



EUROPEAN PARLIAMENT

**Progress towards
European integration**

**Survey of the main activities of the
European Parliament**

JULY 1984 - JUNE 1985

DIRECTORATE GENERAL FOR RESEARCH
AND DOCUMENTATION

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NOTE TO READERS

Like its predecessors, this document, covering the period from July 1984 to June 1985, gives an account of the European Parliament's activities and attempts to place the latter in the more general context of European integration. It was completed on 15 July 1985.

It may be regarded as an updated version of the 'Fact sheets', the second edition of which was published early in 1984, in preparation and as a background document for the European elections. A third edition is in preparation, at the request of the political groups and the Directorate-General for Information.

Indeed, these two types of document may be said to complement each other, given that the one summarizes the activities of the Community since its establishment while the other recounts in detail the activities of the European Parliament in a particular year. To facilitate cross-referencing between the two, the subject headings - most notably in the discussion of the various common policies - have wherever possible been arranged in identical order.

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This document does not necessarily reflect the views of the European Parliament as a political institution.

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Summary Statistics of the European Community (1984)

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
Population (mn)	61.3	54.7	56.9	14.4	9.8	0.4	56.2	3.5	5.1	9.9	272.3
GDP per capita (ECU) ²	12 684	11 422	7 712	10 828	9 776	10 610	9 479	5 943	13 620	4 190	10 144
Industrial production (percentage change)	+0.5	-0.5	+4.2	+2.8	+7.5	+10.4	-1.1	+11.1	+7.4	+0.3	+1.0
Retail prices (percentage change)	2.0	6.7	9.4	2.8	5.3	2.3	4.6	6.8	5.6	18.1	5.5
Total unemployment (%)	8.4	10.2	12.9	14.4	14.4	1.7	11.9	16.5	10.0	:	10.9 ³
Youth unemployment (<25 yrs; % of total)	25.0	41.4	48.0	38.8	35.0	47.0	39.0	31.1	25.7	:	38.4 ³
Social protection ¹ (percentage of GDP)	28.9	28.8	27.3	34.0	31.9	29.3	23.7	24.6	30.2	:	28.0 ³
Steel production ('000 tonnes)	39 389	18 933	24 039	5 739	11 301	3 987	15 214	166	545	895	120 208
Automobile production ('000 tonnes)	3 754	2 910	1 439	109	262 ¹	0	910	0	0	0	9 384 ²
Intra-Community Trade Balance (mn ECU)	+6 969	-12 741	-4 026	+19 970	+363		-3 319	-178	-1 122	-2 441	:
Extra-Community Trade Balance (mn ECU)	+16 576	-375	-10 555	-17 002	-5 392		-10 870	+62	+374	-3 693	-30 876

1 1983

2 Estimate

3 EUR 9

Sources: EUROSTAT; Commission

EXCHANGE_RATES

VALUE OF THE ECU

4th June 1985

1 ECU = ... national currency units

Belgian and) con.	45.18	Portuguese escudo	128.41
Luxembourg franc) fin.	45.40	US dollar	0.74
German mark	2.24	Canadian dollar	1.01
Dutch guilder	2.53	Swiss franc	1.89
Pound sterling	0.57	Swedish krona	6.51
Danish krone	8.06	Norwegian krone	6.46
French franc	6.84	Austrian shilling	15.76
Italian lire	1 432.78	Finnish markka	4.66
Irish punt	0.72	Japanese yen	183.46
Greek drachma	98.98	Australian dollar	1.11
Spanish peseta	126.97	New Zealand dollar	1.63

Source: Official Journal C 137, 5.6.85

VALUE OF THE US \$

4th June 1985

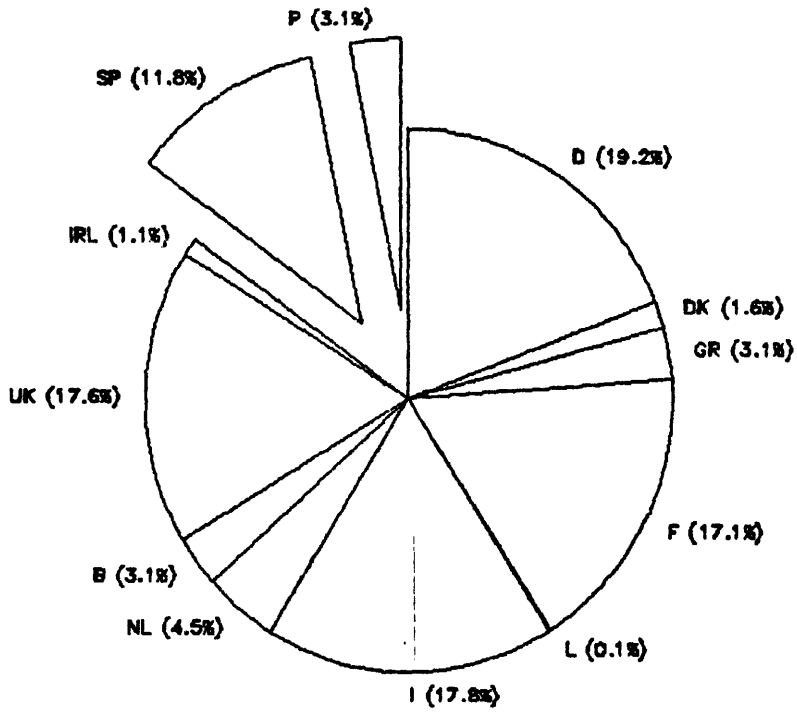
1\$ = ... national currency units

Belgian and) con.	61.30	Danish krone	10.95
Luxembourg franc) fin.	61.65	French franc	9.29
German mark	3.04	Italian lire	1 945.00
Dutch guilder	3.43	Irish punt	1.02
Pound sterling	1.28	Greek drachma	133.40

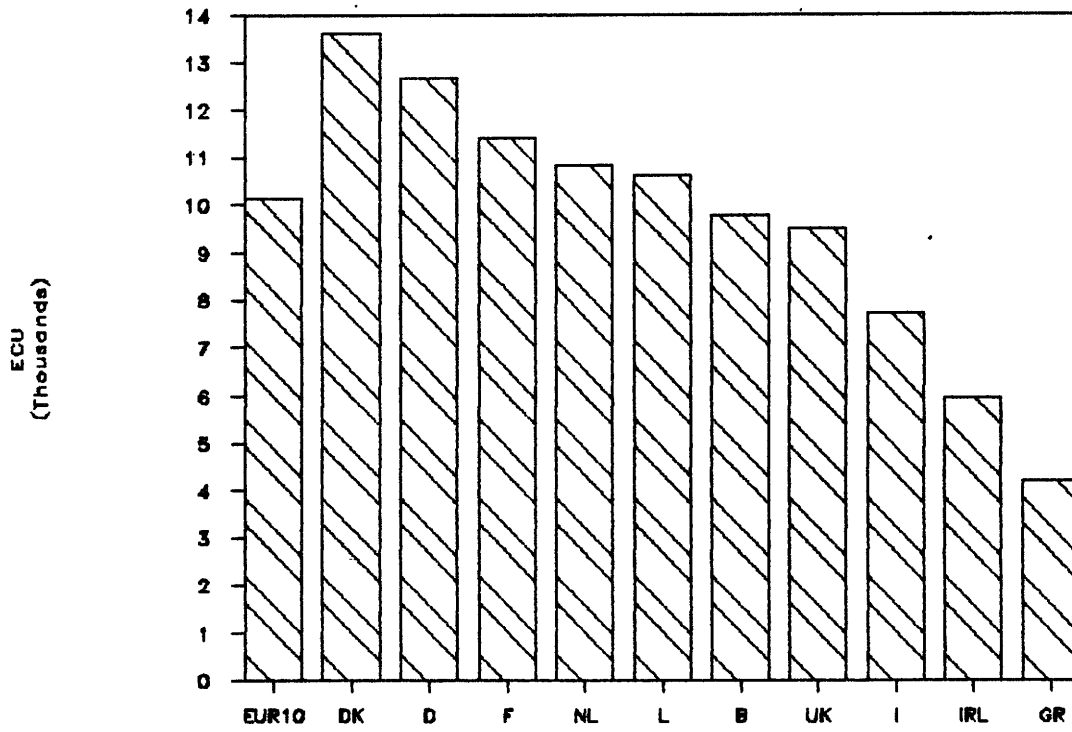
Source: Financial Times, 15.6.85

EUR12: DISTRIBUTION OF POPULATION

1984

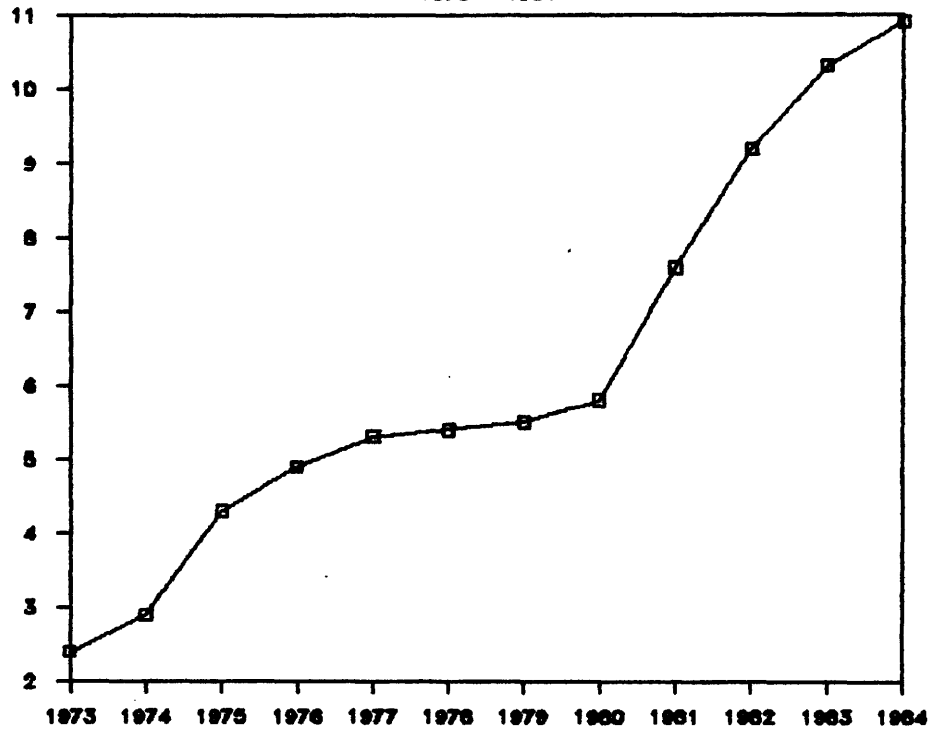


EUR10: GDP PER CAPITA, 1984



EUR 9: UNEMPLOYMENT RATE (%)

1973 - 1984





INTRODUCTION

The second direct elections to the European Parliament from 14 to 17 June 1984 inevitably had a bearing on the work carried out in the period covered by this document.

Almost half the Members of Parliament changed, and the new Members needed a certain amount of time to familiarize themselves with the technical aspects of Community policies. This was reflected in the fact that virtually no opinions were delivered following consultation by the Council until November 1984, except on budgetary matters, with a return in December to the usual 10 - 20 opinions per part-session.

There was also a marked fall in the number of resolutions pursuant to Rule 47 of the Rules of Procedure, while the number of resolutions tabled for topical and urgent debate (Rule 48) rose slightly and there was a large increase in relative terms in the number of resolutions under Rule 42(5), i.e. winding up an oral question with debate.

These procedural details show that during this period Parliament sought to a greater extent than in the past to engage in political debate and to involve itself at the highest level in the institutional debate on European Union, which it instigated at a time when few governments seemed prepared to embark upon it.

Parliament was also at pains to react to natural disasters and to demonstrate its feelings, and it condemned human rights violations in the Community and throughout the world in over forty resolutions. Debates of this kind are perhaps of greater direct interest to the general public than discussion of an economic or technical nature, except where the latter has a direct bearing on day-to-day life, as in the case of car exhaust levels and environmental issues in general.

For all that, the citizens of Europe have been surprised at the slow progress in setting up a genuine internal market. 'Target Year 1992' and the hopes it generates are still a long way off. The ruling by the Court of Justice in the case brought against the Council for failure to act with regard to transport policy bolstered Parliament in its role as a watchdog over the implementation of the Treaty by the other Community institutions.

Various other factors also influenced Parliament's work in this period, particularly the inadequacy of the Community's budget resources. Amongst other things this led Parliament to reject by a very large majority the initial budget proposed by the Council for 1985, which provided only partial funding for the common policies in the financial year concerned. At the same time the Institutions embarked upon a fundamental review of the whole common agricultural policy as the CAP celebrated its twentieth anniversary.

Lastly, the negotiations on the enlargement of the Community were followed by speedy consideration of proposals for regulations to give the present Member States increased resources for improving their regional and agricultural structures so that they can cope more effectively with the changed situation with regard to competition in the twelve-country Community.

WORK IN PARLIAMENT

JULY 1984 - JUNE 1985

	Consul- tations	Resolutions			
		Rule 47	Rule 48	Rule 42(5)	Others
JULY 1984	-	-	1	-	7
SEPT.	3	-	9	1	-
OCT. I	4	2	15	4	2
OCT. II	6	2	9	3	-
NOV.	9	6	3	-	-
DEC.	18	7	7	3	2
JAN. 85	15	3	13	-	1
FEB.	15	1	16	8	-
MAR.	12	7	10	-	4
APR.	11	14	15	5	-
MAY.	7	8	7	3	-
JUN.	14	14	29	8	3
TOTAL	114	64	134	35	19

JULY 1983 - JUNE 1984

TOTAL	194	228	122	11	7
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I. POLITICAL ASPECTS

1. The political forces after the 1984 elections

The old groups

The political groups within Parliament following the first elections underwent substantial changes following the elections in June 1984 (see annex).

For example, the difference between the Socialist Group and the EPP Group (European People's Party), the two largest political groups, increased to 20 since in favour of the Socialist Group, compared with the previous figure of 7.

The number of British Labour Members in the Socialist Group increased from 17 to 32 (24.6% of the group), some of whom express strong criticism of the European Community. None of the Irish Labour Party's candidates was elected, with the result that there is no political group with representatives from all the Member States.

Most of the parties represented in national governments suffered a set-back. This is the case with the EPP Group, although its total losses were not very heavy.

By losing 25% of its seats, the European Democratic Group forfeited a number of its chairmanships and vice-chairmanships of parliamentary committees, which are allocated to the groups on the basis of the d'Hondt system of proportional representation.

With regard to the Communist Group, the proportion of the Italian Members increased following their gain of 3 seats (from 24 to 27) and, above all, the loss of 9 seats by their French colleagues, of whom there are now only 10.

The Liberal and Democratic Group lost its four German members, (one of whom was the group chairman).

The Group of the European Democratic Alliance went from 22 to 29 Members, i.e. an increase of 32%, following gains in France (from 15 to 21 seats) and in Ireland (from 5 to 8). The RPR and Fianna Fail therefore benefited from the electorate's tendency to vote for opposition party candidates in France and Ireland.

The Non-attached Members consist of three representatives of the Italian Radical Party, who were in the technical coordination group from 1979-1984, two Belgian Members (from the French-speaking and Dutch-speaking Socialist parties), one Northern Ireland Member from the Democratic Unionist Party and a Member of the Dutch Calvinist Party.

The new groups

With regard to the new groups, these reveal a swing to the right on the one hand and to ecology and regionalist parties on the other. A new Group of the European Right was formed under the chairmanship of the leader of the French National Front. The group includes ten members of that party, five members of the Italian Social Movement and one member of the Greek National Political Union.

Some Members who had previously belonged to the Technical Coordination Group joined Members representing ecological, regionalist or anti-Community groups to form the Rainbow Group.

Conclusions

To sum up the effects of the election results on the constitution of the political groups; there are now three new political forces represented in the European Parliament with a strength which could well influence its decisions. These forces are the ecology and green movements, the left-wing tendency associated with them and the European Right.

The upsurge on the right and left of the spectrum has weakened the centre parties. The German Liberals (FDP) and the Dutch 'Democracy 66' Party are no longer represented. Moreover, the Alliance in the United Kingdom between the Liberal Party and the new Social Democratic Party was unable to win a single seat although it accounted for 19% of the votes cast, because of the British electoral system.

As a result of the complete revision of the Rules of Procedure in 1981, which provided a degree of flexibility suited to the developing needs of a young parliament, the formation of the new groups following election was swift and smooth.

2. Institutional matters

Appointment of the new Commission

On 13 December 1984, the European Parliament adopted a resolution on the appointment and the swearing-in of the new Commission(1). Parliament considered whether a procedure should be introduced for the debate on the investiture and the vote of confidence which would be binding on the institutions and would enable Parliament to deliver an opinion on the programme of the new Commission at the start of its term of office. On the basis of its right of censure, Parliament decided to hold a debate at the January 1985 part-session on the broad political lines of the Commission programme, a debate which ended with a vote of investiture and confidence. At the beginning of its term of office the new Commission, represented by its President, Mr Jacques Delors, submitted to the European Parliament the main policies which would form the basis of its activities over the next four years. After the debate, which was held during the January 1985 part-session, Parliament adopted a resolution on the investiture of the new Commission(2) in which Parliament expressed its confidence in the Commission provided that it fulfilled the commitment entered into by the President as well as the responsibility and obligations assigned to it by the Treaties.

Enlargement of the Community to include Spain and Portugal

On 8 May 1985, Parliament adopted a resolution expressing its opinion on the conclusion of the negotiations with Portugal and Spain. It welcomed the enlargement of the Community in the realization of its great importance for the future of both the Community and Portugal and Spain. With regard to the institutional aspects, Parliament approved the provisions concerning the Community organs and institutions; however, it called on the Council to request contracting States, as a matter of urgency, to hold their first direct elections to the European Parliament within a year of accession, if possible, and at the latest in conjunction with their first national elections.

Parliament also reserved the right, after noting the Acts signed by the various parties, to deliver an opinion in the form of a resolution on the ratification of the Accession Treaties. It called on the parliaments of the contracting States to refer to the European Parliament's resolution in their legal instruments on ratification.

3. Proposal for a uniform electoral procedure

Although the Political Affairs Committee adopted a report on a draft uniform electoral procedure(3) on 22 March 1985, Parliament has not yet considered this report in plenary.

4. The work of the Political Affairs Committee

According to the resolution adopted on 11 April 1984(4), the Political Affairs Committee decided unanimously to establish a Subcommittee on Security and Disarmament. The subcommittee is in the process of drawing up six reports on the following subjects: the European Community and Western European security; the dialogue on arms control and disarmament and its implications for the Community; the importance of the conferences on security and cooperation in Europe (CSCE) and on disarmament in Europe to the Community; the political dimensions of a European security strategy; the question of chemical and biological weapons and European security, and the importance of the Mediterranean regions for the security of Western Europe.

The Political Affairs Committee also set up a Subcommittee on Human Rights the work of which is detailed below (Section 4). A working party on the implementation of the Treaties and on inter-institutional relations was set up to continue the work of its predecessor on the institutional resolution adopted by Parliament between 1980 and 1982.

With regard to the activities of the Political Affairs Committee, apart from reports already adopted by Parliament (see Part 2 below), it appointed rapporteurs on a number of major foreign policy subjects, largely to do with political relations between the Community and Latin and Central America, the United States and the countries of Eastern Europe. Reports will also be drawn up on the political situation in the Middle East and southern Africa and also on other aspects of European political cooperation.

5. Committee of Inquiry into racism and fascism

In accordance with Rule 95 of its Rules of Procedure, on 25 October 1984 the European Parliament decided to set up a Committee of Inquiry into the Rise of Fascism and Racism in Europe (5). Although the deadline for the presentation of the committee's final report was 30 June 1985, Parliament's Bureau has authorized the committee to postpone its submission until the autumn. The committee held three hearings in January, February and March 1985 on the subject of racism, xenophobia, fascism and neo-fascism. At these hearings the committee was able to consider the views put forward by the leaders of groups affected by the phenomenon of racism and fascism, university professors, writers and one government minister. These experts gave the committee an assessment of the current situation as regards racism and neo-fascism in the Member States.

(1) OJ C 12/96 of 14.1.1985

(2) OJ C 46/19 of 18.2.1985

(3) Doc. A 2-1/85, 22 March 1985, part A, Motion for a Resolution

(4) OJ C 127 of 14.5.1984, Resolution on shared European interests, risks and requirements in the security field.

(5) OJ C 315 of 26.11.1984

COMPOSITION OF POLITICAL GROUPS IN THE EUROPEAN PARLIAMENT

<u>Group</u>	<u>March 1984</u>	<u>July 1984</u>
Socialists	124	130
European People's Party	117	110
European Democrats(1)	63	50
Communist and Allies	48	41
Liberal and Democratic	38	31
European Democratic Alliance (formerly European Progressive Democrats)(2)	22	29
Technical coordination(3) 12	-	
Rainbow(4)	-	20
European Right(5)	-	16
Non-attached	10	7
	<hr/>	<hr/>
	434	434

(1) British and Danish Conservatives

(2) Fianna Fail (Irl.) and the Union of the Republic (Fr.)

(3) Danish People's Movement against membership of the Community, Italian Radical Party and Italian Social Movement

(4) Federation of the Green-Alternative European Link, Agalev-Ecolo, the Danish People's Movement and the European Free Alliance in the European Parliament

(5) National Front (Fr.), Italian Social Movement, National Political Union (NPU) (GR.)

II. INSTITUTIONAL AFFAIRS

Institutional affairs of concern to the European Parliament are as follows:

- the development of the European Union, and
- the legal position of Parliament under this Treaty.

1. European Union

Following its adoption, by a large majority, of the draft Treaty establishing the European Union on 14 February 1984(1), Parliament has made repeated calls to the national parliaments and governments to work towards the establishment of the European Union.

Parliament has put forward several reasons which made the establishment of a European Union absolutely essential.

For example, it was pointed out that the Community is no longer capable of adopting the measures required for the application of the Treaties of Rome, the reason being that its powers are insufficient and its decision-making procedures inadequate. Parliament has also stated that the risk of Community impotence would be greater when its membership was increased to 12.

Furthermore, it was unacceptable from the point of view of democratic principles that national parliaments should confer powers on the Community that were not assumed by the European Parliament(2).

a. Contacts with national parliaments and governments

Parliament has set great store on cooperation with national parliaments. It has pointed out that in the matter of European Union, the widest possible consensus between national parliaments and itself is necessary(3). In order to strengthen its cooperation with national parliaments it has invited its Committee on Institutional Affairs to step up contacts with them and to present interim reports on progress at national level in the work on European Union(4).

Between January and May 1985 delegations from the Committee on Institutional Affairs visited the capitals of all the Member States in order to explain the contents of the draft Treaty of February 1984 to the governments and national parliaments, seek their opinion and assess reactions to the provisions of the Treaty. (These visits are the subject of the Seeler report).

b. The draft Treaty and the report of the ad hoc Committee on Institutional Affairs (Dooge Committee)

Parliament has also expressed its views on the work of the ad hoc Committee on Institutional Affairs. This committee was set up by the European Council of 25/26 June 1984 with the task of 'making suggestions for the improvement of the operation of European cooperation in both the Community field and that of political, or any other, cooperation'. The committee's final report was presented to the European Council of 29/30 March 1985 in Brussels and was the central topic of the consultations at the Milan Summit in June 1985(5).

In its comments on the ad hoc committee's final report, Parliament considered that the report and its own draft Treaty were in agreement as regards the objectives, powers and institutions of the Union. However, in contrast to the consistent and precise legal terminology of Parliament's draft, the committee's final report was deficient in certain key areas(6).

c. The call for an inter-governmental conference to be convened to draft the definitive text of the Treaty establishing the European Union

Parliament called repeatedly for the European Council in Milan in June 1985 to convene an inter-governmental conference. In Parliament's view this conference should work out a definitive draft Treaty establishing the European Union within a reasonable period, respecting the spirit and methodology of Parliament's draft(7). The negotiations on the Treaty should be based on Parliament's draft, the final report of the ad hoc committee and the 'acquis communautaire'(8). Parliament called for appropriate participation in the inter-governmental conference, with the definitive draft Treaty being adopted only after conciliation between the conference and Parliament(9). Parliament reiterated this view in a resolution adopted in June 1985, in which it welcomed the initiatives of the Italian Presidency on convening an inter-governmental conferences(10). Parliament also stressed that, if possible,

all the Community Member States should participate in the conference. The non-participation of individual governments, however, should not prevent it from being convened(11).

The European Parliament put forward two points of principle to apply to those States which did not ratify the Treaty establishing the European Union: on the one hand, the States concerned should have the right to join the Union without new accession negotiations, and on the other hand, transitional agreements should be reached between these States and the European Union so that the closest possible ties were maintained between the Union and the Community States which do not join it(12).

Immediately after the Milan Summit the Committee on Institutional Affairs expressed its satisfaction that the European Council had decided by a majority to convene an inter-governmental conference as soon as possible (13).

Despite the absence of a general agreement on 'a genuine revival of Europe'(14), the committee welcomed the fact that a decision had been taken on institutional reform covering the powers of the European Parliament, the executive powers of the Commission, the decision-making procedure in Council and the broadening of the Community's current terms of reference.

2. Development of the legal position of Parliament under the Treaty

The picture here is dominated by questions relating to the consultation of Parliament, the conciliation procedure, questions concerning the status of Members and major rulings by the Court of Justice in cases to which Parliament was a party.

a. Right of consultation

In 1984 Parliament renewed its efforts to be involved more systematically in the adoption of derived Community law. Admittedly, some basic Council regulations provide for the consultation of Parliament on the adoption of implementing legislation(15), but the Commission and Council on the one hand, and Parliament on the other, hold different views as to when basic regulations should include provisions about consultation on implementing legislation. In

the past Parliament has repeatedly demanded to be consulted by the Council on major economic, political or legal implementing measures(16). In general terms the Council and Commission have undertaken to go beyond the framework expressly laid down in the Treaties when it came to consulting Parliament(17), but the areas for such consultation have not been more closely defined than this. Parliament's demands relate to consultation on the implementation of the common fisheries policy(18) and on the adoption of legislation in places where management or regulatory committees are involved(19).

Parliament introduced a new demand as regards the management and regulatory committees in 1984. It wishes to be consulted by the Commission whenever the latter also consults a committee. The Commission rejected this demand(20), referring mainly to the effect this would have in slowing down the process, an objection which Parliament neutralized by its own undertaking to deliver an opinion within two months, extended by a further three months, where necessary(21).

An extension of the EP's right of consultation which was included in the 'Solemn Declaration' of 19 June 1983 was implemented for the first time: the President of the European Council sought the opinion of Parliament's enlarged Bureau before appointing the President of the Commission.

The 'Solemn Declaration' also contains an undertaking from the Council (sub-section 2.3.7) to go beyond the terms of Article 237 of the EEC Treaty and consult Parliament 'before the accession of a State to the European Community'. This extension of the scope of consultation, however, can only become meaningful in practice if the consultation takes place between the conclusion of the negotiations and the formal signing of the Accession Treaties.

Parliament has expressed its concern that the Accession Treaties with Spain and Portugal were only submitted to it after they had been signed and hence too late for it to exercise any influence(22).

b. Conciliation Procedure

According to the Joint Declaration by the three institutions of 4 March 1975, conciliation takes place between them if the Council intends to depart from the opinion adopted by the European Parliament on Community acts of general application which have appreciable financial implications. Despite the statement of intent in the Solemn Declaration of 19 June 1983 and requests to this effect from both the Commission and Parliament, in 1984 the institutions failed to reach an agreement about extending the scope of the conciliation procedure to cover, for example, Community acts without appreciable implications for the Community budget, as well. The Council pleads Denmark's failure to agree to an extension of the procedure(23).

In its Declaration of 20 November 1984, however, the Council stated that it was fundamentally in agreement with an extension of the scope of the conciliation procedure. On the basis of this Declaration it could be argued that in future the Council will not be able to reject conciliation simply on the grounds that the circumstances do not fulfil the conditions referred to in the 1975 Joint Declaration.

A successful example of conciliation in 1984 was the reform of the Regional Fund(24).

c. Members' Statute

In 1983 Parliament submitted to the Council and the Commission a proposal for a regulation introducing a Common Statute of Members, together with the recommendation to amend the protocol on privileges and immunities. The two proposals were intended to remove the continuing unequal treatment of Members of the European Parliament with regard to financial and social matters and to bring the legal status of the Member into line with the changed situation brought about by direct elections.

The Commission reacted positively to both proposals. In November 1984 it submitted to the Council a formal proposal to amend the protocol on privileges and immunities(25). In May 1984 it delivered its opinion on the draft Common Statute of Members(26). The Council has not yet reached a decision on Parliament's proposals.

d. Rulings by the European Court of Justice with institutional implications

On 22 May 1985 the European Court of Justice delivered a judgment in the first action brought by the European Parliament against the Council. Parliament had accused the Council of failing to take the necessary decisions to implement a European transport policy and of thereby infringing the Treaty. The judgment is important in institutional terms because it concerns Parliament's right to bring actions against the Council and Commission and thereby exercise control of the Council as well(27).

Several decisions taken by the European Court of Justice on 26 September 1984, when it rejected actions brought by the French 'Green' Party against budgetary decisions taken by the Commission, the Council and Parliament, are also important in institutional terms(28).

The Court of Justice based its decision on the view that decisions relating to the budgetary procedure only have legal force between institutions and therefore cannot be contested by third parties.

During the period covered by this report two other cases, concerning funding for information about the direct elections(29), were pending between the Green Party and the European Parliament. These proceedings have not yet been completed.

- (1) OJ No C 77, 19.3.1984 and EC Bulletin No. 2/1984.
- (2) For reasons, see EP resolution of 17.4.1985, Croux report, Doc. A 2-17/85, para. 1; on questions of democracy see EP resolution of 17.4.1985, Seeler report, Doc. A 2-16/85, para. 5.
- (3) EP resolution of 17.4.1985, Doc. A 2-16/85, para. 1
- (4) *ibid.*, para. 6; see also EP resolution of 12.12.1984, OJ No. C 12, 14.1.1985, page 47, para. 6.
- (5) EEC bulletin No. 3/85, page 117 et seq.
- (6) EP resolution of 17.4.1985, Doc. A 2-17/85, para. 3
- (7) EP resolution of 17.4.1985, Doc. A 2-17/85, para. 4; see also EP resolution of 12.12.1984, OJ No. C 12, 14.1.1985, page 47, para. 5
- (8) EP resolution of 17.4.1985, Doc. A 2-17/85, para. 4; see also EP resolution of 12.12.1984, OJ No. C 12, 14.1.1985, page 47, para. 6
- (9) EP resolution of 17.4.1985, Doc. A 2-17/85, para. 4; see also EP resolution of 12.12.1984, OJ No. C 12, 14.1.1985, page 47, para. 6
- (10) EP resolution of 12.6.1985, OJ No. C /85, page (not yet published)
- (11) EP resolution of 17.4.1985, Doc. A 2-17/85 page 47, para. 5
- (12) *Ibid.*, para. 6
- (13) PE 98.862
- (14) *Ibid.*
- (15) Fixing of farm prices, (e.g. Art. 3, para. VI) for the recital of Regulation (EEC) No. 2727/75, on the common organization of the market in cereals, OJ No. L 281, 1.11.1975, p. 1.
- (16) Resolution of 9.7.81 on relations between Parliament and the Council and Parliament and the Commission, OJ No. C 234, 14.9.1981, pages 52,64; see also the following resolutions: 16.2.1978, OJ No. C 63, 14.3.1978, page 31; 15.6.1978, OJ No. C 163, 10.7.1978, page 31; 19.9.1983, OJ No. C 242, 12.9.1983, page 58.
- (17) See Commission statement of 30.3.1973, COM(73) 999; Council statement of 8.4.1982, EP bulletin No. 11/1982, page 53.
- (18) Resolution of 16.3.1984 on 'restoring the European Parliament's right to be consulted on the implementation of the common fisheries policy', OJ No. C 104, 16.4.1984, page 152.
- (19) Resolution of 21.5.1984 on committees for the adaptation of directives to technical and scientific programmes, OJ No. C 172, 2.7.1984, page 6; see also the report's explanatory statement, Doc. 1-205/84.
- (20) See statement by Commissioner Narjes, verbatim report of proceedings of 21.5.1984, Annex OJ No. 1-299, p. 308-310
- (21) Resolution of 21.5.1984, OJ No. C 172/84, page 6, para. 2
- (22) Resolution of 13.9.1984, OJ No. C 274/84, 15.10.1984, page 51.
- (23) Report on the third meeting between the enlarged Bureau of the European Parliament and the Ministers for Foreign Affairs on 20.11.1984 EP Bulletin No. 50/1985, pages 16-24.
- (24) See EP Resolution of 30.2.1985, OJ No. C 72, 18.3.1985, p. 56.
- (25) COM(84) 666 final, 30.11.1984.
- (26) COM(85) 221 final, 6.5.1985.
- (27) Case 13/83, EUROPEAN PARLIAMENT (Intervener: Commission) versus the COUNCIL (Intervener: Kingdom of the Netherlands); the transport policy aspects of the ruling are described in the chapter on 'transport policy'.
- (28) Cases 216/83, and 295-297/83, 'Green Party' versus the COMMISSION, PARLIAMENT and COUNCIL of the EUROPEAN COMMUNITIES.
- (29) Cases 294/83 and 190/84.



EXTERNAL ECONOMIC RELATIONS

General developments

The signs of a recovery in world trade(1) in 1983 were confirmed last year. The increase (in the volume) of exports was 9%, considerably higher than the figure of between 5 and 6% forecast by the GATT secretariat. Exports of manufactured products increased by 12% (as compared with 4.5% the previous year), while exports of agricultural products and minerals rose by 5% (as compared with a 1% increase in agricultural products and a 1% decrease in minerals in 1983). Because of the continuing strength of the dollar, the increase in the value of exports was only 6.5%.

This increase in exports was in a large part (64%) due to the rise in American imports. Western Europe, on the other hand, ceased to occupy the role of 'pace setter' and its imports increased by only 12.6%. The former dynamism of the OPEC countries was to some extent replaced by that of Japan and a number of countries of South East Asia, the volume of whose exports increased by 8.4% and 9.1% respectively.

The large import requirements of the United States were of benefit primarily to Canada, Japan, the developing countries in the Far East and, to a far lesser extent, western Europe.

Contrary to what might have been expected in view of the continuing expansion of world trade in 1984, there was no decline in protectionist trends. Among the structurally similar industrialized countries there was a tendency to vie for trade, either through direct competition or on the markets of third countries. There was a rise in protectionism in the United States because of the high rate of the dollar and a considerable worsening of the American balance of payments deficit.

There was a considerable expansion of Community trade in 1984; imports and exports increased by 11.6%.

In 1984, exports totalled 351,200 million ECU while imports totalled 382,100 million ECU, representing an increase of approximately 20% in the trade deficit which reached 30,900 million ECU (see attached table).

There was a further increase in the deficit in trade with Japan (15,500 million ECU) and in the deficit in Community trade with the developing countries (11,800 million ECU as compared with only 5,300 million ECU in 1983). The deficit in trade with the state-trading countries in 1984 was over 13,000 million ECU as compared with only 7,600 million ECU the previous year.

The long-standing surplus in Community trade with the EFTA countries has virtually disappeared; trade between the Community and these countries is now more or less equally balanced.

The development of trade with the United States was, however, encouraging. While the results are not as spectacular as those of other countries (see above), the balance of EEC - United States trade showed a surplus for the first time in many years: 8,400 million ECU, as compared with a deficit of 3,200 million ECU in 1983.

GATT

As in 1983, the growth of protectionism was one of the main concerns of the member countries of GATT. The contracting parties to the Agreement therefore met from 26 to 30 November 1984 in Geneva to review the progress of the programme of work adopted at the ministerial conference in November 1982.

Together with the United States and Japan, the Community declared its willingness to take part, before 1985, in negotiations on the further liberalization of world trade. However, the participants at the Bonn summit at the beginning of May were unable, despite American pressure, to agree on a definite timetable for a new round of negotiations.

In this connection(2), the Council of the Communities has stated its willingness to examine, in the context of the new negotiations, the question of improvements in agricultural trade. It nonetheless adheres firmly to the principle that the fundamental objectives of the common agricultural policy must on no account be compromised. Parliament has asked that the arrangements for the new round of GATT talks be finalised as soon as possible(3).

In the meantime, the Community has decided to speed up the implementation of the price reductions agreed on at the Tokyo round(4).

United States

Relations with the United States were characterised, during the period under review, by an increased trend towards protectionism. The comments made in the previous edition of this document (page 42) are still pertinent.

On 30 October 1984, President Reagan announced the 1984 Trade and Tariff Act. Certain aspects of this act, coupled with the increase in the American trade deficit and the strong position of the dollar, met with opposition from Members of the European Parliament.

Parliament took the view that the introduction of any surcharge on imports into the US should be countered by an immediate surcharge of equal level on Community imports from the US(5). Parliament also condemned the unilateral withdrawal of the United States from the GATT agreements on dairy products(6) and called on the Commission and the Council to arrange without delay for negotiations on this subject.

The issues of greatest concern to the Members, however, have been the restrictions imposed by the US on Community steel imports. On 13 December 1984, in response to the American decision of 29 November to ban Community steel pipe and tube imports for the rest of 1984, Parliament called on the Commission to take retaliatory measures, in accordance with the GATT rules, in sensitive sectors such as agriculture, coal and chemicals(7). There was also strong criticism from Parliament of the unilateral measures taken by the US with regard to imports of 'consultation products'(8).

The first illustration of the measures announced by the United States in June 1985 to stimulate American exports of agricultural products was the tender submitted to Algeria in respect of the purchase of 1 million tonnes of wheat with particularly generous subsidies. The Commission pointed out that it was the high rate of the dollar rather than the Community's common agricultural policy which was particularly affecting American exports.

Japan

The deficit in trade with Japan worsened in 1984, reaching 15,500 million ECU, as compared with only 1,600 million ECU 10 years ago. It thus shows an almost ten-fold increase.

The causes of this trend were explained in the previous edition (pages 44 and 45). The United States and the Community are exerting increasing pressure on Japan to re-establish, as far as possible, an equal balance in trade. The Community welcomed the news that Japan intended to allow certain Community products greater access to its markets. Japan proposed that this objective should be achieved by the Trade Expansion Committee. However, the work of the committee has been disappointing. While Japan proposes packages of measures to improve the situation at regular intervals (the last package, the seventh, was in April 1985), it seems that the effectiveness of these measures is inversely proportional to the frequency with which they are announced. The regulation on the limitation of Japanese exports to the Community, which originally applied until 31 December 1984, (see page 45 of the previous edition) has been extended for a further year(9).

In June 1985, the Commission proposed to increase customs duties on video recorders from 8 to 14% to permit restructuring of the European industry. Japan is to be offered compensation in accordance with the GATT rules.

Latin America

During the period under review, Parliament has devoted particular attention to Latin America. In June 1985, it adopted 3 resolutions on the Latin American countries. With regard to Central America(10), Parliament called in particular for a two-fold increase in annual financial aid and for greater inter-regional cooperation. Parliament also advocates the opening up of Community markets to Latin American products.

The seventh European Parliament/Latin American Parliament interparliamentary conference, held the same month in Brasilia, concentrated primarily on the problem of the indebtedness of Latin America. The participants laid stress on the need to provide the Latin American countries with specific help in overcoming this problem. Parliament had already called on the Bonn summit to respond favourably to the request from these countries for an international

conference on the subject(11). In this context, it pointed out that it was essential to stabilize the international monetary system.

Other developments

On 17 September 1984 the Council adopted(13) the proposal, which had been unreservedly supported by Parliament, for a 'new commercial instrument'(12). Although the Council had reached an agreement in principle on the matter in April, the regulation could not be officially adopted until after the adoption of 15 directives on the technical harmonization of industrial products.

The agreement on economic and commercial cooperation between the Community and China was signed on 21 May 1985. The agreement, which replaces that of 1978, covers a five-year period. The Community's principal imports from China are semi-finished textile products for finishing in Europe.

In June 1985, the Comecon countries expressed a wish to extend and strengthen their relations with the Community. This development is not only important from the political point of view but also advantageous in view of the Community's growing deficit in trade with the state-trading countries (see attached table).

