community and the Member States must strive for more stringent application of these rules to protect the marine environment and ensure navigational safety in conjunction with the introduction (including the framing and financing of specific projects) of an integrated operational system combining prevention, penalties and cleaning-up measures (on-board surveillance and emergency equipment, specific port installations and amenities, etc.).

Marine resources and marine research industry

Exploitation of marine resources (energy, mineral, biological etc.) calls for a resolutely rational approach, bearing constantly in mind the potential impact of human activities on the fragile balance of the marine environment and rising above possible conflicts of interest (exploitation versus conservation).

The plight of the EC fisheries industry is the most obvious illustration of the difficulty - albeit necessity - of reconciling the development of off-shore industry with the management of natural resources. Increasingly sophisticated techniques for locating fish shoals, improvement in ship performance and more efficient catch methods are at the roots of the serious problem of overcatching, regardless of Community attempts to frame a policy on the management of fishing stocks.

The fisheries sector would seem in urgent need of a restructuring process designed to reduce the overall capacity of the existing EC fleet, accompanied by the renewal of certain national fleets as part of a "scrap and build" drive. The development of aquaculture and improvement of land-based fisheries infrastructure are potential measures to accompany the rationalization process, for which adequate funding and structural measures will have to be earmarked, bearing in mind the particular socio-economic vulnerability of the fishery sector, especially in certain regions of the Community.

On marine research, EC interest in science and technology is currently confined in practice (except in the oil sector) to improving scientific knowledge of the marine environment. One effective way of attracting industry's attention is undoubtedly a multidisciplinary Community policy encompassing research programmes designed to develop specific technologies (other than off-shore oil exploration technologies, useful as these are) for the management and rational use of resources.

Possible short and medium-term outlets of industrial interest include oceanographic research equipment (involving military technologies) and relocation of industry or services (e.g. energy production, storage of energy and other resources, waste incineration, etc.) to off-shore or coastal sites.

Port network

For some time the introduction of electronics, computerization, etc. has radically transformed management of ports and maritime traffic, though to a far lesser degree than in the air transport sector. Particularly in the past few years significant advances have been made in the development of systems (VTS - Vessel Traffic Systems) for controlling vessel traffic in specific (sometimes congested) waters where accidents are most likely to occur.

For the sake of safety and efficiency - and consequently transport quality - steps should be taken on a broader basis to speed up the introduction of operational standards, rules and procedures applicable to all ports (currently managed under very different legal and other arrangements). In addition, the wide gap that commonly exists between port facilities in the Mediterranean and Northern Europe would be narrowed. A balanced port network would have decided advantages, e.g. in terms of intermodality (fewer expensive "on- and off-loading" costs, easier link-ups with road, rail and inland waterway communications) and relief of congestion in certain areas. Here the development of coastal shipping could play a part. Obviously this presupposes appropriate legislative and infrastructural measures - for which adequate Community and other financial provision would have to be made - to ensure swift and economic movement of goods.

To promote safety in terms of environmental protection - a phenomenon which is exacerbated by the vast size of modern ships - installations such as tanker cleaning and gasfreeing plants need to be backed by port and anchorage monitoring services combined with more stringent enforcement of deterrent measures and penalties vis-à-vis offenders.

Research and development

With good reason the Commission's Communication mentions technological development as one of the key factors in promoting and maintaining the desired competitiveness of the Community's maritime industries, focusing on innovative yet economic and safe production processes and products. The research drive needed to provide these industries with advanced know-how presupposes:

- action to awaken interest and achieve closer coordination among Community research bodies and programmes;
- the framing of a specific programming and financial strategy guaranteeing wide-ranging, sustained activity and encompassing the pre-commercialization stage and not just basic research.

The Communication's reference to the Japanese Government's annual investment of approximately 300 million ECU in ocean technology R&D programmes - substantially more than the estimated amount for the entire EC - is of significant interest.

The human factor

Of particular importance is the need specifically to address the human factor in the safe and efficient operation of ships. Since the human factor is involved in 80% of accidents at sea, the key principle that has to be adopted is that safe operation of ships by fully trained crews is also the most efficient way to operate ships. To this end, the social regulations in ports state controls should be developed and include training, especially with regard to safety procedures and multi-lingual crews. Savings in operating costs should be first of all pursued by taking advantage of technical advances and lower interest rates and not merely by the use of low cost labour from third world countries. It is necessary for the Community to take measures to attract recruits to seafaring and also to give ship captains the legal protection they need to ensure the safety of their ships.

3. Conclusions

The Commission Communication has laid the foundations for a highly ambitious venture, bearing in mind the boost an effective maritime system could give to the competitiveness of the Community's economy. However, this document seems deficient as regards practical definition of the challenges facing the EC maritime industries and identification of the most suitable measures to tackle them.

The work of the Forum - understandably already exposed to a wide variety of pressures - should be centred on clear-cut, realistic objectives in view of the huge scale and complexity of the matter under discussion. This must include a proper evaluation of the human factor in safe and efficient shipboard operation.

In the Committee's opinion, it is vital first and foremost that an in-depth assessment of the efficiency and competitiveness of each industry (especially those operating on the international market) should be made.

Equal attention should then be given to setting priorities for action - with all their legal and cost implications, along with an indication of who will have to shoulder the costs - without losing sight of the desired harmonious development of the various industries. Clearly each will have to choose the approach that seems most appropriate from various angles (Community/national, greater/lesser inter-sectoral coordination, etc.). Lastly, the

Community's negotiating efforts within international bodies must be effectively stepped up to curb any distortion of competition.

Once again the Committee (see the ESC Opinion on the Commission's Communication "Industrial Policy in an open and competitive environment"⁵) highlights the need for a clear demarcation line between general strategy and economic instruments, with particular reference to competition. If the future of the Community's maritime economy is to hinge on the competitiveness of the firms involved, the measures within the Community's area of responsibility, as described by the Commission, seem insufficient in the short or medium term to equip firms themselves to compete on equal terms on markets where free competition rules are frequently flouted.

It is for that reason that it is necessary in present circumstances that competition policy must be supplemented by a policy or policies specifically directed at assisting the EC's shipping and shipbuilding industries.

The concept of "subsidiarity" must also be clarified in respect of the position of the Community and the Member States. While a "welfare mentality" is to be rejected, there is every justification for an industrial policy accompanied by coordination and financing measures designed to support operators during the business consolidation and reactivation phase, fostering a climate of ever-closer cooperation between the different sectors and within each individual sector.

Today a total shift in attitude is needed in sectors which for far too long have been hamstrung by a recession which has caused the loss of hundreds of thousands of jobs (primarily in the least developed regions of the Community), triggering a significant increase in the average age of the workforce and the exodus of the most qualified young workers to "growth" industries. The Commission's Communication does not take sufficient account of this "social dimension" - apart from the essential vocational training schemes seeking to rectify the increasing shortage of EC seamen - despite the fact that this dimension must be one of the key objectives of an "assault" strategy for the Community's maritime industries.

A social dimension also implies job security and protection of the marine environment - problems which perhaps relate more to culture and occupational skills than to technology. Without a return to, and stringent compliance with, satisfactory ship and port operational safety standards, the threat to Europe's coastline (along with its economic activities, historic heritage and natural assets) could increase dramatically, as would the costs of remedying the damage inflicted.

Brussels, 26 May 1992.

The Chairman
of the
Economic and Social Committee

The Secretary-General
of the
Economic and Social Committee

Michael GEUENICH

Jacques MOREAU

5. OJ No. C 40 of 17 February 1992.

**OPINION
of the
Economic and Social Committee
on the
Commission Communication on
Industrial policy in an open and competitive environment
(COM(90) 556 final)**

On 21 December 1990 the EC Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Economic Community, on

*Industrial policy in an open and competitive environment
(COM(90) 556 final).*

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 6 November 1991. The Rapporteur was Mr PETERSEN.

At its 291st Plenary Session (meeting of 27 November 1991), the Committee adopted the following Opinion by large majority (one abstention):

1. Introduction

A common industrial policy does not feature in the Treaties of Rome. Elements of such a policy are to be found only in the ECSC Treaty. The EC Commission made an initial attempt to frame a coherent industrial policy in the mid-Sixties: in 1970 it presented a comprehensive memorandum on Community industrial policy¹, which was intended to serve as a basis for a detailed discussion with other Community institutions and with the bodies representing the Community's socio-economic interest groups. Economic and social differences in the Member States and the reluctance to tackle structural adjustment problems jointly with an adequate industrial policy thwarted the Commission's proposals and condemned the industrial policy memorandum to failure. The Commission's 1971 proposal to create an industrial policy committee also got lost in the sands. The action programme in the field of industrial and technological policy² which the Commission submitted in 1973 likewise failed to achieve any results.

The Economic and Social Committee entered the industrial policy debate at the end of 1977 with its Opinion on industrial change and employment - a review of the Community's industrial policy and future prospects³. The Opinion pointed out quite rightly that, in the absence of a Community industrial policy, Member States' policies would develop along purely national lines and, because of these narrower horizons, could even conflict with each other. Structural problems would be exported to neighbouring countries under certain circumstances. Measures which were intended to strengthen industry and increase employment in one country could undermine the economy - and thus employment - in others.

Instances of countries going it alone in the second half of the Seventies were sufficient reason for the Commission to take specific measures at Community level in individual industrial sectors, such as steel, shipbuilding, textiles, chemical fibres and footwear. In almost all cases the Commission could argue that - motivated by difficult structural problems and noticeable falls in employment - there was a strong tendency for some Member States to preserve existing structures by measures which caused new distortions of competition, triggered protectionist reactions and were ultimately capable of disrupting the common market.

A new attempt to revive the debate on industrial policy strategy was made by the Commission in 1981 when it presented the Council with a Communication on the development of industry in Europe: a Community strategy⁴. In this Communication, the Commission called on the Member States to meet the challenges facing economic and employment policy jointly, under the unifying umbrella of the Community: "The industrial strategy of the public authorities, like that of the major companies and industrial complexes, must now be formulated on a scale of complexity, a breadth of scope and a time-span which

1. COM(70) 100 final
2. SEC(73) 3824 final
3. OJ No. C 292 of 3 December 1977
4. COM(81) 639 final/2

in Europe are feasible only at Community level. The aim must be to re-create a climate of confidence that will encourage innovative and expansion investment, both by the major industrial groupings and by the small and medium-sized businesses, whose contribution to the creation of productive employment is common knowledge". However, this urgent appeal also met with a poor response. The breakthrough to a comprehensive and future-oriented industrial policy failed once again.

To be precise - and here the Committee agrees unreservedly with the Commission - the debate on industrial policy in the European Community has for years been hampered by the lack of an "appropriate conceptual framework". *On top of this, the idea of global competitiveness, which has frequently been pinpointed as the aim of Community industrial policy, is vague and ambiguous.* The Committee therefore welcomes the fact that, in its newest Communication on industrial policy in an open and competitive environment, the Commission is making an attempt to develop the concept of a modern and dynamic industrial policy. The focal point of this concept is the Community interest.

2. Gist of the Commission proposal

European unification is gaining momentum both politically and economically. An initial target - the completion of the internal market - will be reached by the end of 1992. The internal market - according to the Commission - will be decisive in helping to force businesses to think and act strategically beyond national frontiers. Global corporate strategies will increase in importance. At the same time, the environment in which Europe's economy operates is undergoing permanent change: international competition is becoming keener, technological know-how is necessitating greater investment, production cycles are constantly being shortened and the macroeconomic conditions for manufacturing investment are deteriorating. In these circumstances the limits of national policies are soon reached and their alignment and coordination at European level becomes an urgent necessity. In the fields of both economic and industrial policy a high degree of consensus is required in Europe in order to consolidate and build on what the Community has achieved. Whoever chooses to ignore this and insists on continuing to think and act nationally, is turning his back on growth opportunities, job openings and greater prosperity.