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- (1) Forecasts of the GATT secretariat, March 1985
 - (2) Press release No. 5532/85 - 994th meeting of the Council (Foreign Affairs) on 17-21 March 1985
 - (3) Minutes of 18.4.1985, page II/7
 - (4) EEC Bulletin 11/1984, paragraph 2.2.6
 - (5) OJ No. C 46, 18.2.1985, page 51
 - (6) OJ No. C 46, 18.2.1985, page 52
 - (7) Minutes of 13.12.1984, page 5
 - (8) Minutes of 18.4.1985, page II/8
 - (9) OJ No. L 330, 18.12.1984, page 8
 - (10) Minutes of 14.6.1985, Doc. PE 98.544
 - (11) Minutes of 18.4.1985, page II/6
 - (12) Blumenfeld report, Doc. 1-376/83
 - (13) OJ No. L 252, 20.9.1984

EC TRADE WITH THIRD COUNTRIES

(billion ECU)
State-Trading
Countries

of which
EFTA

USA

JAPAN

Developing
Countries

	<u>All third Countries</u>			<u>of which EFTA</u>			<u>USA</u>			<u>JAPAN</u>			<u>Developing Countries</u>			<u>State-Trading Countries</u>		
	E	I	B	E	I	B	E	I	B	E	I	B	E	I	B	E	I	B
1972	65.8	65.6	0.2	16.8	12.3	4.5	11.3	11.5	-0.2	1.5	2.7	-1.2	19.0	24.4	-5.4	5.3	5.1	0.2
1974	114.2	130.8	-16.6	27.9	20.5	7.5	15.9	20.3	-4.4	2.8	4.4	-1.6	34.9	61.3	-26.6	11.3	9.0	2.3
1976	141.3	159.6	-18.3	33.5	24.9	8.6	16.2	25.3	-9.1	2.7	6.4	-3.7	51.0	70.0	-19.0	14.2	12.4	1.9
1978	173.9	178.4	-4.5	39.2	32.8	6.4	23.1	28.3	-5.1	3.7	8.7	-5.0	66.5	71.2	-4.6	15.4	14.0	1.4
1980	224.4	271.6	-47.1	57.0	48.9	8.1	26.6	44.3	-17.7	4.6	12.5	-7.9	83.4	114.6	-31.2	18.7	21.9	-3.2
1981	267.0	303.8	-36.8	60.4	53.9	6.5	36.9	49.6	-12.7	5.6	16.2	-10.6	111.9	129.1	-17.2	21.4	24.8	-3.4
1982	286.5	308.5	-22.0	65.3	57.5	6.8	42.9	53.8	-10.9	6.3	18.0	-11.7	117.1	128.8	-11.7	19.9	29.1	-9.2
1983	303.0	328.5	-25.5	68.5	66.5	2.0	50.3	53.5	-3.2	7.3	20.6	-13.3	116.4	121.7	-5.3	23.7	31.3	-7.6
1984	351.2	382.1	-30.9	78.2	77.8	0.4	70.3	61.9	-8.4	9.0	24.5	-15.5	123.3	135.1	-11.8	25.5	38.6	-13.1

SOURCE: CRONOS, EUROSTAT
 Monthly External Trade Bulletin and Microfiches

NOTE: E = Exports FOB
 I = Imports CIF
 B = Balance

'-' indicates an EEC deficit

The figures for 1972 to 1980 refer to 9 Member States;
 Greece is included in 1981, 1982, 1983, and 1984

DEVELOPMENT POLICY FOR THE THIRD WORLD

1. In the field of development policy, the second part of 1984 and the first half of 1985 were taken up with work already begun, concerning in particular the signing on 8 December 1984 of the third Lomé Convention between the 65 ACP State and the Community of Ten. Since then Angola has also signed the Convention.

Famine, which has assumed dramatic proportions in the Sahel countries (Mali, Niger, Mauritania, Chad and especially Ethiopia and the Sudan) and also in Mozambique, has been the subject of debate in the European Parliament and its Committee on Development and Cooperation on many occasions.

2. Beginning the second term under the chairmanship of Mrs FOCKE, the Committee on Development and Cooperation considered which themes should be given priority in its work on development. It singled out seven: monitoring the Community's development policy (Member responsible : Mr FELLERMAIER)(1), cooperation with the countries of Latin America (own-initiative report) (Member responsible : Mr MCGOWAN)(2), the debt burden of the third world countries (Member responsible : Mr VERGEER) (preparations for a public hearing in October 1985 are underway), desertification (Member responsible : Mr CHINAUD), the problem of the NGOs and refugees (Member responsible : Mr VERBEEK), coordination of the Community, national and international development policies (Member responsible : Mr JACKSON) and development and disarmament (Member responsible : Mr TRIVELLI).

3. Throughout the negotiations on the third Lomé Convention the committee as well as Parliament itself has been kept regularly informed of the state of progress of the negotiations. A resolution was adopted on 16 September 1983(3) setting out the points which Parliament wished to see included in the new Convention. The report by Mr COHEN(4), presented in plenary sitting on 14 January 1985, gives Parliament's opinion on the third Lomé Convention as finally concluded. It considers that the Convention, while reaffirming the

achievements of the preceding Convention, does far more than simply maintain the existing principles. The improvements concern among other things the STABEX system (financially strengthened and with improved mechanisms), the SYSMIN (again, the rules and implementing procedures have been improved) and financial and technical cooperation (in the interests of greater efficiency). A number of innovations have been introduced in particular in regard to social and cultural aspects, the preservation of a natural balance and private investment. The ACP-EEC consultation machinery has been strengthened and/or modified, and, lastly, the new Convention includes a reference to human rights.

However, Parliament notes shortcomings in the Convention, in particular the inadequacy of the funds provided for its implementation, the failure to finance the Sixth European Development Fund from the general budget of the Communities and the continuing restrictions on trade in certain agricultural produce. At the same time, Parliament notes with satisfaction the importance accorded to human rights and to the principles of self-reliant development. It approves the priority given to agricultural development and food security and the new title on cultural and social cooperation and expresses the hope that the new provisions governing financial and technical cooperation will lead to quicker and more efficient decision-making. Lastly, it welcomes the fact that the Lomé III negotiators took account of the wish expressed in the resolution in the IRMER report(3) that the Joint Committee of the ACP-EEC Consultative Assembly should be replaced by a single parliamentary organ to be known as the ACP-EEC Joint Assembly.

4. Parliament has considered the problem of world hunger on many occasions, as also that of the food situation in the countries affected by famine and the Communities aid programme for the Sahel countries. Since September 1984 this has been done principally on the basis of Rule 48 of the Rules of Procedure governing topical and urgent debates. Various resolutions were adopted on this subject at the sittings of 11 October and 25 October 1984 and 17 January 1985(5).

The Committee on Development and Cooperation has been kept regularly informed of the precarious food situation in Ethiopia and in various other countries of the Sahel. Not surprisingly therefore it tabled a motion for a resolution based on Rule 48 of Parliament's Rules of Procedure(6). This was presented by Mrs FOCKE and others and adopted on 14 March 1985. In it Parliament expresses the view that the third phase of the emergency plan drawn up by the Community

must be reviewed; it is particularly alarmed by the sudden deterioration in the food situation in the Sudan, which has been exacerbated by the influx of some 1 million refugees from neighbouring countries. Accordingly, it decided to send delegations to Ethiopia, Chad and the Sudan to report to it on the problems in these countries.

5. The case for stepping up food aid, above all in the form of cereals, was argued by Mr SABY, draftsman of an opinion on the parts of the 1985 budget falling within the committee's terms of reference. He also called for support for structural measures, without which there can be no medium or long-term improvement in the food situation.

6. As in other years, Parliament adopted resolutions on the following three subjects: the regulations fixing the Communities generalized tariff preferences scheme for 1985, dealt with in a resolution tabled on 16 November 1984 by Mr de COURCY LING(7), then that of 18 January 1985 dealing with the general guidelines for 1985 concerning financial and technical aid for non-associated developing countries (rapporteur : Mr GUERMEUR)(8); and lastly the management and implementation of food aid under the provisional twelfth system and the interim regulation laying down implementing rules for Regulation No. 3331/82 on food aid policy and food aid management (two resolutions presented by Mr GALLAND(9) and adopted by Parliament on 18 January and 15 February 1985 respectively).

7. The cooperation agreements concluded with the developing Mediterranean countries have always been a matter of importance to the Committee on Development and Cooperation. For this reason it prepared an own-initiative report (rapporteur : Mrs CASSANMAGNAGO CERRETTI)(10). The resolution, adopted by Parliament on 10 May 1985, expresses regret that the existing cooperation agreements have been of relatively limited value and suggests that it is therefore essential to reinforce this policy by boosting aid and implementing food programmes and regional development projects. It contends that all the financial resources made available to the Maghreb and Mashreq countries should be increased and that the European Parliament must be involved in advance in decisions on the content of future cooperation agreements and financial protocols; this would allow it to exert an influence on the institutional structures, in particular those relating to the parliamentary aspects of relations between the Community and these countries. Lastly, part of the resolution deals with the situation of migrant workers from these countries in the Community.

8. The ACP-EEC Consultative Assembly held its session from 19 to 21 September 1984 in Luxembourg, under the co-chairmanship of Mr PFLIMLIN and Mr KOLANE (Lesotho). Various resolutions were adopted relating to: the 8th Annual Report of the ACP-EEC Council of Ministers (rapporteur : Mr TRIVELLI), the environment and development, cooperation in the fisheries field, the fact-finding mission on the countries affected by South Africa's acts of aggression, the release of Nelson Mandela, the situation in Chad, the ACP countries' burden of debt, the fight against drought and desertification, and consultation between the ACP-EEC social partners(11). Mr WURTZ reported to Parliament on the work of the Consultative Assembly and its Joint Committee(12).

The Joint Committee of the ACP-EEC Consultative Assembly, the parliamentary organ of the Lomé convention, met once before the Consultative Assembly's session in Luxembourg and the second time in Bujumbura (Burundi) from 28 to 31 January 1985, under the co-chairmanship of Mr BERSANI and Mr GANGA ZANDZOU (Congo). This last meeting, of course, discussed the third Lomé Convention and the improvements which it represented by comparison with the second Convention (rapporteur : Mr CHASLE - Mauritius). Other items on the agenda were the following reports: by Mrs FLESCH on human rights, by Mr MOUELE (Congo) on deforestation and desertification, by Mrs WARUHIU (Kenya) on the role of the women in the development process; other resolutions adopted dealt with southern Africa, aid to refugees in the ACP States, the attention paid in the third Lomé Convention to environmental considerations, vegetable fat in chocolate manufacture, the negotiations in view of a fourth international cocoa agreement, development of fishing, the land-locked ACP countries, security and cooperation in Africa and Europe and the crisis in the North-South Dialogue(13).

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- (1) PE 95.809/B
 - (2) PE 96.747
 - (3) Doc. 1-605/83/I and II, PE 86.100
 - (4) Doc. 2-1781/84
 - (5) Doc. 2-667/84, 2-672/84, 2-850/84, 2-1382/84, 2-1414/84
 - (6) Doc. 2-1782/84, point 3
 - (7) Doc. 2-949/84
 - (8) Doc. 2-1334/84
 - (9) Doc. 2-1338/84, 2-1708/84
 - (10) Doc. A 2-27/85
 - (11) OJ No. C 282 of 20.10.1984
 - (12) Doc. 2-1104/84
 - (13) CA/CP/562, CA/CP/563

THE PROTECTION OF FUNDAMENTAL RIGHTS IN THE COMMUNITY AND IN THE WORLD

I. INTRODUCTION

The provisions of the Community Treaties on the advisory and supervisory powers of the European Parliament form the basis of Parliament's continuing activities for the protection of the fundamental rights of individuals both within and outside the Community(1).

The role of representatives of the peoples of the Community conferred by the Treaties on the Members of the European Parliament took on a new dimension after 1979 and 1984, the years in which the first two elections by direct universal suffrage were held.

The results which can be obtained within the Community are more substantial owing to the transfer to the latter of some national powers and to the democratic system of the Member States.

On the other hand, where there have been violations outside the Community, the legal conditions necessary for effective action by the European Parliament do not prevail.

However, because of the moral weight and importance of the Community as an economic and political bloc, Parliament's action often achieves concrete results even in such cases.

The dual nature of this de facto and de jure situation explains why, within the European Parliament, violations of human rights within the Community come within the terms of reference of the Committee on Legal Affairs and Citizens' Rights whilst violations which have taken place outside the Community come within the terms of reference of the Political Affairs Committee.

After direct elections in June 1984, the enlarged Bureau of the European Parliament authorized the Political Affairs Committee on 27 September 1984 to set up a Subcommittee on Human Rights with the special task of investigating violations of human rights outside the Community and reporting on them in detail to the Political Affairs Committee.

II. THE PROTECTION OF HUMAN RIGHTS WITHIN THE COMMUNITY

Although the number of resolutions adopted by the European Parliament during the reference period on the issue of violations of human rights outside the territory of the Community has remained high, intervention in relation to the situation within the Community has, on the other hand, been sporadic.

During the last 12 months, the European Parliament has been basically concerned with the issue of discrimination on grounds of sex or nationality. In this respect attention should be drawn to a resolution on the unofficial meeting of the ministers responsible for women's rights of 7 March 1985 on the occasion of International Women's Day(2). In the resolution adopted, the European Parliament hopes that the ministers responsible for these matters will make these meetings official and meet annually within the Council. The Council is called on to adopt without delay a series of directives on this subject and to improve the situation of women in our society, particularly with regard to part-time and temporary work, equal pay for men and women in independent occupations and equality in occupational social security schemes. It calls on the Council, in addition, to prepare a new action programme in favour of women, with the accent on the problem of youth unemployment and thus of vocational training, access to all occupations and prospects of advancement.

Another resolution which should be mentioned is that adopted on 9 May 1985 in which the European Parliament expressed its opinion on the communication from the Commission of the European Communities to the Council and the draft Council resolution on guidelines for a Community policy on migration(3). This resolution covers many aspects of the protection of the rights of migrant workers, such as full recognition of rights in the field of social and cultural protection, the protection of minorities and the grant of certain civil and political rights.

Taking as its starting-point the statement that the number of migrant workers living in the Member States of the Community has reached 17 million and that the living and working conditions of those migrant workers and their families are not always in keeping with the principles of the Community Treaties, the European Parliament calls for an increased struggle against the racism and xenophobia which underline the violations of fundamental human rights, for aid to organizations representing migrant workers, for the creation in the Member States of centres where the victims of discrimination can obtain legal assistance, for guaranteed freedom of opinion, expression, organization and assembly, for the recognition at local level of certain political and civil rights, for the abolition of all forms of discrimination based on nationality, for the introduction of a cultural and educational policy to promote integration, whilst taking account of the variety of cultural identities, and for the implementation of specific measures to reunite families. This list, which is not exhaustive, shows the special interest which the European Parliament continues to take in all problems concerning the protection of human rights.

We should also recall the activities of the European Parliament and its committees in the field of the attainment of a "people's Europe" in view of the meeting of the European Council in June 1985. Citizens' rights must take priority in that Europe, as also provided for by the draft Treaty on the European Union drawn up by the European Parliament.

To conclude this list, which is necessarily restricted, we should mention that various questions have been addressed by Members of Parliament to the Commission and Council of the European Communities concerning the situation in the Member States. For example, we could mention Oral Question No. H 406/84 on the safeguarding of human rights and civil liberties within the European Community(4), Oral Question No. H 707/84 on the European Convention on Human Rights(5), Written Question No. 1502/84 on the teaching of human rights(6) and Written Question No. 1646/84 on the Draft European Convention for the Protection of Detainees from Torture(7).

III. THE PROTECTION OF HUMAN RIGHTS IN THE WORLD

During the last few years, the European Parliament has devoted a large proportion of its activities to problems linked to the observance of human rights and has begun to make public opinion and the mass media aware of them.

Through its debates, opinions, resolutions, oral and written questions tabled by its Members, fact-finding missions, delegations, debates on topical and urgent subjects, public hearings and, generally, activities in the field of the protection of human rights, it has created a positive image.

Since its inaugural session of July 1985, the European Parliament has increased its activities for the protection of human rights by denouncing the most flagrant and serious cases of violation and formulating proposals for strengthening the protection of those rights.

Among the resolutions adopted by the European Parliament on topical and urgent subjects, we should recall the following:

- the resolution on Andrei SAKHAROV(8) adopted on 27 July 1984 in which the European Parliament envisaged sending a select delegation to the USSR to bring the resolution personally to the notice of Andrei Sakharov and instructed its President to make an official request to the Government in Moscow for information on the fate and health of the Soviet scientist;
- a number of resolutions on the situation in South Africa(9), adopted on 18 April 1985, in which the European Parliament condemned any form of racial discrimination and called for the full respect by the international community for the embargo on arms sales, a stop to military cooperation with South Africa, already decided on by the United Nations, and the adoption of strict economic sanctions against that country. Prior to that, on 14 February 1985, the European Parliament had adopted a motion for a resolution on the release of Nelson MANDELA(10) in which it requested the unconditional release of the latter who has been in prison in South Africa for 22 years;

- the resolutions on the situation in CHILE(11), the situation of political prisoners in Chile(12), the murders of GUERRERO, PARADA and NATTINO and the further increase in repression in CHILE(13) in which the European Parliament called for the use of all political instruments to end all forms of repression and terror and to enable a gradual return to democracy in Chile;
- the resolution on the abuse of psychiatry in the Soviet Union(14), in which the European Parliament, recalling the Helsinki Final Act of which the Soviet Union is a signatory, requested the Soviet Government to grant Mrs GRIVNINA, a psychologist, immediate permission to emigrate to the Netherlands;
- the resolution on the death sentences in TURKEY(15) since the elections in November 1983, which was adopted by the European Parliament on 11 October 1984;
- the resolution on the release of Mr DIKERNDEM(16), a Turkish diplomat, President of the Turkish Peace Committee;
- the resolution on the violation of human rights in TURKEY(17), in which the European Parliament, having denounced the systematic campaign of genocide against the Kurdish minority by the present regime in Turkey, called on the Turkish authorities to bring to an end the death sentences issued by the military courts;
- the resolution on the massacre of prisoners of war in IRAN(18) in which the European Parliament appealed to Iran to stop torture and other inhuman treatment and to comply with the provisions of the Geneva Convention concerning prisoners of war.

Amongst the many written declarations pursuant to Rule 49 of the Rules of Procedure of the European Parliament on the subject of human rights, we should mention the declaration on the situation of ARYEH TUKACHINSKY(19) which had obtained 231 signatures by 12 December 1984. In that resolution, the European Parliament, saddened by the Russian treatment of religious minorities which is in strict contradiction of the Helsinki Agreement, regretted the failure of the Russians to allow Mr ARYEH TUKACHINSKY to join his family in Israel.

We should also recall the setting-up, within the context of the ACP-EEC Joint Committee, of a working party on human rights.

On 26 January 1985 in BUJUMBURA (BURUNDI), in a draft report on human rights which was adopted unanimously, the working party stressed the importance of the new Lomé III Convention which contains a special declaration on human rights and apartheid.

We should mention, finally, that the European Parliament's Political Affairs Committee, at its meeting of 24 May, adopted the report drawn up by Mrs Ien van den HEUVEL on human rights in the world for the year 1984/1985 and Community policy on human rights.

The Political Affairs Committee deplores the fact that only one third of the world's population lives in countries where freedom and fundamental principles are respected; it reaffirms that the respect of those principles is a prerequisite for membership of the European Community; it stresses the active role played by the European Parliament in the field of human rights; it states that during 1984 the number of countries which violated human rights did not fall and that those violations are perpetrated by governments or their agents, extremist groups and terrorists; it denounces the massacres, persecution of minorities in certain countries, 'disappearances', political killings and torture; it pledges the governments of the Ten to review their policy and national legislation to ensure that they do not abet the practice of torture or cruel and inhuman treatment.

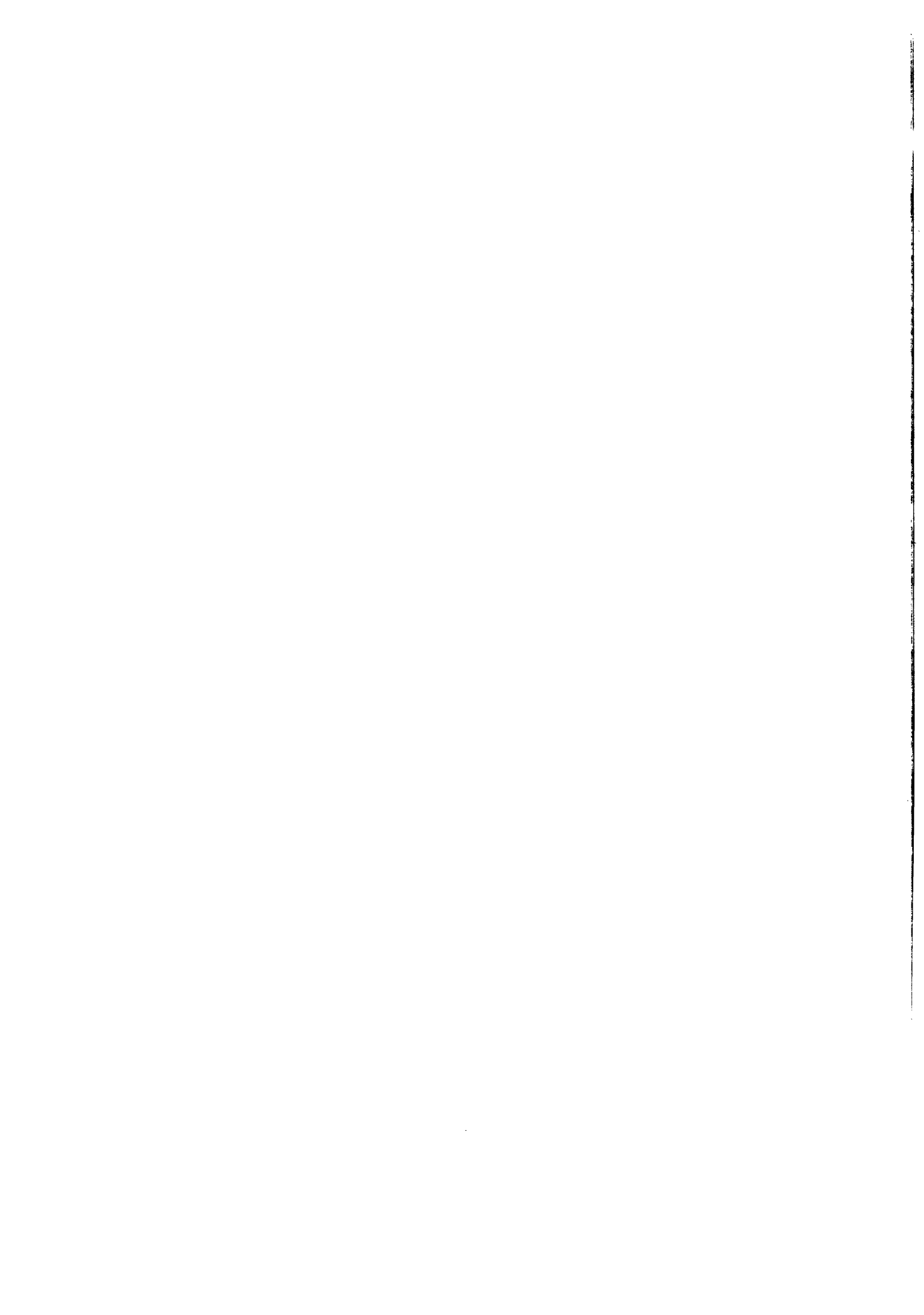
The Political Affairs Committee nevertheless welcomes the moves made in 1984 by some governments towards fuller respect of human rights and a return to the democratic process; it calls for a common policy on human rights towards third countries which is consistent and comprehensive, by means of a better use of the considerable political and economic means at the Community's disposal; and it requests that the Ten should, in the context of political cooperation, exert collectively and bilaterally pressure on third countries in favour of human rights.

The Political Affairs Committee calls, finally, on the Commission, the Council and the Foreign Affairs Ministers meeting in political cooperation to report regularly to Parliament on action taken on these resolutions on human rights.

At its plenary sitting of 8 July 1985, Parliament decided to refer the report to committee in view of the large number of amendments tabled.

- (1) Article 20 of the Treaty establishing the ECSC, Article 137 of the Treaty establishing the EEC, Article 107 of the Treaty establishing the EAEC
- (2) Resolution adopted on 14 February 1985, OJ No. C 72
- (3) Resolution of 9 May 1985, Doc. 2-4/85(x)
- (4) Minutes of the sitting of 16 January 1985(x)
- (5) Minutes of the sitting of 18 April 1985(x)
- (6) OJ No. C 111 1985
- (7) OJ No. C 113 1985
- (8) Resolution adopted on 27 July 1984, Doc. 2-379/84 - OJ No. C 239
- (9) Resolutions adopted on 18 April 1985, Docs. 2-119/85, B 2-121/85, B 2-132/85, B 2-142/85, B 2-153/85 (x)
- (10) Resolutions adopted on 14 February 1985, Docs. 2-1627/84 and 2-1648/84 - OJ No. C 72
- (11) Resolution adopted on 15 November 1984, Docs. 2-1000/84 and 2-1021/84 - OJ No. C 337
- (12) Resolution adopted on 14 February 1985, Docs. 2-1621/84 and 2-1651/84 - OJ No. C 72
- (13) Resolution adopted on 18 April 1985 - Doc. 2-152/85 (x)
- (14) Resolution adopted on 11 October 1984 - Doc. 2-676/84 - OJ No. C 300
- (15) Resolution adopted on 11 October 1984 - Doc. 2-662/84 - OJ No. C 300
- (16) Resolution adopted on 11 October 1984 - Doc. 2-681/84/rev - OJ No. C 300/84
- (17) Resolution adopted on 18 April 1985 - Doc. 2-171/85 (x)
- (18) Resolution adopted on 18 April 1985 - Doc. 2-165/85 (x)
- (19) Written declaration pursuant to Rule 49 of the Rules of Procedure, OJ No. C 12/85

(x) Resolution not yet published in the Official Journal when this text was drafted



PETITIONS TO THE EUROPEAN PARLIAMENT

I. Criteria governing the admissibility of petitions(1)

Once the second directly elected European Parliament had begun its term, the Committee on the Rules of Procedure and Petitions decided to reconsider the guidelines for the admissibility of petitions.

Under the provisions of the Rules of Procedure concerning petitions (Rules 108 - 110), Community citizens have the right to submit petitions to the European Parliament where the subject falls within the sphere of activities of the European Communities.

In a working document, not yet adopted, on the procedure for examining petitions, the draftsman proposes that a petition may be declared admissible if its subject relates to or is mentioned in any of the following: the Treaties, the acts derived therefrom, the judgments of the Court of Justice, the Community's international agreements, the texts of Community budgets, the acts or activities ensuing from European political cooperation, the acts of the European Council, the resolutions or other acts of the European Parliament, written or oral questions, official communications from Community institutions or the European Convention on Human Rights.

The draftsman also refers to petitions concerning matters which are sub judice, those contesting the decisions of the Commission or certain acts of the European Parliament, those relating to issues of general political interest and those submitted by persons held in custody or detention. There is, finally, the problem of the limitation periods affecting claims and appeals. The draftsman proposes that the Committee on the Rules of Procedure and Petitions should establish a policy for these types of petitions.

II. Enhancing the right of petition

A number of initiatives are currently being pursued with a view to enhancing this right and improving the procedures for examining petitions.

1. The draft interinstitutional agreement strengthening the procedure applied by the European Parliament in the examination of petitions from Community citizens

In a draft report, the committee chairman proposes certain improvements to the procedures for the examination of petitions addressed by Community citizens to the European Parliament. Member States are sometimes slow in forwarding the information needed when dealing with certain petitions.

The aim of such an interinstitutional agreement would be to afford full possibilities for cooperation on the part of the authorities of the Member States.

Among the measures proposed is the fixing of a reasonable time-limit within which Member States must forward the information requested under the European Parliament's Rules of Procedure (Rule 109(3)) and the Committee on the Rules of Procedure and Petitions may call witnesses and obtain documentation.

A conciliation procedure is proposed where a Member State questions the committee's right to investigate the circumstances under dispute in a given petition.

2. The draft interim report on broadening the citizen's right to petition the European Parliament

In this document, the rapporteur looks to the European Council to sanction in its conclusions both the individual right of petition to Parliament and the obligation on the Community institutions and national authorities to supply all necessary information to the European Parliament.

So that the competent parliamentary committee may be placed in a better position, both materially and procedurally, to examine petitions, the rapporteur suggests that it draft proposals with a view to:

- strengthening its administrative structures;
- launching an information campaign to publicize the individual right of petition to the European Parliament;
- drawing up suitable amendments to the individual provisions of the Rules of Procedure concerning the examination of petitions;
- preparing Community legal instruments in this area.

This report was adopted in plenary sitting on 14 June 1985(2).

With these aims in view, the committee has decided to invite the national arbitration services, ombudsmen and competent parliamentary committees to a meeting which is planned for the autumn of 1985.

III. Statistics

1. Number of petitions

In the period between 13 March 1984 and 19 December 1984, Parliament received 127 new petitions.

2. Petitions examined

During the period under consideration, the committee concluded its examination of 51 petitions.

3. Petitions under examination

As at 19 December 1984, the committee was engaged in the examination of 74 petitions (3 dating from 1980, 2 from 1981, 9 from 1982, 10 from 1983 and 50 from 1984).

Eighty-two new petitions have been received since July 1984 (opening of the new parliamentary term).

The committee declared the petition inadmissible in 14 cases, concluded the examination of 24 petitions, appointed a rapporteur in 21 cases, asked other parliamentary committees for an opinion in 8 cases and requested additional information from the Commission of the European Communities in 22 cases.

IV. Subject of the petitions examined

Broadly speaking, the petitions examined (51 in all) in this period may be divided into three major groups.

1. Petitions concerning the application of Community law

This category accounts for 18 petitions out of the 51, or about 40% of the total, whereas in the previous year, its percentage share stood at 60%.

The individual subjects most frequently raised are free movement of persons (pension rights, driving licence, European passport) and the application of Community rules in the agricultural sector (re-allocation of land under vines, Christmas butter sales, compensatory allowances in less-favoured agricultural zones).

2. Petitions concerning human rights

There are 20 petitions invoking human rights, in the broad sense, in both the Community and third countries. This category's percentage share is increasing, accounting for just over 40% compared with about 25% in the past.

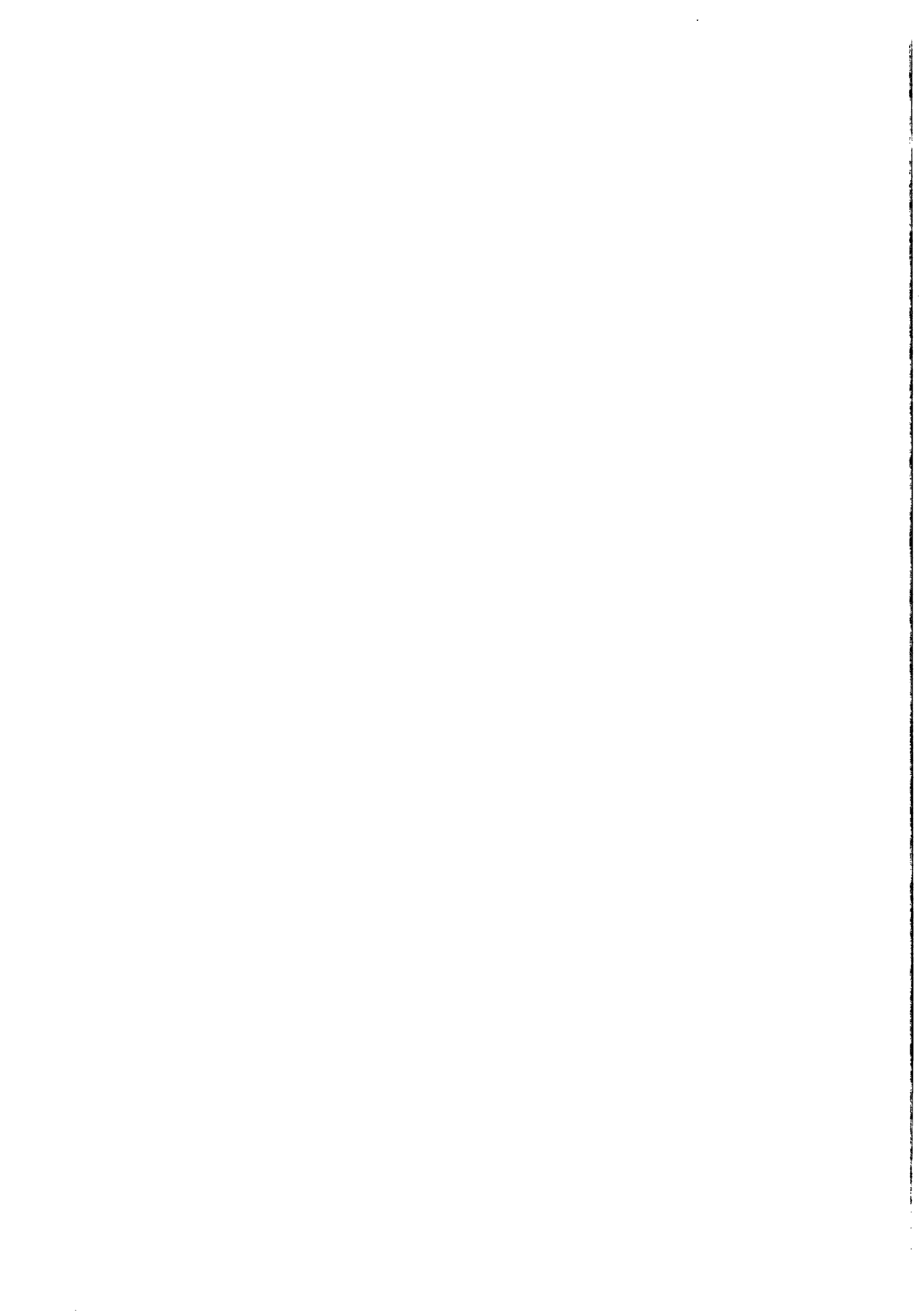
In the case of EEC Member States, these petitions relate mainly to the problems of ethnic minorities, deportations and legal proceedings in connection with compulsory military service.

In the case of non-Community countries, the petitions relate mostly to human rights in Eastern Europe, Africa and Turkey.

3. Petitions concerning social affairs, the environment, education and culture

These matters are raised in 13 petitions relating primarily to the conservation of forests, the sea, the defence of consumer interests and the handicapped.

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- (1) On the procedure for the examination of petitions, see also 'Principal aspects of European integration' (July 1983 - June 1984), p. 3
- (2) Doc. A 2-41/85



COMMUNITY ACTION ON BEHALF OF WOMEN

After the second elections to the European Parliament by direct universal suffrage, a standing committee on women's rights was set up for the first time. Its terms of reference were as follows(1):

- the definition and evolution of women's rights in the Community, based on Parliament's resolutions of 11 February 1981 and 17 January 1984;
- the implementation and improvement of directives relating to equal rights for women and the formulation of new directives;
- employment policy in respect of women and young girls, and measures to combat female unemployment;
- common policies insofar as they concern women, including information policy;
- problems relating to the professional activities of women and their family role;
- women in the Community Institutions;
- the situation of migrant women and the wives of migrant workers;
- the World Conference on Women.

At its constituent meeting on 27 July 1984, Mrs Marlène LENZ (EPP - D) was elected chairman and Mrs CRAWLEY (S - GB), Mrs CINCIARI RODANO (COM - I) and Mrs GIANNAKOU (EPP - GR) were elected vice-chairmen.

The committee devoted its first meetings to considering the draft Council Recommendation on the promotion of positive action for women(2) and those parts of the preliminary draft budget relevant to women.

- Positive action

The draft Council recommendation on the promotion of positive action is the Commission's direct response to the European Parliament's resolution on the situation of women in Europe of January 1984(3), which calls for a more binding directive.

Mrs VAN DEN HEUVEL's report on behalf of the Committee on Women's Rights was adopted in plenary sitting on 24 October 1984, with several amendments to the draft recommendation being voted by the European Parliament(4). The resolution closing the procedure for consultation of the European Parliament, adopted on 25 October 1984(5), included a paragraph urging the Commission 'to see to it that absolute priority is given under the Social Fund to undertakings whose applications include a programme for positive action in favour of women to give them a more equal status within the undertaking, whether the measures are designed to benefit young women or women over 25 years of age'(6). This demand was a direct result of the resolution of 17 January 1984 on the situation of women in Europe.

The Council adopted(7) the proposed recommendation in December 1984, incorporating only partially the amendments voted by the European Parliament. It stressed the need to promote a positive action policy, whereas Parliament had spoken of the need for framework legislation in the Member States.

Similarly the Council did not endorse Parliament's view that the European Social Fund should be used to encourage equal employment opportunities(8).

- 1985 budget

In its opinion on the preliminary draft budget - drawn up by Mrs DE BACKER-VAN OCKEN for the Committee on Budgets(9) - the Committee on Women's Rights stated that it would like to see wider provision of specific information for women and, in order to ensure that a specific amount was set aside, requested the creation of a specific budget heading with a view to keeping women better informed of their rights and of Community legislation in their favour.

In order to combat unemployment more effectively, the Committee on Women's Rights also called for more balance between the number of women and men making applications to the ESF.

- Unemployment

The Council adopted a resolution on action to combat unemployment amongst women (10) on 7 June 1984, Parliament having expressed its opinion in its resolution of 22 May 1984 (11). The Council resolution did not take over Parliament's amendment to the effect that any indirect pressure brought 'to bear on women in order to discourage them from taking their place on the employment market must be considered as running counter to the European principle of equal treatment'(12), or the amendment which laid stress on the need for distributing work fairly between men and women, for example by encouraging voluntary part-time work for men as well as women.

On the other hand it did incorporate Parliament's views emphasizing the role of national commissions for equality in developing information campaigns aimed at encouraging the change in attitudes needed to improve equality of opportunity in employment(13).

- Education of girls

One of the themes on which the Committee on Women's Rights has laid the most emphasis is the education of girls and equality of opportunity in this area, to ensure a better transition from school to working life. At its meeting in Rome in March, the Committee on Women's Rights met Mrs FALUCCI, President-in-Office of the Council of Ministers for Education, and discussed the prospects for Community action in this field.

At its most recent meeting, on 3 June 1985 in Luxembourg, the Council of Ministers for Education adopted a Resolution containing an action programme on equal opportunities for girls and boys in education(14).

The measures envisaged under this programme are intended to ensure equal opportunities and to encourage access to a wide range of jobs, as diversified and non-stereotyped as possible, for young people of both sexes.

The programme consists of the following points:

- promoting awareness among all the participants in the educational process of the need to achieve equal opportunities for girls and boys,

- educational and vocational guidance as a service to all pupils, to encourage boys and girls to diversify their career choices,
- opening up schools to working life and the outside world,
- extending the possibilities for effective access by both girls and boys to all vocational training options and supporting, through suitable measures, girls and boys who have chosen non-traditional openings,
- promoting a balance between men and women holding positions of responsibility in education,
- eradicating persistent stereotypes from school textbooks, teaching material in general, assessment materials and guidance material.
- Guidelines for the management of the ESF

The European Parliament delivered its opinion on the guidelines for the management of the ESF for the years 1986 to 1988(15). Mrs LEMASS was appointed draftsman of an opinion on behalf of the Committee on Women's Rights(16).

In the resolution embodying the opinion of the European Parliament, the House noted that 'on the basis of the figures for the 1984 financial year, women do not generally benefit in due proportion from actions financed by the European Social Fund either in measures for persons under 25 years of age or in measures for those over 25 years of age'(17) and requested that in accordance with the recommendations on positive action in favour of women, there should be additional projects in the following fields:

1. courses for women on the management of cooperatives and small businesses,
2. courses on the new technologies for girls and women,
3. courses for women going back to work,
4. training courses for women in sectors in which they are under-represented;

In adopting these guidelines at the end of April 1985(18), the Commission acknowledged only the need to promote 'vocational training or recruitment to additional jobs for women in occupations in which they are under-represented'(19). The Committee on Women's Rights wrote to the President of the Commission to express its disapproval.

- Violence against women

In view of the importance of the subject and the reticence with which it has been tackled so far, the Committee on Women's Rights decided to draw up an own-initiative report on violence against women and appointed Mrs D'ANCONA rapporteur.

- Income taxation and equal treatment for men and women

In January 1985, the Commission presented the memorandum on income taxation and equal treatment for men and women(20) to the Concil, and Parliament was consulted. The memorandum followed on from the Commission's 'New Community Action Programme on the promotion of equal opportunities for women 1982 - 1985' (21) and more particularly from Action 6 of that programme.

It is noted in the memorandum that the amount of income tax paid by married women varies considerably according to the tax system in force and 'a system of totally independent taxation is to be recommended from the point of view of achieving equal treatment'. In its motion for a resolution on the Commission's memorandum(22) Parliament 'notes that national income taxation systems have been shown in many cases to have an adverse effect, albeit sometimes indirect, on women's employment ...' and 'consequently, regrets that the Commission has seen fit to content itself with a memorandum, rather than proposing action by the Community' in the area of fiscal policy. The Roberts report reiterates the call for a draft directive.

- Survey on the implementation of the Third Directive

In April 1985, Mrs Maij-Weggen, on behalf of the Committee on Women's Rights, drew up a questionnaire on the implementation of the Community directive on equal treatment for men and women in matters of social security (Directive 79/7/EEC)(23). It was addressed to the parliamentary and government bodies concerned with the equal treatment of men and women, the umbrella organizations for women's groups and the women's committees of trade unions in the Member States. The aim of the questionnaire is to establish whether:

- (a) the national statutory schemes which provide protection against sickness, invalidity, old age, accidents at work and occupational diseases, and unemployment have been adopted, and
- (b) the provisions concerning social assistance, in so far as they are intended to supplement or replace the schemes referred to in (a), have been adopted in implementation of the directive within the time limit set.

- World Conference to mark the end of the UN Decade for Women in Nairobi

The European Parliament adopted a resolution on this conference in May 1985. In the resolution(24), it called on the Member States to implement the measures already proposed at Community level concerning: equal treatment for men and women in occupational social security schemes, equal treatment for men and women in self-employed occupations, parental leave, voluntary part-time work, temporary work and the reduction and reorganization of working time. Parliament considered that steps should be taken both to consolidate the rights of individual women and to establish programmes of positive action so real progress can be made in achieving equal opportunities for men and women. In the developing countries, Parliament insisted that account should be taken of the impact on the situation of women of all development cooperation projects and women's experience should be called upon when these projects are being drawn up. Finally Parliament invited its Committees on Women's Rights and Development and Cooperation to present before the end of 1985 a report analysing progress made in improving the situation of women, in the light of the conclusions of the Nairobi Conference.

- The Court of Justice

The Court handed down a number of important decisions on equal treatment cases referred to it for a preliminary or final ruling.

- On 12 July 1984 in Case 184/85 (U. Hofmann v. Barmer Ersatzkasse) the Court ruled that the provisions of Directive 76/207/EEC must be interpreted as meaning that a Member State may, after the protective period has expired, grant to a mother a period of maternity leave, the grant of which is encouraged by the State by means of the payment of a remuneration. The Directive does not impose on Member States the requirement that they shall, as an alternative, allow such leave to be granted to the father, even where the parents assent thereto.

- On 18 September 1984, in Case 23/84 (W.E.M. Liefding and Others v. Directie van het Academisch Ziekenhuis bij de Universiteit van Amsterdam e.a.), the Court ruled that the social security scheme for Dutch civil servants is incompatible with the principle of equal pay for men and women laid down in Article 119 of the EEC Treaty, in so far as the resultant differences between the gross salary of a female civil servant whose husband is also a civil servant and the gross salary of a male civil servant directly affect the calculation of other benefits dependent on salary such as severance pay, unemployment benefit, family allowances and loan facilities.

- On 30 January 1985 in Case 145/83 (Commission v. the Kingdom of Denmark) the Court ruled that by failing to adopt within the prescribed period the measures necessary to implement Council Directive 75/117, the Kingdom of Denmark had failed to fulfil its obligations under the EEC Treaty, particularly in the sectors not covered by collective bargaining.

- On 21 May 1985 in Case 248/83 (Commission v. the Federal Republic of Germany) the Court ruled that the FRG had failed to fulfil its obligations under the EEC Treaty by failing to comply with Directive 76/207 as regards labour relations other than those governed by private law.

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- (1) PE 91.076/Ann.
 - (2) Doc. 1-269/84, COM(84) 234 final
 - (3) See Annual report on action taken on Parliament's own-initiative resolutions (SEC(85) 284, p. 56 ff)
 - (4) Doc. 2-788/84, OJ No. C 315 of 26.11.1984, pp 34, 77 ff
 - (5) OJ No. C 315 of 26.11.1984, p. 81
 - (6) Para. 4 of the resolution, *ibid.* p. 83
 - (7) OJ No. L 331 of 19.12.1984, Recommendation 84/635/EEC of 13.12.1984, p. 34
 - (8) See para. 4 of the EP resolution above and para. 1(a) of the requests to the Commission in the text of the Recommendation amended by the EP, OJ No. C 315 of 26.11.1984, p. 80
 - (9) PE 91.453/rev.
 - (10) OJ No. C 161 of 21.6.1984, p. 4
 - (11) PE 90.700, pp 70 and 166
 - (12) OJ No. C 172 of 2.7.1984, pp 53-54
 - (13) *ibid.* p. 55, OJ No. C 161 of 21.6.1984, p. 6
 - (14) Council Press Release 7113/85
 - (15) OJ No. C 94 of 15.4.1985, pp 75 and 147
 - (16) PE 94.860
 - (17) OJ No. C 94 of 15.4.1985, p. 149
 - (18) OJ No. L 133 of 22.5.1985, p. 26
 - (19) Para. 4.7 of the Guidelines, *ibid.* p. 28
 - (20) COM(84) 695 final
 - (21) COM(81) 758 final
 - (22) Doc. A 2-55/85 ROBERTS report on behalf of the Committee on Women's Rights
 - (23) PE 97.546
 - (24) Doc. B 2-252/85



BUDGETARY MATTERS

The crisis affecting the financing of Community activities, the first signs of which were already noticeable during the period covered by the previous report, culminated during the period covered by this report. Its chief characteristic is that the present volume of own resources is no longer sufficient to enable the Community to meet its financial commitments with the result that, for the 1984 financial year, there was a danger of its becoming insolvent. Only the adoption of a supplementary budget averted this danger; to finance this supplementary budget, use was made for the first time, following a political agreement between governments, of a system whereby the Member States pay repayable advances to the Community. In view of the fact that the same problem - insufficient own resources to finance a genuine budget, i.e. one covering a twelve-month period - arose with regard to the 1985 financial year, the European Parliament in December 1984 rejected the 1985 draft budget with the result that, for the second time since 1980, the Community was obliged to begin a financial year without a budget having been adopted and, consequently, operate under the system of provisional twelfths laid down in the Financial Regulation.

The solution to this budgetary crisis involves, first of all the creation of a sufficient volume of new own resources (to be obtained by raising the Community share of value-added tax) yet also compliance with strict budgetary discipline and the removal of existing budgetary imbalances.

1. Supplementary budget No. 1/1984

Supplementary and amending budget No. 1/1984, the preliminary draft of which had been forwarded by the Commission to the Council on 6 July and the draft of which had been submitted by the Council to Parliament as late as 3 October, was adopted by the European Parliament on 25 October 1984 and declared finally adopted on the same day by the President(1). Total revenue and expenditure

amounted to 1 887 166 359 ECU. After using up all the Community's conventional own resources, including the 1% share of value-added tax, a deficit of 1 003 million ECU remained. By a political agreement concluded between governments, the Member States undertook to finance this deficit by means of repayable advances, i.e. by resorting to a system of financing not provided for in the Treaties.

The supplementary budget was necessary mainly because of the substantial additional appropriations required in the EAGGF - Guarantee Section. This need for additional funding was due to the carry-over of expenditure totalling 675 million ECU from 1983 to 1984 and to the situation on world markets which either had repercussions for export refunds or meant that more produce had to be placed in storage, despite the fact that the Council had for the first time adopted farm prices that were lower than the Commission's initial proposals. Thus, of the total of 1 861 million ECU contained in the supplementary budget, 1 833 million ECU went to the agricultural sector.

On 23 October 1984, Parliament had on first reading reinstated the reduction in revenue estimates under the heading of agricultural levies that had been entered by the Commission, but which the Council had not incorporated in its draft. The size of the repayable advances to be paid by the Member States would thus have been increased by 473 million ECU. Moreover, Parliament was unable to accept more than a quarter of the additional spending necessary to meet the Community's commitments being financed by the deletion of appropriations set aside for structural measures. Lastly, Parliament had made modifications relating to sales of Christmas butter(2). However, the Council did not accept the increase in revenue of 473 million ECU, although it did authorize the appropriations for the Christmas butter sales campaign.

After the conciliation meeting with the Council, the budget adopted by Parliament on 25 October 1984 therefore contained appropriations totalling 150 million ECU for the Christmas butter sales campaign. Furthermore, on the revenue side, Parliament had, in keeping with the Commission's estimates, increased by 260 million ECU the estimates under the heading of customs duties and compensated this increase on the expenditure side by reducing by 234 million ECU the surplus for the financial year estimated by the Council at 500 million ECU for differentiated appropriations in the various sectors, with the exception of agriculture. A larger volume of appropriations was therefore available, in line with Parliament's wishes, for structural policy measures.

2. New own resources - future financing of the Community

As already indicated in the last report covering the period June 1984 - June 1985, Parliament has already examined this question in depth on several occasions. In view of the likely deficit for 1984, and after Parliament had rejected a method of financing proposed by the Commission consisting of a repayable interest-bearing loan to be taken out with the Member States, the European Council meeting in Fontainebleau on 25 and 26 June 1984 proposed that the maximum rate of VAT payable to the Community be increased to 1.4% with effect from 1 January 1986 and that a second increase to 1.6% be envisaged for 1 January 1988(3). On the basis of the conclusions thus reached by the European Council, the Commission submitted to the Council its amended proposal for a decision on the system of Community own resources(4).

Consulted on this proposal for a decision, the European Parliament adopted it on 25 October 1984 after amending it on a number of essential points(5). Parliament considered that the proposal presented by the Commission implied abandonment of the principle of a uniform VAT rate for all the Member States particularly in view of the fact that it made provision, among other things, for a corrective mechanism designed to compensate certain imbalances on the revenue side (problem of the UK refund). Parliament felt that, in these circumstances, the maximum rate of new own resources payable to the Community from VAT would, on average, only be around 1.3%. In its modified version, Parliament therefore removed all mention of the problems of the corrective mechanism in the provisions relating to the increase in the VAT ceiling and proposed a set of special arrangements in the form of a regulation to deal with this problem. Thus a clear distinction is made between, on the one hand, the increase in own resources which must be ratified by the Member States and, on the other hand, the special arrangements in favour of the United Kingdom which must be implemented on the expenditure side of the budget and which, contrary to what was foreseen in the Fontainebleau agreement, do not need to be ratified and must be of limited duration.

In addition to the 1.4% VAT ceiling provided for in the Commission proposal, Parliament's version provides that on 1 January 1988 the budgetary authority will be able, on a proposal from the Commission, to raise the VAT ceiling to 1.6% with the Council acting unanimously and the European Parliament by a

majority of its members and three-fifths of the votes cast. The reasoned Commission proposal must be submitted one year before the maximum rate has been reached. Taking the view that it is already possible to foresee the date on which own resources, even with a 1.4% share of VAT, will no longer be sufficient to finance Community commitments, Parliament wishes to set up with this system a Community procedure for increasing the maximum rate, so avoiding the lengthy procedure involving ratification of a new agreement by the Member States.

In view of the fact that one Member State in particular made the increase in own resources to 1.4% of the proceeds of VAT dependent on the accession of Spain and Portugal to the Community, the Council had to wait for a consensus to be reached on accession before taking action on the proposal to increase own resources. During a conciliation meeting between the Council and Parliament on 29 April 1984, Parliament's delegation submitted a compromise proposal. This proposal envisages maintaining the principle that expenditure policy is the main means of resolving the problem of budgetary imbalances and it provides that compensation in the form of a reduction in VAT will be accepted as a provisional solution that cannot continue to apply beyond the 1987 financial year. Items 2 and 3 of the proposal make provision for the VAT ceiling to be raised to 1.6% according to a Community procedure in line with that set out above. Lastly, a fourth point provides that the Community may finance supplementary research programmes using financial contributions from the Member States over and above the programmes carried out within the framework of the European Atomic Energy Community.

On 7 May 1985, the Council decided that the VAT ceiling would be raised to 1.4% as from 1 January 1986 and that this ceiling could be increased to 1.6% with effect from 1988 although on the basis of a unanimous decision and after ratification by the Member States. Furthermore, this decision makes it possible to anticipate the 1.4% increase for the sole purpose of covering the cost of refunds to the United Kingdom for the 1985 financial year. Thus on the essential issues, the Council has not heeded Parliament's requests. The Council has accepted only the latter point relating to the creation of additional means of financing research through financial contributions by the Member States(6). This Council decision has since been forwarded for ratification to the national parliaments.

Several national parliaments, however, link the ratification of this decision to that of the Spanish and Portuguese accession treaties, with the result that the solution to the problem of Community own resources has for a long time been linked to the need to conclude these accession treaties as rapidly as possible.

3. Budgetary balances - budgetary imbalances

The European Parliament has always believed that the financial imbalances arising from the difference between the economic potential of the Member States and their contribution to the financing of the Community budget should be compensated in terms of expenditure within the framework of Community policies and not in terms of revenue through a reduction in the amount of own resources to be paid over. As already outlined above in section 2 relating to own resources, Parliament reaffirmed this position in its opinion on the Commission proposal to the Council for a decision on the system of Community own resources(7). According to this opinion, the problem of compensating for financial imbalances should be dissociated from the decision on the system of own resources and resolved within the framework of a set of special arrangements in the form of a Council regulation. The Council has accepted neither this opinion nor the compromise proposal put forward during the conciliation procedure which provided for the implementation of compensatory arrangements on the revenue side of the budget in favour of the United Kingdom on a provisional basis and for a limited period that must not extend beyond 1987.

As regards the compensation in favour of the United Kingdom, the Council decision of 7 May 1985 on the Communities system of own resources now stipulates the following:

- the correction is to be determined by calculating the difference, in the preceding financial year, between the percentage share of the United Kingdom in the value-added tax which would have been paid had the uniform rate been applied and the percentage share of the United Kingdom in total allocated expenditure;
- the difference thus obtained shall be multiplied each year by 66%;

- the amount of this correction is to be deducted from the United Kingdom's normal share of VAT and charged to the other Member States according to their respective normal shares of VAT subject to an adjustment aimed at limiting the participation of the Federal Republic of Germany to two thirds of each share of VAT;
- when these arrangements enter into force, a lump-sum deduction of 1 000 m ECU is to be made from the amount of value-added tax payable by the United Kingdom;
- these operations constitute modifications to own resources occurring from value-added tax in respect of the 1985 financial year(8).

4. The budget for the 1985 financial year

The main feature of the 1985 draft budget submitted by the Council(9) was that under the heading of agricultural expenditure, the level of which had been estimated by the Commission at 19 300 m ECU, the Council had entered only 18 000 m ECU, i.e. 1 315 m ECU less than the amount set aside by the Commission. The draft budget did not contain any provision at all relating to the compensation of imbalances in favour of the United Kingdom and West Germany. According to calculations by Parliament and the Commission, a 1985 budget adopted on the basis of this draft would have been enough to meet the Community's financial commitments only for a period of 8 to 10 months.

On 14 November 1984, at the first reading of the draft, Parliament therefore voted for a budget that conformed the principle of budgetary annuality by adopting a large number of draft amendments and proposed modifications.

- To ensure compliance with the principle of budgetary annuality, i.e. to make it possible for expenditure commitments to be met for twelve full months, Parliament reinstated on the expenditure side the appropriations totalling 1 315 m ECU by which the Council had cut the Commission's estimates.
- Appropriations totalling 1 515 m ECU broken down between various spending lines - urban renewal, transport, employment and energy strategy were entered on the expenditure side by way of compensatory payments in favour of the United Kingdom and West Germany.

- In order to raise non-compulsory expenditure (NCE) to a reasonable level by relation to compulsory expenditure (CE), the NCE was increased by 373.3 m ECU in payment appropriations and 773.8 m ECU in commitment appropriations in accordance with Parliament's classification. These increases mainly affected the Social Fund with 100 m ECU in commitments and 52 m ECU in payments, the Regional Fund with respectively 71 m ECU and 90 m ECU, the energy, research and development sectors with respectively 92 m ECU and 60 m ECU, agricultural structures with respectively 35 m ECU and 28 m ECU, the transport sector with respectively 70.2 m ECU and 14.2 m ECU and development aid with respectively 93.6 m ECU and 55.6 m ECU. As regards the latter sector, Parliament set aside additional appropriations to finance specific guided operations in the developing countries and third countries as well as making other increases in the food aid sector.

- On the revenue side, Parliament decided to enter in a new chapter an amount of 2 830.9 m ECU to be raised in the form of advances to be paid by the Member States on the new Community own resources. In so doing, Parliament ensured that there was a balance between revenue and expenditure in the budget and took account of the fact that expenditure exceeded by this amount the own resources accruing within the 1% VAT ceiling, this excess amount being made up of 1 315 m ECU for the EAGGF and 1 515.9 m ECU for the special measures in favour of the United Kingdom and the Federal Republic of Germany.

The Council felt unable to approve the budget thus amended. As regards the payments to the United Kingdom and West Germany, it adhered to its solution based on action on the revenue side. As regards the difference of 1 315 m ECU for the agricultural sector, it entered it this time between parentheses in the budget, without however taking account of it in terms of overall revenue and expenditure(10).

Consequently, on 13 December 1984 Parliament emphasized in its resolution that a budget that did not cover 12 months of revenue and expenditure was not acceptable in its view, drew attention to the fact that a yearly budget must also incorporate the financial implications of the legislation in force and any decisions that have been taken and, for these important reasons, rejected the 1985 draft general budget by 321 votes to 3 with 16 abstentions. At the same time, the Council was requested to submit a new draft(11).

For the European Community, the 1985 financial year therefore began without a budget having been adopted. Day-to-day payments had to be made according to the system of provisional twelfths laid down in the Treaties and the Financial Regulation.

At the end of April 1985, the Council submitted the new draft budget for 1985. This draft incorporated the Commission's spending estimates for the agricultural sector. Of the 63 m ECU requested by the Commission by way of additional appropriations for food aid, the draft budget maintained 26 m ECU. In addition, an initial estimate of 70 m ECU had been entered for the integrated Mediterranean programmes. Yet the new draft budget took account neither of an increase in revenue of 232 m ECU allowed for by the Commission nor of the budgetary deficit of 417 m ECU resulting from the 1984 financial year. The compensatory payments to the United Kingdom and the Federal Republic of Germany were still entered on the revenue side. This new draft showed a shortfall of 1 981 m ECU in available own resources by relation to expenditure. To finance this shortfall, the Member States concluded an agreement among themselves by which this shortfall was to be met by non-repayable advances to be paid by the Member States. This agreement needs to be ratified by the Member States(12).

At the first reading of this new draft, Parliament accepted, even if only on a provisional basis, the entry of the compensatory payments for the United Kingdom and the Federal Republic of Germany on the revenue side. Furthermore, all the proposed modifications and draft amendments adopted in November 1984 were broadly speaking maintained. Moreover, with regard to the integrated Mediterranean programmes Parliament decided to reinstate the 140 m ECU in commitment appropriations requested by the Commission and to increase considerably, in line with the Commission proposals, the appropriations for food aid. Furthermore, the 232 m ECU allowed for by the Commission in additional revenue from own resources were entered in the budget. Parliament's main demands were accepted on second reading by the Council, which included in the budget the 507 m ECU requested by Parliament for food aid and entered 120 m ECU for the integrated Mediterranean programmes instead of the previous figure of 70 m ECU. The Commission's estimates of additional revenue accruing from own resources were now incorporated in the budget and partially offset against the 1984 deficit. The Council also accepted further increases for the Social and Regional Funds. Even though these increases were not on the scale

requested by Parliament, it is nevertheless a fact that more appropriations have now been made available than originally entered by the Commission. At its second reading Parliament reinstated an amount of 30 m ECU on the revenue side that had been rejected by the Council. This amount refers to the interest payable by the Member States on the credit balances on the Commission's accounts with the national treasuries. The fact that interest should be paid on these credit balances is a long standing demand of Parliament and appropriate proposals for regulations have been with the Council for a long time awaiting a decision. Of the 30 m ECU, 26 m ECU was then earmarked for general development aid measures, 2 m ECU for the administrative sector, 1.9 m ECU for public relations, etc., and 100 000 ECU for the European Youth Orchestra. Of the amount still remaining within the 1% VAT ceiling (irrespective of the advances payable by the Member States to finance the deficit), 2 m ECU was earmarked for special programmes to promote agriculture in Poland and for a subsidy for the establishment and operation of a European-Latin America Institute. Finally, the commitment appropriations for the Regional Fund and the Social Fund, which had been reduced by the Council, were fully reinstated. The European Parliament accordingly adopted on 13 June 1985 the general budget of the European Communities for the 1985 financial year totalling 28 432 818 296 ECU in revenue and expenditure(13).

5. Budgetary guidelines for 1986

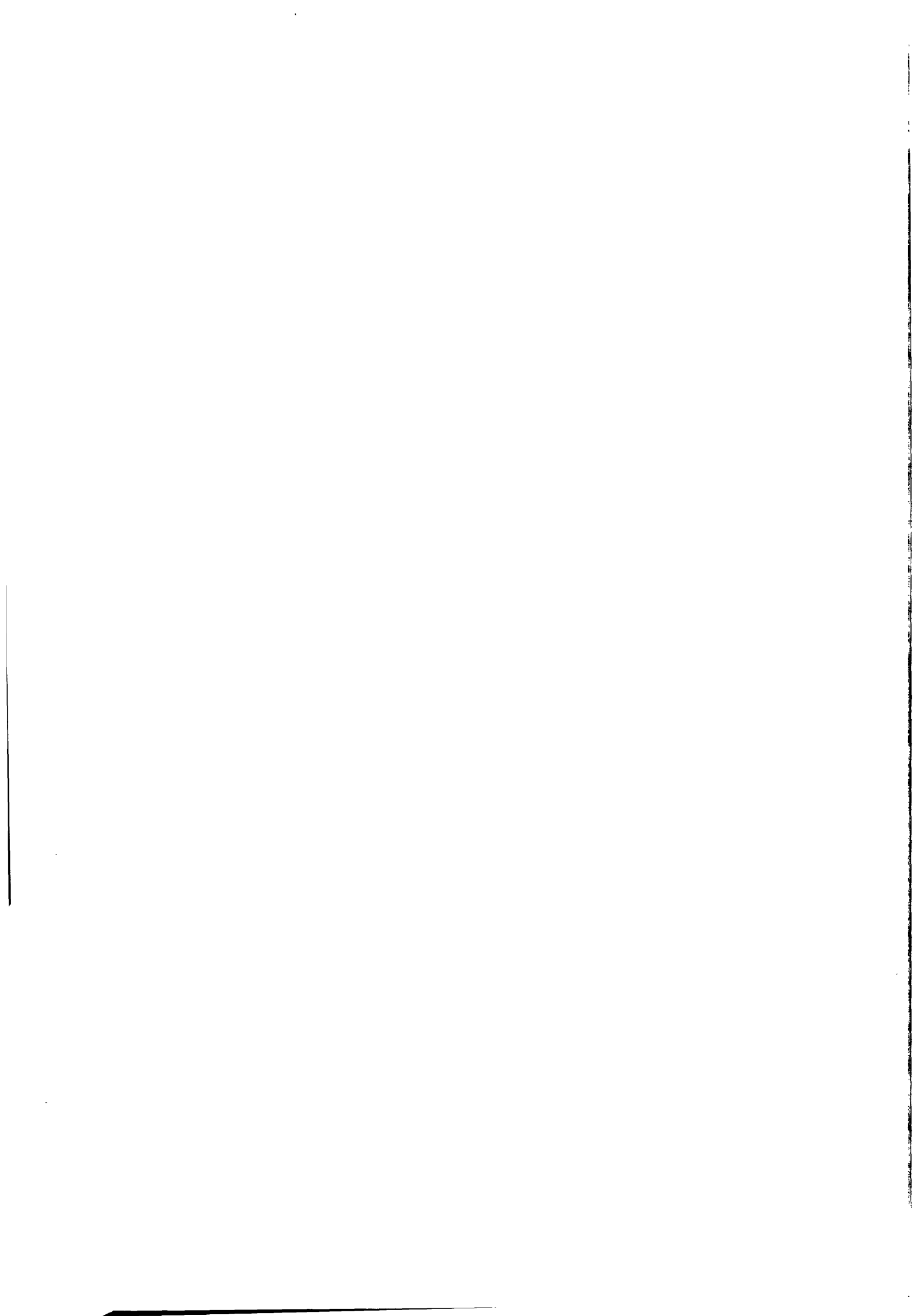
During the May part-session, Parliament fixed the guidelines for the Community's budgetary policy for 1986. In view of the fact that there had been no appreciable change in the economic situation, Parliament decided to maintain the guidelines for budgetary policy that it had adopted for the 1983 to 1985 financial years in favour of the fight against unemployment and hunger in the world. Parliament considered that the solution to major economic problems, starting with unemployment, involved transforming the beginnings of the upturn noted in the economy into reliable and firmly supported growth which must be shored up by measures to improve competitiveness and productivity. In Parliament's view, this improvement could be achieved not only by fixed capital investments but also by taking special care to release human potential, which implies taking common measures to develop the technological knowhow produced within the Community. If these objectives are to be attained, the 1986 budget must be oriented along the following main lines(14):

- strengthening competitiveness within the Community means freedom of movement of capital and investment and the award of public supply contracts at Community level, equal priority to job-creating productive investments and training of manpower in the light of technological change, strengthening of research programmes at Community level, supporting infrastructure projects that contribute to the improvement and expansion of transport networks, communications and informatics;
- an active contribution by the Community to the economic convergence of its Member States and to regional development involves coordination of the economic and trade policies of the Member States as well as genuine and swift support for major regional programmes, beginning with the implementation of the integrated Mediterranean programmes;
- as part of improving living conditions and environmental protection, action must be taken to combat unemployment among young people and women and to support programmes that help limit the inherent hazards of using nuclear energy and to develop new sources of energy that generate little pollution;
- as regards the Community's relations with the third world, support should be given to programmes which, by channelling adequate Community resources to the developing countries, provide some degree of food self-sufficiency for the poorest countries while strengthening investment and the educational and productive infrastructure in the other countries.

Basically, Parliament is asking the Commission to create a fixed framework for the budget which must, however, be flexible enough to be adapted to changing conditions. The Commission should begin by upgrading the three-year financial forecasts as advocated in Parliament's resolution of 26 October 1977(15).

Lastly, Parliament believes that the Commission should introduce new mechanisms for using budgetary resources so as to change the direction of agricultural policy with a view to avoiding stock piling, which undermines and renders ineffective the operation of markets, reducing deficits, improving competitiveness, setting up technological development and directing production towards external markets.

- (1) Draft supplementary budget No. 1-1984 forwarded by the Council to Parliament on 3 October 1984 (Doc. 2-701/84): preliminary draft (COM(84) 382 final) supplementary budget No. 1-1984: OJ No. L 329, 17.12.1984.
- (2) Parliament's resolution on supplementary budget No. 1-1984: OJ No. C 315, 26.11.1984.
- (3) See 'Principal developments in the European Community, June 1983-June 1984', chapter entitled 'The budget issues', PE 90.700.
- (4) Amended proposal on the system of Community own resources (COM(84) 384 final - Doc. 1-368/84) Pfennig report on this subject (Doc. 2-799/84).
- (5) OJ No. C 315, 26.11.1984.
- (6) Council decision of 7 May 1985 on the Communities' system of own resources (85/257/EEC, Euratom): OJ No. L 128, 14.5.1985.
- (7) See above under 4 and 5.
- (8) Article 3 of the decision of 7 May 1985 on the Communities' system of own resources: OJ No. L 128, 14.5.1985.
- (9) 1985 draft budget, Doc. 2-700/84.
- (10) 1985 draft budget amended by the Council on second reading, Doc. 2-1150/84.
- (11) OJ No. C 12, 14.1.1985.
- (12) New draft general budget of the European Communities for the 1985 financial year, established by the Council on 23 April 1985, Doc. C 2-25/85.
- (13) Resolution on the new draft general budget for 1985, European Parliament, minutes of the session of 13 June 1985, PE 98.744.
- (14) Christodoulou report, (Doc. A 2-25/85), resolution of 9 May 1985, minutes of proceedings of the sitting of 9 May 1985, PE 97.904.
- (15) Resolution on the 1978 budget, OJ No. C 280, 21.11.1977.



CONTROL OF THE COMMUNITY BUDGET

1. By its very nature, the budgetary control function of the European Parliament follows a set pattern from year to year : the annual work cycle requires the Committee on Budgetary Control to give a considerable amount of time to the annual discharge procedure(1), not only in respect of the Community budget but also of the budget of Parliament itself and of a number of ancillary Community organisations. (See paragraph 14 below).

2. It is also customary for Parliament to consider, in more detail, and on the basis of reports from its Committee on Budgetary Control, a number of additional topics which may be determined by the Committee itself or by specific request in a resolution of Parliament.

The Discharge Procedure : 1982

In the course of every budgetary year, Parliament is engaged in monitoring the income and expenditure of the current year, in preparing a report on the implementation of the budget for the preceding calendar year, and in following up weaknesses or irregularities identified in earlier years.

4. In April 1984 Parliament had NOT recommended the grant of discharge in respect of the 1982 financial year, but following a precedent established in connection with the 1980 accounts, had set out its reasons for deferral of the 1982 discharge to the Commission(2).

5. Parliament had sought to draw conclusions from its experience over the period 1979-1984, while relating these conclusions as clearly as possible to the Community's Accounts for 1982. In addition, Parliament again drew attention to the inadequacies of the Commission's management, monitoring, appraisal, assessment and financial information systems, and to the unsatisfactory implementation of the budget.(3)

6. Following the second Direct Elections in June 1984, the Committee on Budgetary Control resumed its consideration of the 1982 discharge; in August 1984, the Commission published its replies(4) to the requests made by Parliament in its resolution of 10 April 1984 and in November 1984, the Committee on Budgetary Control presented to Parliament its recommendation that the discharge be refused(5).

7. The Report was debated on 14 November 1984(6) when the rapporteur and the Committee chairman summarised Parliament's long-standing dissatisfaction with the Commission's financial management; despite strong defence put forward by the President of the Commission and by the Commission vice-President with responsibility for the budget, and notwithstanding reservations expressed on behalf of a number of political groups, Parliament adopted the Resolution embodying refusal of the 1982 Discharge, by 220 votes in favour, 101 against and 36 abstentions (a total of 357 members voting)(7).

8. Since this was the first occasion on which Parliament had refused to grant discharge, it is worth pointing out that the refusal satisfied the requirements of the Rules of Procedure, since it "obtained the votes of a majority of the current members of Parliament", i.e. 218 votes(8). At the same time, this vote would have been adequate to adopt a motion of censure on the Commission(9) and must therefore be seen as an expression of very serious concern by the Parliament as to the Commission's financial management. It might well be argued that only the conclusion of the Commission's term of office in December 1984 prevented Parliament from going on to consider a formal motion of censure on the Commission(10).

9. The refusal of Parliament to grant discharge for 1982 to the Commission created a lacuna in the definitive accounting figures needed as a starting point for the 1983 Community accounts. While in no way detracting from its refusal of discharge, the Committee on Budgetary Control therefore put forward a statement of the figures necessary to close the 1982 accounts(11) which were formally approved by Parliament in March 1985(12). A second consequence of this refusal, was that Parliament was unable to make use of its right to attach to the discharge decision, comments requiring action by the Institutions to remedy weaknesses : nevertheless the Commission replies to Parliament's criticisms have been promised for the end of June 1985.

The Discharge Procedure : 1983

10. While discussion of the previous year was still continuing, the Committee on Budgetary Control took up examination of the Community Accounts for the year to 31 December 1983, based on the annual report of the European Court of Auditors, and the replies of the Institutions to that report(13).

11. Over the next three months, eight of the specialist committees adopted opinions, while seventeen working documents on the various sectors of the budget were prepared by committee members, and were amended and adopted by the Committee on Budgetary Control(14).

12. Parliament debated the resulting decision and resolution on 16 April 1985;(15) the report set out to examine in detail how Community policies were implemented in budgetary terms, and whether existing financial machinery enabled the Community to achieve its objectives : each criticism was accompanied by proposals for remedy and improvement.

13. One essential feature of the resolution was its insistence on the definition of terms so that the opportunity for misunderstandings between the Institutions should be reduced to a minimum : this was particularly necessary insofar as the action to be taken to follow up Parliament's comments was concerned. In an important departure from previous practice Parliament asked the Council (as well as the Commission) to report on action taken to implement its resolution.

14. Parliament granted discharge to the Commission in respect of the implementation of the Community budget for the 1983 financial year(16) and adopted the resolution embodying its comments, (which amounted to 100 paragraphs in all)(17). At the same time Parliament granted discharge for 1983

- (i) in respect of the ECSC accounts(18),
- (ii) to the Management Board of the European Centre for Development of Vocational Training(19),
- (iii) to the Administrative Board of the European Foundation for the Improvement of Living and Working Conditions(20).

15. Parliament deferred the grant of discharge in respect of the 2nd, 3rd, 4th and 5th European Development Funds in the absence of the requisite recommendations from Council(21). Discharge was subsequently granted on 14 June 1985(22).

Ad Hoc Topics Examined

16. In view of the parallel procedures on both the 1982 and 1983 Discharges, the repercussions of rejection of the 1985 budget, and the working time lost as a result of the 2nd Direct Elections, little time was available for Ad Hoc reports in the period June 1984 - June 1985.

Control measures for Common Fisheries Policy(23) :

- Parliament's resolution called upon the Commission to strengthen the Fisheries Inspectorate, to establish a register of major infringements, and to ensure that Community law was applied in an even-handed and effective manner throughout the Community(24).

Other Important matters dealt with

17. The Committee continued to receive quarterly reports on

(i) the implementation of the Community budget for the current year (i.e. 1984 and 1985) and

(ii) Frauds and irregularities in connection with the use of Community funds.

18. In view of the considerable delays occurring between presentation of legislation designed to improve the control of Community financing and its adoption by Council, the Committee on Budgetary Control began to consider preparation of a public hearing to highlight the need for new means of protecting the interests of the Community tax-payer.

European Court of Auditors

19. In addition to its regular annual reports on the Community accounts, the European Court of Auditors published a number of special reports, some of which may be the subject of reports to and debates in Parliament in the near future :

- (i) Management of Community development aid funds by the European Investment Bank;
- (ii) Coordination of Community aid to third countries(25);
- (iii) Measures to cover budgetary requirements in 1984, given the exhaustion of own resources(26);
- (iv) Operation of the Common Organisation of the Market in Sheepmeat(27);
- (v) Scrutiny by the Member States of transactions forming part of the system of financing by the EAGGF (Guarantee Section)(28);
- (vi) Aid for liquid skimmed milk used as animal feed(29).

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1. Article 206(b) EEC; Article 78(g) ECSC; Article 180(b) EAEC
 2. In conformity with Article 85 of the Financial Regulation OJ No. L 356 of 31.12.1977
 3. OJ No. C 127 of 14.5.1984, p. 35
 4. COM(84) 575 final
 5. Doc. 2-888/84
 6. OJ Debates No. 2-319, pp 104 et seq
 7. OJ No. C 337 of 17.12.1984, pp 23 et ante; earlier, a vote on the key paragraph obtained 231 votes, against 80, with 24 abstentions
 8. Rules of Procedure No. 52 and Annex IV Article 5
 9. Rules of Procedure No. 30(4). 'a two-thirds majority of the votes cast, representing a majority of the current Members of Parliament'
 10. Article 144 EEC
 11. Docs. 2-1266/84 and 2-1793/84
 12. OJ Debates No. 2-324, pp 262 et seq
 13. OJ No. C 348 of 31.12.84
 14. The Committee's report incorporates four elements -

Doc. A 2-10/85/A	Decision and Resolution
Doc. A 2-10/85/B	Explanatory Statement
Doc. A 2-10/85/C	Opinions of specialist committees
Doc. A 2-10/85/D	Working documents prepared by committee members
 15. OJ Debates No. 325
 16. OJ No. C 122 of 20.5.1985
 17. Doc. A 2-10/85, A. B. C. D. and E.
 18. Doc. 2-1802/84, OJ No. C 122 of 20.5.1985
 19. Doc. 2-1800/84, OJ No. C 122 of 20.4.1985
 20. idem.
 21. Doc. A 2-8/85
 22. Doc. A 2-39/85, OJ Debates No. 327
 23. Doc. A 2-34/85
 24. OJ Debates No. 327
 25. OJ No. C 224 of 25.8.84, p 3 et seq
 26. OJ No. C 228 of 30.8.84, p 5 et seq
 27. OJ No. C 234 of 4.9.84
 28. OJ No. C 336 of 17.12.84
 29. OJ No. C 92 of 12.04.85



ECONOMIC SITUATION OF THE COMMUNITY

A. Figures and forecasts

1. Economic growth

	<u>Growth in the volume of GDP(x)</u>	<u>Increase in productivity per person employed in the whole economy (xx)</u>
1981	-0.2%	1.2%
1982	0.5%	1.7%
1983	1.0%	1.5%
1984	2.4%	1.7%
1985 (forecast)	2.4%	-

2. Employment (xxx)

At the end of April 1985, the number of unemployed (including Greece) was at 12.7 million, or 10.9% of the working population of the Community, thus reaching a record level (the number of unemployed at the end of April 1984, 12.3 million, was the equivalent of 10.5% of the working population).

3. Balance of payments (x)

The surplus of the balance of payments deficit fell to :

1981 :	-0.5% of GDP
1982 :	-0.6% of GDP
1983 :	0.0% of GDP
1984 :	0.1% of GDP
1985 :	0.3% of GDP

4. Price and income changes

	<u>Consumer prices(x)</u>	<u>Unit labour cost(xxxx) total economy</u>
1981	+11.7%	+9.9%
1982	+ 9.8%	+7.7%
1983	+ 7.6%	+5.8%
1984	+ 6.1%	+3.4%
1985	+ 5.1% (forecast)	+3.4% (forecast)

(x) European Economy, Supplement A, No. 2, 1985

(xx) European Economy, No. 18, November 1983, Commission of the EC

(xxx) Unemployment, No. 4, 1984, EUROSTAT

(xxxx) European Economy, Supplement A, No. 3, 1985

B. Economic developments

On 19 December 1984, the Council adopted the annual report on the economic situation in the Community(1).

The annual economic report of 1984/85 has as its principal theme the need to achieve a substantial and durable increase in employment in the Community. The report underlines the fact that important progress has already been made in stabilization policies and monetary convergence, although some countries lag behind in this respect. A recovery in economic activity has begun, but no significant progress has yet been made in increasing employment or reducing unemployment in the Community as a whole.

The report makes a number of proposals for economic policy:

1. Promotion of growth above 2.5% is feasible for some countries, for example Germany. This faster growth would permit a decrease of unemployment.
2. Change of composition of economic growth more in favour of employment, correcting its past bias towards capital deepening.
3. The recent check in the rise of public expenditure should be maintained for a medium-term period in the Community as a whole with a reduction of 1% in GDP share per year as a possible objective.
4. Tax burdens on enterprise and employment should now be set on a substantially declining trend for a medium-term period, offset where there is a serious budget deficit problem, by expenditure cuts or by some increases in indirect taxation. As a quantitative point of reference the total tax burden might be reduced by 1% of GDP per year from 1985 to 1987.
5. A budget strategy for stronger, stable growth in the Community should contain differentiated trends as between countries. Deficits should be reduced in some countries, but in others, where structural deficits have largely been eliminated, a stance of conjunctural neutrality rather than restriction, would be appropriate for the time being.