It is generally believed that only a competitive economy will meet the challenges and enable the Community to secure and strengthen its position in the world economy. *The Community's industrial policy blueprint is therefore prompted by the will to optimize market efficiency.* The main problem according to the Commission is to create the "appropriate" corporate climate for (a) an optimum allocation of the factors of production by market forces, (b) swifter structural adjustment, (c) greater economic competitiveness in Europe and (d) the establishment of a platform for long-term industrial and technological development. The main responsibility for industrial competitiveness lies with industry itself. The public authorities act mainly as a catalyst and pave the way for innovation, with firms being able to expect them to provide a clear predictable environment and prospects.

This positive and open approach, which is committed to the principle of subsidiarity, is based on recent experience. The Seventies and Eighties, in particular, showed that interventionist policies in individual sectors of industry are not an effective instrument for promoting structural change. These policies failed to make industry competitive. They may help temporarily, but they inevitably risk delaying structural adjustments and thus causing job losses in the future; they also tie up resources which could be deployed more productively elsewhere. The economy is given the right signals by being firmly placed within the international division of labour and by compliance with the associated rules. Experience has shown that competition on equal terms is the best guarantee of a strong, competitive industry.

However, the situation in individual sectors of the European economy is not static and from time to time problems peculiar to individual sectors must be addressed and solved at Community level or by the Member States. It is vital in these cases too, however, for all measures taken to be fully consistent with the general principles of Community industrial policy.

Structural adjustment and international competitiveness are closely linked. A dynamic European industrial policy must therefore focus on the effective and coherent implementation of all those policies which make industrial restructuring an easier, more secure and speedier process. Accordingly, the Commission thinks that structural adjustment mainly involves three stages and that the Community's industrial policy blueprint must strike an appropriate balance between the three:

i) Necessary prerequisites for structural adjustment

- securing a stable economic environment in order, in particular, to strengthen firms' ability to invest;
- maintaining a competitive environment by keeping a careful watch on large mergers and acquisitions and controlling state aid rigorously;
- guaranteeing a high level of educational attainment as the basis for generating and assimilating new technologies and organizational methods;
- promoting economic and social cohesion between Community regions, with emphasis being placed on the role of the Structural Funds for areas with lagging economies: employee information, consultation and participation when corporate decisions about structural adjustment measures are taken;
- achieving a high level of environmental protection in order to safeguard human health and the natural environment and create new markets as a source of competition for "clean" growth.

ii) Measures for underpinning structural adjustment

- completion of the internal market, to be achieved in particular by improving European standards and product quality, liberalizing public procurement, abolishing national import quotas (Art. 115 of the EEC Treaty) and establishing a coherent legal framework and trans-European networks;
- an open trade policy as a necessary complement to the opening of the internal market, with strict respect for the internationally agreed rules by all world trade partners; this includes refraining from unfair trading practices and the Community being willing to take effective action to defend itself.

iii) Means of speeding up structural adjustment

- development of firms' technological capabilities by providing more favourable conditions for the planning, development, diffusion and use of advanced technologies;
- a dynamic policy towards small and medium-sized enterprises, designed to limit red-tape, increase cooperation and improve access to Community and world markets;
- better use of human resources and easier introduction of new technologies and working methods as a result of worker training and retraining;
- ensuring the requisite conditions for the development of dynamic and competitive business services (in particular in the field of financial services).

The Commission stresses that its industrial policy blueprint is based on a clear consensus and not on a compromise which represents the smallest common denominator acceptable to all. The blueprint rests on the principle of free trade and cannot be misunderstood under any circumstances as a policy of *laissez-faire*. It should be seen as being part and parcel of a policy for shaping rules and regulations designed to ensure that market forces and free competition are able to flourish in the industrial sector, too.

3. Comments

The European Community's industrial policy approach

The Committee agrees with the Commission that *greater European integration implies that industrial policy problems should be solved at European level and that structural adjustment measures should take the Community market into account. It also endorses the view that only competitive industry can contribute towards Europe's economic and social development.* The Committee assumes in this connection that the term "European industry" - as used by the Commission on several occasions - is not confined to "European-owned firms".

The main idea behind the industrial policy blueprint is that *an open and competitive environment should be established*, and there is no alternative to this which has any chance of success. Within the field of industrial policy this is a top priority objective. The European Community will not master the challenges it has set itself in the Treaties, and intends to set on the path towards Political Union, by building a wall around its market and pursuing defensive policies to preserve existing structures.

However, the Committee would criticize *the failure of the Community blueprint to give sufficient consideration to industrial policy's regional and social dimension.* The strengthening of European industry's competitiveness will not in itself suffice to develop industry in lagging regions or to cater for social needs. Therefore, in its industrial policy blueprint, the Commission must give even greater prominence in particular to the interests of lagging regions and work these interests more convincingly into its policy instruments. The general reference to the Community's Structural Funds does not go far enough. The view that dialogue and partnership between industry and the public authorities also has a "vital" role to play in promoting economic and social cohesion is ambiguous and therefore requires urgent clarification.

In practical terms, the Committee would urge that apart from the horizontal measures for assisting structural change and increasing industry's adaptability a place must be retained for industrial policy measures which (a) provide secondary support for the requisite (regional and sectoral) adjustment processes in problem areas and (b) cushion the social impact of structural change with the aid of suitable coordinated transitional measures. This policy should include the following ingredients, which overlap and also influence each other in part:

- a regional policy which evens out discrepancies, for strengthening lagging regions' potential and ability to develop,
- a regional policy which evens out discrepancies, for regions with economic restructuring problems,
- adjustment assistance for offsetting social hardship in times of structural crisis or when industry is being slimmed down.

Prerequisites for structural adjustment

Macroeconomic conditions and flexibility

The Commission has rightly highlighted the importance of a favourable and reliable (macro-economic) environment for corporate activity, and stressed that Community policy must accommodate this requirement. An important role is also played by the general political conditions. More often than not, the effect which these conditions have in shaping industry is overlooked. The Committee would have welcomed a clearer reference in the Commission document to the intricate links between the political, economic and social spheres.

The *Committee's concern* is that there should be a *clear distinction in economic policy between (a) the general organization of the economy and (b) economic policy instruments.* The former establishes the general framework for economic activity. Therefore the

Commission should clearly indicate the purpose and shape of the general economic framework. It should pinpoint the principles on which this framework rests, and call on Member States to observe these principles when taking industrial policy decisions. The organizational framework should also be able, within limits, to take account of evolutionary changes. This includes the deliberate acceptance of temporary exceptions when these are justified. There is no reason to fear that the principles underlying the organization of the economy will be undermined, unless these exceptions become the rule. As long as this is not the case, the exceptions can be considered to prove the role.

With regard to the economic policy instruments, the Committee thinks that initially the *package of economic policy objectives* should be specified and spelt out in the light of EEC Treaty Article 104. This stipulates that each Member State is to pursue the economic policy needed to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while taking care to ensure a high level of employment and a stable level of prices. This catalogue of objectives is by no means complete. Above all, it does not include economic growth, which is important for successful economic restructuring. This growth should contain both quantitative and qualitative elements, which should influence and complement each other in appropriate fashion. Protection of the environment and conservation of natural resources are vital for longer-term quantitative growth.

It is the Member States' task to adopt the measures which are suitable for achieving the macroeconomic objectives. These measures should also be blended in such a way that corporate initiative and adaptability is encouraged and strengthened, not impeded. There is a constant danger that too many unduly complicated provisions which are guided too little by economic criteria will restrict firms' ability to act, weaken the market's self-regulatory forces and threaten *corporate flexibility*, especially in the small/medium business sector. The economic challenges of the future and the keener competition worldwide require firms to adapt rapidly to structural changes. Time lags are now tolerated less and less by the market. The Committee shares the Commission's views on this, but would underline that the flexibility which firms need to have should not call workers' social protection into question. As the Commission points out, an "adequate level of social protection provides a safety net which diminishes the risks of (structural) change and promotes mobility".

Economic policy measures must be coordinated more closely at Community level. A higher degree of macroeconomic convergence can only be achieved with the aid of joint, specially-targeted efforts. The *Convergence Directive* was adopted as long ago as 1974 with a view to improving and streamlining the procedure for cooperation between Member States in the field of economic policy. However, little has been achieved on the ground at Community level. What is the point - the Committee asks - of the European Council and others making lengthy declarations on Community economic policy, and of the Commission issuing numerous proposals on global economic strategies (the most notable example being the 1985 cooperative growth strategy for more employment, which was also firmly supported by the social partners within the framework of the social dialogue), if economic policymakers in the Member States pay little or no attention. In the final analysis there has always been a lack of political will to agree on economic policy objectives, to lay down their order of priority and, above all, to make agreements more binding.

In its recent (Additional) Opinion on Economic and Monetary Union the Economic and Social Committee reiterated the need to agree on common economic policy guidelines and objectives⁵. The Commission should put forward multiannual economic policy guidelines based on an assessment of economic performance in the Member States and submit them to the ECOFIN Council and the European Council, which should act in accordance with the procedures to be laid down in the EEC Treaty's planned Article 102c. These guidelines should be adapted each year and should refer in particular to finance policy, labour-market policy and structural policy. The economic reform programmes of the structurally weaker Member States will need to be given support and taken into consideration in the Community's

5. OJ No. C 102/24 of 18 April 1991.

economic policy guidelines if these Member States are to catch up and attain the desired level of economic convergence. It will also be necessary to strengthen the *multilateral surveillance*, launched in 1990, of all economic policy aspects of importance to the Community (price and cost trends; competitiveness; employment; regional development; public budgets). The Committee considers that the Community's industrial policy blueprint will be deprived of one of its main pillars if the EC proposals once again fail to score a resounding success.

Competition

The globalization of markets and growing economic interdependence of EC Member States inevitably provoke structural change. Mergers and acquisitions are one of the ways of meeting the challenge at company level and adapting European industry. The Committee has repeatedly referred to this trend and has called on (national and Community) anti-trust bodies to consider at least the European dimension when assessing pertinent markets. "The continued existence of national economic areas is an anachronism when it comes to achieving a sufficient degree of real competitiveness", the Committee stressed in its Opinion on the Commission's 15th competition policy report, adding that "*the smallest possible geographical yardstick is now the Community, and even then the world dimension cannot be disregarded*"⁶. US and Japanese competition policy has long been tailored to cross-frontier, or even world markets.

At the same time the Committee called for an *anti-trust system at Community level* in order to maintain competition and secure the best possible mix between the requirements of international competition and the maintenance of balanced conditions of competition in the internal market. The December 1989 Regulation on the control of concentrations between undertakings was welcomed in principle by the Committee, because it also helped to remove legal uncertainties. This applied especially to the nature and extent of the Commission's merger control powers and the demarcation of European from national law. However, there are still a *number of doubts* about the Regulation. In particular, the 5 bn ECU threshold is (too) high and is not justified on either economic or competition grounds. "Having thresholds in an initial phase which are too high will make it more difficult, if not impossible, to formulate a uniform competition policy for all Member States - at any rate in the key areas"⁷. With regard to the second main point of criticism - the substantive criteria for intervention - the Committee regretted that important yardsticks, such as degree of development and need for restructuring in certain areas of the Community, were only to be found in the protocol statements which had no binding force. Industrial and social policy considerations, and especially the need to preserve jobs threatened by structural change, made it imperative to include these criteria in the Regulation.

The Committee is naturally aware that an anti-trust Regulation based on competition policy considerations cannot solve all the many economic and social problems associated with mergers and acquisitions. All the more urgent therefore - according to the Committee in its Opinion on the Basic Regulation - is "the need for coordination of competition policy with all other policies, such as regional and sectoral structural policy, R&D policy and consumer policy".