6. Increasing room for real monetary expansion and GDP should be compatible with a steady monetary policy in countries with low and still declining inflation rates. The mechanisms and functioning of the EMS should be further strengthened as an element of the overall economic strategy of the Community.
7. Rapid progress in opening up an effectively competitive market for all goods, services and professions.
8. Widespread mobilization of resources by schools, universities, enterprises and government to catch up or maintain leadership in the major new industrial technologies.
9. To reinforce the improvement in business confidence, Member States should undertake comprehensive reviews of the mass of regulatory requirements placed upon the enterprise sector, especially for the creation of new enterprises, wherever possible remove unnecessary rigidities and speed up administrative procedures.
10. Preparation of a medium-term programme of European transport and telecommunications infrastructure projects to permit and stimulate a stronger flow of trade between Member States.
11. An appropriate trend for real wages per capita for the EC as a whole would be one of strict moderation consistent with the objective of achieving a pause in the growth, or even a reduction in total real labour costs so that the cost structure of firms becomes more conducive to employment creation. By country, industry, enterprise and skill, there should be more differentiated trends in order to return to a high-employment level, together with the highest feasible average wage. In some countries in particular some modest real wage increases may be warranted, but elsewhere strict discipline must be respected. Conversion of a significant fraction of pay into a profit- or performance- related element would help give a much needed increase in real wage flexibility in the Community. Combined with reductions in employment taxes and the cost associated with undue labour market regulation, strict wage moderation would - in conditions of stronger output and demand growth - lead to a structural change in relative factor rewards highly favourable to employment.

12. A systematic reappraisal of labour market regulations and conventions should be urgently pursued with a view to removing obstacles to the short and long-run employment propensity of the economy. Consideration should be given to suspending onerous conditions of recruitment without prejudice to more permanent changes or to the acquired rights of existing employees. Such a move should be associated with efforts to boost recruitment among groups particularly hard-hit by unemployment.
13. The reduction and re-organisation of working partners could, under certain conditions, bring substantial positive employment effects. This requires the strict avoidance of cost increases, especially through more flexible working time arrangements, and the safeguarding of fundamental social rights.
14. Promotion and support for vocational training and employment programmes.
15. Europe and Japan should seek to assure that their own economic recoveries prove self-sustainable as and when the USA moves, presumably in 1985, to reduce its balance of payments and budget deficits, possibly with a cooperative set of policy adjustments on all sides and a more positive management of exchange rate relations between the three parties.
16. Easing of the debt situation of developing countries could follow from the cooperative management of individual country cases and general support from the industrialised countries in terms of world trade growth openness and sustained development aid. Improvement of the international monetary system through the procedures set in motion by the Williamsburg and London summits.

The European Parliament rejected (by 109 in favour, 114 against and 15 abstentions) the resolution contained in Mr von Bismarck's(2) report on the annual report of the Community's economy. The von Bismarck report was on the whole in favour of the annual economic report, but the majority of the EP rejected it as being too favourable to economic liberalism and not specific and strong enough in the support of active policies against unemployment. The fact that the Parliament rejected the von Bismarck resolution did not prevent the adoption of the annual economic report by the Council.

The EP has shown its great interest in this subject through numerous motions for resolutions and written questions(3).

C. Convergence of the economies of the Member States

Progress has been made in 1984 in the battle against inflation, and a further favourable outcome is expected for 1985. Compared to the peak rate of inflation after the second oil shock, when consumer prices rose 11% in 1980, the average Community rate has been reduced by more than half to an estimated 5% in 1985.

Within the EC, the limited overall improvement in price stabilization is associated with a more convergent country by country performance. Five Member States recorded inflation rates substantially above 10% in 1980 (France 13.1%, UK 16.8%, Ireland 18.6%, Italy 20.3%, Greece 22.1%). In 1984 three of these countries had brought their inflation down to below 10% (France 7.6%, Ireland 8.8%, Italy 10.3%) while the UK achieved 5.1%. Only Greece's inflation rate remained at 18.5%. Over the same period, inflation was also decelerating in the other Member States. In 1980 the rate varied between 5.4 and 9.8% in a group made up of the FRG, the Netherlands, Belgium, Luxembourg and Denmark, while in 1984 it was within a range of 2.3% to 6.7% for these countries. While the average inflation rate in the EC in 1980 was 11%, with a standard deviation of 5.9, in 1984 these figures had fallen to 5% and 4.3 respectively.

This increased convergence of inflation rates is associated in part with the functioning of the EMS, in that several countries, like France, Belgium, Denmark and Italy have linked their stabilisation policies to the pursuit of stable exchange rates.

The past year has also seen better current account convergence within the Community. This improved convergence is another consequence of the policy choices which have brought down inflation. In 1982, Italy, France, Belgium, Greece, Denmark and Ireland all had excessive current account deficits. In most of these countries, corrective action took the form both of moderation of incomes and domestic demand and of moderate exchange rate adjustments within the EMS. By the beginning of 1984, all these countries, except Greece, had very much reduced or eliminated their current account deficits. The improvement in the current account averaged nearly 2% of GDP, with an adjustment of more than three times as much in Ireland.

Table 1

Gross Domestic Product per Capita (EUR 10 = 100)

	Based on purchasing power parities				Based on exchanging rates			
	1960	1975	1980	1982	1960	1975	1980	1982
F.R. GERMANY	114	110	114	113	114	129	128	123
FRANCE	99	110	110	111	115	123	118	115
ITALY	79	86	88	88	65	66	67	71
HOLLAND	105	105	106	102	84	116	116	111
BELGIUM	98	107	107	107	107	121	115	98
LUXEMBOURG	149	124	119	:	145	126	123	:
U.K.	118	100	93	94	120	80	90	98
IRELAND	62	63	64	64	55	50	52	58
DENMARK	:	112	110	114	:	143	125	127
GREECE	37	56	56	55	37	44	40	44
EUR 10	100	100	100	100	100	100	100	100
SPAIN	:	78	71	71	:	57	55	55
PORTUGAL	34	45	48	:	26	32	25	:
U.S.A.	166	143	138	136	244	138	110	151
JAPAN	:	98	104	110	:	86	86	103

Source: National Accounts ESA-Aggregates, EUROSTAT

Table 2

Changes in exchange rates within the EMS

Realignments in central rates, percentage change against the group of currencies whose bilateral parties were not changed

Dates of realignments

	24 September 1979	30 November 1979	22 March 1981	5 October 1981	22 February 1982	14 June 1982	21 March 1983
BFR	-	-	-	-	-8.5	-	+1.5
DKR	-2.9	-4.8	-	-	-3	-	+2.5
DM	+2	-	-	+5.5	-	+4.25	+5.5
FF	-	-	-	-3	-	-5.75	-2.5
IRL	-	-	-	-	-	-	-3.5
LIT	-	-	-6	-3	-	-2.75	-2.5
HFL	-	-	-	+5.5	-	+4.25	+3.5

Source: Eurostat and Commission Departments, European Economy No 12, July 1982 (revised).

Table 3

ECU exchange rates

(national units per ECU, annual average)

	BLEU	DK	D	GR	F	IRL	I	NL	UK	US	Japan
1960	52.810	7.2953	4.4360	31.686	5.2145	0.37721	660.1	4.0136	0.37721	1.0562	380.23
1961	53.367	7.3722	4.3074	32.020	5.2695	0.38119	667.1	3.8985	0.38119	1.0673	384.24
1962	53.490	7.3893	4.2792	32.094	5.2817	0.38207	668.6	3.8727	0.38207	1.0698	385.13
1963	53.490	7.3893	4.2792	32.094	5.2817	0.38207	668.6	3.8727	0.38207	1.0698	385.13
1964	53.490	7.3893	4.2792	32.094	5.2817	0.38207	668.6	3.8727	0.38207	1.0698	385.13
1965	53.490	7.3893	4.2792	32.094	5.2817	0.38207	668.6	3.8727	0.38207	1.0698	385.13
1966	53.490	7.3893	4.2792	32.094	5.2817	0.38207	668.6	3.8727	0.38207	1.0698	385.13
1967	53.240	7.4229	4.2592	31.945	5.2570	0.38765	665.5	3.8546	0.38765	1.0648	383.33
1968	51.444	7.7166	4.1155	30.867	5.0797	0.42870	643.1	3.7246	0.42870	1.0289	370.40
1969	51.109	7.6664	4.0262	30.666	5.2903	0.42591	638.9	3.7003	0.42591	1.0222	367.99
1970	51.112	7.6668	3.7414	30.667	5.6777	0.42593	638.9	3.7005	0.42593	1.0222	368.00
1971	50.866	7.7526	3.6457	31.433	5.7721	0.42858	647.4	3.6575	0.42858	1.0478	363.83
1972	49.361	7.7891	3.5768	33.653	5.6572	0.44894	654.3	3.5999	0.44894	1.1218	339.72
1973	47.801	7.4160	3.2764	36.952	5.4677	0.50232	716.5	3.4285	0.50232	1.2317	333.17
1974	46.399	7.2593	3.0835	35.781	5.7339	0.50980	775.7	3.2022	0.50980	1.1927	347.47
1975	45.569	7.1227	3.0494	39.994	5.3192	0.56003	809.5	3.1349	0.56003	1.2408	367.68
1976	43.165	6.7618	2.8154	40.884	5.3449	0.62158	930.1	2.9551	0.62158	1.1181	331.21
1977	40.883	6.8557	2.6483	42.035	5.6061	0.65370	1 006.8	2.8001	0.65370	1.1411	305.81
1978	40.061	7.0194	2.5561	46.783	5.7398	0.66389	1 080.2	2.7541	0.66391	1.2741	267.08
1979	40.165	7.2091	2.5109	50.774	5.8295	0.66948	1 138.5	2.7486	0.64639	1.3706	300.47
1980	40.598	7.8274	2.5242	59.323	5.8690	0.67600	1 189.2	2.7603	0.59849	1.3923	315.04
1981	41.295	7.9225	2.5139	61.624	6.0399	0.69102	1 263.2	2.7751	0.55311	1.1164	245.38
1983	44.711	8.1569	2.3760	65.342	6.4312	0.68960	1 323.8	2.6139	0.56045	0.9797	243.54
1984	45.438	8.1319	2.2705	78.088	6.7708	0.71496	1 349.9	2.5372	0.58701	0.8902	211.35
1984	45.546	8.1495	2.2372	87.680	6.8693	0.72934	1 380.1	2.5215	0.59197	0.7909	189.61
1985	45.252	8.1087	2.2104	100.964	6.8537	0.73497	1 398.8	2.4917	0.61659	0.7655	185.11

Source: Eurostat and Commission departments, European Economy No 22, November 1984.

D. European Monetary System

No new realignment has taken place during the period under consideration. The EMS exchange rate mechanism showed a remarkable stability, helped by the relative weakness of the DM, which was due mainly to the high exchange rate of the dollar. However, if the exchange rate of the dollar begins to fall faster in future, this would bring about new capital flows towards the DM, putting pressure on the DM to appreciate, which again could create some tensions inside the EMS exchange rate mechanism.

The Commission has put forward a number of proposals concerning the development of the EMS, the main of which are:

1. Strengthening economic convergence

(a) Consultations within the specialised committees as a means of checking regularly the consistency, at national level and within the EMS, of all the means of action employed by the Member States in pursuing their economic policies.

(b) Medium term financial assistance: The Commission suggests that the potential for combined use of this mechanism, together with the Community loan mechanism providing balance of payments support for the Member States, should be exploited.

2. Promoting the use of the ECU

(a) Increase the remuneration of the ECU: A change in the existing rules to set the rate of remuneration of net ECU positions (at present an average of official discount rates) at a level derived from market rates would enhance the attractiveness of the ECU and confirm its intended role as a reserve asset and thus a means of settlement in its own right.

(b) Setting up of mobilization arrangements: Since the ECU cannot be directly used in interventions, any central bank requiring intervention resources should be able to mobilize its ECU holdings in exchange for dollars.

(c) Third holder access to the ECU by official holders, notably the BIS, in order to make the ECU negotiable on a much wider international scale.

- (d) No acceptability limit: The present acceptability limit should be abolished, allowing debtors to settle in full in ECUs.
- (e) Extension of very-short term financing to intramarginal interventions would allow the type of intervention that has proved to be the most common, to be financed under the arrangement at present confined to an increasingly infrequent type of intervention (i.e. marginal intervention).

3. Private use of the ECU

- (a) Facilitating the effective establishment of an organisation for multilateral clearing of ECU bank transfers.
- (b) Systematising the statistical recording of ECU transactions so as to allow improved monitoring of how the market is developing(4).

At the meeting of 15.4.1985 the Council approved the Commission's proposals.

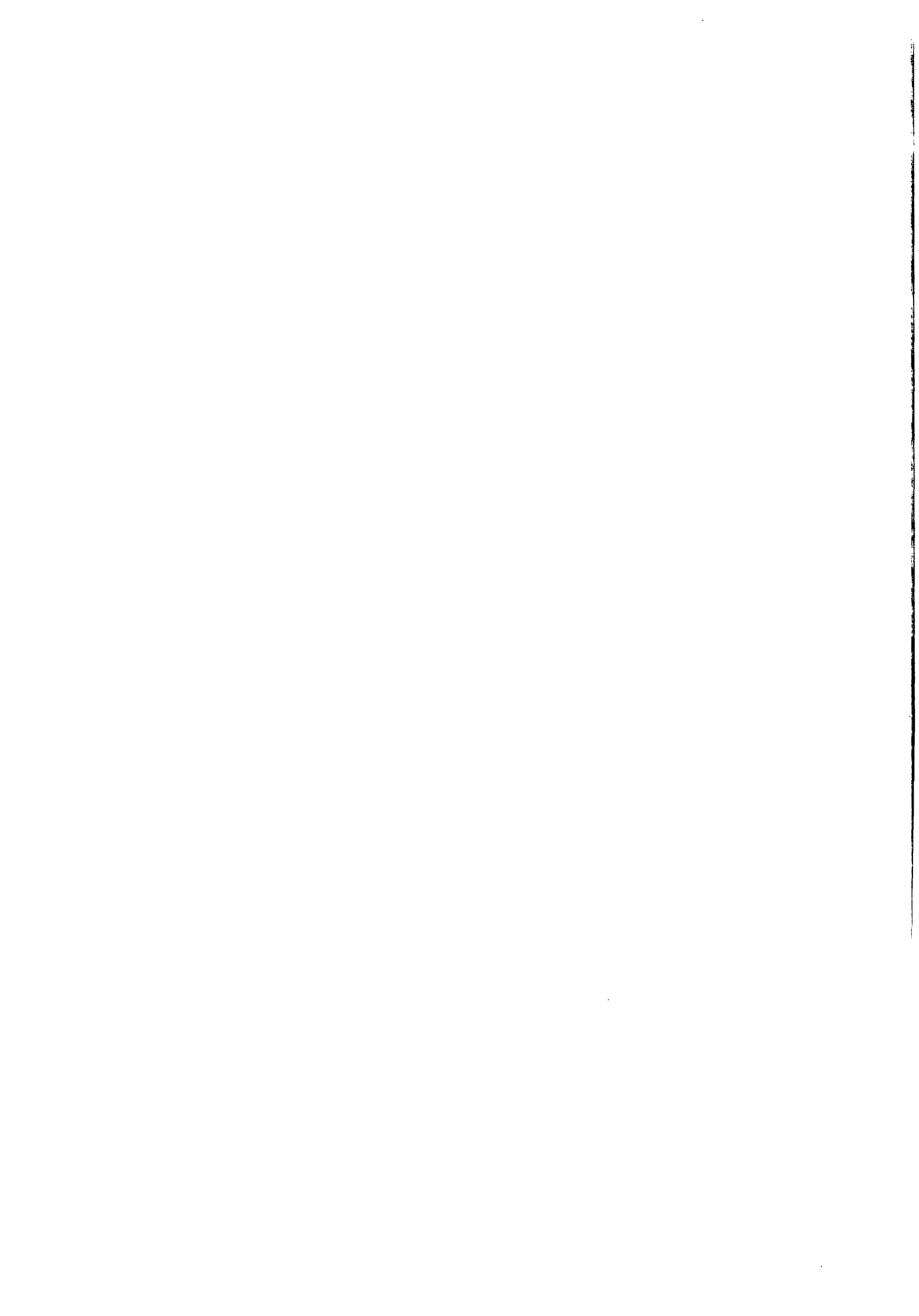
On 15.9.1984 the Council regulation No 2226/84 was introduced changing the value of the ECU, in order to provide also for the drachma's participation in it. From 17.9.1984 the composition of the ECU is as follows:
DM 0.719, £ 0.0878, FF 1.31, Lit. 140, Guilder 0.256, BF 3.71, FL 0.14, DKr 0.219, Irish Pound 0.00871, Dr. 1.15(5).

At the same time the use of the private ECU continued to develop rapidly. At present the ECU is used in the following forms: As certificates of deposit (introduced for the first time in February 1984), credit card, savings pass-book, bonds (introduced for the first time by Saint-Gobain in September 1984), obligations and term deposits. The last two remain the most important part of the private ECU market, which was estimated at the end of 1984 to be about 9 billion ECUs.

The European Parliament has not adopted a new report on the EMS during this period, still supporting the resolution contained in the Herman report adopted in 1983(6).

The EP showed its continuing interest in this subject through numerous motions for resolution and written questions(7).

1. Council decision of 19.12.84 in OJ No. L 45 of 14.2.85.
2. Doc. 2-952/84 of 7.11.84.
3. For example motions for resolution by Mr Linkohr et al. (Doc. B 2/154/85 of 15.4.85), by Mr Bonaccini et al. (Doc. B2-169/85 of 15.4.85), by Mr Klepsch et al. (Doc. 2-1814/84 of 8.3.85), by Mr Hahn et al. (Doc. 2-383/84 of 24.7.84), by Mr de la Malene (Doc. 2-376/84 of 24.7.84), by Mr von Wogau et al. (Doc. 2-384/84 of 24.7.84), by Mr Klepsch et al. (Doc. 2-380/84 of 24.7.84), by Mrs Castle et al. (Doc. 2-381/84 of 24.7.84), by Mr Arndt et al. (Doc. 2-382/84 rev. of 24.7.84), by Mr Luster et al. (Doc. 2-403/84 of 25.7.84).
4. Com (84) 678 final of 22.1.84.
5. In OJ L247/1 of 16.9.84
6. For a summary of the Herman report (Doc. 1-1251/83 of 16.1.84) see the previous issue (June 1983-June 1984) of this document.
7. For example motions for resolutions by Mr Juppe (Doc. B 2-277/85 of 6.5.85), Mr Constanzo et al. (Doc. B 2-50/85 of 21.3.85), Mr Patterson (Doc. 2-1828/85 of 12.3.85) and questions by Mr Pearce (No 821/84 in OJ No. C 19/18 of 21.1.85), Mr Vernimmen (No. 388/84 in OJ No. C 243/10 of 12.9.84) Mr Flanagan (No. 2128/83 in OJ No. C 177/10 of 5.7.84).



INDUSTRIAL POLICY

Industrial policy in the Community, as a concept, can be seen in a broad or in a narrow sense. In a broad sense, it overlaps or touches a wide range of policy areas, including competition policy, company law, the internal market, fiscal harmonization, research and innovation policy, commercial policy etc. In a narrow sense, industrial policy is taken to mean the measures and political instruments aimed at specific industrial sectors.

The European Parliament's activities reflect a two-fold concern:

- firstly what can the Community do to create general conditions for industry to improve its competitiveness?
- secondly in which specific sectors can the Community intervene more effectively because national policies do not work or market imperfections at the Community level require action from the Community?

The aim is to generate a Community industry in a genuinely European industrial zone. To take full advantage of the possibilities offered by mass production, economies of scale, innovation and investment on a Community scale, a common industrial strategy is needed.

In February 1985 the Parliament's Committee on Economic and Monetary Affairs and Industrial policy reviewed the current state of Community industrial policies. It invited Mr Narjes, Vice President of the Commission in charge of industrial policy, to respond to a detailed questionnaire dealing both with general and sectoral aspects of industrial policy. The general actions are principally designed to achieve an internal market by 1992, a goal which was announced by the Commission's President Mr Delors before the European Parliament in its January 1985 session.

Already on 26 October 1984 Parliament had voted on three motions for resolution(1) dealing with proposals for European economic recovery in which the creation of a common market without barriers is seen as the main element for sustained economic growth in the Community. Parliament called also for the creation of a common market in the field of advanced technologies. The various internal market proposals include tax-harmonization, elimination of controls on the movement of capital and services, progress in the field of technical norms, standardization, transfrontier cooperation among firms and the liberalization of the public contracts system. The internal market was again one of the major topics of the June 1985 plenary session of the European Parliament. On behalf of the Committee on Economic and Monetary Affairs and Industrial policy three reports on this subject were discussed and motions for resolutions were voted upon(2). All measures to eliminate market and technical barriers inside the Community and the opening up of public supply markets are to be considered as integral parts of a Community industrial strategy. The development of a high-technology base in the Community has been particularly called for by the European Parliament. In view of the significance of advanced technology and the considerable research and development costs involved, it demands full liberalisation of the internal market for public sector contracts and the implementation of Community sponsored projects in the high-technology area especially where the Community's technology infrastructure is concerned. In June 1985 Mr Delors declared before the European Parliament that the Commission intends to propose a plan for a 'technological Community'.

The Commission's initiative is inspired by the EUREKA (European Research Coordination Agency) project, which was announced by the French President in April 1985. Although the Community has several high-technology research programmes (ESPRIT, BRITE, Biotechnology and soon RACE), the need is felt for a more coherent and comprehensive strategy in the high technology sphere.

In October 1985 the Parliament will devote one of its plenary sessions mainly to the subject of technology and the role of the Community. In particular, the Committee on Energy, Research and Technology will put forward proposals as to how the Community can face the challenge of technological change and competitiveness. Apart from the general themes concerning a European industrial space, the European Parliament has dealt also with specific sectors in the period June 1984-June 1985. A summary of the main events is given below.

SHIPBUILDING

Although economic activity in general has shown signs of recovery during the period under consideration, the situation in the shipbuilding industry in the EC still gives cause for concern.

In October 1984 the Commission published its report on the state of the shipbuilding industry in the Community(3). According to the reports in 1983 the EEC countries' share of new orders was 10.3%, i.e. more or less the same as South Korea and far less than Japan (55%). Employment in the EC shipbuilding industry fell by 9% in 1983.

General economic development will not be sufficient to change noticeably the nature of the problems in the shipbuilding sector, fleet overcapacity being such that it could not be taken up by a modest advance in seaborne trend expected in 1984-85. So long as existing overcapacity persists, demand will remain depressed, and shipyards will have to operate in a buyer's market.

The Commission proposed and the Council approved the extension of the fifth directive on shipbuilding (authorisation of some forms of aid) until December 1986.

The Commission also proposed a Council Regulation(4) on the development of new economic activities in certain zones adversely affected by restructuring of the shipbuilding industry. This Regulation lays down the criteria and the zones which can benefit from these programmes, financed by the ERDF.

The EP in a number of motions for resolution(5) proposed the following:

1. The Commission is to formulate proposals for a coherent shipbuilding policy including measures to ensure that more EEC shipowners place their orders in Community shipyards.
2. In trade negotiations with the countries of the Far East in particular, but also with other countries, the Commission and the Council must give the safeguarding of EEC shipbuilding a far higher priority.

3. The Community shipbuilding industries should be helped to develop mutual cooperation, in order to improve production plant and methods, sectoral organisation, marketing, financing, research and development.
4. Measures to insure a real Community preference.
5. Active support policy aimed at modernizing the EC merchant fleet.
6. Creation of a Community maritime policy, covering trade, shipping, shipbuilding and port infrastructures.
7. Increased aid from the Social Fund and the ERDF to create new jobs in the hardest hit regions.

THE MOTOR INDUSTRY

The recovery of the European motor industry at the end of 1983 did not continue in 1984. A slight decline in passenger car registrations, stagnation in exports and stronger competition from Japanese manufacturers were the salient traits of the development of the motor vehicle sector in the Community in 1984. It can, however, be observed that the situation of the motor industry in 1984 differed considerably from country to country, depending on the general economic conditions in each country. In the case of production, there was a reduction for private cars in the UK, France and W. Germany. However, in Italy and the Netherlands there was an increase. Industrial disputes were partly responsible for drops in production.

As regards the year 1985, until now - i.e. over the first months of the year - the demand situation has not yet improved. This unsatisfactory development is due to: first, doubts over economic recovery and restrictive policies in the Member States which lead to postponement of decisions to purchase; secondly, the effect of discussions relative to the introduction of new emission standards for cars and tax incentives in some countries. In the previous legislative period, the European Parliament has shown considerable interest in the competitive situation of the community automobile industry(6); it will continue to do so as shown by the preparations for a hearing on the automobile industry in the autumn of 1985 organized by the Committee on Economic and Monetary Affairs and Industrial policy. This hearing will provide the elements for a report on the Community automobile industry.

On 1 July 1985 the Commission's block-exemption Regulation(7) relative to motor-vehicle distribution and servicing agreements will enter into force for a period of 10 years. This regulation uses the idea of a common market free of all distortions of competition as its point of departure, acknowledging also the system used by the motor manufacturing industry based upon selection of competent dealers and the principle of exclusive arrangements. Users will have the right to buy vehicles and have them serviced and repaired in the area of the common market which they consider to be most favourable. The European Parliament's resolution of 24 May 1984(8) had concurred with the Commission's conclusion that the particular nature of the motor vehicle sector justifies the existence of selective and exclusive distribution systems and that thus is in the interest of consumers, manufacturers and distributors.

The European Parliament has been also active in the field of stricter emission norms for motor vehicles, as shown in

- the adoption of the resolution on 12 December 1984(9), dealing with lead free petrol and car emission norms, after which the Commission adopted a number of EP proposals, such as a differentiation between cars according to engine size.
- the resolution of 14 March 1985(10), concerning the opening of the conciliation procedure in connection with the proposal for a directive on lead in petrol(11).

TEXTILES AND CLOTHING

The textile and clothing industry in the Community is still going through a long period of restructuring and adjustment. At the end of 1983, there were 1.05 million employees in the Community textile industry and 697,000 employees in the clothing industry(12). In the period 1975-1983 more than 33% of jobs in the textile sector have been lost. One of the main Community actions in this sector in 1985 is the preparation for the extension of the Multifibre Agreement which expires in July 1986. The European Parliament's Committee on Economic and Monetary Affairs and Industrial policy organised a hearing in Brussels on 27 November 1984 concerning the impact of the Multifibre Agreement (MFA) on the Community's textile industry. For this hearing representatives of COMITEXTIL (Coordination Committee for the Textile Industries of the E.C.) and the European Trade Union Committee on textiles, clothing and leather were invited.

In response to various written questions from Members of Parliament on the subject of the MFA(13), the Commission declared that it is now assessing the current MFA and it will pass a communication to the Council in the summer of 1985, so as to ensure that the Community will be able to adopt a position towards the mid-1985 period, when talks on the MFA will begin in the GATT Textile Committee. It declared that the views of the European Parliament will be taken into consideration by the Commission when its proposal to the Council is defined. The loss of employment on the Community's textile and clothing sector has been caused by several factors, of which technological change has been perhaps the most important. However, the rapid use of low-cost imports has also been a significant contributory factor. The Community's textile trade policy has sought to mitigate the worst effects of these imports on the sectors concerned while at the same time taking into account the various other interests in the Community, as well as wider international considerations(14). The regional dimension of the crisis in the textile sector(15) has always been an important consideration in the formulation of the Community's textile trade policy, as demonstrated by the new European Regional Development Fund Regulation(16) and the specific regional development measure regarding the textile and clothing sector in the framework of the non-quota section of the European Regional Development Fund(17). At present 34 regions characterized by high concentration of the textile and clothing industry and by high levels of unemployment, benefit from this measure.

The control of State aids is another policy instrument of the Community(18) to ensure that aids in the textile and clothing sector are not used to transfer remaining structural problems and employment from one Member State to another within the Community. In the European synthetic fibre sector the Commission authorised an agreement between the ten main European manufacturers with regard to the coordinated reduction of their production capacities(19). In order to help the textile industry to improve its competitiveness, the Community has included research in textiles and clothing in the multiannual programme BRITE(20).

NEW TECHNOLOGIES

ESPRIT

The Community programme on new information technologies, ESPRIT, which together with the biotechnology and BRITE programmes forms the trilogy of new Research and Development actions is well under way. After the approval of the appropriation on 28 February 1984(21) requested for the first five year phase, the 1984 work programme was initiated. In December 1984, the Council agreed upon the work programme for 1985. Research in the ESPRIT framework is to support the European Information technology industry in the areas of: microelectronics, advanced information processing, software technology, office systems, computer aided manufacturing(22). Conditions for participation require inter-alia that the work must be carried out within the Community and participants in each project must include at least two independent industrial companies established in at least two different Member States. Furthermore each company must provide all other partners with the know-how needed for the research and must make the results of the research available to other companies under reasonable conditions(23).

The ESPRIT programme provides for two categories of programmes; the category A covers projects of a strategic nature which are well defined as part of the working plan, whereas category B covers projects suggested by participants taking into account the aims of the plan. Under the 1984 working plan, 35 A-projects are listed(24).

In April 1985, the Research Council gave the European Commission the task of looking closely at the use of information technology for social ends, including employment, which could be considered a useful development in the work carried out so far as part of the ESPRIT project. This project is called IRIS (Initiative for Research in Informatics applied to Society), which could apply concretely the industrial capacity developed the ESPRIT programme.

The European Parliament, particularly the Committee on Energy, Research and Technology, and the Committee on Economic and Monetary Affairs and Industrial Policy, gives great importance to the ESPRIT programme, as shown by its large contribution in launching the ESPRIT programme(25).

INSIS

Through the resolution of 13 December 1984(26), the European Parliament reaffirmed its support for the twin objectives of the Community Interinstitutional information system (INSIS) of using the new information technologies to improve the workings of the Community and of providing a test market for these new technologies and for the new services that they are creating. It welcomed the planned videotext trial for Members of the European Parliament as a step towards improving Parliament's working methods, but called for a fully inter-active system. The Parliament strongly supported the priorities given by the Commission to projects in the areas of electronic mail delivery and message storing, and also the emphasis on improving access to databases with a view to increasing user friendliness. The INSIS proposals were still pending in June 1985 before the Council.

CADDIA

The Industry Council of 26-27 March 1985 adopted the decision concerning the coordination of the actions of the Member States and the Commission related to the implementation of a long-term programme for the use of telematics for Community information systems concerned with imports/exports and the management and financial control of agricultural market organizations. The European Parliament had endorsed the CADDIA programme proposals by its resolution of 24 May 1984(27).

Specialized Information Market

The Council adopted a decision in November 1984 for a Community programme for the development of the specialised information market in Europe. Parliament had spoken in favour of a coherent Community information policy in its resolution of 26 March 1984 dealing with the proposals for a specialised information market(28). The EP approved the expansion of the EURONETDIANE concept, and in particular the extension and development of envisaged networks in connection with the accession of new Member States.

Telecommunications

In its resolution of 14 June 1985 the European Parliament issued a favourable opinion(29) about the Community RACE programme (R & D in Advanced Communications technologies for Europe). The Parliament considers that the definition phase for the RACE programme of eighteen months should be commenced at once. The definition phase is a preparatory action to determine the technico-economic basic parameters for a possible RACE programme, the aim of which would be to establish a system of integrated broadband communications (IBC) in Europe.

It consists of two parts:

- the elaboration of a reference model for IBC;
- R & D development projects with a long lead time.

The cost of the definition phase is estimated at 42.9 million ECUs of which 22.2 million would be borne by the Community budget and 20.8 M ECUs by the national administrations and other national bodies.

The RACE programme, which has been the subject of the Industry/Telecommunications and Research Councils of 3 and 4 June 1985, has met general agreement(30), although no formal decision was taken. The Parliament will follow RACE closely since it requested the Commission to report back both on the preliminary results of the definition phase work within 12 months of its start and with an evaluation of the alternatives available for the next phases.

Industrial Policy

- (1) Resolutions of 26.10.1984 in OJ No. C 315 of 26.11.1984, p. 111.
- (2) Resolutions of 13.6.1985, Docs. A 2-50/85, A 2-38/85, A 2-37/85.

Shipbuilding

- (3) COM(84) 550 final of 10.10.1984.
- (4) Council Regulation amending Regulation EEC No. 2617/80 in OJ No. C 270 of 18.3.1985.
- (5) By Ms Quin et al., Doc. 2-572/84 of 20.9.1984, by Mr Fitzgerald et al. Doc. 2-999/84 rev. of 13.11.1984, by Mr Carosino et al. Doc. 2-1082/84 of 23.11.1984, by Mr Fitzgerald et al. Doc. 2-1284/84 of 18.12.1984.

Motor Industry

- (6) In particular resolutions of 29.4.1984 (OJ No. C 117 of 30.4.1984), 13.1.1981 (OJ No. C 28 of 9.2.1981).
- (7) OJ No. L 15 of 18.1.1985.
- (8) OJ No. C 172 of 2.7.1984.
- (9) OJ No. C 12 of 14.1.1985.
- (10) Doc. 2-1847/84.
- (11) COM(84) 226 final, complemented by COM(84) 532 fin. and COM(84) 564 final.

Textiles and Clothing

- (12) Written Question No. 1858/83 (OJ No. C 83 of 1.4.1985). The figures relate to enterprises employing more than 20 persons. Actually this is an underestimation, since many enterprises in the textile and clothing sector have less than 20 employees.
- (13) Written Questions No. 1361/84 (OJ No. C 71 of 18.3.1985), 1406/84 (OJ No. C 111 of 6.5.1985), No. 1515/84 (OJ No. C 97 of 18.4.1985).
- (14) Cf. Written Question No. 1117/84 (OJ No. C 65 of 13.3.1985) on Restrictions on imports of textiles in the United States of America.
- (15) Written Question No. 1361/84 (OJ No. C 71 of 18.3.1985).
- (16) Council Regulation (EEC) No. 1787/84 of 19.6.1984 (OJ No. L 169, 27.6.1984).
- (17) Council Regulation (EEC) No. 219/84.
- (18) Written Question No. 1446/84 (OJ No. C 97 of 18.4.1985).
- (19) OJ No. L 207 of 2.8.1984. This agreement is valid until 1985.
- (20) Council Decision of 12.3.1985 (85/196/EEC) (OJ No. L 83 of 25.3.1985.)

New Technologies

- (21) OJ No. L 67 of 9.3.1984.
- (22) Written Question No. 861/84 (OJ No. C 8 of 10.1.1985).
- (23) Oral Question H-368/84.
- (24) Written Question No. 74/84 (OJ No. C 256 of 24.9.1984).
- (25) Resolutions of 17.12.1982 (OJ No. C 13 of 17.1.1983), 14.10.1983 (OJ No. C 307 of 14.11.1983) and 16.2.1984 (OJ No. C 77 of 19.2.1984).
- (26) Resolution of 13.12.1984 (OJ No. C 12 of 14.1.1985) Consultation of COM(84) 380 final.
- (27) Resolution of 24.5.1984 (OJ No. C 172 of 2.7.1984) Consultation of COM(84) 119 final
- (28) Resolution of 26.3.1984 (OJ No. C 117 of 30.4.1984), consultation of COM(83) 661 final. Council Decision (84/567/EEC) of 27.11.1984 (OJ No. L 314 of 4.12.1984).
- (29) Doc. A 2-58/85. Consultation of COM(85) 113 final + fin. 2).
- (30) Press releases General Secretariat Council of the EC 7114/85 (Presse 86), 7115/85 (Presse 87).

THE STEEL INDUSTRY

Developments in the steel industry

European Community (excluding Greece) steel production in 1984 increased by almost 10% in 1984 to total 120.3 million tonnes, compared with 109.5 million tonnes in 1983 and 111.4 million tonnes in 1982. Internal consumption went up from 97.25 million tonnes in 1983 to 104.9 million tonnes in 1984(1). The economic recovery helped to improve the production and consumption of steel products although the levels of 1974 or 1979 were not reached. Apparently the rise in demand comes from the consumer goods industries and from investment activity. The year 1984 was marked by a further drop of 32 900 in the number of personnel working in the ECSC iron and steel industry. At the end of 1984 the total of employees in the steel sector was 446 000. The capacity utilization rate for the Community steel industry improved significantly during 1984, reaching an average level of 67%. Even in most favourable conditions, it is expected(2) that Community steel production in 1990 will be at its 1984-1985 level. For 1985, projections indicate an average of 72% for capacity utilization. This is a vast improvement knowing that at the outbreak of the steel crisis capacity utilization was around 58%. Most steel enterprises have improved their financial situation by means of rigorous measures in which the Community exercises important powers in order to restructure the steel industry on a Community level. In some European steel enterprises it is believed that a capacity utilization rate of 80% will be necessary in order to be profitable in the long term.

Restructuring and crisis measures

The Commission decisions of 29 June 1983(3) specified the conditions which are to be met before steel aids by Member states could be paid. The main conditions were:

- a) Net capacity reductions for hot-rolled products in the period 1.1.1980 to 1.1.1986 of 26.7 million tonnes had to be carried out. Out of the 50 million tonnes of over-capacity for hot-rolled goods for 1990, which were forecast at the 1982 industry ministers Council at Helsingør in Denmark, around 30 million will have been eliminated by the end of 1985, i.e. the expiry date for the aid code. The remainder for the Community is 20 million tonnes (excl. Greece).
- b) The aids can only be given if the aided enterprises can be shown to be viable without further aid after 1985. The European Parliament's Committee on Economic and Monetary Affairs and Industrial policy is following closely the situation in the steel industry. On 5 February 1985 it sent a questionnaire(4), drawn up by Mr Wagner, to the Commissioner in charge of steel policy, Mr Narjes, vice-president of the Commission. On 26 February 1985, Mr Narjes made a statement before the Committee in response to the questionnaire(5) outlining the several aspects of the crisis mechanism in the steel sector i.e.
- the quantitative restriction of production and supplies by means of the arrangements for production quotas in accordance with the provisions of Article 58 of the ECSC Treaty. Mr Narjes announced the publication of the general "steel" objectives for 1990 by mid 1985(2), which will cover also steel questions in relation to the enlargement of the Community by 1986.
 - the system of minimum compulsory prices which had been instituted in 1982 in order to prevent a collapse in prices.
 - the external aspects, which include voluntary restraint agreements and anti-dumping measures.

The Committee on Economic and Monetary Affairs and Industrial Policy has organised a public hearing in Brussels on 24 April 1985 concerning the problems facing the Community steel industry. The various representatives from the steel producers, steel consumers, distributors, scrap industry and European Commission informed the Members about the current state of affairs and prospects of the Community steel industry. The European Parliament's Socialist Group held its second conference on steel policy in Luxemburg on 23-24 May 1985, in which particular attention was paid to the social and regional effects of restructuring in the steel industry.

In a related area, the Parliament adopted on 9 May 1985 a resolution(6), contained in the report drafted by Mr Mühlen on Community iron production and supply asking the Commission for a report which includes measures on Community participation in a programme to modernise mines, reconvert basins, reclassify and train workers in this sector.

External Relations

In the restructuring period, external measures are essential, together with the crisis instruments taken internally, for the stabilization of imports. The Community, therefore, has concluded voluntary restraint arrangements with some 15 countries. Imports from countries which have not entered into an arrangement with the Community, are linked to a 'base price' system, which allows the Commission to initiate anti-dumping procedures in the case of underquoting or when complaints are lodged by firms. The Parliament adopted on 11 October 1984 a resolution(7) reacting to a proposal from the Commission(8) which provided for a relaxation in the policy on steel imports from third countries. The EP expected the Commission to amend its proposal and called on the Council to reject such a relaxation and the increases in steel imports from third countries for 1985.

Trade relations in the steel sector with the United States have been particularly difficult in 1984 and 1985. After the American restrictions of July 1983 on special steel imports, the Community adopted countervailing measures, in accordance with GATT regulations which have been prolonged with some modifications until March 1986(9). The EP had adopted a resolution(10) on 12 April 1984, contained in Mr Spencer's report on EEC-USA relations in the steel sector, protesting against the protectionist measures taken by the US Government against Community imports from the Community of special steels.

The US Government imposed a total ban from 29 November 1984 to the end of the year on EEC steel pipe and tube imports and broke off negotiations for a voluntary self-restraint agreement. In its resolution of 13 December 1984(11), the EP considered that this decision was incompatible with the GATT rules and called upon the Commission to consider compensatory measures in the GATT framework if the negotiations with the US Government remained inconclusive.

Although an agreement was reached with the United States on 5 January 1985(12) on pipes and tubes exports from the Community to the United States, problems soon arose about the application by the United States of the short supply clause of the January agreement which excluded those products from quantitative restrictions which the American industry could not supply. In addition, the US Government requested on 27/28 January 1985 a re-opening of the negotiations concerning the 17 steel product categories, notably semi-products, which had not been subject to quantitative restrictions in the October 1982 Carbon Steel Arrangement(13).

The resolution of the European Parliament(14), adopted on 18 April 1985, condemned the unilateral efforts of the American Administration to extend their import restrictions on carbon steel, special steel, pipes and tubes to the importation of the 17 consultation products. The Parliament took the view that the increasingly protectionist US policy represented a threat to attempts to open a new round of GATT and that the American interpolation of the short supply clause on the agreement on the importation of tubes and pipes into the USA was completely at variance with both the spirit and letter of this agreement.

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- 1) Forward programme for steel for the second quarter of 1985, OJ No. C 98 of 18.4.1985.
 - 2) Presentation of general "steel" objectives for 1990 by Mr Narjes on 15.5.1985. General Steel Objectives COM(84) 208 final.
 - 3) OJ No. L 227 of 19.8.1983.
 - 4) PE 95.648.
 - 5) PE 96.530/Ann. 4.
 - 6) Doc. A 2-0021/85, resolution of 9 May 1985
 - 7) OJ No. C 300 of 12.11.1984, p. 44
 - 8) COM(84) 516 final
 - 9) OJ No. L 59 of 27.2.1985.
 - 10) OJ No. C 127 of 14.5.1984, p. 100.
 - 11) OJ No. C 12 of 14.1.1985, p. 79
 - 12) OJ No. L 9 of 10.1.1985.
 - 13) OJ No. L 307 of 1.11.1982.
 - 14) Am. 1 to Docs. B 2-147, 157, 160, 166/85.

INTERNAL MARKET

Main Proposals

In the period under consideration some progress has been achieved relating to initiatives which aim to establish a genuine internal market in the Community. After the submission of a Consolidation Programme(1) in June 1984, identifying a series of proposals to be adopted by the Council in 1984 and 1985 the European Parliament held a major debate in its second October 1984 Session about the need for such a Consolidation programme in the context of previous proposals from the EP for a European economic recovery(2), in which the completion of a Community internal market was identified as the single most important factor for Europe's competitiveness and economic growth.

In the three adopted resolutions of 26 October 1984(3), the newly elected Parliament approved the Consolidation Programme. It called on the Council to complete the internal market by

- (a) abolishing controls on persons and goods between the Member States
- (b) implementing the Consolidation programme in such a way that progress was visible to all Community citizens
- (c) improving conditions for undertakings at Community level (particularly those concerning the European Economic Interest Grouping and the creation of a European trade mark) and arranging for the free movement of capital and services
- (d) creating a common market in the field of advanced technologies
- (e) combatting the increasing internal differences between the economies of the Ten.

On 13 June 1985 the European Parliament adopted a 120-paragraph resolution(4), declaring its firm commitment to the target of a fully unified internal market by 1992, an objective which was declared top priority by the Commission's President Mr Delors at the presentation of the Commission's Programme before the European Parliament on 14 January 1985.

The Parliament's resolution stressed that the price of failure would be colossal in terms of reduced economic growth, less employment and lower living standards, as well as continued lowering of Europe's industrial and commercial competitiveness in the world. Parliament requested the Commission to confirm its commitment to the Consolidation programme of June 1984, which contained over 120 legislative proposals to be adopted by the Council either in 1984 or 1985. It deplored that only half of the proposals listed for 1984 had been adopted by the Council and - so far - practically none of those listed for 1985.

The Commission was also called upon to propose the use of legislative instruments which lend themselves most easily to adoption by the Council. On that occasion the Commissioner in charge of the internal market, Lord Cockfield, announced the publication of a White Paper on the completion of the internal market by 1992 for the European Council meeting in Milan(5). The White Paper contains some 300 detailed proposals, each one accompanied by a suggested date for action by the Council. The proposals concern the removal of

- (a) physical barriers
- (b) technical barriers and
- (c) fiscal barriers.

Citizens' Europe

The European Council at its Fontainebleau meeting (25/26 June 1984) had set up an ad-hoc Committee to prepare and coordinate measures which make the unification of Europe a reality for the people. In July 1984, the European Parliament reacted by two resolutions(6) calling for the abolition of personal checks at the frontiers between Member States when the European Passport was introduced.

It considered that the progress hitherto was far from adequate. Parliament called also for the removal of all remaining barriers to intra-Community trade, particularly in the field of advanced technology. Parliament asked to be involved in the work of the ad-hoc Committee. The President-in-Office of the European Council gave an assurance that contact would be maintained with

the Parliament in respect of the Committee's activities. The Ad-hoc-Committee for a People's Europe reported to the European Council of Brussels (29/30 March 1985) and of Milan (29 June 1985). The European Parliament endorsed in their entirety the conclusions of the Ad-hoc Committee by its resolution of 14 June 1985(7) and appealed to the European Council meeting in Milan to provide the requisite political thrust to enable the practical measures recommended in the report on a People's Europe to be implemented forthwith.

However, the difficulties with introduction of the European Passport and the existing controls of controls and formalities applicable to nationals of the Member States when crossing intra-Community borders, have been reason for great concern in the European Parliament as shown by the four resolutions of 14 June 1985 concerning the European Passport(8) and the removal of obstacles at the Community's internal borders(9).

The Parliament called upon the Governments of Belgium, the Federal Republic of Germany, Greece, France, the Netherlands and the United Kingdom to take all the necessary steps to ensure that the European Passport could be introduced throughout the Community before the end of June 1985. The EP urged the Council to adopt without delay the proposal for a directive on the easing of controls, on which Parliament had delivered its opinion on 18 April 1985(10).

Single Document

The European Council of Fontainebleau had asked the Council to adopt at an early date the single document for the movement of goods. The 'single document' replaces some hundred forms currently used in trade within the Community. By its resolution of 13 September 1984(11), the EP urged the Council to make speedy preparations for the adoption of the 'Single document proposal'. On 18 December 1984, the Council approved the proposal, which is a most important element to strengthen the internal market.

Technical harmonization

On 7 May 1985, the Internal Market Council adopted a resolution on the new approach to technical harmonization and standardization, whereby a Directive would lay down only essential safety or other requirements, leaving the task of defining detailed technical characteristics to European, and if necessary national, standard bodies. Hitherto, the requirement to set detailed technical norms at EEC level has been delaying the acceptance of standard for individual products. The European Parliament has welcomed(12) the Commission's new approach to the harmonization of technical standards.

The harmonization of technical standards is particularly important in the information technology industries, in which the Community is also involved by its ESPRIT programme and forthcoming RACE programme. On the RACE programme the Parliament has expressed its opinion by its resolution of 14 June 1985(13). In October 1985 the EP will devote a plenary session to high-technology, in which the harmonization issue will be one of the principal topics. With a view to establishing a common market in broadcasting, especially broadcasting by satellite and cable, in which area a common technical standard has to be chosen for the Community, the EP will discuss the Commission's Green Paper in autumn 1985(14).

Public Procurement

In adopting the resolution of 13 June 1985(15) contained in the report dealing with the Communication from the Commission to the Council on public supply contracts, the EP stressed the economic importance of Community-wide access to public contracting and called on the Commission to incorporate in its proposal the sectors hitherto excluded by the directive(16) on the coordination of procedures on the award of public supply contracts (in particular transport, water and energy, suppliers, telecommunications and defence). Parliament therefore requested the Commission to submit a proposal for a directive of extended scope - in line with its work programme to govern public contracting.

European Economic Interest Grouping (EEIG)

The proposal for a regulation on the EEIG(17), which had been pending before the Council for more than ten years and on which the Parliament had expressed its opinion on 14 June 1977(18), was adopted by the Council on 25 July 1985.

The aim of the EEIG is to facilitate or develop the economic activity of its members, improve or increase the results of this activity, but without profit for itself. People or legal persons forming an EEIG will therefore maintain their independence, and the grouping (which must be made up of bodies from at least two different Member States) will define by contract the precise aim of cooperation, e.g. joint research, joint marketing, development. The EEIG is primarily designed to be an instrument for cooperation, in particular between small and medium sized enterprises. As such, it constitutes an important instrument in the Community's policies to strengthen the internal market and industry.

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- (1) COM(84) 305 final of 13.6.1984.
 - (2) Resolution of 27.3.1984 on the Programme for European Economic Recovery (OJ No. C 117, 30.4.1984), and also resolutions of 16.2.1984 on the consolidation and completion of the EMS (OJ No. C 77, 19.3.1984) and of 9.4.1984 on the need for implementation of the internal market (OJ No. C 127, 14.5.1984).
 - (3) Resolutions on the Programme for European Economic Recovery of 26.10.1984 (OJ No. C 315, 26.11.1984).
 - (4) Resolution contained in the report by Mr Patterson Doc. A 2-50/85; Docs. 2-437/84, 2-549/84, 2-716/84, 2-922/84, 2-1070/84, 2-1108/84, 2-1288/84, 2-1690/84.
 - (5) Completing the Internal Market, White Paper from the Commission to the European Council, Office for Official Publications of the European Communities, June 1985.
 - (6) Resolutions of 27.7.1984 on the Fontainebleau decisions (OJ No. C 239 of 10.9.1984).
 - (7) Resolution of 14.6.1985 (Doc. B 2-472/85).
 - (8) Resolutions B 2-411/85 and B 2-427/85 of 14.6.1985.
 - (9) B 2-415/85 and B 2-428/85.
 - (10) Commission proposal COM(84) 749 final. EP opinion and resolution contained in the report by Mr Rogalla (OJ No. C 122 of 20.5.1985).
 - (11) Resolution of 13.9.1984 (OJ No. C 274 of 15.10.1985).
 - (12) Resolution of 13.6.1985 Doc. A 2-50/85 para. 80-91.
 - (13) Doc. A 2-58/85.
 - (14) Requests from Parliament in OJ No. C 87 of 5.4.1985 and OJ No. C 117 of 30.4.1984; Green Paper COM(84) 300 final
 - (15) Resolution of 13.6.1985 contained in Mr von Wogau's report Doc. A 2-38/85; Commission Communication COM(84) 717 final.
 - (16) Council directives 77/62/EEC of 21.12.1976 (OJ No. C 13, of 15.01.1977);
 - (17) COM(73) 2046 final; amended proposal COM(78) 139.
 - (18) EP resolution of 14.6.1977 (OJ No. C 163 of 11.7.1977).



COMPETITION POLICY

A. General

1. Article 3(f) of the EEC Treaty provides that the activities of the Community aimed at establishing a common market shall include the institution of a system ensuring that competition in the common market is not distorted. Competition policy in a broad sense refers to State monopolies (Article 37), agreements and abuses of a dominant position (Articles 85 and 86, which are also applicable to public undertakings pursuant to Article 90) and State aid (Articles 92 to 94).

2. This policy is implemented by the Commission, subject to judicial review by the Court of Justice, and by the national courts where the above-mentioned articles are directly effective. In this respect it should be pointed out that the Commission and the European Parliament have stated that they are in favour of

(a) a two-tier system of judicial review (a court of first instance would examine the Commission's observations of fact and of law, whilst the Court of Justice would restrict itself to questions of law and

(b) more frequent recourse to national courts for the application of Article 85, particularly in the case of restraints on competition which have been established and cannot be exempted under Article 85(3)(1).

3. As regards substance, the Commission's policy is sometimes one of severity, particularly with regard to 'classic' restraints on competition which are to all intents and purposes impossible to exempt (for example price fixing, quota and market sharing agreements), sometimes one of increased flexibility, particularly towards restraints on competition which relate to restructuring and innovation projects and which aim to safeguard or strengthen the competitiveness of the undertakings concerned (for example, crisis cartels and research and development agreements), and sometimes, finally, one of consolidation of well-established principles (for example distribution agreements). Severity, increased flexibility and consolidation will be the subject-matter of a short commentary in subsection (b) of part B.

B. Agreements and abuses of a dominant position

(a) Procedure

4. In the last few years the Commission has endeavoured to improve its procedures for the implementation of the rules on competition with a view, first, to safeguarding the rights of the defence of the undertakings concerned(2), and, secondly, to simplifying and speeding up the procedures(3).

5. With regard to the rights of the defence, Parliament has examined many ways in which they might be heard(4); the Commission commented specifically on the suggestions put to it, especially with regard to the time at which access should be provided to the files and a possible increase in the role of the Hearing Officer(5).

6. With regard to the simplification and speeding-up of procedures, the practice of administrative letters ('comfort letters')(6) should be recalled first of all, and then the adoption of new 'block' exemption regulations(7). The reply from the Commission's Directorate-General IV in a restructuring case in the petrochemical sector (concerning the setting-up of the joint undertaking Rovin) is the first example of an administrative letter replacing, as it were, a formal exemption(8). Apart from exemption regulations on exclusive distribution and exclusive purchase, the Commission has adopted new regulations on patent licensing(9), motor vehicle distribution and servicing agreements(10) and research and development agreements(11) and has amended the existing regulation on specialization agreements(12). The adoption of these second-stage regulations does not require the formal consultation of Parliament. Nevertheless, the Commission normally conducts an informal exchange of views on its proposals with Parliament (see, for example, the motor vehicles proposal: footnote 10). No such exchange of views took place with regard to the amended proposals on patent licensing and research and development. A new feature of the regulations on patent licensing, R & D agreements and specialization agreements is the introduction of an opposition procedure: agreements containing restrictions which are not expressly covered by the regulation (R & D, patents), or are expressly prohibited by that regulation (R & D only) or which exceed the thresholds relating to turnover or market share(specialization) must be notified individually to the Commission but will be deemed to be covered by the block exemption provided that the Commission does not raise any objection thereto within six months. We should

point out, in addition, that the Commission is preparing a revised version of the A/B notification form which must be used for any application for negative clearance or exemption(13).

(b) Substance

1. Price fixing, market sharing, quota system

7. The Commission shows great severity towards cartels, which are virtually illegal and prohibited per se. This is shown by the large fines which it has imposed on undertakings involved in such agreements in the flat glass(14), zinc(15) and peroxide(16) sectors. Despite the seriousness of the infringement the Commission showed flexibility in the zinc case and imposed quite moderate fines in the light of mitigating circumstances, particularly the crisis in the sector concerned(17).

2. Crisis cartels, or, more generally, restructuring cartels and cooperation agreements in the matter of R & D

8. The Commission has adopted a flexible policy towards cartels aiming to resolve the problems of sectors which are in difficulties by means of restructuring measures. Some of these cartels aim to reduce structural overcapacity by closing some of their production capacity (synthetic fibres case)(18), sometimes accompanied by a specialization agreement (petrochemical case, BPCL/ICI)(19). Others concern the setting-up of joint undertakings to which the participating companies transfer their activities relating to a particular product (petrochemical cases, Shell/AKZO and PRB/Shell)(20).

9. To prevent a restructuring cartel from degenerating into a classic quota or price cartel, the Commission has the right to attach certain conditions to its favourable opinion: it may, for example, impose on members of the cartel the duty not to exchange specific information on output, deliveries or prices (see synthetic fibres exemption). Parliament wondered how the Commission intended to ensure that those obligations were complied with(20a): nevertheless, by analogy with the International Energy Agency case(21), the Commission has the power to require that its officials have access to meetings organized within the context of the cartel.

10. The competitiveness of undertakings does not always depend, fortunately, on restructuring measures in sectors which are in difficulties or are even crisis sectors; it also depends on innovation projects in developing sectors. The exemption regulation(22) is a fresh step towards increased flexibility with regard to R & D agreements which, though restricting competition to a certain degree, add to the competitiveness of the undertakings concerned. Supplementing an old notice(23), which had indicated that agreements relating exclusively to research and/or development did not generally come within the prohibition laid down by Article 85(1), this regulation grants exemption from that prohibition under certain conditions to agreements which extend to the stage of joint exploitation of the results of R & D (manufacturing and grant of licences to third parties, but not distribution or sales).

3. Distribution agreements

11. With regard to distribution, the Commission policy is undergoing a consolidation phase. This applies both to territorial restraints (see the John Deere case(24) and the review of the spectacles sector(25) and to restrictions on the selection of authorized retailers (see the Grohe case(26), the Ideal Standard case(27) and the Grundig case(28)). With regard to territorial restraints, the European Parliament hopes that the Commission will examine in greater depth whether they have any economic justification(28a). It should however be observed that the Commission policy on restrictions on the selection of authorized dealers, in other words selective distribution systems, has aroused some controversy. This is shown by the action for annulment brought against the SABA exemption which is pending before the Court of Justice(29). The controversy relates to the alleged advantages of selective distribution for consumers; in addition, interbrand competition restrictions which are inherent in selective distribution would be all the more disturbing in view of the increase noted in the structural rigidity of the electronic entertainment sector.

(c) Field of application

12. Without going into the merits, we consider it important to point out the progressive application of the rules on competition to service sectors which are traditionally regulated. Parliament approves this development(29a). In the insurance sector, the Nuovo Cegam decision was followed by the VdS decision on a recommendation that fire insurance premiums should be increased(30) and the P & I Clubs case concerning mutual marine insurance in which the Commission is considering granting an exemption(31). In the banking sector the Commission has taken an initial decision in the Eurocheques case exempting an agreement on standard commission(32); it is at present studying concerted practices in relation to the (allegedly excessive) commission charged on international transfer orders(33); the problem of agreements on interest rates is, of course, much more complex because of their link with the monetary policy of the Member States(34). In the air transport sector, the Commission has submitted to the Council a proposal for a regulation exempting certain types of agreement in this field(35). Although it is mainly agreements between airline companies and governments (relating to capacity sharing and fixing of tariffs) which attract the Commission's attention, the latter recently studied the possibility of the abuse of a dominant position by the Greek company Olympic Airways in relation to the fixing of charges for handling services(36). Finally, a series of requests for preliminary rulings pending before the Court of Justice should be mentioned. These relate to the interpretation of Article 85 and its application to the French agents of airline companies and travel agents which have applied unauthorized tariffs(37).

C. State aids and public undertakings

(a) Repayment of aid granted illegally

13. In 1983 the Commission sent a notice to the Member States stating that it would recover aids granted by the Member States without notifying them beforehand or waiting for a final decision as to whether they were compatible with Article 92(38). This is likely to pose tricky legal questions. For example, the repayment of an aid granted in the form of the acquisition of a capital holding in the recipient undertaking may well jeopardize the interests of bona fide third party creditors and might even conflict with the provisions of the Second Directive on company law; that directive relates to the

formation of a public limited company and the maintenance and alteration of its capital and aims inter alia to ensure the protection of its creditors if its capital is reduced(39). The Court has been called upon to give judgment on these matters in two separate cases(40). Parliament suggested that the illegal aids should be reimbursed through the Community budget; the Commission replied that although the suggestion is very interesting an obvious legal basis in the Treaty is lacking(40a).

(b) Aids in the form of public holdings

14. The Court of Justice has acknowledged that public holdings may be equivalent to an aid(41). In this case, and in another(42), the Court nevertheless annulled the Commission's decisions on those aids because it considered that the Commission had not given sufficient reasons as to why those aids prejudiced competition and adversely affected trade.

(c) Cumulation of aids with different objectives

15. The Commission recently published a notice containing rules relating to notification of significant cases involving the cumulation of aids with different objectives(43). The system adopted by the Commission, which has been applied since 1 March 1985, comprises alternative notification thresholds.

(d) Aids of minor importance

16. The Commission recently sent a letter to the Member States on rules relating to the notifications of aids of low intensity(44). Whilst maintaining the duty of notification, the Commission states that it would not raise objections to those aids if they remain below certain thresholds. For example, a new aid programme granted to an undertaking employing not more than 100 people whose turnover is not more than 10 million ECU and whose activities do not cover sensitive sectors (with regard to which there are special aid arrangements) will normally be considered compatible with the common market if the intensity of aid does not exceed 7.5% of the investment (in the case of investment aid), 2 000 ECU per job created (in the case of employment aid) or 200 000 ECU in volume (in the case of any other aid, except operating aid).

(e) Legislative developments as regards substance

17. It should be pointed out briefly that the Commission is drawing up a legislative framework for aids for research and development(45), that it is developing new principles for the coordination of regional aid replacing the old ones which are still in force(46) and that it has succeeded in persuading the Council to extend the Fifth Directive on aids to shipbuilding until 31.12.1986(47).

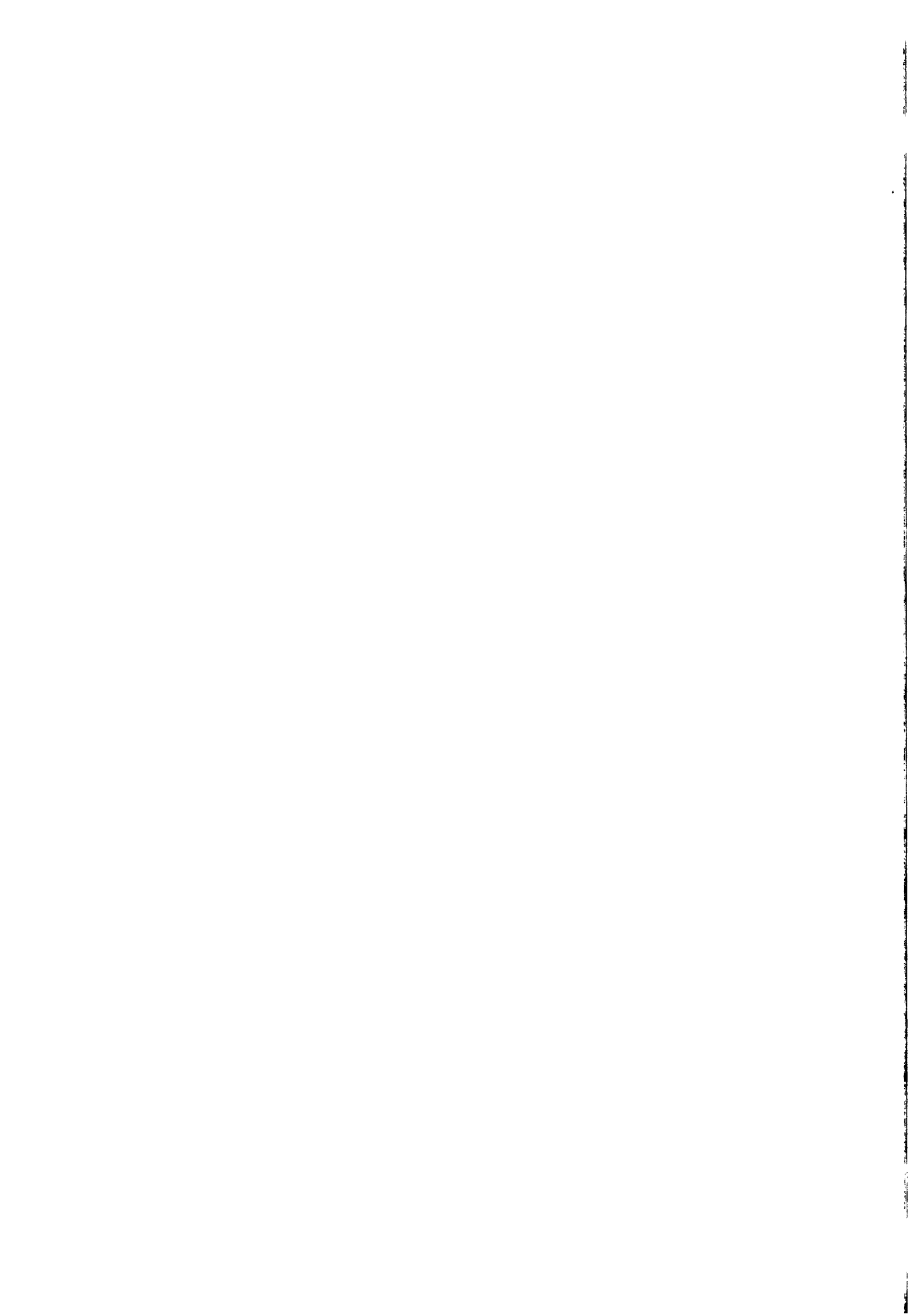
D. State monopolies of a commercial character

18. Although the manufacture and marketing of a given national product may be entrusted to a national monopoly, the marketing of a similar imported product may not thereby be made more difficult. The adjustment of State monopolies implies first of all the abolition of the exclusive import and marketing rights applying to them. In this respect it should be pointed out that the Commission intervened over a proposal of the Federal Republic of Germany to extend the monopoly of the Bundespost to cordless telephones(48). The Bundespost would have had the almost exclusive right to supply these, to the detriment of private competitors, particularly those from other Member States.

19. Other adjustments are proving to be essential in order to guarantee that there is no discrimination against imported products. Thus the Commission delivered a reasoned opinion within the meaning of Article 169 on the adjustment of the French alcohol monopoly, as a result of which France declared that it would abolish the excise duty on alcohol imported from the other Member States(49).

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- (1) See most recently the Commission's 14th Report on Competition Policy (1984, paragraph 1 (viii) (two-tier system) and paragraph 47 (decentralized enforcement); European Parliament, resolution adopted following the debate on the Gautier report (Doc. 2-1133/84), OJ No. C 12 of 14.1.1985, p. 101, paragraph 59 (two-tier system) and paragraph 6 (decentralized enforcement).
 - (2) See Twelfth Report, paragraphs 29 to 37.
 - (3) See Thirteenth Report, paragraphs 70 to 73.
 - (4) See the Wijzenbeek opinion attached to the Gautier report referred to in footnote 1 above.
 - (5) See Fourteenth Report, paragraph 1 (vii) and paragraph 46.
 - (6) These letters are sent by the Directorate-General for Competition and close provisionally the procedure relating to the agreements notified; the procedure may always be reopened at the request of a third party. In order to remedy in some way this lack of legal certainty, the Commission has decided to publish first of all the essential contents of the agreement which has been notified and to announce its intention to close the procedure whilst inviting third parties to make their comments.
 - (7) A block exemption makes it unnecessary to notify an agreement individually by exempting it automatically if it corresponds to the type of agreement described by the regulation.
 - (8) AKZO/Shell case, Press Release IP (84) 182 of 18.5.1984.
 - (9) OJ No. L 219 of 16.8.1984. This regulation takes account, in certain respects, of the judgment of the Court of Justice of 8.6.1982 in the maize seed case, Case 258/78 Nungesser and Eisele v Commission (1982) ECR 2015.
 - (10) OJ No. L 15 of 18.1.1985. See also explanatory notice, OJ No. C 17 of 18.1.1985. This regulation takes into account Parliament's opinion (resolution adopted following the debate on the Welsh report (Doc. 1-192/84), OJ No. C 172 of 2.7.1984, p. 181) particularly with regard to the problem of parallel imports.
 - (11) OJ No. L 53 of 22.2.1985.
 - (12) Ibid. The amendment aims above all to increase the ceilings above which the benefit of the block exemption is lost (aggregate annual turnover of 500 million ECU, 20% aggregate market share).
 - (13) Proposal published in OJ No. C 50 of 22.2.1985.
 - (14) OJ No. L 212 of 8.8.1984. The fines amount to a total of 4 million ECU.
 - (15) OJ No. L 220 of 17.8.1984. The fines amount to a total of more than 3 million ECU.
 - (16) OJ No. L 35 of 7.2.1985. The fines amount to a total of 9 million ECU.
 - (17) The Commission has shown similar flexibility in the cast iron and steel rolls case, OJ No. L 317 of 15.11.1983.
 - (18) OJ No. L 207 of 2.8.1984.
 - (19) OJ No. L 212 of 8.8.1984.
 - (20) AZKO/Shell case (joint undertaking Rovin), mentioned in footnote 8 above, and the PRB/Shell case (the joint undertaking FPUF), OJ No. C 189 of 17.7.1984 (the Commission states therein that it proposes to send an administrative letter).
 - (20a) See Gautier report, mentioned in footnote 1 above, point 17 of the explanatory statement.
 - (21) OJ No. L 376 of 31.12.1983.
 - (22) Mentioned in footnote 11 above.
 - (23) OJ No. C 75 of 29.7.1968.
 - (24) OJ No. L 35 of 7.2.1985.
 - (25) See Press Release IP (84) 465 of 19.12.1984.

- (26) OJ No. L 19 of 23.1.1985. Grohe has brought an action for annulment against the Commission's decision refusing it an exemption: Case 49/85, OJ No. C 84 of 2.4.1985.
- (27) OJ No. L 20 of 24.1.1985. Ideal-Standard has brought an action for annulment against the Commission's decision refusing it an exemption: Case 55/85, OJ No. C 95 of 16.4.1985.
- (28) The Commission has announced that it proposes to grant an exemption: OJ No. C 276 of 16.10.1984.
- (28a) See the resolution adopted following the debate on the Gautier report, mentioned in footnote 1 above, paragraphs 51 and 52.
- (29) Case 75/84, Metro-SB-Grossmarkte: see OJ No. C 132 of 19.5.1984. The oral procedure will take place on 2.7.1985. The EBCU has, in addition, asked the Commission to wait for the judgment before granting an exemption to Grundig.
- (29a) See the resolution referred to in footnote 1, paragraphs 55 and 57.
- (30) OJ No. L 35 of 7.2.1985. VdS has brought an action for annulment against this decision: Case 45/85, OJ No. C 75 of 21.3.1985.
- (31) OJ No. C 9 of 11.1.1985.
- (32) OJ No. L 35 of 7.2.1985.
- (33) See Written Question No. 530/84 by Mr Rogalla, OJ No. C 62 of 11.3.1985. We should recall that the Court of Justice has already confirmed, in its judgment of 14.7.1981 in the Zuchner case, (1981) ECR 2021, that these practices are prohibited by Article 85.
- (34) See for example Financieel Dagblad of 24-26.11.1984, p. 13: 'EG laat rentetarieven ongemoeid bij doorlichten van bankensector'.
- (35) OJ No. C 182 of 9.7.1984. We should point out that certain bilateral agreements are already paving the way for the liberalization of tariffs, for example the agreement concluded between the United Kingdom and Luxembourg, see 'Europe' of 3.4.1985.
- (36) Request for information, OJ No. L 46 of 15.2.1985.
- (37) Cases 209 to 213/84, OJ No. C 242 of 12.9.1984.
- (38) OJ No. C 318 of 24.11.1983.
- (39) OJ No. L 26 of 13.1.1977.
- (40) Case 40/85, Belgium v Commission, OJ No. C 56 of 2.3.1985 (concerning an aid granted to a sanitary ware and crockery manufacturer) and Case 234/84, Belgium v Commission, OJ No. C 295 of 6.11.1984 (concerning an aid granted to an undertaking producing plant for the food manufacturing industry).
- (40a) See the resolution referred to in footnote 1 above, paragraph 72; Commission's reply in its Fourteenth Report, *ibid*, paragraph 1.
- (41) Case 323/82, Intermills v Commission, judgment of 14.11.1984, not yet published.
- (42) Joined Cases 296 and 318/82, The Netherlands and Leeuwarden Papierwarenfabriek v Commission, judgment of 13.3.1983, not yet published.
- (43) OJ No. C 3 of 15.1.1985.
- (44) Letter of the Secretary-General (85) D-2611 of 28.2.1985.
- (45) See Fourteenth Report, paragraph 255.
- (46) OJ No. C 31 of 3.2.1979.
- (47) OJ No. L 2 of 3.1.1985.
- (48) See Press Release IP (85) 92 of 26.3.1985.
- (49) See Fourteenth Report, paragraph 287; see also Written Question No. 1520/83 by Mr Hord, OJ No. C 158 of 18.6.1984.



MULTINATIONAL UNDERTAKINGS

Amended proposals for 'Vredeling' directive and 5th directive

In the reference period the revised version of the 'Vredeling' directive on procedures for informing and consulting employees of undertakings with complex structures, in particular transnational undertakings(1) was discussed in a special ad hoc council working group of high level experts from the Member States. This group suggested a "new approach" to the Social Council of 13 December 1984, in order to take into account existing industrial relations practices and legislation in many Member Countries. This "new approach" is based upon the idea of establishing the right of the employees to receive information and to be consulted in matters affecting their interests rather than establishing the duty of an undertaking to provide information and consult with employees. Under this 'new approach', the proposed 'Vredeling' directive would be therefore an instrument of social policy rather than company law. Member States were invited to reply to a questionnaire on the 'new approach'. At the end of January, the Council examined the answers to the questionnaire. It appears that almost all Member States gave their support to the 'new approach', although the United Kingdom did express a general reservation.

If the Council decides that a new proposal is necessary, based upon the "new approach" of the ad hoc working group, a new Commission proposal would have to be drafted and this would entail consultation with the European Parliament and Economic and Social Committee.

The proposed 5th EEC Company Law directive(2), which would harmonise the structure of limited liability companies in the Community and introduce elementary employee participation in companies' decision making processes, is being examined by a group of Council experts. It is likely that there will be no conclusion in the near future to the work in progress because of the length and the complexity of the proposal. The UK maintains reservations towards the proposal, mainly because it believes that Community measures in the field of industrial relations are inappropriate (i.e. the same argument as it uses against the proposed 'Vredeling' Directive).

The European Parliament has shown on several occasions that it is keeping an active interest in the progress of both proposals on which it not only has expressed opinions in 1982 but also on which it has exercised considerable influence for the subsequent amended proposals from the Commission(3).

EEC Code of Conduct for companies with subsidiaries in South Africa

In November 1984, in the framework of European Political Cooperation, the Council made a declaration on the Code of Conduct, following the Fourth Community analysis of the reports of Member States on the implementation of the Code of Conduct in the period from July 1981 to June 1983. This analysis has been sent to the European Parliament(4). The application of the Code of Conduct is the responsibility of the individual Member States. Over 90% of Community companies with subsidiaries, affiliates or branches in S. Africa file reports. However, since the Code is voluntary, no action is taken by Member States against those companies which do not comply with the provisions of the Code(5).

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- (1) original proposal COM(80) 423 final in OJ No. C 297 of 15.11.1980. - Parliament's opinion of 14.12.1982 in OJ No. C 13 of 17.1.1983. - amended proposal COM(83) 292 final in OJ No. C 217 of 12.8.1983.
 - (2) Proposal for a fifth directive on the coordination of safeguards which for the protection of the interests of Members and outsiders are required by Member States of companies within the meaning of Article 58, second paragraph, with respect to company structure and to the powers and responsibilities of company boards.
 - original proposal COM(72) 887 final in OJ No. C 131 of 13.12.1972.
 - Parliament's opinion of 11.5.1982 in OJ No. C 149 of 14.6.1982.
 - Amended proposal for a fifth directive founded on Article 54(3)(g) of the Treaty concerning the structure of public limited companies and the powers and obligations of their organs, COM(83) 185 final in OJ No. C 240 of 9.9.1983.
 - (3) Written Questions No. 846/84 (OJ No. C 39 of 11.2.1985), No. 495/84 (OJ No. C 250 of 17.9.1984). Oral Question No. 118 (H-356/84).
 - (4) Written Question No. 1148/84 (OJ No. C 26 of 28.1.1985).
 - (5) Written Question No. 1147/84 (OJ No. C 71 of 18.3.1985).

SMALL AND MEDIUM-SIZED ENTERPRISES (SME)

SMEs are generally defined as independent enterprises with less than 500 employees; they are extremely important as sources of employment, and in terms of innovation, flexibility and diversification of the economy. SMEs are found in the industrial, commercial and trade sectors. They have a vital role to play in the process of economic recovery, as is emphasized in the report drawn up by the Temporary Special Committee on European Economic Recovery(1).

Developments

No important new developments took place concerning the SMEs in the period under consideration. However, the EP manifested its continuing interest through a number of initiatives, contained in motions for resolution and written questions. These are:

1. Proposal for one member of the new Commission to be given special responsibility for (the coordination of) policy on small and medium-sized undertakings(2).
2. Proposal for the introduction of appropriate measures to take account of the difficulties SMEs located in the periphery are facing, for example greater investment in marketing and the provision of incentives to establish companies which primarily specialise in marketing(3).
3. Request to the Commission to report periodically to the EP on the progress of work on Community policy to assist SMEs and the craft industry, and to sponsor a series of meetings and conferences in the Member States with representatives of all the forces active in the SMEs and craft industry sector and to forward the results to the EP and the Council(4).

In its answers to three questions by members of the EP, the Commission re-capitulated the results of the "European Year of SMEs" and the various measures that have already been adopted or are still in preparation(5).

Community financing and SMEs

In answer to a written question by Mr Moreland(6), the Commission published the amounts of loans that have benefited SMEs. Lending to SMEs under the Community borrowing and lending instruments (NCI, EIB and ECSC) rose sharply from 907 million ECU in 1982 to 1264 million ECU in 1983, the financing of SMEs being a priority area for operations under NCI-II and NCI-III. For 1983, the repartition of loans of NCI was as follows: (in million ECUs) Denmark 22.2, France 105.5, Italy 289.5, U.K. 68.1. For the EIB, Italy 445.0, Ireland 9.7, Denmark 6.2, Greece 56.5, U.K. 25.7, France 125.8.

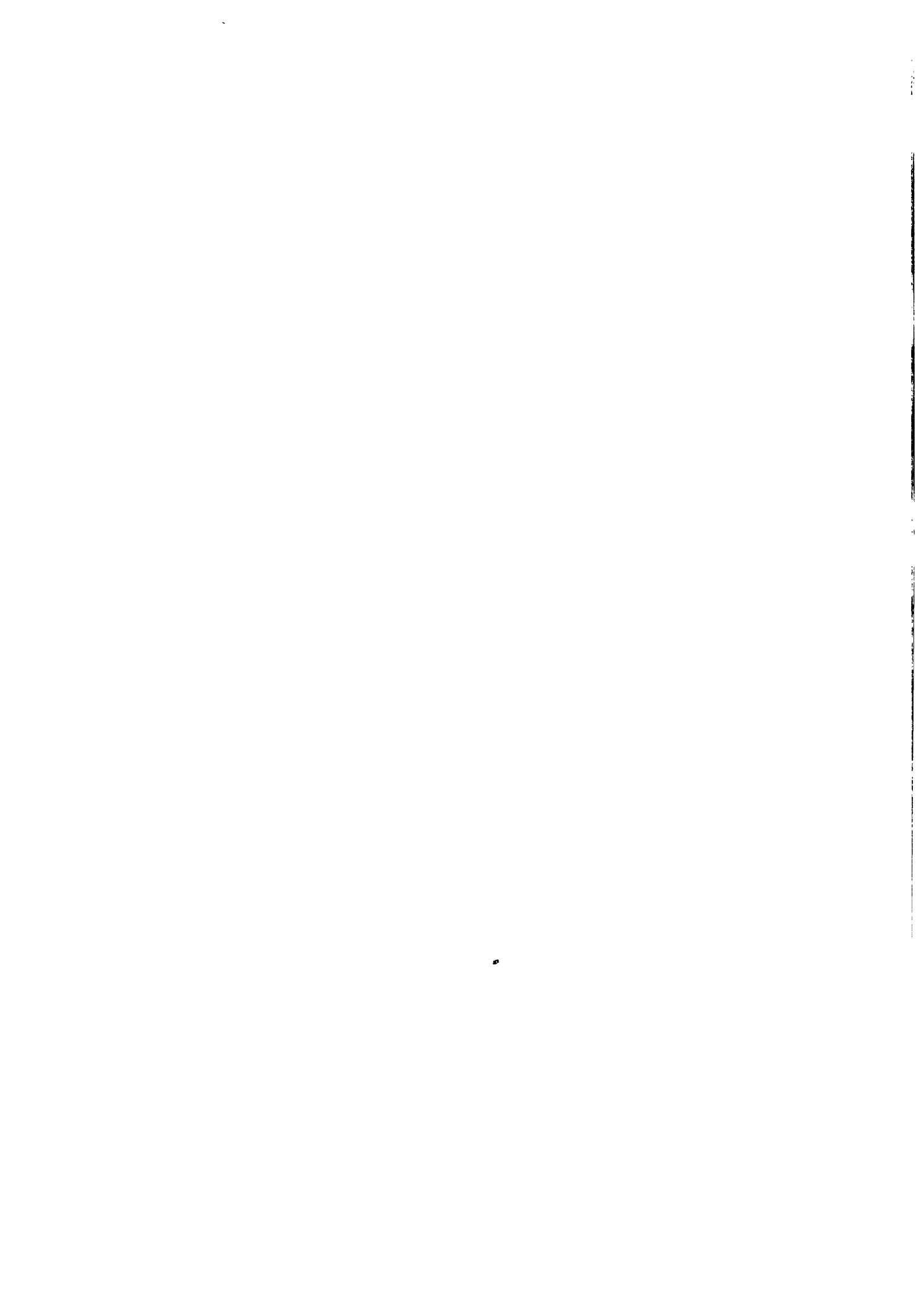
The following table shows the extent of the ERDF's contribution in 1983 to industrial projects in the Member States.