Furthermore, competition policy must leave European firms with *enough scope for cooperation* in order to meet the challenges of worldwide competition. In this connection, R&D cooperation is particularly important. Cross-frontier technological transfer and technological cooperation should not be stifled by unduly rigid rules on competition. An important role is played by group exemptions for research cooperation which - in view of the growing demands - ought to be extended. The Commission should also bear in mind that the cross-frontier transfer of technology will considerably improve the Community's overall competitiveness in relation to third countries and that the transfer of know-how is vital for increasing the competitive strengths of small and medium-sized enterprises in particular and helps to safeguard and create jobs.

6. OJ No. C 333/86 of 29 December 1986
7. OJ No. C 208 of 8 August 1988

State aid

The Committee expressly welcomes the Commission's remarks on aid policy. Articles 92 and 93 of the EEC Treaty enable the Commission to protect competition from distortions caused by State aid and to counter the artificial preservation of structures. However, there is no question of abolishing aid completely. Aid is fully compatible with the Common Market in the cases referred to in Article 92(2) and (3) and, to this extent, is a legitimate industrial policy instrument. However, in future it should pave the way for structural adjustment and support the establishment of new industrial structures and should not be disbursed to preserve existing structures. There is a need for the direct (problem-oriented) *granting of aid to tackle deficiencies* with regard to infrastructure, training, industrial sites, reclamation of dumps and basic research. In addition, a regionally-oriented system of aid is clearly superior to one which focuses on individual industries. Aid is less dirigiste and has less of an unwanted tendency to preserve structures if it goes to regions rather than ailing industries. This does not exclude the granting of aid to individual industries in special cases in order to support an orderly changeover to the new structures.

The Committee agrees with the Commission that self-help incentives must be preserved and strengthened by public aid, that distortions of competition should be minimized and that Public aid should not discriminate between the public and the private sector. Public aid should also be limited in time, should be tapered and should be spent on the targets for which it is intended. Community aid should also fulfil these criteria, which are more or less commensurate with the ones adopted by the OECD Council of Ministers in 1978 under its positive structural adjustment plan.

In this connection the Committee urges the Commission to make full use of the instruments available for monitoring aid (Article 93 of the EEC Treaty). National financial support should be strictly vetted, continuously monitored and made sufficiently transparent. It would be an utter disaster if competition between firms were to be increasingly replaced by governments outbidding each other. The Committee notes with concern that according to the Community survey on State aids⁸, between 1981 and 1986 the four largest Member States accounted on average for roughly 88% of all national aid. The initial statistics for 1986-88 do not indicate any great change. *The Committee therefore calls on the Member States, and especially the four largest, to sort out the chaos surrounding subsidies at long last and to make appreciable cuts.* The Commission has repeatedly pointed out that national aid to Community firms far exceeds the aid disbursed by the Community's structural funds. In view of the level of economic interdependence now attained by EC Member States, the Committee thinks that the fullest possible record should be made of all aid and that this aid should be coordinated in liaison with the EC Member States.

As the Commission quite rightly says, "a firm aid discipline is a prerequisite to the increased competition without which very little of the projected gains from the internal market will be realized". This should be borne in mind by the EC Member States. However, *Europe's firms are also required to stop their appeals to their governments and stop demanding State guarantees for their survival.* The social market economy must once again be conceived as a principle underpinning life in society - it must not be watered down to an empty formula.

Education

One of the keys to successful structural adjustment, according to the Committee, is a *better Community-wide standard of education*. Lifelong learning and above all permanent readiness to adapt one's personal capabilities and knowledge to new demands are vital for maintaining and improving the quality of human capital. The spread of data and information technologies into all branches of the economy and society makes the proper handling of new technology an important part of more and more people's lives and plans. However, it also means that education will have new tasks to face in the Nineties in all EC Member States. Firstly, it will have to take into account the new, mostly higher skills needed

8. Second Survey on State Aids in the European Community in the manufacturing and certain other sectors (Commission, 1990)

to cope with technological change and help to ensure that basic instruction in information technology is provided at school. And secondly, it will have to lay the foundation which will enable individuals to master this change intellectually.

The new information technologies disseminate knowledge at an unprecedented speed and on an unprecedented scale. Hence the growing importance of being able to order and arrange facts. Even now, numerous occupations are heavily affected by technological change. By the mid-Nineties - according to the estimates of various research institutes - more than 50% of the workforce will have to have a grounding in data processing. Hence *the absolute necessity of skills offensive with the twin objective of:*

- *equipping individuals who have poor employment prospects with a skill*
- *catering on a wide scale for the new, more stringent demands of technical change.*

The Committee calls on all those responsible for education policy at Community level and in the Member States to increase their efforts and *help to correct existing skills shortages in the coming years*. It will not be possible to reduce tensions and adverse developments on the labour market until education and employment are better coordinated. The Committee also warns against undue specialization by workers, for this could limit their ability to adapt to structural change and cause considerable social problems.

Economic and social cohesion

The Commission's remarks on promoting economic and social cohesion fall well short of the Committee's expectations. Article 130a of the EEC Treaty clearly states that in order to promote its overall harmonious development, the Community is to develop and pursue a policy for strengthening its economic and social cohesion. In particular, *the disparities between the Community's various regions and the backwardness of the least favoured regions are to be reduced*. There is little trace of this concern in the industrial policy paper.

In connection with the Commission's remarks on regional policy the Committee wonders, for example, why so little attention was paid to the Commission's own studies on the internal market and the panorama of EC industry. Above all, the report published by the Commission on the impact of the internal market by industrial sector: the challenge for the Member States⁹ contains findings which are highly relevant for the development of a common industrial policy strategy. The study - which offers a careful analysis and is empirically based - provides compelling proof that, as far as the most highly industrialized Member States are concerned, the challenges of the internal market are broadly not of a sectoral nature. For the less-developed Member States, however, two scenarios are presented and the sectoral changes which these will cause may be far-reaching. The first involves greater specialization in the traditional industries in which these countries have competitive advantages, whilst the second centres around the development of new high-tech sectors. In the first (inter-industry) scenario it is presumed that there will be a greater concentration on branches of industry in which the expected rise in demand is calculated to be rather low. In the second (intra-industry) scenario the southern Member States would expand in branches of industry which offer better growth prospects and - at least in the medium term - would enable these Member States to catch up with the rest more quickly. Economic reality is, however, such that it will not be a question of either one scenario or the other, and the completion of the internal market is not likely to result in fundamental shifts between geographical zones in the pattern of industrial distribution. Nonetheless, the Committee thinks that both scenarios must be taken into account in the Commission's industrial policy blueprint and analyzed in depth and that the right economic policy instruments must be chosen in liaison with the Member States. This would appear all the more urgent since - according to the EC Commission - the probability of each scenario happening will be influenced by the policy pursued at Community level. In another prophetic remark it is stated that the role of the structural funds may also differ in one or the other case.

9. The impact of the internal market by industrial sector: the challenge for the Member States (European Economy, Special edition 1990).

The Commission's remarks on social cohesion in firms are also unsatisfactory. Statements such as "a good balance between the needs of the various parties concerned will play an important constructive role in such processes" are too vague and do not get us anywhere. The social groupings represented on the Committee have repeatedly made practical remarks on the subject of social cohesion. The Committee has repeatedly endorsed such cohesion in principle, mainly with a view to the representation of workers' interests within firms and their involvement in certain corporate decisions, emphasizing that worker participation is an important prerequisite for the development of a democratic society. Neglecting staff considerations in a firm means ignoring economic, social, historical and legal reality. *Co-determination at company level should take the form of an open dialogue.* However, this dialogue also presupposes that entrepreneurs take a clear stance and heed the effect which corporate activity has on society. The same applies to the Commission, which should review and amplify the relevant passages in its blueprint.

Environment

The Committee agrees with the Commission that environmental protection is an important part of industrial policy. *Environmental protection is a cross-frontier challenge which nations cannot solve in isolation.* Environmental policy must therefore be seen as a task for the Community; it must be a policy of prevention based on cooperation, and must be carefully coordinated with other policy areas (e.g. regional policy, R & D policy). *The "prudent and rational utilization" of environmental resources is called for.* Environmental risks must be properly identified at an early stage and suspected causal chains must be brought to the public notice. This implies close and loyal cooperation between the worlds of politics, business and science. Consideration should also be given to consumer behaviour, which is shaped in many ways by environmental measures. Environment policy, so the Committee says, may have a "major influence on the consumer (prices, taxes, diversity of choice, health and safety); consumer policy may also, through the consumer choices it triggers, influence the environment for the good or for the bad"¹⁰. Increasing attention should be paid to the interface between consumer policy and environmental policy.

Economic development is a prerequisite for effective environmental protection, for it is the only way to meet the cost of environmental activities. At the same time environmental activities create new markets with a broad and varied range of products and services for protecting the environment. The development of new markets is made easier if environmental policy targets are set but industry is left to choose the best path. This is the only way to develop an innovatory climate which encourages technical progress, growth and employment incentives. A major role here has to be played by the Community and the Member States, which - acting in liaison with all social groupings - must decide how far they wish to go with environmental protection. Not until this has been done can the measures for achieving environmental targets be introduced.

The Committee would refer in this connection to its Opinion on environmental policy and the single European market, which focused on the use of market economy instruments and incentives for environmentally-friendly consumption¹¹.

In addition, the Community should make full use of its powers to enact environmental standards, coordinate the requisite measures with national environmental activities and seek the harmonization of divergent environmental provisions and rules in the Member States. In particular, cross-frontier pollution must be reduced and the distortions of competition caused by environmental policies eliminated. The Community should not be guided by the smallest common denominator; it must achieve what is ecologically and economically necessary. This includes taking suitable administrative and legal action to ensure that once measures have been decided, their implementation is pushed through everywhere in the Community. The will to take environmental protection seriously is often still lacking.

10. CES 1115/91

11. OJ No. C 322 of 31 December 1990, page 107

Measures for underpinning structural adjustment

Internal market

The Committee agrees wholeheartedly with the Commission that the programme for completing the internal market will create a "home market" of considerable size and quality and must therefore be considered as an "industrial policy measure par excellence". *The Committee* would refer in this connection to its various positive Opinions on the moves towards the internal market and *would reiterate the expectation that the internal market will benefit everybody - workers, firms, consumers and investors.*

The internal market programme's practical economic and social repercussions will hinge on whether and to what extent the internal market initiatives are put into action in the Member States. There are still shortcomings and numerous deficits in this area. Even though the Commission notes in its sixth report concerning the implementation of the White Paper on the completion of the internal market¹² that the percentage of measures transposed into national legislation rose from 69% in December 1990 to more than 73% in May 1991, some Member States still lag a long way behind. *The Committee* therefore not only *calls on* the Commission to make an even greater effort to ensure that infringement proceedings are instituted rapidly; it would also ask the *Member States to make an effective contribution to the completion of the internal market by speeding up their transposition of Community laws.* The Committee also requests the Commission to act early to ensure that the non-transposition of laws in individual Member States does not jeopardize establishment of the barrier-free internal market in 1993.

Standards and product quality

European standards are a key factor in Community-wide market integration and are extremely important for industrial competitiveness. They remove technical barriers to trade and have a deregulating effect, thereby making cross-frontier industrial cooperation easier and enabling firms to benefit from economies of scale. When the basic requirements to be met by products are laid down, the Commission should ensure that the highest possible level of protection is provided. This applies both to the protection of health and safety (especially at work) and to environmental and consumer protection.