Member State	Assistance (million ECU)	Number of projects	Average number of jobs per project
Belgium	1.42	7	23
Denmark	0.83	11	19
F.R.G.	33.20	177	56
Greece	11.11	37	50
France	32.04	229	73
Ireland	24.28	22	285
Italy	51.03	190	31
Netherlands	1.08	3	23
United Kingdom	75.67	123	171

New technologies

The Commission is preparing a pilot scheme for international consultation networks for distribution and exports carried out by SMEs involved in new technologies, which corresponds to the needs of SMEs unable to surmount unaided the many administrative, legal and linguistic obstacles they face.

- (1) EP Doc. 1-1552/83, Plan for European Economic Recovery, paras. 8b, 8c.
- (2) By Mr I. Friedrich et. al., Doc. 2-712/84 of 11.10.84.
- (3) By Mr Flanagan and Mr MacSharry, Doc. 2-1062/84 of 23.11.84.
- (4) By Mrs Cassanmagnaco-Cerretti et al., Doc. 2-904/84 of 30.10.84.
- (5) Questions by Mr Tyrrell No. 21/84 in OJ No. C 216 of 16.8.84, by Mr Bonaccini No. 510/84 in OJ No. C 262 of 1.10.84 and by Mr von Wogau No. 1107/84 in OJ No. C 97 of 18.4.85.
- (6) Question by Mr Moreland No. 326/84 in OJ No. C 268 of 8.10.84.



FREEDOM OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES
FOR SELF-EMPLOYED PERSONS

Articles 52 to 66 of the EEC Treaty govern, as regards both freedom of establishment and freedom to provide services, the free movement of self-employed persons, in other words persons pursuing, without any contract of employment, an activity of an industrial or commercial character, or that of a craftsman or of a profession, these activities being described as a whole in the Treaty as 'activities of self-employed persons'. The right of establishment and of freedom to provide services was introduced in several stages laid down in the Treaty. Since 1967, the Commission has submitted to the Council many proposals for directives concerning self-employed persons and in 1974, the Council of Ministers of Education adopted a resolution on the mutual recognition of diplomas, certificates and other evidence of formal qualifications. As regards the professions of doctor, lawyer, nurse, dentist, veterinary surgeon and midwife, the Council has already adopted directives following lengthy negotiations between experts from the Member States, representatives of the Commission and representatives of occupational groups, and after consulting the European Parliament and the Economic and Social Committee.

In its judgments in the *Reyners* case(1) and the *van Binsbergen* case(2), the Court of Justice stated that Articles 52 and 59 of the EEC Treaty came into force immediately after the expiry of the transitional period, on 1 January 1970, which means that self-employed foreigners and self-employed nationals are put on the same footing. These judgments however only concern foreigners who have obtained their diploma in the host State. Other Community measures must be drawn up to provide for the mutual recognition of certificates of professional competence and the coordination of legal provisions so as to establish the greatest possible freedom of movement.

Since June 1984 the Council has adopted only one directive in the field of the right of establishment: by Directive 84/641 of 10 December 1984(3) it extended the first directive, Directive 73/239 on the taking-up of the business of direct insurance, to tourist assistance. The European Parliament took the view, in its resolution of 14 May 1982(4), that that relatively new activity should not be prematurely confined within an excessively rigid legal framework.

Last year the Commission submitted six new proposals governing the right of establishment and to provide services. They were as follows:

- (a) a proposal for a directive on the freedom of establishment and the free supply of services in the field of mortgage credit(5);
- (b) a proposal for a Tenth Directive concerning cross-border mergers of public limited companies(6);
- (c) a proposal for a directive on specific training in general medical practice(7);
- (d) an amendment to the proposal for a directive on access to the occupation of carrier of goods by waterway in national and international transport and on the mutual recognition of diplomas, certificates and other evidence of formal qualifications for this occupation(8); Parliament's resolution of 21 May 1984 was at the origin of this amendment(9);
- (e) amendments to the proposal for a directive on the comparability of vocational training qualifications between Member States of the European Community(10); Parliament's resolution of 17 February 1984(11) was at the origin of the amendment to that proposal;
- (f) a proposal for a directive amending the directive on the taking-up and pursuit of the business of the credit institutions(12); on 14 December 1984, Parliament delivered an opinion in favour of that proposal(13).

Since February 1981 the European Parliament has had before it proposals for directives concerning the coordination of provisions laid down by law, regulation or administrative action in respect of certain activities in the field of pharmacy and concerning measures to facilitate the effective exercise of the right of establishment relating to certain activities in the field of pharmacy(14). This is the Commission's third attempt to establish freedom of movement for pharmacists; it had withdrawn its two previous proposals of 1969 and 1972, partly as the result of the European Parliament's unfavourable

opinion. The European Parliament, whose Legal Affairs Committee was responsible for this matter, delivered its opinion on 16 September 1983(15). The Commission proposal does not affect the varying conditions of establishment from one Member State to another. In order to avoid emigration to Member States which have no geographical allocation, the European Parliament proposes that Member States should be authorized to restrict freedom of establishment to existing pharmacies. In its amended proposal of 20 January 1984(16) the Commission incorporated the European Parliament's views in full. As for the Council, it has not yet expressed its views on this amended proposal in July 1985(16a).

The 1967 Commission proposal on the coordination of provisions laid down by law, regulation or administrative action on self-employed activities of architects has still not been approved by the Council. In addition, the Council has turned a deaf ear to the European Parliament, which asked to be reconferred because of the radical changes which had occurred in that profession(17).

Similarly, the Commission's proposals for directives on the activities of engineers (1969) and self-employed commercial agents (1976)(18), which have been before the Council for many years, have not yet been adopted.

In the field of freedom of establishment and freedom to provide services, the monitoring of compliance with Community law is of particular importance. The number of infringements of directives adopted pursuant to Article 57 of the EEC Treaty on freedom of movement for persons exercising self-employed activities or those of a social service nature (doctors, nurses, dentists, midwives, lawyers, hairdressers and persons providing services incidental to transport) has doubled by comparison with the previous year. In many cases infringements consisted of the fact that the national implementing measures had not been notified once the directive had been transposed but in certain cases the measures adopted did not conform to the directive and discriminated (Articles 52 and 59 of the EEC Treaty) with regard to the taking up of an occupation, on grounds of nationality, especially in France and Italy.

In the field of company law, the number of infringements of Article 54(3)(g) of the EEC Treaty on the coordination of the safeguards for the protection of the interests of members and others has fallen appreciably by comparison with the previous year.

Cases in which the Court of Justice has delivered judgments with which the Member States have not yet complied are particularly serious.

These relate to failure to apply directives on

- freedom of establishment and freedom to provide services for veterinary surgeons (Italy)(19);
- the taking-up of the business of the credit institutions (Belgium and France)(20);
- the taking-up of the occupation of transport operator (Italy)(21);
- direct insurance (the Netherlands)(22).

Nine other actions for infringement or failure to apply directives on freedom of movement for doctors(23), dentists(24), and nurses(25) are at present pending before the Court of Justice of the European Communities.

The Commission's second annual report on the monitoring of the application of Community law - 1984 -(26) supplies more detail on the shortcomings ascertained in this field. Following the adoption by the European Parliament on 9 February 1983 of a resolution on the responsibility of the Member States for the application of Community law(27), the Commission undertook to submit to Parliament annually a detailed report on the monitoring of the application of Community law. This report reveals the instances of failure by the Member States to fulfil their obligations under the Treaty and the measures taken by the Commission in each sector of Community activities.

In the field of transport, the Court of Justice of the European Communities held, in its judgment of 22 May 1985, that the Council has, in infringement of the Treaty, failed to guarantee freedom to provide services in the field of international transport and to lay down the conditions under which non-resident carriers may operate transport services within a Member State(28). This judgment was delivered following an action for failure to act brought before the Court of Justice on 22 January 1983 by the European Parliament on the basis of its resolution of 16 September 1982(29).

- (1) Case 2/74, Reyners, [1974] ECR 631
- (2) Case 33/74, van Binsbergen [1974] ECR 1299
- (3) OJ No. L 339 of 27.12.1984, p. 21
- (4) OJ No. C 149 of 14.6.1982, p. 129
- (5) COM (84)730 final
- (6) OJ No. C 23 of 25.1.1985, p.11
- (7) OJ No. C 13 of 15.1.1985, p.3
- (8) OJ No. C 214 of 14.8.1984, p. 10
- (9) OJ No. C 172 of 2.7.1984, p. 9
- (10) OJ No. C 208 of 8.8.1984, p.9
- (11) OJ No. C 77 of 19.3.1984, p. 140
- (12) OJ No. C 153 of 13.6.1984, p. 4
- (13) OJ No. C 12 of 14.1.1985, p. 125
- (14) OJ No. C 35 of 18.2.1981, p. 3 et seq.
- (15) OJ No. C 277 of 17.10.1983, p. 160
- (16) OJ No. C 40 of 15.2.1984, p. 4
- (16a) Not yet published in OJ
- (17) See resolution of the European Parliament of 17.10.1980, OJ No. C 291 of 10.10.1980, p. 96 et seq.
- (18) Following the opinion of the European Parliament of 12 September 1978, OJ No. C 239 of 9.10.1978, p. 17 amended by the Commission on 15.1.1979, OJ No. C 56 of 2.3.1979, p.5
- (19) Case 221/83, judgment of 18.8.1984
- (20) Case 300/81 and Case 301/81, judgments of 1 March 1983
- (21) Case 28 and Case 29/81, judgments of 10 November 1981; Case 273/82, judgment of 11.10.1983
- (22) Case 160/82, judgment of 15.12.1982
- (23) Case 306/84 against Belgium, Case 232/83 against the Netherlands, Case 96/85 against France
- (24) Case 223/83 against Germany and Case 219/83 against the Netherlands
- (25) Case 29/84 against Germany, Case 307/84 against France, Case 198/84 against Luxembourg and Case 100/85 against Belgium
- (26) COM (85) 149 final
- (27) OJ No. C 68 of 14.3.1982, p. 32 on the basis of the Sieglerschmidt report drawn up on behalf of the Legal Affairs Committee (Doc. 1-1052/82)
- (28) Case 13/83, European Parliament v Council
- (29) OJ No. C 267 of 11.10.1982, p. 62



FISCAL HARMONIZATION

A. Background

Article 99 of the EEC Treaty entrusts the institutions of the EEC with the task of achieving harmonization of national legislation on indirect taxes. Although the Treaty contains no specific article on direct taxes, Articles 100 to 102, which provide the general basis for approximation of legislation, can also serve as a legal basis for harmonization of direct taxes.

The Court of Justice has stipulated that implementation of Article 99 does not constitute a prior condition for application of Articles 95 and 96; whatever the disparities between national fiscal systems, Articles 95 and 96, which apply with direct effect, are intended to eliminate, before any harmonization, any national fiscal measure liable to create discrimination between imported or exported products and equivalent national products. Article 99 is intended to reduce obstacles to free movement resulting from differences between national taxation systems, even if these systems are applied in a non-discriminatory way(1).

The European Parliament's considerable interest in this subject is demonstrated by a number of questions and reports(2).

B. Indirect taxes

1. Value added tax

Harmonization has hitherto involved arrangements for levying VAT and establishing a common basis of assessment. The harmonization of VAT rates has not yet been embarked on and the Commission does not intend to address itself to the problem in the immediate future(3).

The following proposals for directives are currently under consideration(4) :

- amendment to the proposal for a seventeenth Council directive relating to VAT on the temporary importation of goods other than means of transport(5).
- proposal amending Directive 72/461/EEC on health problems affecting intra-Community trade in fresh meat and Directive 72/462/EEC on health and veterinary inspection problems upon importation of bovine animals and swine and fresh meat from third countries(6).

Parliament adopted the resolution on this proposal contained in Mrs van Rooy's report, which also proposed certain amendments to the Commission's text(7).

- proposal amending Directive 69/335/EEC concerning indirect taxes on the raising of capital(8).

By adopting the resolution contained in Mr Friedrich's report, Parliament approved this proposal, which seeks to reduce indirect taxation on the raising of capital(9).

- proposal for a twentieth directive on derogations in connection with the special aids granted to certain farmers to compensate for the dismantlement of monetary compensatory amounts applying to certain agricultural products(10).

Parliament adopted Mr Beumer's report(11), which called on the Commission to submit an amended proposal with a view to:

1. ending the granting of aid by the end of 1991 at the latest,
2. granting aid only in respect of products for which MCAs were previously paid and where the new green currency rate has caused market and intervention prices to fall,
3. ensuring that aid does not exceed the amount of dismantled MCAs,
4. gradually reducing aid.

The Commission partly adopted Parliament's proposals by amending the directive to provide for no aid beyond the end of 1991(12).

- proposals for eighteenth and nineteenth Council directives amending Directive 77/388/EEC on the harmonization of the laws of the Member States relating to turnover taxes. (Common system of VAT)(13)
- proposal for a sixteenth Council directive relating to a common system of VAT on certain goods on which value added tax has been finally paid and which are imported by a final consumer in one Member State from another Member State(14).

By adopting the resolution in the Rogalla report, Parliament rejected the proposal on fundamental grounds, considering that the simplest solution would be to stop taxing used goods, on which tax had already been correctly paid in the internal market, on import into another Member State(15).

2. Excise duties

The Commission adopted two new Council proposals on the harmonization of taxes on alcoholic drinks:

1. Harmonization of excise duties on fortified wine;
2. Certain rules on indirect taxes which affect the consumption of alcoholic drinks(16).

(1) The most important consideration is to ensure that the excise duties on wine and beer are the same in each Member State, while leaving Member States free to set the rate for the time being; the rates will be harmonized at a later stage. It is therefore proposed that the excise duty should be the same for all products to which alcohol has been added, with the same alcoholic strength, and the duty should be between 20% and 65% of the excise duty on a spirit with the same alcoholic strength.

(2) The same rate of VAT must be applied in each Member State to each of the three categories: (a) wine and beer, (b) intermediate beverages and (c) spirits. These rules are coupled with standstill arrangements to facilitate further harmonization later.

3. Exemptions

Parliament adopted the resolution in Mr Cassidy's report(17), which called for an increase in tax free allowances for travellers from third countries as from 1 January 1985 to 150 ECU for travellers aged 15 or over and to 50 ECU for travellers aged under 15.

The Commission amended its proposal, taking Parliament's views partly into account, and asked that the allowance should be raised to 100 ECU in one stage(18).

The following proposals are under consideration:

- proposal for a regulation amending Regulations 918/83 and 950/68 in respect of the tariff treatment applicable to goods contained in traveller's personal luggage or sent in small consignments to private individuals(19).

Parliament adopted the resolution in Mr Cassidy's report, which called for the allowance to be increased to 250 ECU(20).

The Commission partly adopted Parliament's views by amending its proposals as follows:

Travellers aged 15 or over: 100 ECU (instead of 60)
aged under 15 : 50 ECU (instead of 30)

Flat rate duty: 200 ECU (instead of 150)(21).

C. Direct taxes

The Commission approved a memorandum on equal treatment for men and women in the matter of income tax. The memorandum was principally intended to provide a basis for discussion at Community level by considering equal treatment in various areas of the tax system on the basis of a description of existing tax systems. The main conclusion was that separate taxation offered the best guarantee of equality.

Parliament's Committee of Inquiry into the situation of women in Europe prepared a report on the subject which reached the same conclusions as those in the Commission memorandum(22).

The Commission adopted a proposal for a directive on the harmonization of the laws of the Member States relating to tax arrangements for the carry-over of losses of undertakings(23).

Parliament adopted the resolution contained in Mr Abelin's report(24), which generally followed the Commission's proposal, with some amendments.

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- (1) Case 171/78, Commission v Denmark, of 27.2.1980 (1980) ECR 447, and Case 55/79, Commission v Ireland, of 27.2.1980 (1980) ECR 481
 - (2) The reports are listed in the sections below. The following written questions may be mentioned by way of information: by Mr Rogalla - 82/84 in OJ No. C 216, p. 5 of 16.8.1984 and 2185/83 in OJ No. C 222, p. 13 of 23.8.1984; by Mrs Schleicher - 745/84 in OJ No. C 26, p. 12 of 28.1.1985; by Mr Welsh - 1053/84 in OJ No. C 97, p. 5 of 18.4.1985; by Mr Vandemeulebroucke - 1472/84 in OJ No. C 118, p. 6 of 13.5.1985; by Mr Gautier - 320/84 in OJ No. C 292, p. 1 of 3.11.1984; by Mr Muller-Hermann - 267/84 in OJ No. C 240, p. 25 of 10.9.1984; by Mr Welsh - 211/84 in OJ No. C 240, p. 23 of 10.9.1984; and by Mr Vernimmen - 238/84 in OJ No. C 232, p. 14 of 3.9.1984
 - (3) See the reply to the Written Question by Mr Beyer, 1143/83 in OJ No. C 24, p. 27 of 30.1.1984
 - (4) Only proposals that have been amended during the period under consideration are mentioned here. See also the corresponding section of the same document for the period June 1983 to June 1984, PE 90.700
 - (5) COM(85) 58 final of 20.2.1985 and COM(84) 412 final of 10.8.1984
 - (6) COM(85) 57 final of 1.3.1985
 - (7) Doc. 2-1136/84 of 3.12.1984
 - (8) COM(84) 403 final of 12.9.1984
 - (9) Doc. 2-1342/84 of 4.1.1985
 - (10) COM(84) 391 final of 16.7.1984
 - (11) Doc. A 2-0015/85 of 3.4.1985
 - (12) COM(85) 209 final of 3.5.1985
 - (13) COM(84) 648 final of 22.11.1984 and final 2 of 6.12.1984, COM(84) 649 final of 30.11.1984
 - (14) COM(84) 318 final of 18.7.1984
 - (15) Doc. 2-1135/84 of 3.12.1984
 - (16) COM(85) 150 final and COM(85) 151 final, both of 19.4.1985
 - (17) Report on the harmonization of provisions laid down by law relating to exemption from turnover tax and excise duty, Doc. 2-1341/84 of 4.1.1985
 - (18) Amendments to the proposal for a Council directive amending Directive 69/169/EEC, COM(85) 82 final of 1.3.1985
 - (19) COM(84) 626 final of 16.11.1984
 - (20) Doc. 2-1568/84 of 6.2.1985
 - (21) COM(85) 169 final of 24.4.1985
 - (22) Doc. 2-1759/84 and opinion by Mrs Van Hemeldonck, PE 97.433 fin.
 - (23) COM(84) 404 final of 6.9.1984
 - (24) Doc. 2-1340/84 of 4.1.1985



SOCIAL POLICY

The adverse trend in the social field in recent years continued during this period. Unemployment increased and there was a tendency to reduce social benefits, which aggravated the situation of various social groups, especially the long-term unemployed and migrant workers. The tendency of the Council in recent years to reach agreement only on the adoption of non-binding declarations of intent also continued. A whole series of proposals for directives are thus awaiting a Council decision. These proposals for directives concern:

- (1) voluntary part-time employment;
- (2) temporary employment;
- (3) parental leave and leave for family reasons;
- (4) equal treatment for men and women as regards employment-related social security measures;
- (5) equal treatment for self-employed men and women, including farmers;
- (6) hearing of and provision of information to employees of multinationals (the Vredeling proposal).

The European Parliament has repeatedly called on the Council to adopt these proposals.

On 12 June 1985 for instance the European Parliament adopted two resolutions on the social situation and the Council's failure to take a decision on directives on social issues, the labour market situation and equal treatment for men and women(1), in which it called on the Council of Employment and Social Ministers to adopt at least some of these proposals at its meeting on 13 June 1985. The Council did not however act on this request. It did however adopt a recommendation on social security for volunteer development workers (see below), and agreed on

- (a) a resolution concerning guidelines for a Community policy on migration (see below) and
- (b) a decision on the comparability of vocational training qualifications between the Member States.

The purpose of this decision is to enable workers to make better use of their qualifications, especially when seeking employment in another Member State. The European Parliament delivered its opinion on the proposals on 17 February 1984 (see Main aspects of the construction of Europe, June 1983 - June 1984, PE 90.700).

Lastly, on 13 June 1985 the Council adopted conclusions concerning specific employment measures(2) in which it mentions the need to define and organize a European social dimension 'that will ensure continuous adaptation of social norms appropriate to a modern economy, protecting the competitiveness of firms'. It calls on the Commission to promote coordinated action to develop Community and national projects aimed at creating new job opportunities and new undertakings. Such projects should be eligible for aid from Social Fund resources earmarked for innovatory measures (5% of the Fund's resources).

I. Employment and the labour market situation

The employment situation in the Community as a whole has anything but improved in the past year although the inflation rate is falling and the gross national product increasing in most of the Member States. In April 1984 the unemployment figure stood at 12.2 million and increased to 12.6 million in April 1985 (excluding Greece). 11.2% of the labour force are thus unemployed.

1. Long-term unemployment

Not only has overall unemployment increased in recent years, the average period of unemployment has also lengthened. In October 1980 just under 25% of the registered unemployed had been unemployed for more than one year. By October 1984 the figure had increased to almost 40% or some 5 million unemployed. More than half of those 5 million had been unemployed for more than 2 years. The social and economic costs, as well as the psychological consequences for the long-term unemployed, are considerable and result in increasing poverty since legal entitlement to unemployment benefits lapses after a certain time so that the long-term unemployed then have to rely mainly on supplementary benefits.

In its resolution of 30 March 1984 the European Parliament emphasized the serious social consequences of unemployment, and in September 1984 the Commission submitted a communication to the Council on action to combat long-term unemployment which included a draft resolution(3). In its resolution of 25 October 1984(4) on the basis of a report by Mrs MAIJ-WEGGEN(5), Parliament endorsed the objectives set by the Commission but considered the measures proposed for combating long-term unemployment to be inadequate. On 13 December 1984 the Council of Employment and Social Ministers agreed in principle to the draft resolution on action to combat long-term unemployment, which was formally adopted on 19 December 1984(6).

The Committee on Social Affairs and Employment has introduced a new procedure during the second parliamentary term. When the Council adopts a legal act concerning matters in its remit, the committee investigates the extent to which the Council has incorporated Parliament's amendments.

In her comparative working document on the Council resolution on action to combat long-term unemployment(7), Mrs MAIJ-WEGGEN notes that Parliament's most important amendments were not taken into consideration and concludes that the final text proves that the Council does not have the political resolve to take practical joint action on behalf of the long-term unemployed. For instance, the Council adopted a substantial text on the need to establish special work programmes for the long-term unemployed, but did not accept any obligation to provide such programmes for all persons unemployed for one year as proposed by Parliament. Nor did it undertake to provide a social benefit supplement for unemployed persons involved in such programmes. Parliament's proposals for positive action against moonlighting were also not included in the Council's resolution. As regards measures at Community level, Parliament's proposal that Social Fund resources be doubled within five years evoked no response and the Council did not endorse the proposal to create a Community institute for the study of unemployment.

2. New Commission's priorities in the field of social affairs and employment

On 16 April 1985, on the basis of an own-initiative report drawn up on behalf of the Committee on Social Affairs and Employment(8) by Mr Tuckman, Parliament adopted a resolution on the new Commission's priorities in the field of social affairs and employment(9). The report was debated at the March part-session in connection with the new Commission's work programme for 1985, but voting was deferred until the April part-session. In its resolution, Parliament called on the Commission to give priority to the following issues:

- unemployment, with particular reference to youth unemployment, unemployment amongst women and long-term unemployment,
- greater flexibility in the labour market,
- the reorganization of working time negotiated on a voluntary basis between employees and employers,
- development of employee participation in decision-making, on the basis of the existing directives as amended by the European Parliament,
- vocational training,
- the social consequences of the new technologies,
- the promotion of small and medium-sized undertakings and other sources of new employment,
- the harmonization of social security systems in the European Community,
- the situation of disadvantaged social groups at a time of diminishing employment and increasing poverty, and the adoption of measures to tackle the growing phenomenon of xenophobia.

3. Other resolutions on action to combat unemployment and youth unemployment

Over the years, the European Parliament has repeatedly emphasized that absolute priority must be given to combating unemployment.

On 12 December 1984 for instance Parliament adopted three resolutions pursuant to Rule 42(5) of the Rules of Procedure on combating youth unemployment(10) in which reference was made to the fact that declarations by the Council and the Commission of their intention to concentrate all their efforts on combating youth unemployment had not been put into practice and that the Social Fund share of the budget had been steadily decreasing since 1983. Parliament condemned the lack of determination on the part of the governments of the Member States to take appropriate action and coordinated measures to combat youth unemployment and the unwillingness of the Council to coordinate measures for the redistribution of employment in the form of a reduction of working hours. Parliament also proposed that undertakings cooperate in training associations and that training systems be adapted to the requirements of the new technology. Lastly, Parliament considered that shorter working hours, varying according to industry, region and size of undertaking, bearing in mind the need for European industry to be competitive, voluntarily negotiated by the two sides of industry, would be of assistance in combating youth unemployment.

On 16 April 1985, during the April part-session, Parliament adopted five resolutions pursuant to Rule 42(5) of the Rules of Procedure on unemployment and the labour market(11). Parliament called on the Commission and the Council to draw up a multiannual European plan for employment and work which should include adjustment of the labour market through greater mobility and flexibility, and the reduction and restructuring of working hours so that the available work could be shared out more efficiently, and called on the Council to adopt directives on part-time and temporary work. Parliament also proposed that the creation of new jobs in the non-commercial sectors should be given aid in the form of public finance in place of the existing welfare measures for the unemployed.

Parliament stressed the importance of social dialogue and of information and hearings for instance on the introduction of new technology, and called on the Council to adopt the Vredeling directive and the Fifth Company directive. It also advocated vocational training more geared to the needs of undertakings. Lastly, it felt that there should be greater coordination between the Social Fund, the Regional Fund and Community loans for investments in order to combat unemployment more effectively.

II. Social security

The number of volunteer development workers from Community countries is currently estimated at some 10 000. Partly because of 'gaps' in some Member States' welfare legislation, volunteer development workers run the risk of losing all or some of their social security rights both during the time spent in developing countries and on their return home. To ensure that such workers are not penalised as regards welfare legislation compared with other Community workers, the Commission submitted a draft Council recommendation on social security for volunteer development workers(12) in December 1984.

In its resolution of 17 April 1985, based on the report by Mrs BANOTTI(13) the European Parliament welcomed the effort to improve social security for volunteer development workers but pointed out that a binding directive would be preferable to a non-binding recommendation.

On 13 June 1985 the Council of Employment and Social Ministers adopted guidelines in the form of a recommendation on social protection for volunteer development workers(14).

Two important points made by Parliament were taken up by the Council in the preamble to its recommendation: volunteers should be qualified in areas relevant to development work, and the aim of their work was to promote the economic, social and cultural development of the developing countries.

On the other hand, Parliament's proposal that persons recruited direct by Third World governments should also be covered by the recommendation was not taken up, nor did the Council incorporate Parliament's proposal that unemployment benefits be granted not only after the volunteers' return home but also during the preparatory period.

III. Social Fund

1. Statistical machinery to establish the order of priority to be applied when granting Social Fund assistance to regions

One characteristic of the Social Fund is the geographical concentration of aid. Under the new provisions adopted in 1983, 40% of the aid has to go to the following priority countries or regions: Greece, Ireland, Northern Ireland, the French Overseas Departments and the Mezzogiorno.

In order to arrive at as objective a method as possible for allocating the remaining 60% of appropriations to the other regions of the Community, the Commission submitted a communication to the Council in July 1984 on statistical machinery to establish the order of priority to be applied when granting Social Fund assistance to regions(15).

The method proposed will supplement the guidelines for management of the Fund and ensure that aid is concentrated in areas where the need is greatest. The method proposed by the Commission for establishing priority areas depends on the calculation of indicators based on statistics for unemployment and per capita gross national product in each area, weighted as follows: 70% for unemployment (80% for youth unemployment and 20% for adult unemployment) and 30% for gross national product. The areas to which the calculations apply are smaller geographical entities, level III areas, than those previously used for the Social Fund.

Parliament delivered its opinion on this communication on 12 February 1985(17) on the basis of a report by Mr RAGGIO(16). Although Parliament appreciated the introduction of objective statistical criteria, it pointed out that the Commission's proposal left out two important indicators, namely for long-term unemployment and for areas undergoing industrial and sectoral restructuring. It also felt that per capita gross national product should be calculated on the basis of current exchange rates. It regretted that because of its technical limitations, the statistical machinery proposed could not reflect certain highly unfavourable local employment situations (black spots) in regions with a relatively high employment rate. Lastly, Parliament called for a resumption of the consultation procedure as soon as the list is ready of what, according to the proposed and, possibly, adjusted, statistical machinery, are priority areas. On 30 April 1985 the Commission adopted the guidelines for the management of the European Social Fund in the financial years 1986 to 1988(18). In determining which regions should be given priority, the Commission partly met Parliament's request that it concentrate resources on areas with high and long-term unemployment and/or undergoing industrial and sectoral restructuring (see below).

2. Guidelines for the management of the European Social Fund in the financial years 1986 to 1988

On the basis of the Council Decision 83/516/EEC on the ESF's tasks, the Commission requested the European Parliament's Committee on Social Affairs and Employment to deliver an opinion on its guidelines for the management of the European Social Fund in the financial years 1986 to 1988.

The resolution drawn up on the basis of the Bachys report(19) was adopted at the plenary sitting of 15 March 1985(20) and pointed out the need to emphasize the European character of ESF intervention since the ESF is the most important instrument available to the Community for combating unemployment especially youth unemployment.

Parliament stressed the need for Social Fund grants to be concentrated more on regions where the problems of unemployment, reconversion and restructuring are greatest in order to promote positive action for vocational training and job creation, especially for young people, with emphasis on practical working experience as regards technical developments.

A working document by Mr BACHY(21) comparing the European Parliament's proposals and the Commission's final decision of 30 April 1985(22) points out that the Commission does not have the technical means for implementing or adequate control mechanisms for meeting the European Parliament's request for a fairer allocation of Social Fund resources between men and women and between priority regions in different countries.

3. Other resolutions on the Social Fund

In accordance with Article 4 of the Regulation governing the application of the Social Fund, aid applications must be forwarded to the Commission by 21 October of the year immediately preceding the year for which the aid is requested and the Commission must take a decision by 31 March of the financial year concerned. If the budget is adopted after 1 March, the Commission is required to take a decision within 30 days of this date. As the 1985 budget had not been adopted by 1 March 1985, the application of Article 4 gave rise to differing interpretations.

The Council appeared to believe that the Commission could not take decisions on aid applications before the final adoption of the budget. In two resolutions tabled pursuant to Rule 42(5) of the Rules of Procedure and adopted on 10 May 1985(23), Parliament proposed that the system of provisional twelfths should be applied to the Social Fund and that payments should be made without waiting for the budget to be adopted, to avoid jeopardizing the completion of projects which were dependent upon a decision to grant aid from the Social Fund, this being particularly true for private associations.

The budget for the financial year 1985 was adopted on 13 June and the Commission decided on the Social Fund aid applications on 19 June.

IV. IMPROVING LIVING AND WORKING CONDITIONS

1. Poverty

In the mid-1970s it was estimated that in the nine Member States some 30 million people could be described as poor, since their income was less than half of the average income per inhabitant in the Member State of which they

were citizens. As a result of the economic crisis, industrial upheavals and changes in the structure of family life, this figure is probably even higher in 1985. During the period 1975-1980, the Community implemented a first programme of pilot projects and studies to combat poverty. It is clearly apparent from the conclusions of this first programme that both the Community and individual Member States should take more specific action. In its resolution of 7 July 1983 the European Parliament called for a follow-up to the first programme. In July 1984 the Commission submitted a proposal for a Council decision on specific Community action to combat poverty(24) which was adopted by the Council in December 1984(25).

Parliament delivered its opinion on the proposal on 25 October 1984(26) on the basis of a report by Mr MEGAHY(27), deploring the fact that the Commission's proposal was both unclear and insufficiently specific and pointing out that most of the second programme, namely 80% of the appropriations, should be used for action research and demonstration projects that should as far as possible actively involve poor people or people threatened with poverty since Parliament firmly believed that the poor can improve their condition provided they are given the means to do so.

In a working document comparing the Council decision with the Commission proposal and Parliament's amendments(28), Mr MEGAHY said that Parliament had really influenced the final decision in one important area since the programme focussed on action. On the other hand, Parliament proposal that the programme should complement but not overlap other Community measures or programmes in individual Member States was ignored. Nor did the Council follow up the proposal for 'active' participation by the persons concerned. It also completely ignored Parliament's amendment to the effect that, before implementing programmes, the Commission should draw up a list of proposed projects for approval by the Council and Parliament. Lastly, the Council cut the duration of the poverty programme from 5 to 4 years and the budget from 35 m ECU to 25 m ECU.

2. Migrant workers

The economic crisis and the constant increase in unemployment have led to a deterioration in the living and working conditions of many migrant workers.

In its resolution of 18 November 1983(29) on the basis of the NIELSEN report(30) Parliament discussed the problems of migrant workers and called on the Commission to draw up proposals on the subject. In March 1985 the Commission submitted a communication to the Council containing a draft resolution on guidelines for a Community action policy on migration(31) in which it proposed three main lines of Community action:

- 1) development, adjustment and simplification of Community legislation for migrant workers who are citizens of the Member States
- 2) consultation between Member States and the Commission on problems faced by migrants from third countries, and introduction of Community guidelines to deal with such problems
- 3) information for migrants, including action to make them aware of their rights.

The Parliament discussed the draft on the basis of the MARINARO report(32) at its April 1985 part-session but, as 160 amendments had been tabled, deferred voting until the May part-session(33).

Although on the whole Parliament could endorse the approach taken by the Commission in its proposal, it tightened up the draft Council resolution by tabling amendments calling on the Commission to submit practical proposals for implementing the priority measures and called on the Council to undertake to do everything in its power to implement the proposed measures before the end of 1986.

Parliament also emphasized the need for coordination of national laws in order more effectively to combat increasing manifestations of racism and xenophobia. It called on the Commission to submit proposals on the right of workers from Member States to vote and stand for election at local level and

emphasized that host countries should grant Community citizens who have spent at least 5 years in a Member State other than their own, the right to vote in European elections. As regards migrant workers from third countries, Parliament favoured gradually extending to them the social rights of migrant Community workers on the basis of negotiated agreements, but pointed out that social benefits could be transferred to their country of origin only through agreement between the Member States and the third countries concerned. The right of families to be united should be granted to third country workers in accordance with the provisions of the European Convention on the legal status of migrant workers.

Parliament called on the Council to adopt the 1978 proposal for a directive on the approximation of Member States' laws to combat illegal employment.

Lastly Parliament regretted that the Commission's communication did not discuss the statute on the rights of migrant workers despite its repeated requests, and felt that the Commission had not put forward adequate practical proposals for solving the special problems of the children of migrant workers.

At its meeting of 13 June 1985, the Council of Employment and Social Ministers adopted an attenuated version of the Commission's draft resolution(34) thereby ignoring various of Parliament's requests. It did not undertake to implement the priority measures listed in the resolution within a specific time.

- (1) Not yet published in the OJ
- (2) OJ No. C 165/85, p.1
- (3) COM(84) 484 final
- (4) OJ No. C 315/84, p.69
- (5) Doc. 2-786/84
- (6) OJ No. C 2/85, P.3
- (7) PE 97.107
- (8) Doc. 2-1753/84
- (9) OJ No. C 122/85, p.63
- (10) OJ No. C 12/85, p.48
- (11) OJ No. C 122/85, p.53
- (12) COM(84) 710 final
- (13) Doc. A 2-2/85 and OJ No. C 122/85, p.86
- (14) OJ No. L 163/85, p.48
- (15) COM(84) 344 final
- (16) Doc. 2-1333/84
- (17) OJ No. C 72/85, p.41
- (18) OJ No. L 133/85, p.26
- (19) Doc. 2-1776/84
- (20) OJ No. C 94/85, p.147
- (21) PE 98.865
- (22) OJ No. L 133/85, p.26
- (23) Not yet published in the OJ
- (24) COM(84) 379 final
- (25) OJ No. L 2/85, p.24
- (26) OJ No. C 315/84, p.85
- (27) Doc. 2-785/84
- (28) PE 97.597
- (29) OJ No. C 342/83, p.139
- (30) Doc. 1-811/83
- (31) COM(85) 48 final
- (32) Doc. A2-4/85
- (33) Not yet published in the OJ
- (34) OJ No. C 186/85, p. 3

POLICY ON HEALTH AND CONSUMER PROTECTION

Parliament has done a considerable amount of work in this sector, particularly in the area of public health. Issues pertaining more directly to consumer protection have not shown any significant development. The new Member of the Commission for this sector did attempt to jog the Council on a number of matters, particularly the proposals on liability for faulty products and on contracts negotiated outside business premises. However, the Council was unable to reach a final decision on these proposals although at its meeting in May 1985 it did achieve some progress on the first of them.

Mention should also be made of the decision taken by the Council in September 1984 on the directive relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising(1).

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At its November 1984 part-session Parliament considered a draft recommendation concerning the adoption of a European emergency health card(2). The idea was to adopt an appropriate form of legislation allowing any person suffering from a serious or chronic illness requiring urgent treatment to carry a European emergency health card. Parliament delivered a favourable opinion on this proposal calling for the card to be issued to any person who so wished and for measures to prevent its use for any invasion of privacy or the violation of medical secrecy.

The use of extraction solvents in the production of foodstuffs was the subject of a proposal for a directive which was considered by Parliament during the December 1984 part-session(3). It welcomed the proposal, in which the positive list strategy was again adopted, but regretted the excessive number of national derogations which might well reduce the directive's Community impact and make effective checks difficult. It hoped that the Commission would submit proposals on purity criteria for the major solvents and their possible reactions with foodstuffs and the environment.

Parliament adopted ten amendments to the proposal, all tabled by its committee responsible. The Commission was able to accept seven of them. The proposal is still before the Council.

At the part-session in February 1985, Parliament delivered its opinion on a Commission proposal on the designations used in the marketing of milk and milk products(4). Its aim was to inform consumers by establishing a clear distinction between milk products, imitation and non-milk products, and new foodstuffs made in part from dairy ingredients. In Parliament's view the proposal was not convincing. While the Community did promote imports of milk substitutes to the detriment of genuine milk products, the Commission's proposal appeared to give no guarantee that it would lead to an increase in the consumption of milk products. It concluded further that the proposal was ill-conceived and that if action was to be taken it should be done by means of an amendment to the 1979 food labelling directive. Parliament did however adopt the Commission's proposal with seventeen amendments, two of which were accepted by the Commission.

During the same part-session, Parliament adopted the text of a proposal for a directive on the protection of workers by the proscription of specified agents and/or work activities(5). These substances are generally known for their carcinogenic properties and most of the Member States have already outlawed their use. Parliament welcomed this proposal to ban these products at least where use of other means available does not make it possible to ensure adequate protection. The main products involved were chemical agents used in the preparation of colouring matter, pesticides and antioxidants. Parliament regretted that the list of prohibited products, annexed to the proposal for a directive, did not include aromatic amines and, most importantly, benzidine. It considered that the deadline set for the Member States to apply the directive should be brought forward by one year to 1 January 1986. In the

wake of the disaster in Bhopal, it expressed reservations about the exemptions allowed under the directive and called for strict controls. It hoped that a framework directive would be adopted outlining the general approach to be followed in this field and that limit values would be established for dangerous substances. Six amendments were adopted during the vote. The Commission accepted all of them except the amendment relating to the deadline for application. The Council has not yet taken a decision.

By contrast, Parliament called on the Commission to revise its proposal on the Second PCB/PCT directive relating to restrictions on the marketing and use of certain dangerous substances and preparations. The use of polychlorinated biphenyls and terphenyls as the cooling medium in electrical transformers presented serious danger if fire occurred (release of dioxin). But it appeared more hazardous to attempt to dispose of them in view of the limited capacity of disposal installations(6).

Parliament voted the eleven amendments tabled by its committee responsible seeking to establish, on the basis of an accurate assessment of the current capacity of disposal installations, a mandatory programme laying down time limits within which the elimination without risk of all plant and equipment affected by the second PCB/PCT directive can be carried out.

On 10 June 1985, Parliament delivered its opinion on a proposal for a directive amending existing directives on the composition of animal feedingstuffs(7). Three main objectives were proposed. First, the reduction of the level of aflatoxin, a toxic residue from certain feedingstuffs traceable in dairy products. Parliament was more severe than the Commission in reducing the maximum level of aflatoxin from 0.3 mg/kg to 0.2. The second objective was to fix maximum permitted levels for certain undesirable substances in the raw materials used for animal feedingstuffs and to restrict the delivery of these raw materials where the quantity of undesirable substances exceeds the maximum level, to recognized manufacturers of compound feedingstuffs. Finally it dealt with the control of descriptions and labelling of petfood which came within the scope of the directive on misleading advertising. Parliament adopted eight amendments.

During the May 1985 part-session, Parliament delivered its opinion on a draft Council resolution on a programme of action of the European Communities on toxicology for health protection⁸. Toxicological evaluations are becoming increasingly important in connection with the handling of chemical

substances. Toxicological tests are required by numerous Community directives. Toxicology represents an expanding field which cannot be tackled with the necessary speed at either national or Community level. It therefore requires the cooperation of all the institutions concerned with such matters.

For these reasons, Parliament supported the draft resolution while it hoped that the whole programme would be geared in the next few years to the problems of ecotoxicology and in particular to the toxicological evaluation of environmental chemicals.

On 19 April 1985, Parliament gave its opinion on two proposals for a directive to protect the consumer by providing an indication of the prices of foodstuffs and for non-food household products(9). The Commission proposed standard regulations enabling consumers to compare prices by indicating the selling price together with the unit price.

Parliament welcomed the fact that the Commission had extended the principle of displaying selling prices and unit prices to non-food products while stressing that this new indication should be shown as secondary. It felt however that the Commission should have given priority to increasing the range of standard sizes rather than introducing a unit pricing directive. It stressed that the possibilities for exemption particularly in the case of small retail businesses should be reduced while acknowledging that for these businesses posters could be required instead of labelling which was costly.

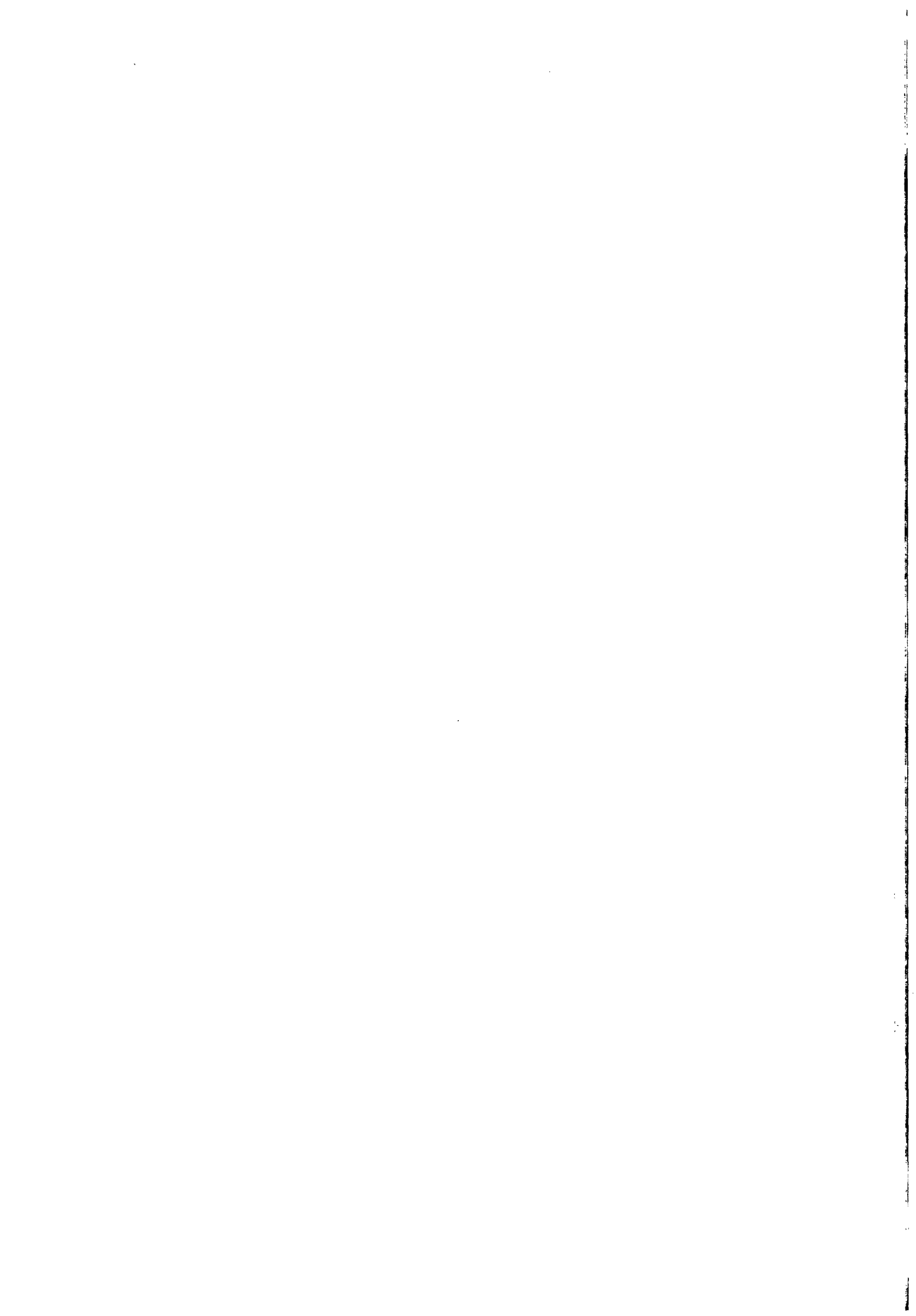
Parliament voted twelve amendments to these two proposals which are still before the Council.

The proposal for a directive on the approximation of the laws of the Member States relating to quick-frozen foodstuffs for human consumption concerns both the free movement of goods and the protection of consumers by maintaining the quality of quick-frozen foodstuffs. Parliament welcomed this proposal for a directive although it tabled fourteen amendments(10). In the resolution it adopted on 14 June 1985 on this proposal Parliament drew particular attention to the following points: the definition of the temperature of the product, the need to equip retail display cabinets with thermographs, the introduction of a 'stars system' enabling the date of minimum durability to be shown, the drawing up of a Community list of refrigeration fluids, improvement in the labelling of products, the adoption of a uniform procedure for sampling and analysis.

During the January 1985 part-session, Parliament expressed a favourable opinion on a number of proposals for directives under the simplified procedure. These proposals concerned food additives, prepackaged products, coffee and chicory extracts, health controls of fresh meat and the monitoring of foodstuffs intended for human consumption(11). Parliament paid particular attention to the proposal on health problems and health policy affecting the importation of meat products from third countries particularly as regards the need to prevent the introduction on Community territory of exotic animals diseases(12). It stressed that the proposal should be broadened to include certain meat products not yet covered by the directive and that imports of game and poultry meats from third countries should also be the subject of specific proposals.

In respect of foodstuffs, Parliament also delivered an opinion on a proposal for a directive laying down the list of simulants to be used for testing migration of constituents of plastic materials and articles intended to come into contact with foodstuffs. Parliament adopted the proposal without amendment. The resolution adopted on 14 June 1985 stressed that the proposal was incomplete and that the Commission should present further proposals and expand the number of simulants used in carrying out migration tests(13).

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- (1) OJ No. L 250, 19.9.1984
 - (2) OJ No. C 337, 17.12.1984, p. 450
 - (3) OJ No. C 12, 14.1.1985, p. 147
 - (4) OJ No. C 72, 18.3.1985, p. 127
 - (5) idem p. 131
 - (6) OJ No. C 94, 15.4.1985, p. 144
 - (7) Not yet published in OJ
 - (8) OJ No. C 141, 10.6.1985, p. 477
 - (9) OJ No. C 122, 20.5.1985, p. 148
 - (10) Not yet published in OJ
 - (11) OJ No. C 46, 18.2.1985, p. 6-7
 - (12) Doc. 1-939/84
 - (13) Not yet published in OJ



ENVIRONMENTAL POLICY

In the course of the parliamentary year under consideration, there has been intense activity on environmental policy, especially in the area of combating atmospheric pollution. Pressure from Parliament led the Council, during the same period, to hold several meetings in December 1984, and March and June 1985, devoted to environmental problems, and to take a number of decisions concerned mainly with permissible sound levels and exhaust systems of motor vehicles, hexachlorocyclohexane (HCH) discharges, the transfrontier shipment of hazardous waste, nitrogen dioxide, the lead and benzene content of petrol and motor vehicle exhaust gases.

1. Pollution of water

The constant assault made on the environment was thrown into sharp relief by spectacular accidents such as the wrecking of the Mont Louis in the North Sea. After several motions for resolutions on this issue had been tabled, Parliament called on the Commission in September 1984 to submit to it a report on the policy being followed with regard to the transportation of radioactive substances, dioxin residues, waste incineration plants and concentrations of formaldehyde(1). During the second part-session in October, Parliament devoted part of its topical debates to the pollution of the sea, and adopted two resolutions on the protection of the North Sea, with a view to the international conference which was to be held in Bremen on the 30th of the same month. These resolutions sharply condemn the dangers threatening the North Sea from the dumping of chemicals, agricultural and industrial waste, radioactive residues and oil products. They call on the Commission to ensure that the participating States draw up a convention on the protection of the North Sea which provides for a joint control and monitoring system, with direct executive powers. They suggest that a general register for the North Sea and its coastal regions should be drawn up and must become a binding standard for all uses of the sea and rivers(2).

On 15 March 1985 Parliament delivered a favourable opinion on a Commission proposal to supplement Annex IV of the Convention on the pollution of the Rhine. This convention and the recommendation by the International Commission for the Protection of the Rhine concern chemical pollution by cadmium(3).

At the sitting of 10 May 1985 Parliament considered a communication from the Commission on the protection of the environment in the Mediterranean basin(4). It approved the Commission's move to introduce an EEC strategy and plan of action (MEDSPA) in accordance with the 1982-1986 action programme on the environment. That programme itself, because of the large number of countries bordering the Mediterranean, takes account of the Barcelona Convention (1976) which enabled a Plan of Action for the Mediterranean (PAM) to be set up.

Parliament declared itself disappointed with the communication in that although it proposes a number of specific measures (protection of water resources, waste management, rational use of land, etc.) these are unconnected and do not form part of an overall plan. As far as long-term action is concerned, Parliament approved the proposal for the setting up of an Advisory Committee to collect information and define strategy and certain specific measures. It hoped that the Committee would draw up a memorandum stating the objectives and methods of Community action in the Community countries, in international conventions and organizations and in relations with other countries bordering on the Mediterranean.

2. Air pollution

In this field, Parliament delivered several important opinions concerning proposals on the lead content of petrol and motor vehicle exhaust gases, on nitrogen dioxide and on pollutants from large combustion plants. At the part-session in November 1984, Parliament first gave its view on the Commission proposal on air quality standards for nitrogen dioxide(5). It adopted twenty amendments aimed particularly at reinforcing the provisions to be laid down with regard to authorized limit values and guide values, measuring methods, the publicity given to the measures taken by the Member States and to notification to the Commission of instances in which the limit values are exceeded.

In the same part-session Parliament approved, despite its shortcomings, the Commission proposal on the limitation of emissions of pollutants into the air from large combustion plants, so as not to impede rapid consideration of the question at the meeting place of the Council of Environment Ministers on 6 December 1984(6). It made a large number of amendments - twenty-two altogether - to the Commission's text, aimed essentially at :

- shortening the deadlines stipulated in the programmes to be drawn up by the Member States with a view to gradually reducing total annual emissions of sulphur dioxide, dust and nitric oxide,
- considerably reducing limit values,
- taking account of old plants,
- and deleting most of the derogations provided for by the Commission.

Following the submission by the Commission of a modified proposal incorporating a number of minor amendments adopted by Parliament, the latter, during the part-session in June 1985, adopted a new resolution criticizing the Council's lax attitude to the matter and the irresponsible behaviour of the United Kingdom, which was regarded as the main polluter of the atmosphere(7). It asked the Council to open the conciliation procedure on this proposal, which, in its view, is of great importance. It asked the Member States, where necessary, to hold a referendum to establish whether consumers really were inclined to pay more to limit pollution.

The two Commission proposals on the lead and benzene content of petrol and on air pollution by motor vehicle exhaust gases were considered at the part-session in November, but were not voted on until the December part-session, the report having been referred back to committee because of the large number of amendments tabled(8). On the first proposal relating to lead in petrol, Parliament adopted thirteen amendments which were all, in fact, rejected by the Council. As for the Commission, it did not give Parliament the backing of a modified proposal, and the conciliation asked for by Parliament was not able to take place, the Council having claimed that the proposal for a directive did not meet one of the essential criteria for opening conciliation, that of having substantial financial implications. The most that the President of the Council did was to consult Parliament's representatives just before the meeting of the Council of Environment Ministers on 20 and 21 March 1985. Parliament nevertheless called for the opening of the conciliation procedure on the second outstanding proposal(9).

On this second proposal, on exhaust gases, Parliament adopted five amendments and, overall, cast its votes in such a way as to demonstrate its desire to bring forward the starting dates for implementation of the provisions without provoking a split in the common market should one or other Member State be tempted to act unilaterally, and giving clear guidelines to the automobile industry, which is responsible for choosing the most appropriate technologies to reduce pollutant gas emission levels by motor vehicles.

At the part-session in June 1985 it confirmed its decision of 12 December 1984 and requested the Council to decide on a method of setting European norms for exhaust gases, based on the equivalent American norms - a method which would be applicable to cars with a cubic capacity of more than 1400 cc.(10).

At the end of June 1985 the Council was able to make up its mind on pollutant gas emission norms. It set these norms according to three categories of vehicles: more than 2 litres cubic capacity, between 1.4 and 2 litres and under 1.4 litres. In the case of the first two categories, the deadlines are staggered over the period from 1988 to 1993, with regard also to whether they are new models or new cars. For the smallest category, it set intermediate values pending a decision to be taken in 1987 which would make the final norms compulsory in 1993-1994(11).

As regards atmospheric pollution, Parliament once more made its view known on the Bhopal disaster and smog pollution last winter.

At the December 1984 part-session Parliament, very shaken by the disaster in Bhopal in India due to toxic gases, asked the Commission to give emergency aid to the victims(12). It considered the lessons to be drawn from this accident both for the developing countries and within the Community.

It should also be noted that on 6 December 1984 the Council adopted the text of the directive on the supervision and control within the Community of the transfrontier shipment of hazardous waste(13).

Atmospheric pollution is one of Parliament's constant concerns. The high concentrations of sulphur dioxide registered in certain areas in January 1985 prompted Parliament to adopt a resolution calling on the Member States immediately to draw up emergency plans for combating atmospheric pollution(14).

It decided to organize a public hearing on smog, maximum emission levels and practical measures needed to tackle this kind of pollution effectively.

3. Noise

On the question of the permissible sound level of motor cycles, Parliament, at the part-session in May 1985, gave a favourable opinion on the proposal on this subject drawn up by the Commission. The Community had already acted in 1978 to set limit values on the sound level of motor cycles classified into five categories according to their cubic capacity. The aim of their new proposal is to lower the limit values, improve the method of measuring noise and reduce the number of categories to three, so that progress can be made towards a ban by 1 October 1995 on the use of any motor cycle not meeting the set standards.

In its opinion, Parliament brought the final deadline forward to 1st October 1990 and shortened the other deadlines in consequence(15). It retained the system of classification into categories for the transitional period. It removed the optional character of the 1978 directive during the transitional period: one year after the date on which the limit values come into force, the Member States shall ban new motor cycles which do not meet standards from the road. The proposal is under consideration by the Council. On the whole the Commission supports Parliament's amendments.

On 19 April 1985 Parliament delivered its opinion on a Commission proposal relating to the approximation of national laws on the noise emission of rail-mounted vehicles(16). It welcomed the stated aims of the proposal, namely the reduction of environmental noise and the taking of steps to avoid technical barriers to trade. It asked the Commission, however, rapidly to devise a more comprehensive policy for controlling and drastically reducing noise in the railway sector. It adopted six amendments to the proposal for a directive. One of the amendments provides for the withdrawal from operation as of 1 January 1989 of vehicles which have not obtained a certificate of conformity or from which the certificate has been withdrawn. The Commission stated that it could not endorse two of the amendments adopted, particularly the one relating to withdrawal from operation.

4. Conservation of fauna and flora

The senseless annual slaughter of seals has continued to arouse a deep sense of outrage in Parliament. Following various motions for resolutions, a resolution by the committee responsible was tabled before Parliament in March 1985, calling on the Commission to arrange for an extension for an indefinite period of the present directive banning imports of skins of certain seal pups and products derived from them. In the same resolution it called on the Member States to do everything in their power, as quickly as possible, to help save the monk seal in the Mediterranean, a species threatened with extinction(17).

In the case of whaling for commercial purposes, Parliament, at the request of the committee responsible, felt it necessary once more to put pressure on the Commission and the Council to ensure compliance by the Member States of the International Whaling Commission (IWC) with the decision by that body to put a stop to commercial whaling. The resolution adopted on 10 May 1985 is also intended to persuade the Danish Government and the Greenland authorities to reduce, or even to set temporarily at zero, the annual total quota for authorized captures(18). The Commission, the Council and the governments of the Member States were also requested to put diplomatic pressure on the Soviet Union, Norway and Japan to stop whaling by July 1986. In conclusion, the resolution calls on Portugal to have sperm whale hunts stopped immediately and to join the IWC.

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Just before the international meetings devoted to the environment - the European summit in May, the OECD meeting in June - Parliament wanted, in a resolution adopted on 18 April 1984, to emphasize its great interest in the implementation of the strategies drawn up by the international bodies(19). After listing the main points of these programmes, it called on the Heads of State and Government of the seven large Western industrial nations to agree on specific action to limit environmental pollution in their respective countries and not to seek to pass their responsibilities on to the international organizations.

- (1) OJ No. C 274, 15 October 1984, p. 36
- (2) OJ No. C 315, 26 November 1984, pp. 91 and 93
- (3) OJ No. C 94, 15 April 1985, p. 131
- (4) OJ No. C 141, 10 June 1985
- (5) OJ No. C 337, 17 December 1984, p. 434
- (6) OJ No. C 337, 17 December 1984
- (7) Not yet published in OJ.
- (8) OJ No. C 12, 14 January 1985, p. 65
- (9) OJ No. C 337, 17 December 1984, p. 446
- (10) Not yet published in OJ.
- (11) OJ No. C 12, 14 January 1985, p. 56
- (12) OJ No. C 12, 14 January 1985, p. 80
- (13) OJ No. L 326, 13 December 1984, p. 31
- (14) OJ No. C 72, 18 March 1985, pp. 82 and 84
- (15) OJ No. C 94, 15 April 1985, p. 140
- (16) OJ No. C 122, 20 May 1985, p 143
- (17) OJ No. C 94, 15 April 1985, p. 154
- (18) OJ No. C 141, 10 June 1985, p. 476
- (19) OJ No. C 94, 15 April 1985, p. 154



REGIONAL POLICY

1. From the point of view of the European Parliament the period June 1984 to June 1985 has been dominated by the problems connected with Integrated Mediterranean Programmes.

2. The Dublin summit meeting of the European Council in December 1984 rejected the revised proposals for such programmes presented by the Commission, largely because of their expense. The European Parliament had strongly supported these programmes(1) and therefore eagerly awaited the proposal from the new Commission that took office in January 1985 which embodied its ideas on how these programmes could be implemented. Following a provisional agreement on the financing of the programmes at the March meeting of the European Council in Brussels, the Commission issued its third proposal(2) for a regulation in April and the European Parliament's Committee on Regional Policy was able to adopt a report outlining its response in May(3). (The motion for resolution contained in this report was adopted by the European Parliament at its plenary session in June 1985.)

3. Another regional issue on which the Parliament was actively involved was the conciliation procedure with the Council concerning the amendment of the regulation establishing the European Regional Development Fund. The new fund came into operation on 1 January 1985(4) after a long and difficult period of gestation which is described in the preceding issue of this publication (June 1983 to June 1984). On 13 February 1985(5), the Parliament passed a resolution on the culminating stage of this process, the meeting between Parliament, Council and Commission in Luxembourg on 19 June 1984. This resolution drew attention in particular to the Joint Declaration adopted by the three institutions at that meeting and in particular to references in this Declaration to the need to give priority to the task of reducing regional disequilibria, to the supplementary nature of ERDF assistance, to the role performed by regional and local authorities and, lastly, to the potential impact of the Fund on employment, especially of young people and women.

4. The 1985 budget, adopted only in June 1985, provided 2 290 million ECUs in commitment appropriations for operations under the new ERDF regulation. This represents an increase of 7% on the 1984 figure and amounts to 8.1% of the total budget, slightly more than last year. The European Parliament was able to double that increase on the Commission's original proposal which the Council had been willing to concede but this still left the increase in the total size of the ERDF lagging behind that necessary to achieve a doubling over 5 years. However, the Council did accept an amendment by the Parliament to the budget, restoring the Commission's original proposal, which provided commitment appropriations to launch Integrated Mediterranean Programmes. The new budget line (Chapter 551) includes 120 million ECUs for this purpose.

5. Other issues that have been examined by the Parliament during this period include the Eighth and Ninth Annual Reports of the Commission on the ERDF(6), the Second Periodic Report on the social and economic situation and development of the regions of the Community(7), the 'second-generation' regional development programmes presented by the Member States(8) and the supplement to the second series of non-quota measures proposed under Article 13 of the old ERDF regulation(9).

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- (1) KAZAZIS report (Doc. 1-1530/83) and EP resolution of 29 March 1984 (OJ No. C 17/84, pp. 141-150)
 - (2) COM(85)180 final
 - (3) PE 97.559 (DE PASQUALE report)
 - (4) Council Regulation 1787 of 19.6.1984, OJ No. L 169/84
 - (5) OJ No. C 72/85, pp. 56-59
 - (6) NEWMAN report (Doc. A 2-5/85) and EP resolution of 6 May 1985
 - (7) COM(84)40 final/2 and PE 94.409 (SAKELLARIOU report)
 - (8) PE 96.375 (POETSCHKI report)
 - (9) PE 97.570 (HUTTON report)

THE COMMON AGRICULTURAL POLICY

The annual review of guaranteed prices and the granting of premiums and subsidies, the reform of the common agricultural policy and its cost are matters of concern to both producers and consumers. As regards the need for reform, the recently elected European Parliament has from the outset actively monitored the application of the Commission's proposals on the CAP, of 28 July 1983(1), which in turn were a response to a call made by the Stuttgart European Council of 18 June 1983 for a review of the CAP in which the basic principles would be observed in keeping with the provisions of Article 39 of the Treaty.

Efforts to reform the CAP have been reflected in the policy adopted by the Council in fixing guaranteed prices. These decisions, and more specifically the related measures - involving changes in some market organizations - have been the subject of cutbacks. This applies particularly to products which have exceeded a self-sufficiency rate of 100%. For 1984-1985, the Council reduced guaranteed prices, expressed in ECU, by 0.5% on average.

The most stringent measures have been taken in the common organization of the market (COM) in dairy products where one radical change has been the fixing of quotas and the introduction of a super-levy(2) in the event of the quota being exceeded.

Each Member State is guaranteed a maximum quantity of milk which will be exempt from the levy, the figure being fixed in advance. The Member States have had to choose between a system of individual quotas (A formula) and a system of quotas per dairy (B formula). If the farms or dairies exceed the quantities allowed, a levy of 75 to 100% of the target price - under the given system - is imposed. The system has been introduced for a period of five years. At the same time, the coresponsibility levy introduced in 1977 was raised from 2 to 3% for 1984-1985.

In view of the problems arising in the application of the system and the insecurity felt by farmers, the European Parliament(3) condemned the regulations adopted by the Council the previous year and proposed the gradual abolition of the coresponsibility levy, beginning with the levy on small producers and exempting mountain regions, while imposing a graduated tax on intensive dairy farms.

Parliament also called for effective marketing measures and for the resources from the coresponsibility levy to be used to finance measures to reduce milk production. For 1985-1986 the Council is applying a more restrictive policy on the quantity guaranteed than in 1984-1985 but which, as far as the coresponsibility levy is concerned, goes some way towards meeting the demands made by the European Parliament and the milk producers. The levy has been reduced from 3 to 2% of the target price. Collection of the super-levy will not be made until the end of the farm year. In accordance with Parliament's wishes, the Commission will submit a proposal to reinstate a system of premiums for cessation of milk deliveries in November 1985. Under the proposals, the quotas released can be bought up and, where appropriate, redistributed.

Since the introduction of the quota system has adversely affected incomes, investment and production structures, Parliament decided to set up, under the auspices of its Committees on Agriculture and Budgetary Control, a working party to assist it in monitoring closely Community policy and its implementation at national level.

In order to sell off a large proportion of the intervention stocks of butter (1.2 million tonnes in the autumn of 1984), the Commission organized special 'Christmas butter' sales to consumers of 280,000 tonnes and released a similar amount for export, mainly to the Soviet Union. Parliament has repeatedly condemned the export of very cheap butter to the USSR.

Following the changes last year in the organization of the market in fruit and vegetables with a view to the accession of Spain, this year there was a review of the organization of the market in wine, which is also very important for the enlarged Community, and a system of temporary and permanent abandonment premiums and premiums for the renunciation of replanting was introduced. The system of abandonment premiums had proved unsatisfactory and was modified to create greater incentives for abandoning production(4). In accordance with

the agreement in principle on wine policy, reached by the European Council in Dublin in December 1984, the Commission had revised its proposals on the distillation of surpluses and the enrichment of wine. In March 1985, the Council reached an agreement(5) to control production by making it obligatory to distil surpluses. In line with the European Parliament's earlier proposal for surplus products, production quotas were fixed for the various wine-producing regions in the Community. Wine produced in excess of the fixed ceiling must be distilled. In contrast to the arrangements for the COMs in cereals, processed fruit and vegetables and dairy products, the quota is not fixed until the size of the harvest is known. This measure satisfies Parliament(6) which, concerned by the recurrent crises in the wine sector, considers that the Commission should manage the market in order to guarantee a remunerative price for better quality table wine, while maintaining crops in areas suited to vine growing and in areas where there are no production alternatives. Parliament also advocates that small-scale producers should be safeguarded and more backward vineyards modernized. The problem of the addition of sugar has been raised on several occasions by the European Parliament which has registered its opposition to this process, notably during a conciliation meeting between the European Parliament, the Council and the Commission, on new agricultural regulations. The Commission does not intend to propose measures to replace sugar with concentrated must until 1990, on the basis of the results of a study.

In the oils and fats sector, the European Parliament has advocated for many years an overall production and import policy; it has continued to insist on this point. Nonetheless, in its opinion on farm prices for the 1985-1986 marketing year, it refrained from asking yet again for the introduction of a levy on production and imports.

In the case of cereals, the European Parliament is against the proposed reduction in the guaranteed price, given that the problem of limiting imports of corn gluten is far from having been resolved. In 1984, the Council had decided that in the event the guarantee threshold being exceeded, the price for the following marketing year should be reduced by a percentage fixed in advance. In the face of political pressure, the Council was forced to abandon these plans which would have meant a reduction of 3.6%. In both the European Parliament and the Economic and Social Committee there has been strong opposition to the Commission's restrictive cereals policy. The Economic and

Social Committee therefore decided not to deliver an opinion on the farm price proposals and related measures. The introduction of a coresponsibility levy for cereals, accompanied by a pro rata levy on imports of cereal substitutes, as an alternative to a reduction in cereal prices, is now under discussion in 'COPA'.

In the beef and veal sector, the increasing surpluses prompted the Commission to propose that the intervention price should be frozen for 1985-1986. Despite the European Parliament's opposition, the Council endorsed the Commission's proposal.

The agreement reached by the Council on 16 May 1985 on the farm price package for 1985-1986(7) contains no provisions on cereals or rape, or on the premium system for the non-supply of milk. According to the Commission, it is a balanced agreement which takes into account the interests of all Member States. The changes involved are in the freezing of prices expressed in ECU, with Mediterranean products, except wine and certain fruit and vegetables, in a better position as a result of an increase in the guaranteed prices and premiums. However, guaranteed prices are not the only factor in stabilizing markets and improving incomes. The related measures for 1985-1986, which accompany the price proposals, cover MCAs (abolition of negative MCAs and retention of positive MCAs), the quota system for milk production, the premium system for sheepmeat, the production thresholds for tomatoes intended for processing, the introduction of periodic adjustments in the prices of certain products, national responsibility for aid to short-term private storage, wine, etc.

To come back to the attempts to reform the CAP which have been underway for several years without, however, having achieved any significant results - the proportion of the general budget of the European Communities accounted for by the Guarantee Fund increased in 1985, once again reaching the figure of 72% -, the European Parliament has decided to table a number of own-initiative resolutions on the future of the CAP. The Committee on Agriculture, which feels it should be closely involved in the reform of the CAP, took this initiative following the setting-up by the Commission of a number of working parties to define possible options for certain important aspects of the CAP and, in particular, to examine ways of halting the growth in food stocks and the increase in agricultural expenditure. The reports drawn up by these working parties will be considered in the light of the comments made by the European Parliament. The informal discussions between the ten Ministers for

Agriculture, which took place in Sienna on 28 May 1985, provide some indication of the direction likely to be taken by the reform of the CAP. The Ministers were unanimous on the need to adapt the existing management instruments to the new situation. For its part, the Commission intends to use guaranteed prices to regulate the market whereas incomes will be regulated increasingly by other instruments.

In Parliament's opinion, structural policy is one sector of Community legislation which is far from satisfactory owing to the inadequate resources. Parliament takes every available opportunity to emphasize the need for an overall structural policy. In particular, it attaches great importance to implementation of the Integrated Mediterranean Programmes (IMPs)(8) endorsed by the Dublin European Council in December 1984. In 1980, under the 'Mandate of 30 May'(9), the Commission stressed the need to implement Community programmes on incomes, markets, production and structures, for the Mediterranean regions. The Council was not able to reach agreement on the financing arrangements and the Commission submitted a new proposal(10) designed to provide an overall solution to the various problems facing the Mediterranean regions, the main aims being development, adaptation and support. This proposal was finally adopted by the Council. Meanwhile a number of pilot actions in preparation for the IMPs were started in 1983 and improved in 1984 in various Member States(11).

The Council has also adopted a regulation on improving the efficiency of agricultural structures(12). In the case of the EAGGF, the regulation contains a system of aid for investments in agricultural holdings, special aids to young farmers, a scheme to encourage the introduction of accounting on agricultural holdings, forestry, vocational training, and farming in mountain and less-favoured regions. The measures covered by the 1972 directives on improving agricultural structures, and by other specific directives and regulations will be included in this new framework. In the case of the EAGGF, Community action is concentrated on a number of priority areas in conjunction with the other structural funds: promotion of investments in the modernization and reconversion of farms, processing and marketing of agricultural products, protecting and improving the use of non-productive land (afforestation), improvement of incomes in the least-favoured areas. This regulation represents an advance since it coordinates and effectively complements a number of actions already covered by the socio-structural directives of 1972,

the 1975 directive on mountain farming and a number of other directives and regulations on agricultural structures. The possibility of national aid for specific measures to protect the environment is a new departure. The Commission has expressly stated that structural improvement is indissolubly linked to implementation of the proposed reforms.

The revelation of a scandal involving illegal trade in prohibited hormones, with far-reaching ramifications, has refuelled concern about the controversial use of hormones in livestock farming. Since the use of certain growth hormones which are dangerous to health is already prohibited in livestock farming, under a 1981 directive(13), which is not applied everywhere, in 1984 the Commission, in response to pressure from consumers' organizations, submitted a proposal to prohibit the use of artificial hormones and to authorize only certain natural hormones for fattening purposes. The proposal provides for a Community list of authorized products and for measures to check that the ban is being enforced. In its opinion, the European Parliament's Committee on Agriculture calls for the measures to be deferred until the level of the health hazard represented by hormonal substances is established with certainty. The Commission of the European Communities has commissioned studies on this controversial issue to help the Council come to a decision.

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- (1) COM(83) 500 final
 - (2) Council Regulations Nos. 856/84 and 857/84, OJ No. L 90, 1984
 - (3) European Parliament resolution of 14 March 1985, OJ No. C 94, 1985
 - (4) Council Regulation No. 776/85, OJ No. L 88, 1985
 - (5) Council Regulation No. 775/85, OJ No. L 88, 1985
 - (6) European Parliament resolution of 14 February 1985, OJ No. C 72, 1985
 - (7) European Parliament resolution of 14 March 1985, OJ No. C 94, 1985
 - (8) European Parliament resolutions of 14 February 1985, OJ No. C 72, 1985, and of 14 March 1985, OJ No. C 94, 1985
 - (9) Commission report of October 1981 on the Mandate of 30 May 1980 (guidelines), COM(81) 608 final
 - (10) COM(85) 180 final/2
 - (11) OJ No. L 37, 1985
 - (12) Council Regulation No. 797/85, OJ No. L 93, 1985
 - (13) Council Directive No. 81/602, OJ No. L 222, 1981

THE COMMON FISHERIES POLICY

The European Parliament began its second term with an institutional innovation in the fisheries sector: the decision to create a Subcommittee on Fisheries under the auspices of the Committee on Agriculture, Fisheries and Food.

Although a matter of internal organization, Parliament took this decision with a view to demonstrating the importance it attached to the fisheries sector in the wake of the Council's decisions of 1983, which established a sounder and more durable foundation for the new common fisheries policy.

The years 1984 and 1985 saw the unfolding of an event of great significance, which perhaps had a particularly marked effect on the fisheries sector: the negotiations on the accession of Spain and Portugal. Indeed, fisheries proved to be one of the most difficult subjects of the negotiations, stimulating a great deal of interest both in the sectors concerned and in the European Parliament during much of the negotiating period. The Subcommittee on Fisheries and certain resolutions adopted by Parliament(1) voiced concern about the future of the common fisheries policy following the accession of two countries with long-standing seafaring and fishing traditions. Spain and Portugal, which are now virtually part of the Community, are faced with specific problems. Portugal, for instance, finds that it must adequately protect its inshore fleet, which also fishes outside its territorial waters, and its canning industry, particularly the sardine canning industry. Spain, for its part, joins the Community with an extremely large fleet for which new fishing zones have to be found. This explains why not only Parliament, but also, following its example, the Council of Ministers and the negotiators sought to prevent the accession of Spain in particular from undermining the principle of relative stability, which underpins the 1983 decisions on the common fisheries policy. As the President-in-Office of the Council stated before Parliament at its May 1985 part-session, the problem will be solved by subjecting the Spanish fleet's access to Community waters to a monitoring arrangement which will determine the maximum number of fishing vessels authorized to fish simultaneously in each of the relevant zones.

Needless to say, all fishing vessels, whether or not they belong to the Community, the Spanish or the Portuguese fleets, will be required, on the accession date, to comply with the conservation laws and standards of the 'acquis communautaire' (minimum sizes, fishing gear and appliances, by-catches and quotas) and with various control measures (system for the regular notification and recording of catches). As far as external relations are concerned, the agreement concluded between the Council and the Spanish and Portuguese delegations stipulates that, upon accession, the two countries must withdraw from the international fishing conventions to which the Community as such is a party. In addition, upon accession, the Community will see to the management of the bilateral agreements concluded between Spain and other countries; it will also undertake to renegotiate global agreements with such non-member countries.

As far as the trade aspects of tariff dismantling are concerned, the transitional period will be seven years. During this period, the Spanish will continue to have the right to apply the rule of origin to catches from Spanish vessels which, in the context of mixed companies, have had to transfer their flag to another country. Lastly, on the question of structures, the accession agreement provides that aid worth 28.5 million ECU shall be granted to Spain as a contribution to the measures needed to restructure the Spanish fishing fleet.

In the case of Portugal, no specific structural aid measure is planned before accession; however, all the schemes which qualify for EAGGF financing will be extended to the country just as soon as it becomes a member.

In the course of 1984 and 1985, the negotiations with Spain and Portugal were not the sole factor influencing the development of the fisheries policy. Implementation of the common policy continued with the fixing of national quotas and total admissible catches for 1985, based yet again on the principles of the conservation of resources and the protection of economic activities in the fisheries sector. Various agreements with non-member countries expired and were renewed by the Community. Steps were taken to conclude new agreements, primarily with the ACP countries. And finally, the negotiations started with a view to the conclusion of agreements with Madagascar and Gambia are already at an advanced stage.

A further important development for the management of the fisheries policy was the implementation by Greenland of its decision to withdraw from the Community, the consequences of which were mainly felt by the fishing industry.

Within the framework of the new relations established between the Community and Greenland after 1 February 1985, the Community, in line with the recommendations of a European Parliament report(2), sought to conclude a balanced agreement which would allow Community vessels to continue their traditional fishing activities in Greenland's waters and, at the same time, guarantee Community support for Greenland's economic development programmes.

These efforts resulted in the signing of a fishing protocol between the Community and Greenland which authorizes access, within certain limits, to a part of Greenland's fishing reserves and, by way of compensation, provides for Community financial aid amounting to 26.5 million ECU and the maintenance of Greenland's right to export its fishery products duty-free to the Community market.

Before concluding this brief analysis of the action taken by the Community and by Parliament in the fisheries sector, we are bound to reiterate that the problem of ensuring that Parliament is more fully consulted on the sector has yet to be solved. This problem is currently being considered by the Political Affairs Committee's working group on the application of the Treaties, whose task is to deliver an opinion on the steps that must be taken at institutional level to guarantee that Parliament is not denied the right to be consulted on a range of delicate issues.

A final point that must be made concerns the activities of the Subcommittee on Fisheries. With its teething troubles and the accession problem behind it, the Subcommittee on Fisheries has become extremely active and is currently engaged in the preparation of a series of reports, for submission to the European Parliament before the end of 1985, whose aim is to stimulate reflection on the general application of the fisheries policy and on its remaining deficiencies(3).

(1) In 1984/85, Parliament adopted resolutions:

- on the fisheries sector in Portugal with a view to its accession to the EEC. Rapporteur PERY, Doc. 2-947/84, OJ No. C 337/84
- on the follow-up of the FAO world conference on fisheries. Rapporteur EWING, Doc. A 2-3/85 of 19.4.1985
- on the ratification of the Torremolinos convention on the safety of fishing vessels. Rapporteur PROVAN, Doc. 1-357/84, OJ No. C 183/84
- on the accession negotiations with Spain and Portugal in the fisheries sector. Rapporteur GIUMMARRA and others, Doc. 2-1878/84 of 14.3.1985
- on budgetary control with regard to the measures taken under the common fisheries policy. Rapporteur BATTERSBY, Doc. A 2-34/85, OJ No. C 46/85

(2) Resolutions on the Greenland fisheries sector and on the fishing agreements concluded between the EEC and Greenland. Rapporteur BATTERSBY, Doc. 1-1394/83 and Doc. 1-221/84

(3) Reports are being prepared by the Subcommittee on Fisheries on the following subjects:

- problems and prospects in the fisheries sector in the context of Community enlargement; rapporteur GUERMEUR
- the future fisheries structural policy; rapporteur BATTERSBY
- fisheries problems in the Mediterranean; rapporteur STAVROU
- relations with third countries in the fisheries sector; rapporteur DE PASQUALE
- the common organization of the market in the fisheries sector; rapporteur BORGIO
- estimation of fish stocks in the Community; rapporteur GAUTIER
- the prospects for aquaculture in the Community; rapporteur EWING
- the development of social policy intervention in the fisheries sector; rapporteur MORRIS
- problems concerning the Community's powers as regards the monitoring of fishing activities; rapporteur Lord O'HAGAN

TRANSPORT POLICY

Probably the most important event in connection with the common transport policy during the period under review is the judgment handed down by the Court of Justice of the European Communities on 22 May 1985 in Case 13/83.