Despite the undisputed advantages of European standards, Community standardization work presents a far from satisfactory picture. There is still a plethora of national standards which act as de facto market barriers in the Community. As a result small and medium-sized enterprises in particular have difficulty in gaining access to public contracts in other Member States. Although the number of new European standards, according to the Commission, increased sharply from 19 in 1985 to 150 in 1989, this falls a long way short of the requirements of the internal market programme. *The Committee calls on the Commission to increase its efforts to harmonize standards and also to use its influence to step up the establishment of effective procedures for the application of standards in the Community.* In this connection the Committee would reiterate the idea of establishing an organization such as the European Standardization Council proposed by the Commission, to improve coordination and coherence, propose priorities and encourage participation and transparency in the field of European standardization, including the national level¹³

Public procurement

The Committee agrees with the Commission that the liberalization of public procurement in all areas is central to the internal market programme and is of great significance in industrial policy terms. European industry will not move closer together unless the continuing tendency to favour "national champions" when awarding public contracts is

12. COM(91) 237 final

13. OJ No. C 120/28 of 6 May 1991

abandoned at last once and for all. "This continued partitioning of individual national markets", as the Commission said already in its June 1985 White Paper, "is one of the most evident barriers to the achievement of a real internal market"¹⁴.

The directives adopted so far on the Community-wide liberalization of public procurement mark a considerable step forward. *However, the fact that small and medium-sized enterprises (SMEs) still have no adequate access to public contracts is viewed with concern by the Committee.* Improvements are especially necessary in the field of subcontracting, where upper limits should be imposed in individual cases. The Community should also press more in future for the worldwide liberalization of public procurement, in keeping with the principle of reciprocal access to markets.

Small and medium-sized enterprises' access to public contracts in other countries could be further improved if the TED data bank were to be broken down by sector. The German pilot project POINT (Public Orders Information Network) is in progress at the moment in this field. The purpose of POINT is to provide a technically perfected service for small and medium-sized enterprises in need of reliable information about public procurement procedures in the Community. The Commission should lend its support to this project and further its wider cross-frontier use after its completion.

Abolition of national protective measures

With the completion of the internal market, the cases where EEC Treaty Article 115 can be applied will probably become fewer and fewer. National protective measures are not compatible with the principles of an open, competitive industrial policy. The Committee therefore supports the Commission's efforts to abolish these measures in order to expose national markets to a greater degree of intra-Community and worldwide competition and so prepare them better for global challenges. However, in many cases it is to be assumed that accompanying structural measures will be necessary so that unavoidable structural adjustments can be made relatively smoothly.

Coherent legal framework

Comparable legal conditions in the Member States are of vital importance for European firms if they are to operate unhindered throughout the Community. At the moment identical de facto situations still differ de jure. Although the Community has made visible progress in recent years in the approximation of legislation, a whole series of further measures are needed - not least in the field of company law. Views differ on the level of harmonization required in this field, but there is probably agreement that the common market requires national company laws to be aligned to a certain extent. In addition, there should be more supranational legal vehicles - such as the European Economic Interest Grouping - based on European law.

*The Committee has in various Opinions called on the Council and the Commission to "step up and properly organize their overdue action" with regard to the approximation of legislation*¹⁵ This includes further improving the protection of intellectual and industrial property. European firms need a reliable framework for action and more scope for re-organizing themselves if they are to strengthen their competitiveness, find a flexible response to the growing pressures from international firms based outside the Community and create and permanently safeguard jobs.

Trans-European networks

The Commission rightly stresses that trans-European networks are vital for the completion of the internal market and an important prerequisite for the integration of the Community's markets. They close gaps in existing networks and promote the development of the

14. COM(85) 310 final

15. OJ No. C 24 of 21 May 1990, page 34.

Community's peripheral regions, while also facilitating the construction of the European Economic Area and supporting the economic development of Central and Eastern Europe.

It is with this in mind that the Committee has repeatedly emphasized the necessity to establish and develop trans-European networks - especially in the transport, energy, telecommunications and vocational training sectors. In its Opinion on the Commission's action programme for trans-European networks¹⁶ the Committee calls for a global, integrated, multi-mode approach, providing a reference framework. Investment risks will thus be reduced, Community, national and regional measures will be more effective and due account can be taken of long-term needs¹⁷.

Open trade policy

There have been considerable changes in the international division of labour in recent decades: industries have been relocated and new economic centres and areas have sprung up - the most obvious one being the Pacific area, which includes the US West Coast, Japan and the countries of South East Asia and South America. "Old" industrial regions have upgraded by changing their structures, reorganizing and switching to new technology. This worldwide change has not been without friction. The risks and dangers involved present governments and central banks - but also firms and social groups - with the intricate task of having to weigh up and settle conflicts.

The European Community, because of its economic importance, has a lot of responsibility to bear in the field of world trade. Article 110 of the EEC Treaty expressly requires the Community to "contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers". *Hence the Committee welcomes the Commission's remark that an open trade policy is required as a necessary complement to the single market.* The liberalization of domestic markets must be accompanied by a liberal external trade policy. It would be absolutely disastrous if the Community were to be the cause of international trade tensions and upheavals.

This being so, the enormous gap between the trade policy guidelines outlined by the Commission in its paper and the international reality is a matter for concern. Administrative trade barriers, subsidies which distort competition and strategies which restrict competition - including the inglorious practice known as "laser beaming" - are the order of the day and are generating considerable disturbances in world trade. Regional cooperation is also increasing further. Countries with the same or similar economic objectives have joined forces not only in Europe but also elsewhere in the world. What was considered an exception at the time of GATT's establishment has now become the rule. The multilateral principle of world trade is thus becoming more and more of a farce. The international division of labour is being dominated more and more by economic giants and especially the triad formed by Europe, the USA and Japan. This triad encompasses the main markets and this is where competition is keenest.

Hence the growing importance - and here the Committee agrees with the Commission - of requiring that "the rules of the game be respected by all trading partners since the Community's economy will become more sensitive to such practices in line with its even greater openness". In view of the continual violation of these rules it is hardly surprising that the call for "reciprocity" is becoming louder and louder. Reciprocity alone - according to its advocates - "can ensure that the markets of Japan, South Korea, Taiwan and other Asian countries are also part of... the triad's (overall market), and are not fenced home bases from which Japanese and East Asian ... (firms) conquer the markets of America and Europe"¹⁸.

16. Towards trans-European networks - for a Community action programme (COM(90) 585 final)

17. CES 805/91

18. K. SEITZ, *Die japanisch-amerikanische Herausforderung: Deutschlands Hochtechnologie-Industrien kämpfen ums Überleben*. 2. Auflage, München: Bonn Aktuell, 1991."

Against a background of latent dangers for the international division of labour, *the Committee urges the European Community to continue to make an allout effort to convince world trading partners of the advantages of free markets under conditions of fair competition and to ensure that the GATT Uruguay Round is brought to a successful conclusion.* The increasing globalization of corporate activities - even in the small/medium business sector - demands rules for the international division of labour in which we can trust. Above all, more credibility and discipline are needed in world trade. Solemn commitments by western trading partners, reiterated at length again and again at the OECD or at "world economic summits", are no longer enough. The Committee expects the GATT negotiations to produce not only concrete assurances from all GATT members that they will observe existing GATT rules, but also a noticeable improvement in the rules in critical areas (e.g. subsidies, escape clause) and the inclusion of new areas in GATT (e.g. services, protection of intellectual property).

There must be a greater general realization that - given present-day economic and political constraints in the world - it will not be possible to solve the tasks facing us and avoid new tensions in world trade unless the No 1 rule is international cooperation based on trust. There is no place any more for nations going it alone. The world's trading partners will either have to work together more in future or they will have to follow the lead set by others and undergo the painful process of restructuring.

Means of speeding up structural adjustment

The Commission stresses that the capacity to restructure must be accelerated by accompanying measures. Special emphasis is placed on research and technology policy and a more dynamic policy towards small and medium-sized enterprises.

Technological strength

The Committee agrees in principle that the technological competitiveness of European industry plays a key role and determines whether European firms can hold their own on the world markets. It would emphasize even more clearly than the Commission, however, that measures for enhancing competitiveness should not be confined to a few high-tech sectors but must also address broadly based technologies. In addition, there is no guarantee that European industry will develop harmoniously unless these technologies can also be applied by firms in lagging regions. Member States have important tasks to perform here. Support for the Community's technological capabilities remains an absolute must, especially where pre-competitive research and the transfer of technology to small and medium-sized enterprises and less developed regions are involved. *However, the Committee would point out that the principle of subsidiarity must be retained in the field of research policy, too.* Community support for research should be channelled into areas where national funds do not suffice or the Community can reap clear benefits. In addition, priority must continue to be given to corporate responsibility for R & D. Firms are in a better position than the State to decide where research is worthwhile and to what extent it can be seen through and developed into marketable products.

Small and medium-sized enterprises

Support for R&D in small and medium-sized enterprises - especially through better information and advice in new areas of technology and improvements in the transfer of know-how and technology - is an important concern. *Smaller businesses must be involved more closely in existing (national and Community-wide) research programmes and the procedures for the grant of support must be simplified.* Not until this has been done will it be possible for smaller businesses to fulfil their central role in the process of industrial adjustment. In an age in which there is a greater specialization within sectors, European industry relies more than ever on a flexible and innovative SME sector. However, support programmes are no substitute for a policy aimed at improving the general environment (e.g. with regard to taxation) and the reduction of red-tape.

The Commission rightly places the emphasis on the importance of training in this connection. The Committee agrees with the Commission that in the face of the impending skill shortages and a much faster rate of innovation, *the adaptability and quality of human capital has become the key determinant of industrial competitiveness* and the one on which developed economies must place greatest reliance in future. In this connection the distinction between "high-tech" and "low-tech" industries is losing its importance. There must be broadly-based R&D and training in all sectors and regions.

4. Application of the industrial policy blueprint to sectors

The Commission has recently begun to apply the open, horizontal and offensive industrial policy approach to individual sectors. The sectors concerned are sectors which "can play a key role for the development of European industry", such as the IT and electronics industry and biotechnology. The Commission is also interested in areas whose worldwide environmental and economic importance is increasing (e.g. deep-sea mining). In addition Community blueprints are to be developed for sectors - such as the textile and clothing industry - which occupy an important place in the structure of the Community's economy but which are likely to have to "come to terms with structural change, which in some cases will be radical".

The *European IT and electronics industry*¹⁹ is poorly represented in key areas such as semiconductors, peripherals and consumer electronics, and in the IT sector the situation can only be described as difficult. Whilst the Commission's analysis of weaknesses does identify some cyclical causes, interacting structural weaknesses are far more significant:

- The high degree of fragmentation of the Community market;
- Unequal competition conditions in the various regions of the world market;
- Disadvantages linked to financing;
- Lack of highly qualified staff;
- Weak points in the structure of production;
- Inadequate corporate strategies.

In the Commission's view measures needed to correct structural weaknesses and improve competitiveness should primarily be left to the firms themselves. The job of the Community and the Member States is, subject to the principle of subsidiarity, to create a favourable environment for firms and in so doing to take account of the potential of IT and electronics technology for the Community. Against the background of this analysis the Commission has drawn up a five-point action programme to complement and reinforce initiatives by firms. The proposed measures cover demand, technology, training, external relations and the business environment.

In its Opinion²⁰ the Committee welcomes the Commission's industrial policy initiative and judges the action programme to be a suitable basis for creating - in partnership with firms - competitive structures and good job prospects offering good working conditions in the European IT and electronics industry. Recent unfavourable developments such as losses of market share in consumer electronics to East Asian competition and current market problems in semiconductors and the computer industry have clearly shown how urgent Community action has become. The Committee feels that the strategically important conditions are to be found in research and technology, infrastructure, production capacity, training and skills. In these areas the Committee proposes a broad spectrum of measures to complement the Commission's proposed package; these should be taken up by the Community and the Member States and used to construct a framework for the activities of firms.

19. SEC (91) 565 final
20. CES 1392/91.

The Council Resolution of 18 November 1991 on electronics information and communication technologies²¹ has been noted by the Committee with approval. Basically, this Resolution tallies with what the Committee says in this Opinion, and also fits in with the Committee's Opinion on the European electronics and information technology industry.