On the application of the European Parliament, the Court established, pursuant to Article 175 of the EEC Treaty, that the Council had infringed the Treaty by failing to act in the field of transport. The Court ruled and declared that:

'The Council has infringed the Treaty by failing to ensure freedom to provide services in the sphere of international transport and to lay down the conditions under which non-resident carriers may operate transport services in a Member State.'

The significance of this judgment extends far beyond the field of transport, since merely by declaring the action admissible the Court has recognized that the European Parliament is able to institute proceedings against the Council pursuant to Article 175 of the EEC Treaty for failure to act, an ability which had previously been contested. Parliament has thus secured a new power, providing it with a genuine right of supervision over the Council, since Article 176 of the EEC Treaty requires the institution guilty of infringement 'to take the necessary measures to comply with the judgment of the Court of Justice'. The judgment is of the utmost importance for the transport policy and has produced more than Parliament hoped for when it decided on 16 September 1982, on the basis of a report by Mr Seefeld (Doc. 1-420/82), to take the course of instituting proceedings against the Council for failure to act. The intention was only to prompt the Council to lay down, with binding force, the 'framework' of a common transport policy provided for in Article 74 of the Treaty and to adopt the Commission proposals approved by Parliament then pending before it. The Court of Justice found the idea of a 'framework' too vague to occasion liability under Article 175 (see paragraph 53 of the legal grounds of the judgment). It regarded the specific Commission proposals which happened at that time to be pending before the Council as too

insignificant and left their adoption or rejection to the Council's discretion, since these were deemed to be only accompanying measures in respect of the mandatory liberalization measures (see paragraph 71 of the grounds). According to the judgment, the Council's failure to act derives from the time limit laid down in Article 75(2) for the establishment of freedom to provide transport services. In other words, the Council has been found guilty of failing to act even in areas in which the Commission has submitted no proposals at all since 1959 (this is particularly evident as regards Article 75(1)(b)).

The Council will now have to establish without delay the freedom to provide services in the transport sector, i.e. a common market in transport, and of course at the same time take all the measures to harmonize conditions of competition that are necessary for the proper functioning of this common market in transport. However, it is up to the Commission to submit the proposals required for this purpose as soon as possible.

During the period under review, the Committee on Transport has submitted to Parliament in plenary sitting only four reports embodying opinions on proposals from the Commission. The Vandewiele report (drawn up in the European Parliament's first electoral period) supported the Commission in its efforts to provide for the duty-free admission of fuel in such a way that all fuel contained in the normal fuel tanks of commercial vehicles would be exempt from duty(1).

The Braun-Moser report delivered an opinion on summertime arrangements(2), while the Marshall report dealt with the amendment of the regulations on social legislation relating to road transport and on the introduction of recording equipment(3).

The Visser report embodied opinions on Commission proposals concerning the improvement of the situation of railway undertakings and the granting of aids for transport(4).

The Committee on Transport has also provided opinions for important reports for which other committees were responsible, e.g. on matters concerning environmental pollution and the application of the competition rules to maritime transport.

A large number of consultations in the transport sector have been received by Parliament and are still under consideration by the committees. The Committee on Transport is preparing own-initiative reports on air transport, sea transport and other topics, and in particular a new basic report on transport policy in general.

During the period under review, the Council of Transport Ministers met twice under the presidency of the Irish Minister Jim Mitchell, on 8 November and 11-12 December 1984, and once informally under the presidency of the Italian Transport Minister Mr Signorile. A further official meeting will take place on 23 May 1985.

The Council meetings once again produced very little by way of legislation. The following legal acts were adopted:

- a regulation introducing special measures of Community interest relating to transport infrastructure(5), intended to help resolve the financial wrangle in the Community and granting 461 m ECU to the United Kingdom and 10 m ECU to the Federal Republic of Germany to finance transport infrastructure projects;
- in a third directive on summertime arrangements(6), common dates were fixed for the beginning of summertime for the period 1986 to 1988, but different dates for the end; the Commission is to propose a solution to this problem to apply from 1989 onwards;
- in a resolution(7), 1986 was declared road safety year;
- approval was given to an agreement with Spain on the combined road/rail carriage of goods(8);
- the only measure of any real significance for the development of the common transport policy was the Council directive of 19 December 1984(9) on the weights, dimensions and certain other technical characteristics of certain road vehicles, which specified the dimensions of a 'European road train' for use in traffic between Member States, while the latter remain able to permit the use of larger vehicles in their domestic traffic or to authorize only smaller vehicles nationally. The limit values for the 'European road train'

are: length: 18 m, width: 2.5 m, height: 4 m, weight: 40 tonnes, axle weight per non-driving axle: 10 tonnes. However, the United Kingdom and Ireland are permitted to continue with a 38-tonne limit until at least 1987. The duration of this derogation will be decided only after 1987.

The Italian presidency has announced that a 'Master Plan' will take account of Parliament's desire for the establishment of a binding framework for the common transport policy.

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- (1) Doc. 1-204/84
 - (2) Doc. 2-604/84
 - (3) Doc. A 2-9/85
 - (4) Doc. 2-1763/84
 - (5) OJ No. L 177, 4.7.1984
 - (6) OJ No. L 331, 19.12.1984
 - (7) OJ No. C 341, 21.12.1984
 - (8) OJ No. L 34, 7.2.1985
 - (9) OJ No. L 2, 3.1.1985

THE DEVELOPMENT OF COMMUNITY ENERGY POLICY(1)
FROM JULY 1984 to JUNE 1985
AND PROSPECTS FOR THE IMMEDIATE FUTURE

The dramatic increases in the price of crude oil in 1979-80 and the serious repercussions they had on the economies of all the Member States of the Community gave a new impetus to the development of a Community energy policy. However, the tangible progress made between July 1984 and June 1985 can only be described as modest. As has already been pointed out in the preceding number of this publication, this is not - contrary to widespread public opinion - due to any lack of will or initiative on the part of the Commission or the Parliament, but simply to the fact that the limits set by Member States for their participation in the common energy policy had been reached.

Energy saving and the rational use of energy

Energy saving and the rational use of energy are two of the priority objectives of the Community's energy policy, as was stressed in the Council resolution of 9 June 1980(2) concerning Community energy policy objectives for 1990 and convergence of the policies of the Member States. Parliament has emphasized these objectives on several occasions in the past. An assessment of the Community's progress in these areas reveals undeniable success in controlling the growth in energy consumption and particularly in reducing dependence on oil by making more rational use of energy and broadening the sources of supply. In 1984, for instance, the Community's total primary energy production rose to 507.1 m tonnes of crude petroleum units, as against 368.1 m in 1975. Even more evident is the success achieved in controlling demand, despite the recent renewed increase in consumption. Over the whole of the Community (EUR 10) energy dependence and oil dependence, i.e. the relation between net imports and gross domestic consumption, were reduced from 61.4% and 55.2% respectively in 1975 to 43.6% and 31.8% in 1984. However, it must be admitted that these notable successes in reducing oil dependence have been

achieved thanks largely to the increase in energy prices and the low level of economic growth in the Member States. This Community policy of energy saving and reduced energy dependence was reaffirmed during the period under consideration by the Council resolution of 15 January 1985 on the improvement of energy-saving programmes in the Member States(3) and by the Council regulation of 23 July 1984 amending a previous regulation on the granting of financial support for demonstration projects relating to energy saving and the substitution of hydrocarbons(4).

Community policy on solid fuels

Another of the Community's energy policy objectives for 1990 is to promote the use of coal as a substitute for oil. The importance of coal has been stressed in the report now under consideration on financial support by the Community for industries producing solid fuels(5). This draft report notes with regret that the measures hitherto taken in the field of solid fuels (brown coal and peat as well as hard coal) have not been adequate, and calls specifically for greater efforts to be made in coal policy both by the coal-producing Member States and the others to counteract any future international energy crisis by means of the reliable energy source of indigenous coal. Furthermore, the Community grants aid to the coal sector via the ECSC's operating budget (used primarily to mitigate the social consequences of restructuring measures in the coal sector) and technological research programmes (demonstration projects). In the period under consideration the Council adopted a regulation on the granting of financial support for industrial projects relating to the liquefaction and gasification of solid fuels(6).

Hydrocarbons

The European Parliament has many times in the past advocated a reduction in the Community's energy dependence, in particular on oil, and called for increased exploitation of the Community's own resources. In a recent report(7) Parliament called on the Community to take steps to encourage technological development in the hydrocarbons sector, so as to make the Community less dependent on imports of oil and natural gas, and at the same time to promote technological innovation (marine prospecting techniques, etc.) in the Community.

The report(8) on the research and development programme for the optimization of the production and utilization of hydrocarbons (1984 to 1987) also seeks to achieve better use of the Community's resources.

The role of nuclear energy

In the development of a Community energy strategy aimed at reducing dependence on oil, nuclear energy, alongside coal, is of particular importance, especially for those countries which, like the Member States of the Community, have a high energy consumption but do not have adequate hydrocarbon resources. The European Parliament has never opposed the development of nuclear energy, but it has constantly stressed the safety aspect and the protection of human health and the environment.

During the period under consideration the role of nuclear energy in the Community has given rise to sharp disagreements within Parliament, which is currently considering a report on discontinuing the nuclear-powered production of electricity - the objective of several different groups - and on the Commission's proposal amending Chapter VI ('Supply') of the Euratom Treaty(9). During its previous term Parliament had already expressed its view, though without being able to adopt a final opinion, on Chapter VI ('Supply') of the Euratom Treaty in an interim report(10) and resolution(11).

In the past Parliament has always been particularly concerned, as regards nuclear energy, with the safety and storage aspects. During 1984-85 it stated its position in a report(12) and the related motion for a resolution(13) of 17 January 1985 on a Community programme on the management and storage of radioactive waste (1985 to 1989).

Energy pricing policy and specific taxes

Pricing policy is one of the main means of achieving the objectives for both supply and demand aspects in a coherent and rational way. In keeping with the importance given to pricing policy on a number of occasions in the past, Parliament, in a report(14) and the related motion for a resolution(15) of 15 March 1985, has again advocated the precise formulation of the Community's energy pricing principles and their application by the Member States. It expressed particular concern for the plight of the lower-income groups, who have recently been subjected to cuts in gas and electricity supplies.

Research, development and demonstration

The Community's role in this field is universally recognized; Community-wide action is justified on grounds both of economies of scale (e.g. the JET programme) and of industrial policy interests.

It is true that the Community accounts for barely 2% of total public research expenditure in Member States at present, but this modest figure gives a false idea of the real importance of the Community, which, in the period under consideration, made increased specific efforts in the fields of energy saving, alternative energy sources and new energy technologies - mainly the gasification and liquefaction of coal - fields of significance for the future in which the activities launched or encouraged by the Community occupy a prime position. (For further details see Chapter 25 on developments in Community research and technology policy.)

The role of the European Parliament

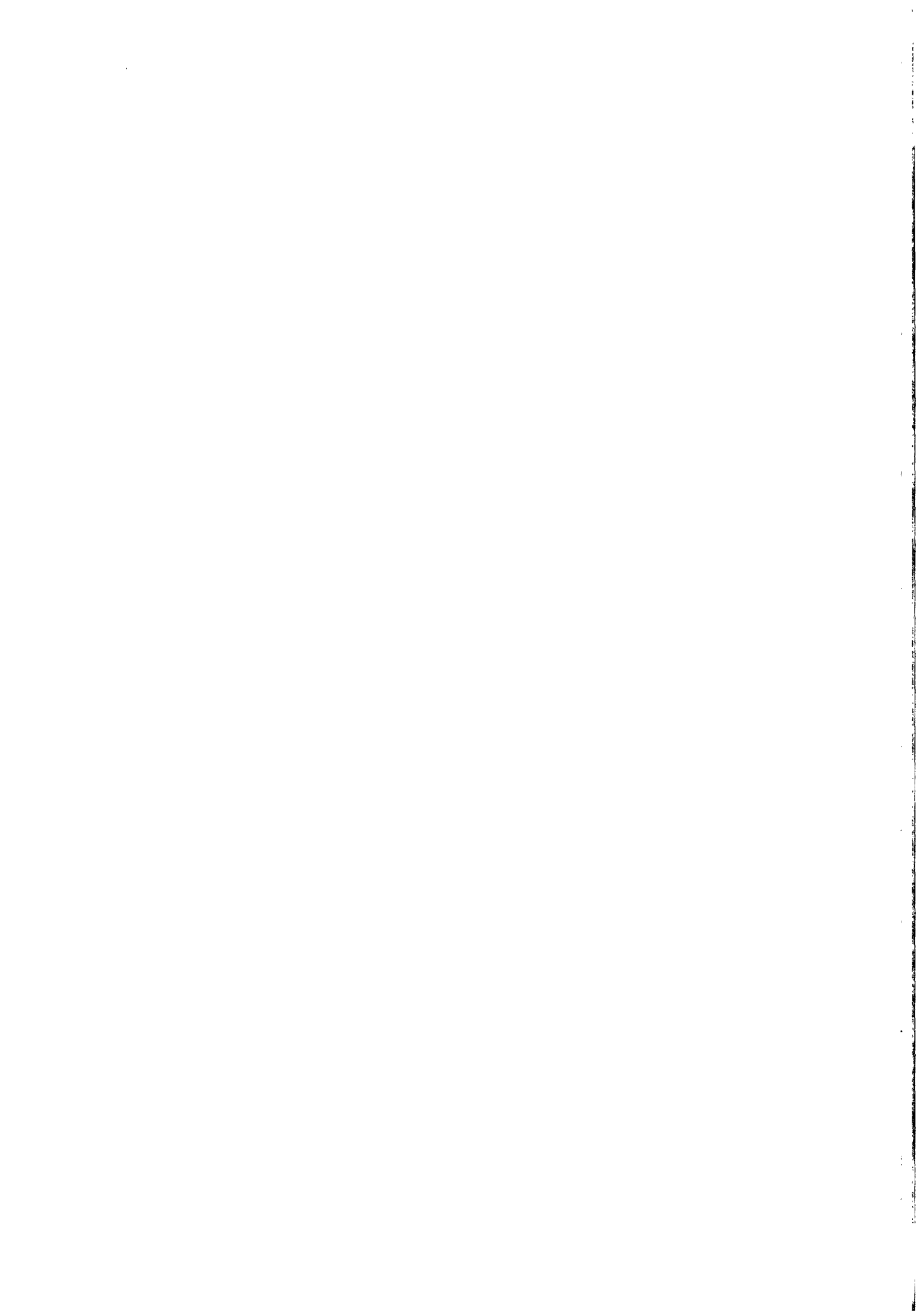
Despite the efforts which have been made to develop a common energy policy, actual progress has been very modest. A common policy worthy of the name is something which is not likely to be achieved in the very near future - in large measure because national energy concerns resist the implementation of a common policy.

In view of this situation, the European Parliament has always considered one of its main tasks to be to persuade the Member States that long-term common interests are more important than short-term national interests that give priority to different solutions. Parliament has several times expressed its concern at the lack of a real common energy policy and has called on the Council finally to achieve tangible progress in this field. During the period under consideration Parliament has clearly placed emphasis in its resolutions and opinions (some of which have been mentioned above) on its concern that new impetus be given to the important matter of energy policy.

It is clear that some progress was made during the July 1984-June 1985 period. This should not, however, obscure the fact there is no real common energy policy because of the disparities in the situations of the Member States and the reluctance of some to relinquish national powers, nor indeed

the fact that it will be difficult to implement a common policy in the near future. It is clear that much still stands in the way of any progress, beyond the minimal consensus so far achieved on the need for energy saving and the replacement of oil, towards a coherent overall strategy for the Community involving the transfer of resources between Member States and the partial abandonment of national jurisdiction.

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- (1) A number of Community projects in the field of research and technology are concerned with energy. See also the next chapter (No.25) 'Research and Technology'. The European Parliament which emerged from the last elections has not yet been able, in the period under consideration, to complete its examination of all the activities in progress. This report takes account of the latter, where relevant.
 - (2) Council Resolution of 9 June 1980, OJ No. C 149/80
 - (3) Council Resolution of 15 January 1985, OJ No. C 20/85
 - (4) Council Regulation (EEC) No. 2126/84 of 23 July 1984, OJ No. L 196/84
 - (5) PE 94.379; cf. also Commission proposal for a Council regulation (COM(84) 469 final)
 - (6) Council Regulation (EEC) No. 2125/84 of 23 July 1984, OJ No. L 196/84
 - (7) PE 96.993; cf. also Commission proposal for a Council regulation (COM(84) 658 final)
 - (8) PE 91.095/rev.; cf. also Commission proposal (COM(84) 273 final)
 - (9) PE 96.973; cf. also communication from the Commission on the nuclear industry in the Community (COM(84) 653 final)
 - (10) Doc. 1-228/84/A and 1-228/84/B
 - (11) Resolution of the European Parliament of 24 May 1984, OJ No. C 172/84
 - (12) Doc. 2-1365/84; cf. also Commission proposal (COM(84) 231 final)
 - (13) OJ No. C 46/85
 - (14) Doc. 1-1784/84; cf. also Commission working document (COM(84) 490 final)
 - (15) Resolution of the European Parliament of 15 March 1985 (not yet published in OJNo. C 94 of 15 April 1985)



DEVELOPMENTS IN THE COMMON RESEARCH AND TECHNOLOGY POLICY
FROM JULY 1984 TO JUNE 1985
AND PROSPECTS FOR THE IMMEDIATE FUTURE

A formal basis for a Community research policy, based on Article 235 of the EEC Treaty and transcending the areas covered by the ESCS and EURATOM Treaties, was only created in 1974, in a Council resolution(1) on the coordination of national policies and the definition of projects of interest to the Community in the field of science and technology. This research policy was introduced in 1974 and evolved further during the period covered by this report (July 1984 - June 1985).

Implementation of the Community's research and development programmes

Community research programmes are implemented either directly on behalf of the Community at the Joint Research Centre (JRC), where over 2 000 people are currently employed (especially in Ispra in Italy, but also in Geel in Belgium, Karlsruhe in Germany and Petten in the Netherlands), or indirectly by means of research contracts in national research laboratories, whose activities are coordinated and often also subsidized by the Community.

European strategy for research and technology (framework programme 1984-1987)

Adoption(2) of the framework research programme 1984-1987 now in progress has provided a basis for agreement at Community level on expenditure on research and development and demonstration activities in absolute and relative terms.

This framework programme represents the first step in a continuous process of examination and global decision-taking which should make for greater qualitative and quantitative accuracy over the next few years. The period 1984-1987 should thus lay the foundations for a strategy of action to be taken in the '90s. This requires, first of all, the gradual development of an

adaptation strategy under which the Community's activities will be reorientated, expanded and complemented on the basis of the three treaties. With these objectives this framework programme answers the European Parliament's repeated demand for an independent Community research policy which will enable Europe to meet the economic, industrial and technological challenges of our time(3).

On the basis of three principles:

- greater priority for scientific and technical activities in the expansion of Community activities and policies (with an increased percentage of staff and financial resources),
- work geared to major economic and technical aims,
- enhancement of the Community's scientific and technical potential,

the framework programme, as the basis for a joint strategy in the field of science and technology, covers 7 key areas (the so-called socio-economic options), the scientific and technical goals in each area and the resources earmarked for each of them for the period 1984-1987. 3 750 million ECU (1982 value) have been allocated to this framework programme for the years 1984 to 1987, which will mean that the share of resources for research in the general budget of the Communities would increase from about 2.6% in 1983 to approximately 4.0% in 1987. The following table shows the financial allocation for each of the eight key sectors of the framework programme and the progress made in each of the sectors by the end of March 1985. For the period 1984-1987, actions have been decided up to 31 March 1985; these account for a total amount of 2 684 m ECU (1982 value). In other words, the actions decided so far cover 72% of the targets set for the period under review.

State of implementation of the framework programme
end of March 1985(3)

Options	Framework programme 1984-1985		Status end March 1985		
			Actions decided with annual appropriations		
	Million ECU 1982	%	Million ECU 1982	%	Utilization %
1. Agriculture	130	3.5	38.9	1.5	30
2. Industrial competitiveness	1 060	28.2	932.6	34.7	88
3. Raw materials	80	2.1	30.2	1.1	38
4. Energy	1 770	47.2	1 317.3	49.1	74
5. Development aid	150	4.0	39.9	1.5	27
6. Living and working conditions	385	10.3	265.2	9.9	69
7. Improving scientific and technical potential	85	2.3	43.4	1.6	51
8. Horizontal activities	90	2.4	16.9	0.6	19
Total framework programme	3 750	100.0	2 684.4	100.0	72

The planned distribution of appropriations in the framework programme attests to an intensification of the trend followed by the Community's research policy to date, whereby energy research, in the widest sense, is given priority. This concentration of resources on a particular high-priority area is perhaps the best way to achieve significant results rather than spreading the resources over a large number of relatively insignificant programmes - even though they would then cover almost all areas in which Community research activity could prove useful. Appropriations in the energy field go to the following sectors:

- development of nuclear energy (particularly safety aspects),
- controlled thermonuclear fusion (JET),
- development of renewable energy sources,
- rational use of energy (systems analysis, hydrocarbons, coal, energy saving).

The Commission is currently conducting a review of the programme bearing in mind the experience acquired to date(4).

Promotion of European cooperation and scientific and technical interchange,
Plan 1985-1988

There is no doubt that while the potential of European research is comparable with that of the United States and Japan, it nonetheless suffers from basic structural weaknesses - duplication of effort, absence of incentive and under-employment of scientists resulting from the relatively weak position of European industry. Consequently, during the period under review the European Parliament in a report(5) which aroused a great deal of interest and in the corresponding resolution(6) called for these weaknesses to be overcome through concerted European action and qualitative stimulation measures designed to improve the organization of European research and to maximize the potential of researchers and scientists.

Research and development in the field of information technologies (ESPRIT) and telecommunications (RACE)

During recent years increasing difficulties have beset the international competitiveness of industry in the rapidly expanding information technology and telecommunications sector which now occupies a position comparable to that of the car industry or the steel industry. The Community has recognized that the information technology sector is of vital importance for the economic recovery and needs to receive greater support for its development if it is not to be overwhelmed by the massive pressure from the United States and Japan. In addition, the substantial funds required for research and development in this field can only be met by trans-national cooperation with a greater concentration of public and private capital which will also help to prevent possible losses due to duplication of effort. It was due in large measure to the pressure brought to bear by the European Parliament that the Council finally decided, in February 1984(7), to adopt the Community ESPRIT programme (European Strategic Programme for Research and Development in Information Technology), covering a ten-year period. The 1985 work programme was adopted by a Council decision(8) of 11 February 1985. The ESPRIT programme, which covers five sectors (advanced micro-electronics, advanced information processing, software technology, office systems and computer integrated manufacture) is basically designed to create an information system accessible to all interested parties and to ensure the widest possible dissemination of research findings.

The European Parliament also supports the preparatory work now under way on the 'RACE' programme (Research and Development in the field of telecommunication technologies, R & D in advanced communications technologies for Europe). The debate on the European Parliament's report on this proposal(9) is now nearing completion.

New technologies and biotechnology

Apart from the information and communications technologies referred to above, Parliament has concentrated its attention in the field of research and development on the 'new' technologies since it is firmly convinced that it is only by consolidating Community activities that the scientific future of Europe can be assured in the face of the fierce competition from the United States and Japan.

In a noteworthy report(10) and corresponding resolution(11) of 14 December 1984, the European Parliament emphasizes the urgent need for a European biotechnology research programme. A multiannual research programme in the field of biotechnology was established by the Council decision of 12 March 1985(12). Preparatory work is now in progress for an important hearing on biotechnology to be organized by Parliament in November 1985, thus illustrating the European Parliament's unstinting efforts to highlight the various opportunities and risks existing in the biotechnology sector.

One of the objectives of the framework programme discussed above is to improve industrial competitiveness. As early as November 1983, the European Parliament(13) expressly recommended in a report and resolution the implementation of a multiannual research and development programme in the field of basic technological research and the application of new technologies. The BRITE programme (Basic Research in Industrial Technologies for Europe) was adopted for the years 1985 to 1988 by the Council decision(14) of 12 March 1985; it covers research and development in basic technologies, laser technology, new testing methods, new materials such as polymers, membrane science, catalysis and particle technology. The European Parliament's various reports on these topics, now being drafted, show the special importance it accords to the new technologies and to their economic and social implications. These reports (in particular on assessment of the impact of new technology, on European environmental policy, on European research, on the challenge of technology and on the social consequences of the new technologies) should be adopted in October 1985 during the part-session devoted primarily to the new technologies.

Joint research centre (JCR)

In the past, the European Parliament has always campaigned for an expansion of the JCR, even if it has not always managed to persuade the Council of Ministers to continue certain programmes. During the period under review, the JCR pursued its multiannual research programme (1984-1987); this programme covers the following fields: industrial technologies, nuclear fusion, nuclear fission, non-nuclear energies and the environment.

JET project and nuclear fusion

A major part of the framework research programme concerns nuclear fusion. The European research effort in the area of fusion is currently concentrated on the JET (Joint European Torus) project at the nuclear fusion research centre at Culham, in the United Kingdom. In a report(16) and the corresponding resolution(17) of 17 January 1985, the European Parliament emphasized the need for nuclear fusion research and recommended the adoption of a research and training programme (1985-1989) in the field of controlled thermonuclear fusion and the realization of a tritium-handling laboratory. This programme was adopted by the Council decision(18) of 12 March 1985.

Other research activities

The framework research programme described above also includes a section on non-nuclear energy. Back in October 1983, the European Parliament(19) emphatically endorsed the need for a programme in this field, which it saw as helping to reduce further the Community's energy dependence. In a report(20) of 11 February 1985, the European Parliament(21) also called for other Community research activities in the energy field, particularly to take greater advantage of the production and use of hydrocarbons. The final outcome of these resolutions was the Council decision of 12 March 1985(22) on a research programme in the non-nuclear energy field (including the use of hydrocarbons, research into the development of renewable sources of energy, rational use of energy, use of new sources of energy and energy systems analysis).

Role of the European Parliament

Despite all the above-mentioned efforts aimed at intensifying expansion of the Community research policy, and despite the tight budget situation, further increased efforts are crucial for the attainment of greater independence especially in the area of energy policy, and for the safeguarding of European industry's competitiveness in the new-technologies sector, which is at present under threat.

As its intensive efforts in the 1970s for the maintenance and expansion of the Joint Research Centre prove, the European Parliament has always considered one of its important tasks to be that of ensuring an increase in Community activities also in this sector, and of bringing home to the Member States the fact that Community research activities are, in the long term, of more use to them than isolated research programmes.

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- (1) Council resolution of 14 January 1984, OJ No. C 7/74
 - (2) Council resolution of 25 July 1983, OJ No. C 208/83
 - (3) Source: COM(85) 140 final
 - (4) See Commission working document, COM(85) 140 final
 - (5) Doc. 2-796/84; see also Commission communications COM(84) 46 final, COM(84) 215 final, COM(84) 650 final and COM(84) 719 final
 - (6) EP resolutions of 26 November 1984, OJ No. C 315/84
 - (7) OJ No. L 67/84
 - (8) OJ No. L 55/85
 - (9) PE 97.978; see also the corresponding Commission proposal COM(85) 113 final
 - (10) Doc. 2-1144/84; see also corresponding Commission proposal, COM(84) 230 final
 - (11) OJ No. C 12/85
 - (12) Council Decision (85/195/EEC), OJ No. L 83/85
 - (13) Doc. 1-976/83 and resolution of 18 November 1983 (OJ No. C 342/83)
 - (14) Council Decision (85/196/EEC), OJ No. L 83/85
 - (15) Adoption by Council Decision of 22 December 1983; Council Decision (84/1/EURATOM/EEC), OJ No. L 3/84
 - (16) Doc. 2-1330/84
 - (17) OJ No. C 46/85
 - (18) Council Decision (85/201/EURATOM), OJ No. L 83/85
 - (19) Doc. 1-808/83 and resolution of 28 October 1983, OJ No. C 322/83
 - (20) Doc. 2-1331/84; see also corresponding Commission proposal, COM(84) 273 final
 - (21) OJ No. C 72/85
 - (22) Council Decision (85/198/EEC), OJ No. L 83/85

EDUCATION AND CULTURAL POLICY

Education is closely linked to social life, which acts as a stimulus and source of inspiration. The appearance of educational institutions and the changes that take place in them, which are the cause and effect of developments in civilization and culture, are intimately linked to the ethnic and ecological characteristics of different populations.

This is why cooperation between the countries of the Community with regard to education should be part and parcel of European integration insofar as it can contribute to rapprochement between peoples and the improvement of living and working conditions.

The problems inherent in education affect millions of Europeans including pupils, students, parents and teachers. Despite a slight fall in numbers at the start of the 1980s, the education systems of the Community countries encompass 58 million young people and approximately 3.5 million teachers. The economic crisis and the high rate of unemployment has therefore made such cooperation essential to give education policy a new dimension, having particular regard to economic, social and cultural circumstances. The European institutions are taking an active part in this development even though the Community Treaties themselves make no explicit reference to education or culture.

However, if the spirit, and not just the letter of the Treaties, is to be respected, there is ample justification for Community action in this sector given that the Community's aim is the economic and social development of the Member States.

Specific Community action is therefore justified under Article 57 of the Treaty establishing the EEC on the recognition of diplomas, certificates and other qualifications. Progress in this area has been extremely slow and the mutual recognition of diplomas exists only for certain professions. This is why the European Parliament adopted, on 18 April 1985, an urgent resolution(1) in which it calls on the Commission, in connection with the recognition of diplomas:

- (a) to analyse the procedures for assessing the equivalence of university qualifications
- listing existing procedures and,
 - establishing criteria, standards and working methods which could be considered to be held in common, and
- (b) to draw up a proposal, on the basis of these common factors, for the creation of a Community system for assessing the equivalence of diplomas and periods of study as well as professional qualifications with a view to removing ultimately technical and administrative barriers to greater access to economic activities and greater mobility to students, teachers and researchers.

During the period in question, the European Parliament's unceasing activity has begun to produce positive results that are opening up new prospects. Indeed, at the last meeting of the Ministers for Education, which was held on 3 June 1985(2), a recommendation was adopted on the recognition, in the Member States, of the diploma of doctorate awarded by the European University Institute of Florence and on the recognition of equivalent national qualifications.

Moreover, it was agreed that the Education Committee should examine the possibilities of coordination with two other institutes, namely the College of Europe at Bruges and the European Institute of Public Administration in Maastricht.

The Ministers for Education meeting within the Council also adopted a resolution on an action programme, that is to be implemented having regard to constitutional limitations and the economic, social and cultural context of each Member State, to promote equal opportunities for young girls and boys in the field of education. The measures provided for in this programme are essential to :

- ensure that boys and girls have equal opportunities of access to all forms of education and all forms of training so as to enable each of them to develop their abilities to the full;
- enable girls and boys to make an informed choice in good time of educational establishments and vocations that give them the same opportunities for employment and economic independence;

- motivate girls and boys to make non-traditional choices and study for vocational qualifications that give them access to a much wider range of jobs;
- encourage girls to participate to the same extent as boys in new and expanding sectors, in the context of both education and vocational training, such as the new information technologies and biotechnology.

The Council of Ministers for Education closed its meeting by recommending the adoption of measures to provide a European dimension in syllabuses, teacher training and teaching material.

European culture is marked by differences : different languages, different beliefs and tastes, different artistic styles etc. However, behind these differences, which ought not to be eliminated but, on the contrary, preserved because they constitute the richness of Europe, there are cultural affinities, links and similarities, in short, a common dimension. The interaction between these two phenomena also contributes, all over Europe since time immemorial, to fuelling the interaction between old and new, tradition and progress aspiring towards new horizons. It is this, without a doubt, which is the origin of the greatness of our civilization.

In view of the complexity of European culture, the Community cannot define a cultural policy without attempting to coordinate that of its Member States, which are justifiably attached to their autonomy in this field, but at the same time the Community cannot ignore the cultural aspect and its European dimension.

Community action in the cultural sector must aim above all to encourage the spread of culture and cultural exchanges between countries by placing emphasis on the free exchange of cultural works, raising the public's level of awareness and the protection of the artistic and architectural heritage. At the same time, specific social and fiscal measures should be taken.

The Commission wants self-employed cultural workers to enjoy social security cover everywhere. It has also put forward a proposal for a directive aimed at reducing the rate of VAT on the sale of works of art (particularly direct sales). Moreover, given that the incomes of cultural workers are often irregular and progressive taxation over several years can hit them extremely

hard, the Commission is proposing general arrangements designed to stagger over several financial years the amount of tax payable on one year's exceptional income. Finally, the Commission is in favour of tax systems that encourage cultural foundations and patronage.

It should be pointed out that the European Parliament has managed to have culture recognized as a separate Community activity in its own right: the fact that the Council of Ministers for Culture met for the first time in Luxembourg on 22 July 1984 is proof of this. This meeting in Luxembourg was preceded by two informal meetings: one held in Italy in 1982 and the other in Greece in 1983. As yet, it is difficult to assess the impact of Parliament's action, but it is obvious that, in this case, Parliament's role was decisive.

During the period in question, the Committee on Youth, Culture, Education, Information and Sport took a number of measures to encourage Community action in the cultural sector.

It embarked on the consideration of a report on the improvement of living and working conditions of cultural workers in which it expresses the wish that cultural workers be treated on a par with other workers pursuant to Article 117 of the Treaty establishing the EEC.

On behalf of all workers, this Article provides for 'improved working conditions and an improved standard of living for cultural workers, so as to make possible their harmonization while the improvement is being maintained'. The Community therefore has duties towards cultural workers and must assume its responsibilities in fulfilling these duties by implementing a vocational training policy with aid from the Social Fund, the European Regional Development Fund and by taking fiscal measures.

The white paper on European policy on the media is another measure taken by the Commission following Parliament's intervention (see the resolution of 12 March 1982 which calls for the implementation of a European policy on the media⁽³⁾). Parliament's Committee on Youth, Culture, Education, Information and Sport has already drawn up a draft report on television without frontiers which supports the Commission's initiative.

The European Community should take action :

- in the sphere of legislation, by introducing general regulations for cable and satellite television;
- in the field of industrial policy, by harmonizing technical standards and supporting European technology;
- in the programme production sector, by granting financial aid for coproductions;
- in the field of cultural policy, with a view to reconciling the differences between national identities and guaranteeing the cultural unity of Europe.

On 26 March 1985, Commissioner Ripa di Meana repeated before the Committee on Youth, Culture, Education, Information and Sport, that he hoped that the cultural Europe would be based on quality and selectivity rather than on scattered resources and measures aimed at arriving at a consensus, however laudable that aim might be. He stressed that Community action in the cultural sphere should be directed towards enhancing and boosting measures taking account of three priorities already referred to by the European Parliament :

- the definition of a cultural policy and the strengthening of cultural institutions, together with their opportunities for cooperation;
- the development of knowledge and skills responding to the needs of an advanced society;
- an estimate of expenditure allocated to culture.

At the last meeting of the Ministers responsible for Cultural Affairs on 28 May 1985(4), it was decided to implement measures to encourage a multilateral aid scheme for European films and the television industry and for film and television coproductions.

The Ministers decided to encourage public and private bodies to organize European cinema and television festivals of a cultural and commercial nature; to call on national institutions planning to promote their own productions in third countries to allow other Member States to participate in these projects; to support the showing of European films, at international film festivals, in third countries.

The Council has also adopted a resolution aimed at designating 'a European cultural town' each year.

The Ministers consider that such an event would give expression to a culture which, by its history and its contemporary development, is marked by its common elements and which, at the same time, draws its richness from its diversity. Given that such an event is intended to help bring the peoples of the European Community closer together, account should be taken, in choosing this town, of European cultural ties.

The Council has also adopted a resolution on the organization of a European sculpture competition open to young sculptors. The technical and financial arrangements for this first competition should be finalized as soon as possible by a group of experts on the basis of a programme presented to Ministers.

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- (1) OJ No. C 122, 20.5.1985, p. 121
 - (2) See Council Press Release 7113/85
 - (3) OJ No. C 87, 5.4.1982
 - (4) See Council Press Release 6924/85

ENLARGEMENT

1. The year was dominated by the race to conclude negotiations in time for the accession of Spain and Portugal to take place on 1 January 1986. The European Parliament actively encouraged the successful conclusion of negotiations throughout and is now involved in the preparation of reports and opinions on the results of the negotiations which will provide its judgement on the diverse aspects of enlargement.

2. The major outstanding problems in the negotiations were resolved at ministerial meetings which took place in Brussels at the end of March during the period of the Italian Presidency of the Council of Ministers. The major difficulties in the field of agriculture had been the subject of EP resolutions in an earlier period(1), but during the year June 1984 to June 1985 the Parliament passed two resolutions on the problems of enlargement connected with fisheries(2), as well as two resolutions of a more general nature confirming the Parliament's political support for enlargement(3).

3. Furthermore, in January 1985 the Parliament debated a report of its Political Affairs Committee concerning the consultation of the EP on the accession of Spain and Portugal. The resulting resolution(4) declared that the Council must seek the opinion of the EP before concluding the treaties of accession, in accordance with the Stuttgart Solemn Declaration, and that the EP opinion should address itself especially to matters concerning the Parliament itself and the Community's decision-making process. A document drawn up by the Council on the progress of the accession negotiations, especially in the institutional sector(5), was thus transmitted to the EP in April 1985 with a request for an opinion from the Parliament.

4. A debate was then held on 8th May, that is after the close of the major part of the negotiations but before the signature of the Treaty of Accession in June. Both on this occasion and in the debate during the September 1984 part-session, representatives of all political groups in the European Parliament, with the exception of the Rainbow Group, stated their support for the principle of enlargement. French and Greek members of the Communist Group have, however, expressed their opposition. Some other members, in particular those representing the European Democratic Alliance (RDE), remain concerned that several aspects of the negotiations, and especially agricultural and fisheries problems of enlargement, have not been satisfactorily resolved, although they support the principle of enlargement and affirm its political desirability.

5. The EP's opinion(6) delivered during the May 1985 part-session is a substitute for that formal approval by the European Parliament of the agreements reached in the enlargement negotiations (and especially of their institutional aspects), for which the Treaties establishing the Communities make no provision. This opinion also called on the Council to request the acceding states to hold direct elections to the European Parliament where possible within one year of accession and at the latest to coincide with the first following national elections. Following the signing of the Treaty, the formal process of ratification will take place in the Parliaments of the existing Member States and the acceding countries. The EP will also hold a large-scale debate on ratification in the autumn which will conclude with a 'decision'.

6. In addition to the reports drawn up by its committees and the resolutions adopted in its plenary sessions, the Parliament has been monitoring the progress of the negotiations and investigating the problems of enlargement through the two Joint Committees with the parliaments of the acceding countries. During the period under review these Joint Committees have both met twice: in the case of Portugal, the Joint Committee met in November 1984 in Dublin and in April 1985 in Lisbon; in the case of Spain, it met in November 1984 in Brussels and in April 1985 in Madrid. The Joint Committees will continue to meet and to provide the main focus for contacts between the parliaments of the acceding countries and the European Parliament up to the date of accession. The European Parliament has also agreed to invite some members of the Spanish and Portuguese Parliaments to attend important committee meetings as observers.

- (1) See especially EP Resolution of 17.11.1982 (OJ No. C 334/82)
- (2) EP Resolutions of 16.11.84 (Portugal only) in OJ No. C 337/84 and of 14.3.85
- (3) EP Resolutions of 13.9.1984 (OJ No. C 274/84) and 14.3.1985
- (4) EP Resolution of 17.1.85 (OJ No. C 46/85)
- (5) Doc. C 2-14/85
- (6) EP Resolution of 8.5.1985 and HÄNSCH report (Doc. A 2-20/85)