Biotechnology is of strategic importance in dealing with the major challenges facing both industrialized and developing countries in the fields of nutrition, health, environmental protection and population growth. It should be understood as an interdisciplinary field straddling chemistry, biology and process engineering and using the biochemical synthesis of living cells to obtain or modify substances as part of industrial production processes. Biotechnology offers great opportunities for many sectors of the economy, from power generation, metal extraction, refuse disposal and chemicals to bioelectronics. It is true that this technology has a bad public image. Reservations are aimed mainly at the possible consequences of improper use for human and animal health and safety.

In view of the growing importance of biotechnology - not least for the EC's economic future - the Commission has drawn up a paper on biotechnology and proposed numerous initiatives across the whole spectrum²². Their aim is to improve the competitiveness of firms involved in biotechnology, to adapt the legal framework, to establish biotechnology standards, to provide for the protection of intellectual property and to help with R&D financing. At the same time, the Commission says, ethical issues raised by biotechnology must be taken up by the Member States and at Community level and discussed at length in the framework of an open dialogue.

The Commission identifies the following priorities:

- the establishment of a biotechnology information infrastructure via research programmes, information policy and international cooperation;
- the phased introduction of support for biotechnology R&D (possibly extending beyond the pre-competitive phase);
- the drawing up of a clear and precise mandate for CEN's activities in the field of biotechnology;
- the adoption of Community rules protecting intellectual property and the incorporation of Community law in national law;
- the establishment of biotechnology statistics (industry and product statistics);
- the intensification of bilateral and multilateral contacts. The setting up of working parties (GATT, OECD, EFTA) to formulate objectives for health and environmental protection;
- the setting up of a suitable Community advisory body on ethical issues related to biotechnology, e.g. questions concerning life and human identity.

To complement its policy initiatives and biotechnology research programmes, the Commission will continue to assess social, economic and technological consequences. It also intends to monitor regularly the progress and competitiveness of the Community's biotechnology industries, in order to ensure that the agreed concept performs its function. The Commission remains convinced that future market successes will depend to a great extent on the strategies developed and followed by firms.

The Economic and Social Committee reserves the right to issue a separate Opinion on the Commission's biotechnology paper.

21. N°. 9298/91 (Presse 208) of 18 November 1991.
22. SEC (91) 629

Maritime issues have become increasingly important on an international level in ecological, economic and political terms. In its Communication on *maritime industries*²³ the Commission says that the EC should actively react to this. In the light of their interdependence, shipping, shipbuilding, the use of the resources of the sea, and the need to keep these resources and the seas themselves free of pollution, have to be seen and treated as part of a single maritime dimension. The Commission's Communication therefore covers this whole area in order to pave the way for better use of present and future synergies between maritime activities.

Only efficient maritime industries can guarantee that the Community will be in a position to participate adequately and successfully in international trade and benefit from the exploitation of the oceans. In the past the Commission has undertaken and proposed a range of different initiatives, but until now there has been no comprehensive view of all maritime issues. A new and effective global approach is therefore needed. This does not, however, mean substituting for efforts by companies themselves. The Commission's objective is, rather, to improve the competitiveness of the maritime industries via appropriate horizontal measures:

- Improved conditions (elimination of trade barriers);
- Improved maritime safety (navigational safety, safety on board, safety at work);
- Drawing up of an integrated Community approach to maritime R&D;
- Development of a combined transport network and extension of transport infrastructure;
- Improved basic and further training of employees;
- Development of common maritime environmental strategies;
- Convergent conditions of competition between the Member States.

The implementation of the proposed horizontal measures offers firms in the maritime sector the opportunity to keep pace with the most recent developments and exploit fully the advantages of the internal market. Preconditions for this however are more efficient internal coordination of policy and a better understanding between firms in each sector, the individual economic sectors, the Member States and the Commission. The Commission therefore proposes a discussion forum consisting of representatives of the various industries and research institutes, the maritime and economic authorities of the Member States and the Commission. The forum's job would be:

- to define in greater detail the scope of the global and horizontal approach;
- to identify areas and measures which could improve the competitiveness of the maritime industries;
- to develop appropriate methods for the implementation of the necessary measures.

The forum should present a report to the Commission within nine months of adoption of the Commission proposal. The Commission will then decide what concrete measures are needed and should be proposed in the common interest of the maritime industries.

The Economic and Social Committee - one of the recipients of the Communication - will be submitting a separate Opinion on the European Community's maritime sector.

The textile and clothing industry plays an important role in the Community's structural make-up, not only in terms of sales, production and jobs but also because of the creativity aspect and the wealth of experience amassed. In the coming years this industry is once again likely to be under considerable pressure to adapt. The challenges facing the industry - and in particular the integration of Mediterranean and East European countries - are forcing it to speed up the restructuring process but also require the European Community to demonstrate its solidarity. The fact that the textile and clothing industry is of vital importance for some of the Community's less developed regions (especially in Portugal, Spain and Greece) heightens the need for solidarity.

23. COM (91) 335 final

The Commission has become increasingly aware in recent times that the current problems with their possible structural and social repercussions have prompted several Member States to consider or frame their own (national) plans of action. The danger here - according to the Commission - is that "failure to establish clear guidelines (will) produce results which will cause problems at Community level". For this reason, but also to emphasize the importance which the Community attaches to the textile and clothing industry's economic and social difficulties, the Commission has put together a package of measures for effectively helping the industry to modernize and strengthen its competitiveness²⁴. It should be borne in mind in this connection that even in those areas where the industry has been extensively restructured and modernized, the task of safeguarding and strengthening firms' competitiveness will be an extremely difficult one.

As the Commission sees matters, the requisite Community measures must satisfy two conditions: they must be in tune with the overall framework of Community industrial policy and they must do justice to the distinguishing features of each region. This will require a balanced policy-mix, with the firms themselves bearing responsibility, as ever, for the structural adjustments. The numerous Community support measures will focus on:

- Promoting and improving communications and information;
- Improving the transparency and coherence of State aid;
- Improving basic and further training for workers;
- Stepping up research and development;
- Structural fund assistance for the regions affected.

The Community's textile and clothing industry is "extremely international", and industrial policy measures by the Community must therefore also take developments on the world markets into consideration. Top priority should be given to reinforcing the Community's outward-looking approach, while a balance must also be established between the rights and obligations arising from the application of competition and trade rules. The following specific measures are listed in the Commission Communication's chapter on commercial policy:

- Opening up the markets of non-Community countries;
- Export promotion;
- Making corporate strategies international;
- Measures against dumping and subsidies;
- Cooperation between customs authorities in the Community;
- Protection of labels, designs and models;
- Application of commercial policy instruments.

The Commission appeals to the Member States to ensure that joint complementary action is taken. It is also the Commission's firm intention to coordinate the use of its instruments and policy measures so as to give lasting support to the structural adjustment of the textile and clothing industry and speed up economic diversification in the affected regions.

The Economic and Social Committee reserves the right to deliver a separate Opinion on this Communication, too.

24. COM(91) 399 final

5. Conclusions

The conclusions adopted by the Council of Ministers on the Commission's industrial policy blueprint are noted by the Committee with satisfaction. In particular, the Committee welcomes the fact that the Council has lent its approval to a Community industrial policy which takes into account "the complexities of the situation both internal and external to the Community" and allows "a more balanced development and a greater economic and social cohesion within the Community"²⁵

The Committee thinks that it would make sense to include key objectives and elements of a Community industrial policy in the Treaty, thereby providing firms in the Member States with the right conditions for exploiting to the full the benefits of the single market, Economic and Monetary Union and the common research and technology policy. Provision should also be made for coordinating national industrial policy decisions with corresponding measures taken at Community level and involving the Economic and Social Committee in this.

Done at Brussels, 27 November 1991

The Chairman
of the
Economic and Social Committee

François STAEDLIN

The Secretary-General
of the
Economic and Social Committee

Jacques MOREAU

25. Conclusions of the Council of 26 November 1990 on industrial policy in an open and competitive environment, document 10159/90 (Presse 198-G)

**OPINION
of the
Economic and Social Committee
on the**

**Proposal for a Council Regulation establishing
a Community ship register and providing for the flying
of the Community flag by sea-going vessels;**

**Proposal for a Council Regulation on
a common definition of a Community shipowner;**

**Proposal for a Council Regulation
applying the principle of freedom to provide services
to maritime transport within Member States**

(Positive measures for maritime transport)

(COM(89) 266 final)

At its Plenary Session on 23 February 1989, the Economic and Social Committee instructed its Transport Section to produce, on the basis of Article 20(4) of the Rules of Procedure, an Own-initiative Opinion on Positive Measures for Maritime Transport.

On 16 August 1989 the Council decided to consult the Economic and Social Committee under Article 84 of the Treaty establishing the European Community, on the

Proposal for a Council Regulation establishing a Community ship register and providing for the flying of the Community flag by sea-going vessels;

Proposal for a Council Regulation on a common definition of a Community shipowner;

Proposal for a Council Regulation applying the principle of freedom to provide services to maritime transport within Member States

embodied in the Communication by the Commission to the Council entitled:

"A Future for the Community shipping industry: Measures to improve the operating conditions of Community shipping"
(COM(89) 266 final)⁽¹⁾

and accompanied by a document for information from the Commission to the Council entitled:

"Financial and fiscal measures concerning shipping operations with ships registered in the Community"
(SEC(89) 921 final).

Positive measures for maritime transport

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 8 November 1989. The Rapporteur was Mr WHITWORTH; Co-Rapporteur: Mr ALEXOPOULOS.

At its 271st Plenary Session (meeting of 16 November 1989) the Economic and Social Committee adopted by 43 votes to 7, with 7 abstentions, the following Opinion:

1. Background

In March 1985⁽²⁾, the Commission put forward a Memorandum in an attempt to create a coherent framework for an EC shipping policy, based on a philosophy of free trade. It was devoted mainly to what might be called the "external relations" aspects of shipping, although it also met the requirement to apply the Community's competition rules to the sea transport sector. It provided a means for coordinating the national policies of Member States in the face of protectionism and unfair economic practices by countries outside the Community and also the first stages of a gradual opening-up of a genuine common market in intra-Community sea transport services.

The Economic and Social Committee considered this first stage of the Community's shipping policy in great depth and produced a comprehensive Opinion and Report on it (Co-Rapporteurs: Mr MOLS-SORENSEN and Dr BREDIMA) in two parts in November 1985⁽³⁾ and May 1986⁽⁴⁾ (published in a single volume in June 1986).

(1) OJ C 263, 16 October 1989, page 11.

(2) OJ C 212, 23 August 1985, page 2

(3) OJ C 344, 31 December 1985, page 31

(4) OJ C 207, 18 August 1986, page 31

The Opinion welcomed the memorandum as an indication that the Commission had at last begun to consider the maritime industry as an industry in its own right. It stated:

"The publication of the document is timely since the merchant fleets of the EC Member States are either in decline or facing the prospect of decline at a time when competition from non-EC fleets is growing and the level and pattern of world trade is undergoing a fundamental change. Until now the Community has lacked a coherent and comprehensive policy for the maritime transport sector and it is now crucial that such a policy should address the means of halting the fleets' decline, if not reversing it..."

"The shipping industry is important to the Community as an earner of foreign exchange and as an employer both at sea and ashore. In addition to its strategic value and its important role in defence, it is also vital as a provider of transport services for external trade to and from the Community as well as for trade within and between Member States. A viable Community-flag fleet is essential if services to exporters and importers in the European Community are not to be dominated by third party shipping interests. Therefore the Community needs a maritime transport policy concerned with the promotion of all maritime activities such as the carriage of goods and passengers by companies in Member States, the use of a viable Community fleet registered in Member States and the employment of seafarers from Member States".

For the most part, these considerations apply equally today.

In December 1986, in the first stage of EC shipping policy, the Council of Ministers adopted a package of four maritime regulations⁽⁵⁾ governing:

- the principle of freedom to provide services between Member States and between Member States and third countries (Regulation 4055/86);
- competition rules (Regulation 4056/86);
- unfair pricing practices (Regulation 4057/86); and
- free access to cargoes (Regulation 4058/86).

When they adopted these regulations, the Community Governments recognized that this marked only the first stage in the elaboration of a Community shipping policy whose aims were to maintain and develop an efficient, competitive Community shipping industry to ensure the provision of competitive shipping services, in particular, for the benefit of Community trade.

The Council of Ministers agreed that if these aims were to be achieved efforts would be needed to reduce the disparities in "operating conditions and costs" between the Community fleets as a whole and their foreign competitors and that in this connection measures were required to promote the Community fleet. Accordingly, it invited the Commission to submit appropriate proposals relating to fiscal, social and technical aspects as rapidly as possible, with a view to contributing to the completion of the internal market by 1992.

During the intervening three years, the Commission has been working to this remit. A symposium was held in Antwerp in May 1987 at which the then Transport Commissioner promised speedy action to produce a programme of positive measures. The Commission instructed various independent institutions to undertake studies, including a social survey of seafarers' conditions (MERC - 1987), a study on the current financial and fiscal arrangements governing shipping in the Member States (KMPG) and a Report on EC Maritime Industries (Moore Stephens).

(5) OJ L 378, 31 December 1986, page 1

In August 1989, the Commission put forward its proposals for a second stage of Community shipping policy in a communication to the Council of Ministers⁽⁶⁾. The objectives of this policy are defined (in paragraph 3 of the Commission document) as to:

"provide sufficient incentive for Community shipowners to register their ships within the Community and man those ships, to the highest possible proportion, with Community seafarers."

It is further stated (in paragraph 50) that the Commission is not seeking to restore the earlier level of the fleet, nor to require Community-registered ships to be totally manned by nationals, but to achieve the three elements - Community ownership, registration and crew - "to a relative extent".

2. The Commission's analysis

The Commission's communication is in two parts: the first, entitled, "*A Future for the Community Shipping Industry: Measures to improve the Operating Conditions of Community Shipping*", analyses the present situation of the shipping industry and the scope for Community action, before describing a number of specific policy measures which might be taken by the Community to stem the decline of the Community fleet and achieve the objectives set out in paragraph 1.8. *It includes four draft instruments on:*

- the establishment of a Community ship register;
- the improvement of port state control within the Community;
- a common definition of a Community shipowner;
- the application of freedom to provide services to maritime transport within Member States.

The second document, submitted for information only, relates to "Financial and fiscal measures concerning shipping operations with ships registered in the Community"⁽⁷⁾. It includes a series of "Guidelines for the examination of state aids to Community shipping companies".

The first document provides a comprehensive and helpful analysis of the economic situation besetting the Community fleets. It amply demonstrates the Commission's appreciation of the state of the shipping market and the reasons behind the dramatic decline in the fleets registered in Member States. The Commission notes, *inter alia*, that:

- a) apart from in FR Germany and Denmark, the reduction of older tonnage in Community fleets has not been accompanied by modernization and they are now older than most of their competitors;
- b) the relative ageing of the Community fleet means less opportunity to benefit from developments in shipbuilding design aimed at increasing operational efficiency and decreasing running costs;
- c) the contraction of Community fleets has led to reduced sea-going employment both of Community nationals and non-nationals; also to significant job losses in shore-based employment and in related industries;
- d) while the problems facing shipping have eased in the last year, the changes in economic conditions do not eliminate the structural comparative disadvantage which Community shipping suffers as against many third country fleets. This cost disadvantage relates in particular to crew costs and differences in tax treatment;

(6) COM(89) 266 final of 3 August 1989

(7) SEC (89) 921 final

- e) the loss of a Community fleet would have an adverse influence on the quality and cost of transport to and from the Community and thus damage the Community's trading position;
- f) there would also be significant damage to Community interests in terms of employment, balance of payments and defence.

In this context the following figures derived from the Commission's appendices are highly relevant:

	1980	1984	1988
Size of EEC fleet	117.2 m grt	84.5 m grt	58.5 m grt
Percentage of world tonnage	29.4%	23.4%	15.4%
EEC sea-farers employed	276,417 (1978)	213,821 (1983)	143,431

The Commission also notes, in the context of measures introduced with the aim of reducing operating costs, that the use of offshore and dual registers has been greatly expanded. The Committee believes that the proliferation of dual registers in Member States gives rise to some concern. It also raises a series of questions with regard to their legal status under the EC Treaty and the package of shipping policy Regulations. It is of importance to consider the legal status and circumstances of such registers (some of which are based in Community territory and others not) with view to examining their compatibility with Community law.

The Commission also recognizes what the Committee perceives to be the unique position of shipping, in comparison with other Community export-oriented industries, as an operator of globally mobile plant and equipment with an equally mobile labour force, geographically isolated at its place of work from its country of origin or residence. Its competitors' trading circumstances differ radically, dependent on the centres from which they operate and the flags under which they register; in many cases both of these can be changed at will to enhance their competitive advantage. EC shipping is at the forefront of the open market economy and enjoys no quota or tariff protection - as does Community land-based industry. Indeed, the EC shipping markets are open to carriers of all nationalities, while EC carriers' freedom of access to the trades of many countries is restricted.

In recognizing the particular vulnerability of shipping in world trade the Commission points to the fact that there is no internal Community shipping market as distinct from the world market (insofar as deep sea shipping is concerned). As agreed by the Council in the debate preceding the adoption of the package of Regulations in December 1986, even sea transport between Member States of the Community is open to anybody from the rest of the world.

3. The Commission's Proposals - General Comments

The Committee believes it to be imperative that there should be a positive sectoral policy for Community shipping in the second phase, designed to improve competitiveness and productivity, encourage investment and develop the human resources employed in the industry. It is only by the maintenance of a healthy and competitive Community shipping industry that the best guarantees can be assured in the longer term of continuing employment of Community seafarers and of the continuing availability of efficient maritime transport services for EC trading interests. The Committee therefore welcomes the Commission's analysis of the present position of Community shipping and endorses its conclusion that there is an urgent need for Community action.

In developing its proposals for a second stage of European Community shipping policy the Commission has established a framework of specific criteria which are set out in paragraph

53 of its first document. The Committee broadly supports these criteria as well as the fundamental objectives underlying the proposals. The Committee hopes that the Commission will continue to pursue these objectives as widely as possible, despite its conclusion that the three elements can only be achieved "to a relative extent". It emphasizes that the Commission's statement (point 52) to the effect that European operating conditions are to be adjusted to those existing on the world shipping market should not lead to any downgrading of operating conditions for EC ships and employment conditions for EC seafarers.

However, the Committee does not believe that, taken as a whole, the package of proposed measures will have sufficient impact to achieve the stated objectives. The Commission itself states that the objectives can be achieved only if the operating conditions of the Community fleet improve its competitive position in the world market (paragraph 3). It goes on to emphasize (in paragraph 30) the competitive disadvantage of the Community fleet and to state, correctly, that the cost disadvantages of operating under Community flags have proved too great for many shipowners.

The Committee believes that this competitive disadvantage can only be effectively redressed if the package of Commission proposals were to incorporate firm and specific proposals to alleviate the cost burdens imposed by Member States on shipping companies in areas related to employment costs and company taxation.

Employment costs and personal taxation

In its 1985 Opinion the Committee suggested that the Commission should actively promote favourable direct tax regimes for Community seafarers and also explore other such means of helping to maintain the employment of EC nationals on vessels of Member States.

The Committee affirms its emphatic rejection of a state of affairs in which the Community becomes increasingly dependent on non-EC ships and crews to carry its overseas trade. The continuing loss of tonnage from EC flags and the continuing decline in job opportunities for EC seafarers must be arrested and reversed, leading to the re-establishment of a Community maritime labour force with appropriate training and skills.

A paramount necessity is effective action to reduce the differential in overall manning costs which has led to the loss of job opportunities for EC seafarers in favour of third world crews. For, as the Commission demonstrates in its analysis and the statistical tables annexed, it is the level of these costs which represents the principal area of disadvantage for EC fleets in relation to their competitors.

Wage disparities between the various EC Member States and between EC and third world crews, significant in themselves, are further exacerbated by the burden of personal income tax and social security contributions imposed on EC seafarers and their employers. A combination of the data produced by the Social Survey sponsored by the Commission shows that a huge gap exists in the various Member States between the net pay received by the seafarer and the gross cost to the employer. The overall cost to the employer varies between 150% and 200% of the seafarer's take-home pay. Under many competing flags, such costs do not exist at all and seafarers lack the corresponding protection.

Early and positive action should therefore be taken by the Community to apply specific measures to reduce the level of Community manning costs, without prejudice to the seafarers concerned, by:

- the abolition of income tax on the earnings at sea of all seafarers on EC ships; and
- the alleviation, to the greatest possible extent, of social security costs for employers and employees relating to the employment of seafarers serving on EC ships;

in order to minimize the gap between net pay and gross cost.

It is only by action along these lines that the EC fleets' competitive disadvantages in the vital area of manning costs can be at least partially reduced.

It cannot be emphasized too strongly that these proposals do not in any way suggest any deterioration in the take-home pay, employment conditions or social security entitlements of EC seafarers. Their benefits would remain unchanged but their employment prospects would be greatly enhanced.

Fiscal measures and company taxation

The Committee considers that the objectives of Community action in the fiscal area should be:

- to make the EC fleets more competitive in practical terms with lower-cost, non-EC fleets (while acknowledging the need not to exacerbate over-supply by a proliferation of subsidies) and
- to encourage investment in the shipping industry per se and therefore promote a healthy, EC-owned merchant fleet able to ensure the EC's import/export trade.

Where appropriate, the Community also should provide funds that would contribute to the achievement of these aims.

The capital cost of acquiring a ship, particularly a new ship, is the largest cost burden for a shipping company. As the Commission demonstrates, there are presently a variety of national regimes within the Community designed to assist national shipping companies in this area. These include a widely differing mixture of direct subsidies, home credit schemes, tax-free reserves, favourable depreciation allowances, loan guarantees, and favourable rates of company taxation. Although some EC shipping companies get significant help from their governments, others get very little or no such help. Such support should be available to all EC shipowners to re-invigorate investment, modernize the EC fleets and enhance their competitive position. At the same time, it should be noted that many aggressive competitors from the Far East, the Eastern Bloc, and USA in particular get substantial government aid.

More specifically, the Commission should develop an instrument which would permit:

- a reduction of the overall fiscal burden on shipping companies established in Member States and vessels sailing under the flags of Member States;
- favourable treatment, for tax purposes, of profits from shipping activities in international markets, including profits on the sale of ships;
- flexible fiscal allowances against the costs of purchasing new and second-hand ships to facilitate re-investment in shipping.

The EC shipping industry stands to benefit from the retention of an efficient and prosperous EC shipbuilding industry. The Committee has given its views on measures which should be taken to ensure the latter in a number of previous Opinions, most recently in December 1986⁽⁸⁾.

It is vitally important, too, that neither the Community nor Member States should undertake action which actually damages shipping financially. In this respect, attention is drawn to the fact that some Member States still impose restrictions on access to world capital and insurance markets. The Commission should ensure the principle of free access for the EC shipping industry to these markets.

With regard to the Community's ability to provide funds (in accordance with the suggestions above), the Committee notes that the maritime transport industry makes a substantial contribution to the Community budget through the charging of customs and other duties on the freight element of the value of goods imported into Member States using EC ships. These duties are assigned to the Community as own resources for the financing of common expenditure. The Committee in no way wishes to change this arrangement, since non-payment of duty on freight charges on board EC ships would introduce an element of flag

(8) OJ No. C 68 of 16 March 1987, page 9

protection and therefore be contrary to the thrust of the Community's wider shipping policy. However, it notes that this fact places one commercial activity - i.e. shipping - in the Community in an exceptional position in relation to other commercial and production activities and that, on very rough assumptions, the overall value of the Community's own resources derived from this source approaches ECU 500 m in the current year.

While the Commission addresses the foregoing and a number of related aspects in its second document, "for information", it stops a very long way short of advocating positive action in any of these critical areas.

In putting forward its proposals, the Commission appears to have felt itself inhibited by what it believes to be a number of constraints on Community action:

- the Community has no funds at its disposal from which aid can be made available;
- the Community cannot compel Member States to give any particular financial or fiscal aid to their shipowners - each Member State must itself determine the extent to which it wishes to support its fleet. The Commission can only examine whether such support is compatible with the Treaty;
- Community proposals for fiscal measures in favour of a *particular* industry would run counter to the principle of tax neutrality between the economic sectors.

It appears that the Commission feels that it is not permitted to propose supportive measures specific to shipping because it cannot guarantee that each Member State will be equally willing to implement them. Without this guarantee the proposal of such measures would contribute further to distortion of competition between Member States. The result could be that positive sectoral policies would be outlawed unless a mechanism can be found for coordinating such measures across the Community.

The Committee recognizes the necessity for any positive measures for maritime transport to be consistent with the principles of the Internal Market. In this context it believes that care must be taken to ensure that no competitive distortion is created between the various transport modes where they are effectively in competition with one another - e.g. at the interface of short-sea and internal shipping in rivers and estuaries.

Nevertheless the Committee believes that owing largely to the Commission's interpretation of the limits on Community action imposed by the Treaty provisions, the measures as presently proposed fall well short of the Commission's own objectives. Useful and helpful though some of the detailed proposals are (and this is acknowledged in the Committee's specific comments), without positive and specific measures to alleviate the burdens imposed by Member States in the areas of employment costs and company taxation, the Commission's package is insufficient to promote the EC fleets and halt the decline in the Community shipping industry.

Despite the fact that the Community may not have the legal authority to oblige the Member States to provide special assistance, there is nothing to prevent the Commission from proposing to the Council of Ministers that it adopt a Decision calling upon the Member States, as a matter of urgency, to take concrete, balanced action, e.g. in the field of fiscal policy, to strengthen the competitive position of the EC fleets. The Commission itself draws attention in its proposals (point 48) to the need for joint action on the part of the Member States and the EC to counteract the reduction in the EC fleets. Furthermore, fiscal measures have been used in other areas to help achieve particular objectives, without giving rise to objections on the grounds of an infringement of fiscal neutrality. The same situation applies in the case of the objective of ensuring the long-term competitiveness of the EC fleets.

Finally, and before embarking on its detailed comments on the Commission's proposals, the Committee would emphasize that it is important for the first stage of EC shipping policy to be firmly implemented. The Committee notes that, while progress has been made in some areas, there is still scope for greater commitment and forcefulness of implementation regarding Regulations 4055/86 on the Freedom to Provide Services and 4058/86 on Free

Access to Cargoes, both generally and in international trades and in certain bilateral trades involving EC Member States and third countries. The Committee is disappointed that greater progress has not been made in this regard and is convinced that a strong commitment to the application of the four regulations of 1986 is an important objective to be pursued in parallel with the development of positive measures in the next phase. Active implementation of the shipping provisions of the Lomé Convention, which called for free shipping relations between the EC and the African, Caribbean and Pacific (ACP) States and for adherence to the UN Liner Code and its accompanying resolutions, is also necessary.

In this context the Committee expects the Community to ensure that, in accordance with these Regulations, consumers of maritime services (shippers, manufacturing industry, agriculture, etc.) will continue to have free recourse to cost-efficient carriers operating in markets subject to fair commercial competition and that the obligations attached to the exemption of liner conferences from the EC competition rules are adhered to.

4. The Commission's proposals for measures to improve operating conditions - detailed comments

The EUROS Register (paragraphs 55-66 of the Commission's document)

The Committee welcomes the concept of the EUROS Register and believes that its creation would, in itself, constitute a positive and significant step for Community shipping.

However, if the Register is to attract ships currently registered in Member States, let alone Community-controlled ships presently registered elsewhere, it must have specific benefits attached to it in the way of positive measures.

The Committee firmly believes that these should embrace the measures in the areas of employment costs and fiscal measures which it has described on page 45 and 46.

It is manifestly evident to the Committee that the provisions in Articles 7 to 11 of the draft Council Regulation establishing EUROS are highly controversial and will cause major problems in their present form to seafarers and shipowners alike. The seafarers naturally aspire to the full manning of EUROS ships with Community nationals. However, their main concern is likely to stem from the suggestion that non-nationals of EC Member States should be employed in ships of the EUROS register other than on EC wages and conditions. They would particularly deplore the possibility of any such conditions falling below the provisions of ILO Recommendation No. 109 and would be anxious that there should be proper social security arrangements for any non-EC seafarers.

The shipowners, on the other hand, will be anxious, particularly in the absence of comprehensive positive measures of the sort described on page 45, to be permitted a sufficient degree of flexibility in the manning arrangements to enable them to bring ships onto the EUROS Register and operate them economically in relation to their international competitors. They would entirely accept that there should be no undermining of the provisions of the relevant ILO instruments but find that the proposals in their present form, taken with those of the Commission document as a whole, do not provide for a sufficient degree of reduction of existing cost levels to redress the loss of competitive advantage which the Commission has identified. This would apply particularly where the EUROS provisions are more stringent than those of existing Member State legislation.

It is vitally important that there should be further detailed discussions with the representative organizations through the Joint Committee on Maritime Transport before the Commission Proposal is finalized.

More generally, the Committee believes that the EUROS proposal should be further developed and its accompanying benefits brought out more clearly. The Committee stresses that these benefits must be real and immediate if the Register is to develop its full potential as the catalyst for this second stage of the Community shipping policy. Further, the

relationship between the EUROS register and the registers of Member States should be more closely examined. For example the mutual recognition of seafarers' certificates and the free transferability of ships should be equally applicable to the registers of Member States in accordance with the basic philosophy of the Internal Market.

Manning and research (paragraphs 67 to 81)

The Commission promotes research into on-board rationalization as a positive element of the second stage. While the Committee supports this in principle it believes that the scope for further rationalization on board ship is generally limited in EC fleets. Much has already been achieved in this respect as the result of positive cooperation between management and seafarers. Community support for research in the shipping industry is helpful, but only provided it is undertaken in full consultation with the industry, which has not always been the case in the past.

Mutual Recognition of Technical Standards (paragraphs 82 to 90)

The Committee welcomes the principle of mutual recognition of technical standards and easier transfer of ships, and endorses the proposition that these should be effected by coordinating the application by Member States of the international standards agreed in the IMO, with the intention that overall standards in the Community should be maintained and improved. Care should be taken however to avoid cumbersome administrative procedures stemming from the interpolation of detailed Community regulations between those laid down by the IMO and those prescribed by individual EC flag states.

Social Measures (paragraphs 91 to 96)

The Committee wishes to emphasize that the social aspects of the development of the Community's shipping policy are far wider and more important than those contained in this sub-section of the Commission's document. It is disappointed that this element has received such scant attention.

It notes that employment opportunities for EC seafarers have declined still further since 1985, when its earlier Opinion on maritime transport was adopted.

An overriding objective of the positive measures which the Committee urges the Commission to put in hand as a matter of immediacy is to ensure for the future the continuing availability of jobs in EC ships for substantial numbers of seafarers on EC conditions of employment.

The Committee recalls that the Treaty of Rome refers to the need to promote improved working conditions and an improved standard of living for workers so as to make possible their harmonization while the improvement is being maintained. It reaffirms its view expressed in its Opinion on the Transport Policy of the European Communities in the 1980s, and repeated in Part 2 in the 1985 Opinion, that:

"A common transport policy must be socially beneficial by catering for transport needs from an overall economic point of view and by helping to improve the living and working conditions of the people employed in transport."⁽⁹⁾

The Committee emphasizes now, as it did then, that the best way to ensure employment for seafarers is by securing the future of Member States' fleets and notes that many other jobs in maritime related industries (such as ports, insurance, classification, shipbroking, etc.) are dependent on the retention of a healthy and viable shipping industry.

That said, the Committee welcomes the proposed consultations with the Joint Committee on Maritime Transport and urges that these should be given a high priority.

(9) OJ No. C 326 of 13 December 1982, page 12 (point 4.1.1.).

Specifically, the mutual recognition of seafarers' qualifications is strongly supported as are all practical proposals for assistance or improvement to training and retraining. Further, the Committee believes that the Commission should promote a convergence of policies between Member States in regard to the provision of financial assistance for the training of seafarers, as well as for their repatriation from ports abroad.

IMO/ILO Standards (paragraphs 97 to 104)

The Committee unequivocally condemns the operation of ships - under whatever flag - where the provisions of the relevant ILO and IMO instruments, particularly ILO Convention No. 147 and the instruments covered by its appendix, are not observed and calls upon the Commission to use its influence to ensure maximum ratification, observance and enforcement.

In particular effective action should be taken to ensure continuing, stringent enforcement through the established port state control mechanisms of the generally accepted international standards regarding safety, pollution-prevention and the working environment in regard to non-Community flag vessels visiting EC ports. The quota of inspections to be carried out by Member States under the Memorandum of Understanding should be progressively increased. The Committee welcomes the recent changes in the instructions given to surveyors in May 1989, which embrace more comprehensively the requirements of the relevant ILO Conventions.

The draft Recommendation on Port State Control which encourages Member States to ratify specified conventions and to devote adequate resources to port state control activities within the framework of the current Memorandum of Understanding is therefore greatly welcomed. However, the Committee again stresses that the 25% inspection target should be progressively raised.

Transport of Food Aid (paragraphs 105 to 108)

The Committee welcomes the political will behind the Commission proposal but expresses certain reservations. It believes that all aid cargoes, not merely food aid, should be included. It also feels that any improved access to aid cargoes should apply to all ships operated by Community shipowners under the flag of a Member State and should not be confined to ships on the EUROS register. The Committee detects a protectionist tendency in the proposal which could give rise to retaliation in other developed countries and weaken arguments against similar cargo-preference measures elsewhere; the proposal should be reviewed to ensure that this is not the case.

Definition of a Community Shipowner (paragraphs 109 to 112)

The definition put forward by the Commission in these proposals is quite separate and distinct from that of persons entitled to have a vessel on the EUROS register (Art. 3 of the draft EUROS regulation). This definition should be extended and should embrace all shipping services provided for remuneration in addition to the carriage of goods or passengers, with the exception of fishing. The Committee would also point out that in 1986 the European Parliament decided to include in addition to the Commission's criteria for defining the term "National Shipping Line" the criteria "ships flying the flag of a Member State" and "employment of Member State nationals". Further consideration should be given to these criteria. An acceptable definition would settle the vexed question of who should benefit from EC shipping policy and could prove to be the key to agreement on many issues within the "positive measures" package.

Cabotage (paragraphs 113 to 115)

The Commission's active proposal for liberalization in this area is welcomed although the Committee recognizes that further discussion will be necessary before a regulation satisfying all Member States and the aims of complete liberalization implicit in the completion of the Internal Market can be agreed. Nevertheless, it is important that this issue,

which has been outstanding since the first stage of the Community Shipping Policy was proposed in 1985, should be resolved with the minimum of delay. Special attention will need to be given to the problems surrounding sea transport between Member States and their remote areas and islands which are of particular concern.

Some Member States have specific legislation on cabotage which predates the Treaty of Rome. Any Community scheme should harmonize these laws within the framework of the European Economic Community, which would facilitate the material and legal creation of a Community regime governing maritime cabotage.

Liner Consortia (paragraphs 116 to 119)

The Committee notes the importance of practical cooperation and rationalization of the type provided by liner consortia, particularly in the circumstances of overtonnaging. It reiterates the importance of reaching an acceptable and early solution to this issue, similar to that achieved for liner conferences in the first stage of the shipping policy.

VAT and Excise Duties (paragraphs 120 to 122)

The Committee welcomes the Commission's recognition of the difficulties facing shipping and its customers in regard to the application of VAT and excise duties to ships' supplies/stores, etc. and passenger fares. It is important that the Commission's proposals regarding the reform of the VAT system should be amended to take account of these. The Committee also welcomes the assurance that there is no intention to charge excise duty on ships' bunker fuel. However, no reference is made to the impact on ferry operations of the potential abolition of duty-free sales which currently produce important revenue to the carrier which significantly reduces the costs of travel between Member States. The importance and full potential impact of this issue on that sector and on EC Member States with substantial sea frontiers should be stressed.

5. The Commission's proposals on financial and fiscal measures - detailed comments

The fact that financial and fiscal measures in such vital areas as employment costs and corporate taxation are contained in a supplementary document "for information" and included in "Guidelines for the Examination of State Aids to Community Shipping Companies" is indicative that the Commission is seeking to restrict the prerogatives of Member States in these respects rather than to encourage the development of positive measures to a common pattern.

It would have been preferable if the Commission had been able to see its way to present these measures as constituting an action programme which Member States should adopt to provide concrete solutions to the situation of competitive disadvantage experienced by EC shipowners on the world scene. As currently presented, they appear to negate the possibility of any practical policy within the Community or any individual Member State, designed to promote a positive climate for the shipping sector.

Clearly, the Commission has a duty to ensure that all forms of state aid to shipping and ship-related activity are compatible with the relevant provisions of the EC Treaty and do not lead to competition between Member States being distorted. Its aim must be to create a broadly equivalent competitive base within the Community. However, it should not be forgotten that the fiercest competition faced by the EC fleets is not within Europe but from third countries.

In addition to the general failure to promote the adoption of measures to reduce the cost disadvantages of operating ships under Community flags, the Committee has several specific criticisms of the Commission's guidelines:

- the requirement for all assistance to be temporary and on a declining scale. Such criteria are incompatible with the necessary establishment by Member States of an on-going fiscal and commercial policy, particularly for industries as international as shipping;
- the practical assessment of the individual elements contained in the concept of the proposed ceiling for assistance raises major potential difficulties;
- further consideration needs to be given to the references to investment aid and to assistance in the form of reduced or eliminated income taxation liability;
- it is unclear what is the precise link, if any, between the state assistance envisaged and registration under EUROS.

6. Conclusion

There is much within the Commission's policy proposals which the Committee welcomes, particularly the recognition of the unique market conditions within which the Community shipping industry must operate, the Commission's acceptance of the urgent need for positive measures, the imaginative concept of the EUROS register and the various helpful proposals in areas of ancillary importance. However, the Committee is disappointed that the overall impact of the specific measures proposed will fall far short of what the Commission's own analysis and objectives require.

The stated aim of the 1992 programme and the Single European Act is to do away with the fragmented nature of the Community's twelve domestic markets and to create a broadly uniform base from which industry and commerce in all Member States can compete effectively with the rest of the world. The lack of progress in bringing forward proposals for positive measures for maritime transport has led to unilateral actions by Member States which have revealed the differences in national priorities accorded to the shipping sector and in turn lead to an increasingly uneven competitive base. It is all the more disappointing that the proposals now on the table concentrate on the process of inward-looking harmonization within the Community and seem unlikely to satisfy the urgent need to redress the competitive disadvantages which EC shipping suffers vis-à-vis its non-EC competitors, bearing in mind the Commission's acknowledgement that no distinction can be drawn in shipping between intra-Community and worldwide markets.

While the Committee agrees in general with the Commission's perception of the problems and welcomes its recognition that action is required in a number of areas, it believes that without positive measures designed to achieve significant reductions in operating costs and the alleviation of fiscal burdens, to be applied on a consistent basis in all Member States, the competitive disadvantages of EC shipping will not be redressed. Thus, if further decline in the EC fleets and maritime labour force (with all the adverse consequences which the Committee and the Commission have identified in common) is to be avoided, urgent reconsideration should be given to the proposals in the light of the recommendation on page 45 and 46. It is also important that the application of the social measures described on page 49.

Done at Brussels, 16 November 1989.

The Chairman
of the Economic and
Social Committee

Alberto MASPRONE

The Secretary-General
of the Economic and
Social Committee

Jacques MOREAU

A P P E N D I X
to the ESC Opinion

The following amendments, tabled on the basis of the Section Opinion in accordance with the Rules of Procedure, were defeated during the discussion:

Page 45 - 8th para

Add the following sentence in the end:

"Where appropriate, the Community also should provide funds that would contribute to the achievement of these aims".

Reason

If the Community were to play a meaningful role in the area of favourable tax treatment of seafarers and of alleviation of social security costs relating to the employment of seafarers, it should provide funds - when necessary - to cover the loss incurred by national exchequers. Otherwise, the role of the Community - in taking measures, without providing funds - would be superficial.

Voting

For: 21

Against: 25

Abstentions: 10

**OPINION
of the
Economic and Social Committee
on the
Proposal for a Council Directive
on aid to shipbuilding
(COM(90) 248 final)**

On 7 August 1990 the Council, acting in accordance with Article 92(3)(d) and Article 113 of the Treaty establishing the European Economic Community, asked the Economic and Social Committee for an Opinion on the:

*Proposal for a Council Directive on aid to shipbuilding
(COM(90) 248 final).*

The Committee asked its Section for Industry, Commerce, Crafts and Services to prepare its work on the matter. The Section based its Opinion on the introductory report drawn up by the Rapporteur, Mr ARENA, on 5 September 1990.

At its 279th Plenary Session (meeting of 19 September 1990), the Economic and Social Committee adopted the following Opinion, with 7 votes against and 8 abstentions:

1. Introduction

The Committee agrees with the Commission that the main objectives of the Sixth Directive have largely been achieved. Generally speaking, merchant-navy shipyards in the Community have managed to consolidate their position, which was under serious threat in the mid 1980s. (Between 20 and 22% of new orders worldwide are currently placed with EC yards, the figure having earlier dropped to 15%).

The Directive has had a major impact. The ceiling for national aid was, in practice, rightly frozen for a three-year period and subsequently reduced by 30% in 1990. This reduction was, in part, a unilateral goodwill gesture in the drive to restore the market to a sound footing.

Major reductions have been made in the sub-sector's workforce; however: over the three-year period 1986-1989 some 20,000 jobs were lost (a 22% decline in the workforce) and this figure rises to approximately 30,000 jobs if cutbacks in repair yards are taken into account. The situation was undoubtedly rendered more serious by the failure to reach agreement on the programme of social measures, which, together with the RENAVAL programme was to have gone hand-in-hand with the restructuring process. It should be noted that the production capacity of EC shipyards now stands at barely 40% of the figure for the mid-70s (major cutbacks have also been made to the workforce). The level now achieved is regarded by both sides of industry as the minimum necessary for viability, both from the point of view of the economic management of the industry - including ancillary activities - and from the point of view of the maritime trade requirements of the Community.

2. General comments

The Sixth Directive has served as a deterrent to unfair competition from the major world shipbuilding nations. The Commission deserves credit for having established - with the support of the shipbuilding industry - a dialogue with Japan and South Korea with a view to restoring normal terms of competition, despite the fact that the results obtained so far have been very modest.

The difficulties encountered must not lessen the resolve to achieve this goal at a stage in the market cycle characterized, on the one hand, by a continuation of the upturn in demand which began in 1989 (prices have, however, remained at the level which applied in the early 1980s) and, on the other hand, by concern over a possible expansion of supply.

The return to a balanced market - which is not expected to be achieved before the mid-1990s - could indeed be jeopardized or postponed if new shipbuilding capacity were to come on stream. Attention is drawn in this context in particular to: a) the reactivation of capacity by shipbuilders in Japan (which in 1989 partly as a result of a depreciation of the yen, captured almost 45% of world orders); b) the changes taking place in a number of shipyards

in eastern Europe; and c) the likelihood that both in the East and the West, capacity used hitherto for the construction of naval vessels will be switched over to the production of commercial vessels.

Against a background which is so full of uncertainty the new Directive must continue to serve as a deterrent in the face of the aggressive policy pursued by Asian shipbuilders. The Directive will in fact represent the only barrier to imports into the Community, in place of import duties or quotas.

3. For the above-mentioned reasons, the Committee is unable to support the proposed increased emphasis on the principle that aid should be progressively reduced. Reductions in public support should be dependent upon market trends, bearing in mind all the aspects involved, and subject to the proviso that shipbuilding adjustments are not to entail sudden economic and social consequences.

The Commission's desire to strengthen degressivity also manifests itself in the proposed reduction of shipbuilding aid for vessels completed more than three years after the signing of the contract. Apart from the technical issues involved - and it should be borne in mind that the Commission itself is pressing for a switch-over to more sophisticated vessels - the proposed reduction would represent a further disadvantage for EC shipyards.

4. The duration of the new Directive (which it is proposed should be in force for just 2 years) should logically depend on the state of the market. Market developments are, however, still uncertain and conditions are far from being profitable. Furthermore, account must be taken of the fact that the shipbuilding industry has a long business cycle and is still undergoing restructuring. There is also the question of the likely industrial implications of major events in the political sphere. The setting of ceilings for aid would also appear to be an adequate de facto means of regulating the duration of the Directive.

5. Specific comments

In the Committee's view, the following amendments should be made:

- replace the two paragraphs of Article 4(3) by Article 4(3) of the Sixth Directive which states that:

"the ceiling shall be reviewed every 12 months, or sooner if warranted by exceptional circumstances, with the aim of progressively reducing the ceiling. In its review ..." (rest unchanged).

- extend the duration of the Directive to 4 years.

The Committee also urges that the following measures be taken:

- the EC should continue to pursue its own strategy in international negotiations on abolishing aid for shipbuilding, such as the negotiations within the framework of the OECD. The aim of bringing about the removal of obstacles to normal terms of competition must also lead to real balance in the commitments entered into by all the countries involved, and there must be full transparency as regards national schemes of direct and indirect aid. An appropriate period must also be allowed for adjustment to the new rules;
- the procedures for implementing the new Directive should be simplified in view of the real and wide-spread difficulties encountered in monitoring the Sixth Directive;
- the programme of social measures (submitted by the Commission in 1986) should be reviewed and approved without delay in order not only to cushion the effects of the loss of jobs but also to enable the workforce to be retrained as part of the process of modernizing the shipbuilding and shiprepair sector;

— effective measures should be drawn up in the very near future to protect EC fleets since it is on these fleets that the fate of shipbuilding in the Community depends to a large extent.

Done at Brussels, 19 September 1990.

The Chairman
of the
Economic and Social Committee

Alberto MASPRONE

The Secretary-General
of the
Economic and Social Committee

Jacques MOREAU

European Communities - Economic and Social Committee

"The E.C and Maritime Affairs"

Four opinions of the Economic and Social Committee

1992 - 59 pages

DE, EN, FR

Catalogue no. : ESC-92-006-EN

This publications covers four Opinions of the Economic and Social Committee on

- new challenges for maritime industries;
- industrial policy in an open and competitive environment;
- positive measures for maritime transport as well as on
- aid to shipbuilding.

ECONOMIC AND SOCIAL COMMITTEE
Division for Information, Publications
and Relations with Socio-economic Groupings

Rue Ravenstein 2
B - 1000 Brussels

Tel. 519 90 11
Fax 513 48 93

Telegrams ECOSEUR
Telex 25 983 CESEUR

Catalogue Number : ESC-92-006-EN